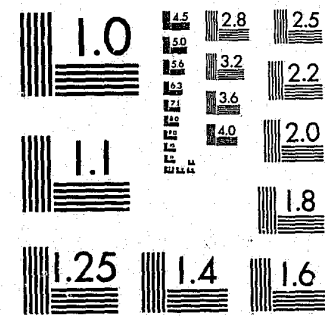


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REPORT ON THE NATIONAL DISTRICT ATTORNEYS ASSOCIATION ECONOMIC CRIME PROJECT : SIXTH GRANT PERIOD

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DECEMBER 1980



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REPORT ON THE NATIONAL DISTRICT ATTORNEYS ASSOCIATION
ECONOMIC CRIME PROJECT; SIXTH GRANT PERIOD

APRIL, 1980 TO DECEMBER, 1980

Submitted to the

NATIONAL DISTRICT ATTORNEYS ASSOCIATION
ECONOMIC CRIME PROJECT

By

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ECONOMIC CRIME PROJECT: SIXTH GRANT PERIOD

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REPORT ON THE NATIONAL DISTRICT ATTORNEYS ASSOCIATION
ECONOMIC CRIME PROJECT: SIXTH GRANT PERIOD

April, 1980 to December, 1980

EXECUTIVE SUMMARY

I. PROJECT HISTORY, OBJECTIVES

A. History

Since the National District Attorneys Association (NDAA) Economic Crime Project was begun with LEAA funding in 1973 it has been a significant factor in establishing the role of local law enforcement agencies in the enforcement of laws against white-collar (economic) crime--and in protecting their constituencies against this form of crime and related abuse. Numerous prosecutors' offices now operate units dedicated to this enforcement area and to the amelioration of its effects. Staffs of units coordinate by drawing expertise, intelligence, and encouragement from one another within the framework of the Economic Crime Project.

At its inception, the general objective of the Economic Crime Project was to enhance the capabilities of local prosecutors to act against economic crime and related abuses. But it became clear that the efforts of local prosecutors--even when unified into an effort of national scope--were not sufficient to meet the enforcement challenges presented by economic crime. Simultaneously, there was an increasing awareness on the federal level that fraud, waste, and abuse in government were high-priority problems. So, too, on the state level the National Association of Attorneys General (NAAG) and individual Attorneys General had been placing increasing emphasis on white-collar crime. The NDAA considered it essential to examine white-collar crime enforcement efforts on the state and federal level, and begin a dialogue to explore joint efforts to launch a National Strategy to combat white-collar crime. As a result of a Symposium on Development of a National Strategy for White-Collar Crime Enforcement held at Battelle's Seattle campus in July, 1978, NDAA determined to devote Economic Crime Project efforts to continuing program operations and, simultaneously, to help develop a National Strategy involving federal, state, and local cooperation in the prevention, detection, investigation, and prosecution of white-collar crime. This is a report of these efforts.

The purposes of this report are to describe Project efforts in the sixth LEAA grant period (April through December, 1980)

and to provide an overview of the Project since the National Strategy initiative was begun in October, 1979, at the start of the fifth grant period. This report will also present data on local economic crime units' operations, obtained from the computer-based Economic Crime Project Report System ("ECPRS") encompassing a 17-month period from February, 1979, when the system became operational, through June, 1980.

Prior to the fifth grant period, the Project's tasks have included:

- Infusion of resources.
- Development and dissemination of training materials.
- Provision of liaison networks among local prosecutors and between local and federal offices concerned with prosecuting economic crime, including actual joint efforts and cross assignment of personnel.
- Commissioning research and evaluative efforts.
- Cooperative prosecutive activity with respect to offenses committed in more than one of the project's participating jurisdictions.
- Preparation and distribution of a bi-monthly Economic Crime Digest and a bound volume entitled The Prosecutor's Manual on Economic Crime, to enhance prosecutive expertise.
- Development of prosecutors' manuals on antitrust enforcement, auto repair fraud, and business opportunities fraud.
- Technical assistance, such as investigative accounting, to local prosecutors' offices.
- Participation in and direction of the activities of the Project's Task Forces on auto repair, antitrust and business opportunity fraud.
- Public education programs that have included distribution of pamphlets on charity frauds, merchandising frauds, and business opportunity frauds.
- Periodic (usually quarterly) meetings of the district attorneys' offices' Unit Chiefs to compare information, coordinate efforts, share and expand expertise, and attend workshops on particular problem areas.

B. Fifth Period Objectives

The Project's objectives in the fifth grant period were to continue activities from prior grant periods--incorporated into the "Program Component" of the Project--and to launch the National Strategy initiative. Program component goals were to:

- Develop an Economic Crime Reporting System (ECPRS) for collection of data on white-collar crime enforcement activity in Project offices.
- Produce and distribute the Project's Economic Crime Digest.
- Continue Project efforts to educate the public about economic crime through alerting NDAA membership as to currently flourishing economic crime schemes via Project bulletins and information in The Prosecutor, through media contacts, and by making Project staff available to make public presentations on economic crime subjects.
- Schedule and conduct Unit Chiefs' meetings during the grant period.
- Continue current Task Forces to deal with business opportunity and investment frauds, auto repair frauds, price-fixing and bid-rigging (antitrust), and establish three new Task Forces--to deal with insurance fraud, official fraud and corruption, and complex crime training and litigation.
- Continue to deliver expert assistance in the area of economic crime prosecution throughout the country, e.g., in the area of investigative accounting.

The central core of the new National Strategy initiative was a systematic, organized, and comprehensive effort, in conjunction with federal and state law enforcement authorities, to develop a national strategy against white-collar crime, much of which is subject to concurrent federal-state jurisdiction. This major new program initiative was expected to involve:

- Developing criteria for maximizing the number of significant state and local investigations and prosecutions of white-collar offenses which are subject to concurrent federal-state jurisdiction.
- Organizing and marshalling state and federal investigative and other support activities to provide resources for local prosecution of such dual jurisdiction cases.

- Developing procedures for complementary federal-local prosecutive efforts which would minimize the likelihood of undesirable duplicative enforcement activity, or of failure of response to particular significant white-collar criminal activity because it is in a "no-man's land" of federal-state-local priorities.
- Developing a body of information on white-collar crime investigation, prosecution, and impact which would facilitate improved planning of white-collar crime enforcement efforts, setting of priorities, and models for budget justification--and be a valuable resource for research on white-collar crime.

It was expected that the Economic Crime Project, by continuance and expansion of the level of its activity, would more firmly fix in the consciousness of the public and of local prosecutors the major message conveyed by the Economic Crime Project in the past--that economic (white-collar) crime enforcement is properly a responsibility for local prosecutors and not only for federal prosecutors or prosecutors' offices in a few major urban centers. This national consciousness was expected, in turn, to make more likely the development of a National Strategy which would vest greater responsibility for local prosecutions of economic crimes which fall within concurrent federal-state jurisdictions.

The National Strategy approach reflected in the fifth grant application sought to achieve the following goals:

- Increased interaction between local prosecutors and federal agencies.
- Development of written agreements of cooperation between local prosecutors and federal agencies.
- Establishment of five "pilot programs," subsequently called "Lead Units."

Because the National Strategy initiative was a new and unexplored realm, the funding application could provide but the sketchiest of directions for charting the course of this effort. Early National Strategy efforts explored a number of avenues knowing that some would lead to dead ends but unable to determine in advance which would do so. Effort was also made to be alert to the unexpected opportunity and to exploit it. Several lessons were learned early in the course of these National Strategy efforts. Discussions with federal officials and ECP unit prosecutors offered valuable insight into the dynamics of interagency cooperation. More was learned about

federal policies and resources. In light of the lessons learned from these experiences, NDAA and Battelle reassessed the goals of a National Strategy to determine which strategies would be most likely to lead to the accomplishment of these goals.

The original plan, of necessity, presented a simplistic model of how federal-local interaction could be developed. It involved interactions leading to written memoranda, demonstration projects, and increased agency interactions. With the fuller understanding of the dynamics of federal-local interaction gained thus far, a more complex model was developed. In this, liaison was seen as giving rise to "credibility" and this in turn could lead to a complex series of cooperative efforts which not only includes written memoranda and demonstration projects, but also encompassed training cooperation, establishment of problem-solving mechanisms, development of resource materials, and mutual understanding of policies and perhaps changes in these policies.

The approach described above, it was recognized, was simplistic. It only presented in linear fashion a process which was, in fact, circular. That is, NDAA and Battelle staff concluded that efforts to establish training coordination, case cooperation, problem-solving mechanisms, memoranda of understanding, pilot projects, and review of federal agency policies must proceed simultaneously with efforts to establish credibility, rather than waiting for credibility to be established. These initial efforts were expected to lead to increased credibility (assuming that they are successful), which in turn would lead to more cooperation.

These goals and approaches were further refined at a second National Strategy conference in July, 1979. While no specific goals for the remainder of the grant period were established at this meeting, there was general consensus that enough progress had been made to justify changing National Strategy emphasis from planning, meetings, and discussions to action initiatives.

The Project's application for a six-month extension of the fifth grant period reflected this shift from planning to implementation of the National Strategy initiatives. The lessons learned from experience to date were to be summarized by Project staff into one or more monographs on training, the intelligence function, and the role of Memoranda of Understanding in the National Strategy initiative. The coalescence of the volunteer Lead Unit Task Force was given formal recognition, and Lead Unit Chiefs undertook to implement the National Strategy initiative on a regional level. Six new Lead Units were to be established, one within each of the regions encompassed by the original six Lead Units. While the Project would respond to new "targets of opportunity" and

contacts received from additional federal agencies, further outreach and the undertaking of new initiatives was de-emphasized. Rather, the goal was to consolidate the gains made thus far and to implement them on the local as well as the national level through appropriate technology transfer..

C. Sixth Grant Period Objectives

The Project's objectives for the sixth grant period marked further consolidation of the National Strategy initiative into Program Component operations, which involved:

- Transition of the National Strategy initiative from planning and development to action, for example, through cooperation with the Executive Working Group of officials from the U.S. Department of Justice, NDAA, and NAAG.
- Integration of National Strategy initiatives into Program operations.
- Designation of and support to additional Lead Units and state-wide councils.
- Regionalization of National Strategy initiatives through the leadership of the Lead Units.
- Making Lead Unit experiences and lessons learned available to other interested agencies.

One means of achieving the last goal was to integrate National Strategy initiatives more closely into the program at Unit Chiefs' conferences. Liaison with federal agencies, formerly the responsibility of the Project's National Strategy staff attorney, was to be maintained by the Program Component staff and Lead Unit Chiefs.

II. PROGRAM COMPONENT OPERATIONS

Program Component activities in the sixth grant period included two Unit Chiefs' meetings, the continuing work of the Project's Task forces, the preparation of Project publications, and clearinghouse and technical assistance activities.

A. Unit Chiefs' Meetings

Unit Chiefs continued to report that Unit Chiefs meetings were among the most important of the Project services. Five such meetings were held in the fifth grant period. These lasted two or three days, beginning and ending with roundtable discussions (open to law enforcement personnel only) of pending

investigations and cases. The programs also included presentations, panel discussions, workshops, and training sessions. The roundtable discussions have proven to be among the best-liked and most important parts of the meeting programs. Here, units considering a particular kind of case can learn how other jurisdictions have done this and, more importantly, how other units have encountered problems and learned from their mistakes. Not infrequently, units learn that targets of investigations in their jurisdictions are also active in other units' counties as well, and inter-unit cooperation is arranged.

The Unit Chiefs' meetings have served in several respects to strengthen the National Strategy initiatives, through conference sessions on National Strategy initiatives, and through participation of federal and state agencies in the program. They have also provided Lead Unit Chiefs with opportunities to meet, discuss problems, share strategies for fostering interagency cooperation, and plan future initiatives.

In the sixth grant period, Unit Chiefs' meetings were held in Boston in June, 1980, and in Denver in September, 1980. Grant funds provided for only one conference; the Denver unit hosted the second meeting and Unit Chiefs attended at their own expense. These meetings each focused on one topic of National Strategy significance and involved other organizations whose members might be able to pursue cases in the selected topic area. The Boston conference program on securities fraud was developed with financial and staff support of the North American Securities Administrators Association. One day of the Denver conference involved a joint session with consumer fraud units of the National Association of Attorneys General, on energy saving device fraud prosecutions. This was supported under a grant from the U.S. Department of Energy to the Denver unit to operate a national gas-saving devices clearinghouse.

The Boston conference centered around a dramatization of the development of a securities fraud case from complaint to sentencing. A ten-hour videotape of the session, produced with NASAA funding, is being circulated to interested agencies.

B. Task Forces

The Project Task Forces continued to operate in the areas of:

- Antitrust;
- Auto Repair Fraud (since disbanded);
- Business Opportunity Fraud;
- Complex Crimes Training and Litigation;

- Insurance;
- Official Corruption and Procurement Fraud.

In the fifth grant period all but the Complex Crimes Task Force produced or updated manuals. The Business Opportunity Fraud Task Force continued operation of its national clearinghouse on such frauds. This has assisted the National Strategy initiative through interaction with the Federal Trade Commission and other federal agencies, exchange of information with attorneys' general offices and distribution of its newsletter to 270 agencies. The Antitrust Task Force has worked closely with the Antitrust Division, U.S. Department of Justice. The arson-for-profit efforts of the Insurance Fraud Task Force has involved several federal and state agencies and national organizations. State and federal agencies and organizations serve as associate members of these Task Forces at their own expense.

In the sixth grant period the Task Forces continued to promote National Strategy initiatives. For example, the June, 1980, Antitrust Task Force meeting was held at the Antitrust Division of the Justice Department and was attended by representatives of NAAG and the FTC. The FTC has continued to work closely with the business opportunity clearinghouse in enforcement of its recent franchise disclosure regulations. As part of the National Strategy initiative, the Business Opportunity Task Force changed its focus to energy-saving devices and constituted itself as local prosecution liaison under the Department of Energy grant.

The last formal meeting of the Task Forces were held in conjunction with the June, 1980, Boston Unit Chiefs' meeting. These were sessions for planning future efforts in the face of the potential loss of LEAA funding. The Task Forces agreed to continue operation on a voluntary basis, making their expertise available to other units in much the same manner as had the members of the earlier-disbanded Auto Repair Task Force.

C. Project Publications

In the sixth grant period the Project published two issues of its Economic Crime Digest, distributed to some 2,500 law enforcement agencies, libraries, and interested persons. This Digest contains articles (many by Unit Chiefs), project notes, white-collar crime news and descriptions of recent unit cases. In the sixth grant period articles were on a joint unit-Department of Agriculture school lunch fraud prosecution, the Department of Energy clearinghouse grant, the nation's first successful computer time theft prosecution (by a unit), computer fraud legislation, and a unit's welfare fraud prosecution experiences.

In the fifth grant period, the Project produced three special documents. These were in the areas of securities fraud, investigative accounting, and chain letter-pyramid schemes. It also prepared a directory of economic crime units for use by Project units and other state and federal agencies. It contains descriptions of their organization, experience, and interest.

Publication efforts in the sixth grant period include the securities fraud training tape mentioned earlier, an update of the Project's widely circulated prosecution manual on white-collar crime, and a consumer pamphlet on business opportunities fraud financed by the Direct Selling Association.

D. Clearinghouse, Training, and Technical Assistance Activities

Much of the Project Center staff time was devoted to coordinating clearinghouse, training, and technical assistance activities. One of the most important is to keep units in touch and informed of each others' activities. Thus, a unit can phone the Center for suggestions or referral to a unit which has encountered a similar problem. The Project regularly circulates confidential alerts about possible frauds or pending investigations. It also sends out memoranda on such topics as personnel changes, upcoming Unit Chiefs' meetings, descriptive or background material on specific subjects, requests for information, and progress reports on significant National Strategy initiatives.

Investigative accounting technical assistance offered by the Project was reported to be one of the most useful of the project's services. The investigative accountants do not assist in specific cases, but provide training to unit staffs on how to recruit, select and use the services of investigative accountants and how to solve particular problems. Several of these training courses have involved prosecutorial and law enforcement agency staff from other local, state, and federal agencies.

In anticipation of the expiration of LEAA funds, the Project has undertaken to regionalize its coordination and technical assistant function. The Philadelphia unit has volunteered as a national coordination point, with the six original Lead Units coordinating on a regional basis. Efforts are underway to provide modest financial support for this through contributions from unit offices.

E. The Project's Educational Role

One of the missions of the Project has been to stress the seriousness of white-collar crime and the need for vigorous prevention and enforcement. This has involved both

prosecutorial and public education. Articles and a regular column in the NDAA bi-monthly journal The Prosecutor describe Project efforts, and staff have made presentations at several NDAA conferences. Project staff have been actively involved in the formation of state-wide economic crime councils in Minnesota, New York, and Pennsylvania. Project staff and Unit Chiefs have made numerous appearances before professional and public groups at the national, regional, and local levels.

The Project distributed copies of six public education brochures (designed under an earlier grant) to units for distribution in their communities. In the sixth grant period, the Project prepared and distributed a consumer pamphlet on business opportunity fraud, funded by the Direct Selling Association.

III. THE NATIONAL STRATEGY INITIATIVE

A. Initial Efforts

The National Strategy initiative begun by the Project in the fifth grant period constituted an innovative, experimental approach to fostering federal, state, and local interagency cooperation in the investigation and prosecution of white-collar crime. Initial planning with Department of Justice officials led to development of a strategy involving contact with a broad range of federal agencies, to give the National Strategy initiative visibility and to foster an environment within which "targets of opportunity" for later, more specific Project efforts could be exploited. The approach taken was to explain the Project and the initiative, discuss mutual problems and concerns, seek cooperation, establish liaison points, and lay out planning mechanisms for future efforts. The federal agencies were provided directories of the ECP units, and several of them sent out memoranda encouraging their field staff to work with these units. Agencies contacted included the offices of Inspector General in the Departments of Agriculture, Housing and Urban Development, Energy, and Health and Human Services. The Project sought written Memoranda of Understanding to include joint training and the designation of liaison mechanisms. The Project also established liaison with the federal interagency Executive Working Group to Combat Fraud and Waste in Government, and made special efforts to work with the Federal Bureau of Investigation and the U.S. Postal Inspection Service.

The Project also began to work with the National Association of Attorneys General (NAAG) to foster state-local relationships. Cooperation increased dramatically in the first nine months, through NAAG participation in the Antitrust Task Force and other joint efforts. The NAAG newsletters are now sent to the units. NAAG members regularly used the

national-scope Business Opportunity Clearinghouse and NAAG is involved in the Gas Saving Devices Clearinghouse funded by the U.S. Department of Energy.

It was envisioned from the outset of the National Strategy initiative that the true test would be in the laboratories of experience provided by six Lead Units charged with responsibility for implementing these efforts at the local level, in specific prosecutions, and other efforts aimed at protecting the citizenry and halting the perpetrators of economic crime. Their goals were to: (1) develop their own ongoing liaison with federal, state, and local agencies; (2) seek to increase interagency cooperation; and (3) seek to undertake cooperative enforcement mechanisms. The purpose of the initiative was to extract lessons as to the feasibility of specific strategies attempted and learn from the problems thus encountered. Some units were selected because they had already demonstrated considerable effort in working with federal and state agencies. Others were selected because this would be a new effort and their experiences would offer insight into problems to be anticipated in later efforts. Three were in jurisdictions with Economic Crime Enforcement Units under a new Department of Justice initiative, and three were in cities with federal regional offices. The units were in Atlanta, Denver, Los Angeles, Louisville, Minneapolis, and Philadelphia. They swiftly demonstrated how the National Strategy initiative could be improved through an infusion of and efforts of local units, based on their own initiatives and creativity.

At the outset, a strategy was devised to pass on to the units the lessons and benefits of the National Strategy initiative through such Program Component activities as presentations and workshops at Unit Chiefs' meetings and Task Force initiatives.

Following the second National Strategy conference the initiative was refocused toward developing specific programs with a narrower range of federal and state agencies and working through the Lead Units, which had expanded to 12, in implementing the initiative on the local level. The Program Component became more active as the planning function tapered off. The Lead Units took a more direct and active role, constituting themselves a Task Force. They met with federal officials in Washington, D. C. for two days in early 1980 to establish personal contact, discuss problems and explore avenues of mutual collaboration. They chaired regional National Strategy workshops at two Unit Chiefs' meetings aimed at encouraging units to undertake initiatives, compare notes and plan regional-level efforts.

B. Federal and National-Level Initiatives

The body of this report describes specific National Strategy initiatives involving 15 federal agencies and organizations.

1. The Executive Working Group

Perhaps the initiative with the greatest long-range potential is the Project's involvement in the joint U.S. Department of Justice-NDAA-NAAG Executive Working Group for Federal-State-Local Prosecutorial Relations. The Group consists of six voting members of each organization, with Justice Department staff support. Project staff serve as NDAA staff to the Group. One of its functions is to support the existing Federal-State-Local Law Enforcement Committees and encourage new ones. It is composed of six standing committees: concurrent jurisdiction, legislation, training, the Federal-State-Local Committees, law enforcement assistance functions, and data collection.

2. The U. S. Department of Justice

Project staff have worked with the Criminal Division of the Department of Justice since the inception of the National Strategy. One initiative involves the Division's recently-formed Office of Economic Crime Enforcement, which will establish Economic Crime Enforcement Units (ECEUs) in approximately 30 U.S. Attorneys' Offices. Their initial tasks were to gather information on the extent of white-collar crime, which was used in developing the Justice Department's recent national white-collar crime priorities. They are responsible for developing all aspects of economic crime enforcement, from prevention to sentencing enhancement, in their jurisdictions. Project staff worked closely with this office on the national level since the office was formed, and several Lead Unit chiefs have begun to work with their ECEUs' counterparts.

The Antitrust Division of the Department of Justice began to work with the Project, mainly through the Antitrust Task Force. It issued a press release announcing its plans to work with NDAA, and the Department liaison prepared a useful paper containing suggestions to local prosecutors establishing antitrust programs.

3. Federal Inspectors General

The Project has established liaison with several federal Offices of Inspector General, including those of the Department of Agriculture, the Department of Housing and Urban Development, the Department of Energy, the Department of Health and Human Services, and the Department of Transportation. This has involved designation of liaison personnel, exchange of lists of Unit Chiefs and contacts in federal regional offices, circulation to the units of background information on program

frauds against these departments and participation in Unit Chiefs' meetings. Project Unit Chiefs cited several examples of successful joint prosecutions or other cooperative efforts arising out of these efforts. The body of this report outlines the policies, priorities, and procedures of these offices, as described in agency meetings with Project staff and Lead Unit chiefs.

The Project, especially the Business Opportunity Task Force, has been working closely with the Federal Trade Commission in enforcement of its recent franchise disclosure rule. Project staff also met with the Commodity Futures Trading Commission (CFTC). Units have been given lists of CFTC regional contacts, background materials on commodity futures frauds and the CFTC, and a sample CFTC letter to complainants, which suggests that they contact their local ECP unit. Units were also informed of the CFTC's two toll-free national hotlines.

4. Federal Investigative Agencies

Project staff and the Lead Units have made special efforts to foster cooperation with the FBI, U.S. Postal Inspection Service, and the U.S. Secret Service. The FBI hosted the last two National Strategy conferences and opened its computer fraud course to local units for the last three years. Procedures for cooperation, explained to Lead Unit chiefs in a Washington meeting, are described in the body of this report. Units consistently report excellent cooperation with the Postal Inspection Service. Aside from investigative support and coordination of local-federal prosecution, the Postal Inspectors have provided such services as mail stops, handwriting analysis, and use of the Service's computers in a complex case. The U.S. Secret Service, with jurisdiction over cases involving government checks, also provides investigative support and laboratory services. The Philadelphia unit has a written agreement with the Secret Service for prosecution of fraud cases involving checks for less than \$10,000, which are declined by the U.S. Attorney.

5. The U.S. Internal Revenue Service

The U.S. Internal Revenue Service has proven helpful to several of the Lead Units. Following the lead of Philadelphia, several units now provide the IRS with information on possible tax frauds developed in criminal investigations. While privacy statutes limit the amount of information the IRS can provide, local units report that the IRS can provide helpful background and suggest avenues for future investigation. Several units have hosted or lectured at regional interagency training sessions on investigative accounting conducted by the IRS.

6. National Organizations

The National Strategy initiative has also involved cooperation with such national-level organizations as the

Insurance Crime Prevention Institute, the National Welfare Fraud Association, and the National Organization of Bar Counsel, an association of state bar officials responsible for lawyer discipline.

7. The Lead Units

Six Lead Units (expanded to 12 towards the close of the fifth grant period) were selected to serve as laboratories of experience in testing out specific strategies for fostering federal, state, and local cooperation, tailoring this national-level initiative to the needs of their jurisdictions and offering other units a cafeteria line of experience from which they could select strategies for their own jurisdictions. The body of this report describes in detail the efforts of the original six units. Several began or increased their participation in interagency economic crime councils, one organizing a state-wide council in conjunction with the hosting of a Unit Chiefs' meeting. These councils, however, have become less active in the last months of the grant period. The Philadelphia unit reports good results from written agreements with the IRS and U.S. Secret Service, although another reports that a written agreement with the FBI has had little impact. The Lead Units reported several examples of joint investigation and prosecution of cases. This cooperation is reported to arise most frequently from an approach involving regular, informal personal contacts. For example, the Minnesota unit has benefitted from contacts established with the FBI and state securities department by its chief investigator when he was with the police department.

C. The Third National Strategy Conference

In July, 1980, the Project conducted a third National Strategy conference to review progress to date and plan future efforts. The conference was again hosted by the FBI at its Washington, D. C. headquarters, and attended by representatives of several federal and state agencies. The meeting was held in conjunction with a meeting of the Justice Department-NDAA-NAAG Executive Working Group so that members of that Group could also lend their insights to the conference.

Following the opening sessions on the planning process and on National Strategy initiatives, the conference was divided into workshops to review progress and plan future efforts in the topic areas of government program fraud, official corruption, business opportunities fraud, franchise frauds, insurance fraud, and the role of organized crime in white-collar crime. The group reassembled to hear reports on these workshops, discuss the Justice Department's national white-collar crime priorities (which were then about to be announced) and plan future efforts in light of the possibility that LEAA funding would soon expire. It was recognized that the Project had long played an

innovative role in white-collar crime containment efforts, and that it played a key, central role in coordinating the efforts of local prosecutors. Loss of this coordination function would hamper National Strategy efforts to maintain a network of federal, state, and local cooperation. Several options were considered, and conference participants expressed their concern to the Executive Working Group. This Group explored several alternatives, but as of the writing of this report, no concrete plan has emerged.

IV. THE WORKING OF THE UNITS: THE ECONOMIC CRIME PROJECT REPORTING SYSTEM

A. The Units

The real impact of the Project is the results of the Economic Crime Units in 69 jurisdictions across the country, which are located in 32 states and serve approximately 40 percent of the nation's population. As one might expect in elected officials' offices in 68 different jurisdictions, these units vary considerably in their size, nature, tone, and emphasis. Most of the units are relatively small, although some have ten or more attorneys and an even larger number of investigators. Most units encompass only one jurisdiction (usually a county, as most prosecutors are elected on a county-wide basis), although one is a cooperative effort of five district attorneys' offices and another unit encompasses two counties.

Most unit activities include complaint intake, complaint mediation or resolution, investigation and prosecution. At complaint intake, matters may come to the attention of a unit through police officers, referrals from other agencies, or citizen "walk-in" or "phone-in" complaints. A significant number of the "walk-ins" or "phone-ins" may be referred to other agencies or turned down because the matters are clearly beyond the scope of the office's jurisdiction. Especially in the case of "walk-in" or "phone-in" complaints, a unit may attempt complaint resolution by contacting the person or business against whom the complaint is made in order to resolve the matter, or by mediation. If a matter clearly involves criminal fraud, or if a pattern of complaints against a particular company or industry emerges, the matter may be routed to another part of the unit (or to the general trial unit of the prosecutor's office) for investigation or prosecution.

Investigations of matters which are being explored for criminal prosecution (e.g., consumer fraud as opposed to consumer complaints) may come from citizen complaints, police officers, or referrals from other agencies. One of the major efforts of the National Strategy initiative is to encourage the

referral of matters between units and federal or state agencies. When another agency refers a case to the unit, the referring agency may have conducted a rather thorough investigation resulting in a "package" containing investigative reports, lists of witnesses and what they are likely to say, documentary evidence, and other necessary materials. Unit attorneys prefer that investigators from other agencies approach them early, so that the prosecutor can determine if it is worth prosecuting, guide the investigation, identify good leads and avenues of approach, and ensure that needed evidence is not lost or overlooked. Many agencies provide at least some assistance after the matter is referred to the unit.

Where citizen or agency complaints seem to indicate a pattern, or the unit may have a suspicion of wrong-doing, it may launch a proactive investigation. Units have successfully set up "dummy cars" in cooperation with the state patrol garage or the auto repair industry to investigate auto repair, investigated the fat content of ground beef in supermarkets to pursue a false advertising investigation, and conducted a statistical sampling of packaged goods in a 15-store supermarket chain to prove "short-weighting." Proactive investigations, however, are frequently costly and time consuming.

Criminal and civil prosecution is the culmination of the investigative process just described. All Units have criminal jurisdiction. Some have civil jurisdiction as well, either alone or concurrently with the Attorney General, under a state consumer protection act, unfair or deceptive trade practices act, securities act, business opportunity fraud statute, or similar laws. Civil jurisdiction gives the prosecutor a broader range of remedies (temporary restraining orders, injunctions, cease and desist orders, civil fines, penalties, and the like), and require a lower burden of proof than the "reasonable doubt" standard which must be met in a criminal prosecution.

Economic crime is one category of crime most likely to cross jurisdictional lines. "Boiler room" securities investment operations in New York or Boston entice victims in far-distant states. Other operations in Los Angeles and Reno may send phony bills to large companies, in hopes that they will be routinely processed and paid by the company. One of the strengths of the Project is that it provides a mechanism for Unit Chiefs to assist each other in such cases. One of the most frequently cited benefits of the Unit Chief meetings is that they permit Unit Chiefs to establish personal contact with their counterparts in other jurisdictions, to share notes on common problems, and learn from each other's experience. More significantly, the Project mechanism permits prosecution of cases which would otherwise be dropped. Substantial time is spent in roundtable discussions at Unit Chief meetings tracing the activities of con men known to several of the units. Unit

Chiefs are generous in pointing out at these meetings how helpful another unit has been in a pending case, and the point is not lost on other Unit Chiefs who may have hesitated to call their colleagues in other jurisdictions.

B. The Economic Crime Project Reporting System

Chapter Three of this report seeks to describe quantitatively the efforts of the individual economic crime units in investigating and prosecuting economic crimes. Data were derived from monthly, voluntary self-reporting by the individual economic crime units under the Economic Crime Reporting System (ECPRS), a data system designed by Battelle and implemented in cooperation with the ECP Project Center. Data in this report are from the 17-month period from February, 1979, through June, 1980, and are based on complete and usable monthly reports from 42 (63.6%) of the eligible units. The Battelle report on the Project's fifth grant period contained an analysis of the data from the first 10 months of this period. The 45 units supplying data for that report were compared to the 72 original units. No large or systematic (as opposed to random) differences were found, except that twice as many of the units with complete data reported that they engaged in civil investigations and litigation. But civil litigation constituted only 7.4% of these units' caseloads. Nevertheless, because the analyses are based on data from this non-random portion of the Project units' activities, which in turn reflect only a part of federal and local prosecutors' efforts to contain white-collar crime, they must be viewed as exploratory rather than definitive.

During the sixth grant period Battelle redesigned the ECPRS coding system to eliminate problems and delays encountered in analyzing the fifth-period data and designed a new system for checking for and correcting internal inconsistencies. As a result, data clearing was reduced from three months to two weeks. Battelle and Project staff also distributed individual unit computer print-outs of case and investigations to participating units, accompanied by tables showing comparable national-level data.

Projections from the data from the 42 units have been used to estimate the overall impact of unit efforts, multiplying the results by a factor of $(68/42 =) 1.62$.* It should be pointed out that this method of estimating the overall impact of unit efforts is not as accurate or as reliable as actually analyzing data from all the units. The approach necessarily assumes that

* Projections in this section are based on 68 units, rather than the 72 original units, to reduce the amount of possible overestimation involved in the projection procedures.

the non-reporting units have accomplished the same level of effort as the average of the reporting units. For some non-reporting units, the method results in an overestimate, while for others it yields an underestimate. The problem is compounded when one considers that complete reporting may itself reflect significant differences between the two groups of units. Does complete reporting indicate that units have more to report or are better at their job? Or are the aggressive units with larger caseloads too busy to devote the resources to reporting? However, unless there is some obvious factor which makes the reporting units significantly different from the non-reporting units, the multiplier method of estimation should result in a relatively accurate estimate of overall unit activity. Although no data were available on the relative caseload differences between reporting and non-reporting units, the data did show that reporting and non-reporting units were similar in terms of other important unit characteristics, i.e., attorney and investigative staff size; length of time in operation; scope of jurisdiction; unit staff estimates of the proportion of time devoted to complaint intake, complaint mediation, criminal and civil investigations, prosecution, and civil litigation. On the basis of these similarities, it can be assumed that the activity level of non-reporting units was not significantly different than that of reporting units.

1. Complaints, Inquiries, and Complaint Resolution

Most of the economic crime units handle complaints and inquiries from the public, either on a walk-in basis or by referral from other agencies. (This was true of 38 of the 42 units for which we have complete data.) The 38 units received 390,261 complaints and inquiries in the 17-month period examined. Projections from the 42 fully reporting units imply that this figure may exceed half a million. A large number of complaints and inquiries, perhaps as many as half, may be settled at this stage, by referral to a more appropriate agency or by informing the complainant that the matter is not appropriate for this office.

Assistance is also offered to complainants by unit complaint resolution efforts. Here, a unit may obtain cancellation of an onerous contract signed under duress during a high-pressure sales pitch, or may obtain restitution for the complainant. The unit may refer the matter to another agency or may itself launch an investigation. In the 17-month period encompassed, the 42 units undertook to resolve 31,176 complaints. Restitution was obtained in 5,225 of these. If LEAA's support for the Economic Crime Project is considered an investment in white-collar crime enforcement, 17 months' work for the 42 units in just this one aspect of project operations has returned over \$4.5 million; the two-year LEAA investment in this project was \$1,984,958. Projecting from this data, the amount recovered by all of the Project units may approach \$7.5 million.

2. Investigations

The 42 units undertook 14,597 investigations, 9,950 of which were closed during the 17-month period for which the data has been analyzed. Some 867 of these matters were referred to other agencies and restitution was obtained in 890. This restitution amounted to \$2,552,126. Again, projecting from these data, the amount recovered by all the units may have totalled as much as \$4 million. Other forms of relief were obtained in 324 instances, and 4,257 cases were filed following investigation, about two-thirds of which were felonies.

3. Cases

The 42 units filed a total of 5,213 cases during the 17-month period, including 3,626 felonies and 193 civil actions. They closed 2,929 cases, including 2,112 felonies and 178 civil matters. This involved 452 trials (179 jury trials) and 1,521 guilty pleas. The 42 units obtained convictions in 1,998 cases, more than half of which were at the felony level. Of these, 725 cases resulted in sentences of incarceration. These units obtained \$12.9 million in orders of restitution, fines, and penalties at the litigation stage alone. Combining this figure with the restitutions obtained at the complaint mediation stage and following investigation, the 42 units obtained \$20.5 million in agreed and ordered restitutions, fines, and penalties.* If this is representative of the experience of all of the units, over the 27-month grant period the total financial impact of Project efforts might be estimated to be \$52.7 million.

4. Subject-Matter

A broad spectrum of offenses falls under the rubric of "economic crime," ranging from employee embezzlement of small amounts for "grocery money" to elaborate schemes for sale of "deferred delivery contracts" for non-existent oil or gold, which may victimize hundreds or thousands of relatively sophisticated investors on a national scale. Units may handle scores of relatively minor welfare recipient fraud cases in a fairly routine manner with little drain on resources, and devote a substantial amount of time and energy on just one particularly complex and difficult arson-for-profit case. Trends may emerge over time as one particular form of scheme becomes less fruitful because of consumer awareness, government regulation or vigorous prosecution, and con-artists move on into other ventures. In order to gain a clearer perspective on unit activities, the ECPRS was designed to gather data on the subject-matter of investigations and cases handled by the units. Investigations

* Data is not available on actual collections or payments.

and cases were classified into eleven (11) broad, generic subject-matter categories, and data were analyzed to examine the degree to which each of these subject-matter areas is represented at each stage of investigation and case processing.

At the litigation stage, a high percentage of corruption and theft cases were prosecuted as felonies. Housing and real estate cases (which were mainly home-improvement matters), finance cases (including bad checks), and cases involving fraud against the government (largely welfare fraud) accounted for most of the misdemeanor prosecutions, while well over half of the civil litigation involved trade practices such as deceptive advertising. The percentage of felony prosecutions which resulted in conviction was high, but did not vary greatly by subject-matter.

A high percentage of corruption, abuse of trust, and theft cases filed resulted in prison sentences, while this was true in but a few trade practices cases. It is fair to speculate that this reflects a vigorous prosecution policy in such cases.

V. CONCLUSIONS

Chapter Four extracts the conclusions to be drawn from the project's experiences in the fifth and sixth grant periods. The project clearly continued as an active force in containing white-collar crime, as statistics cited above demonstrate. The major mark of Project impact may, however, be found in the National Strategy initiative. Perhaps one of the most dramatic results is the formation of the Executive Working Group on Federal-State-Local Prosecutorial Relations, an outgrowth of increased NDAA cooperation with the National Association of Attorneys General through Antitrust Task Force efforts and discussions at the second National Strategy conference, two Project efforts, as well as a Memorandum of Understanding between LEAA and the Department of Justice.

As was clearly anticipated in the beginning, the process of strategy development has been slow and laborious. Further, results of specific initiatives could not be easily anticipated, in large part because they depended on independent actions of federal and state agencies. In this context, the Project took the wise course in maintaining a posture of flexibility to enable it to respond to "targets of opportunity," e.g., to develop or respond to such unanticipated initiatives as the formation of the Executive Working Group. On the other hand, as in every exploratory effort, not every effort "paid off."

The key to agency interaction proved to be establishing "credibility" through person-to-person interaction leading to

demonstrated results. Thus, the involvement of federal officials in Unit Chief Conferences and Task Force efforts and the visit of Lead Unit Chiefs to Washington, D.C. to meet with operational managers of federal enforcement efforts were important in translating National Strategy initiatives into local-level efforts. So, too, was the joint participation of the North American Securities Administrators Association and NAAG in the two sixth-period Unit Chiefs' meetings.

Memoranda of Understanding proved to be less essential than originally envisioned. Their value was not in resolving "turf" problems by clearly delineating the cases which each agency could or would handle or in triggering automatic cooperative support, but in creating the framework within which personal relationships could develop. The written understandings which did emerge designated liaison personnel, listed areas of mutual interest, and encouraged interaction on the local or regional level.

Although significant progress has been made in promoting National Strategy initiatives, it is no more than a good start. The Executive Working Group holds perhaps the greatest promise because it provides a needed forum for national-level discussion, which will be of crucial importance in view of the threatened curtailment of funding support for this NDAA effort. But the true impact of the National Strategy effort is to be felt at the local level, in communities throughout the nation. It remains to be seen if local prosecutors can continue to expand their efforts into a significant and coordinated national effort to protect the public, protect the integrity of governmental programs, and safeguard increasingly restricted monies. Nothing in this area will happen or continue to happen by itself; there is a clear need to maintain the momentum of current Project efforts and to "shepherd" on the national level the continuation of National Strategy efforts.

* * * * *

As this report is written, there is much doubt as to the Project's future. The impending loss of LEAA support on the national and local level threatens the continuation of channels of communication and interaction painstakingly developed over many years. Several observations may be made.

First, it is possible to continue or reestablish the Project, it will be vital to review the experiences detailed in this and prior reports to avoid short-term funding with the excessive administrative and management efforts which this entails. Second, it is clear that economic crime containment efforts require continued, dedicated attention to National

Strategy initiatives; as we are required to pay more attention to diversion and theft of public funds, it is essential that we ensure that the resources to do so are available and deployed to maximum effect. Third, the key role played by the Project in the development of economic crime units in prosecutors' offices nationally demonstrates that it is possible to create or facilitate permanent change through the demonstration process. Most of these units will survive the prospective end of this project, albeit with less national interaction, training, and access to special resources.

REPORT ON THE NATIONAL DISTRICT ATTORNEYS ASSOCIATION
ECONOMIC CRIME PROJECT: SIXTH GRANT PERIOD

April, 1980 to December, 1980

CHAPTER ONE

PROJECT OVERVIEW, OBJECTIVES

I. INTRODUCTION

Since the National District Attorneys Association (NDAA) Economic Crime Project was begun with LEAA funding in 1973, it has been a significant factor in establishing the role of local law enforcement agencies in the enforcement of laws against white-collar (economic) crime--and in protecting their constituencies against this form of crime and related abuse. Prosecutors have gone beyond the narrow confines of the criminal law, more frequently exercising civil powers in this area, and moving into the service delivery sector of mediation of consumer grievances. Numerous prosecutors' offices, which did not maintain prosecutive programs focusing on economic crime and assistance to the victims of such crimes, now operate units dedicated to this enforcement area and to the amelioration of its effects--in most instances entirely with federal support. One prosecutor's office after another has recognized and accepted the fact that this is a key operational area. Staffs of units coordinate by drawing expertise, intelligence, and encouragement from one another within the framework of the Economic Crime Project. NDAA-sponsored programs and the influence of their Project-affiliated staffs have increased public consciousness of the white-collar crime issue which is reinforced by local enforcement actions.

At its inception, the general objective of the Economic Crime Project was to enhance the capabilities of local

prosecutors to act against economic crime and related abuses. But it became clear that the efforts of local prosecutors-- even when unified into an effort of national scope--were not sufficient to meet the enforcement challenge presented by economic crime. Simultaneously, there was an increasing awareness on the federal level that fraud, waste, and abuse in government were high-priority problems. So, too, on the state level the National Association of Attorneys General (NAAG) and individual Attorneys General had been placing increasing emphasis on white-collar crime. The NDAA considered it essential to examine white-collar crime enforcement efforts on the state and federal level, and begin a dialogue to explore joint efforts to launch a National Strategy to combat white-collar crime. It entered into a contract with the Battelle Law and Justice Study Center to conduct an NDAA Symposium on Development of a National Strategy for White-Collar Crime Enforcement in July, 1978, which brought together experts from federal, state, and local government, as well as from the private and research sectors.¹

As a result of this symposium and other planning efforts to be detailed below, NDAA determined to devote Economic Crime Project efforts to continuing program operations and, simultaneously, to help develop a National Strategy involving federal, state, and local cooperation in the prevention, detection, investigation, and prosecution of white-collar crime. This is a report of these efforts.

Project efforts since the launching of this National Strategy initiative have been conducted under two LEAA grants. The first, for \$1,485,015, encompassed the 18-month period from October, 1978 through April, 1980, the fifth period of LEAA grant funding.² The sixth grant, in the amount of \$499,943, extended the Project from April, 1980 to the end of December 1980. Project efforts in the fifth grant period are described in detail in a Battelle report submitted to NDAA and LEAA in August, 1980.³ The purposes of this report are to describe

Project efforts in the sixth grant period and to provide an overview of the Project since the National Strategy initiative was begun. In order to accomplish the latter, this report will draw from the Battelle report on the fifth grant period. This will be done by way of summary: the reader is referred to the prior report for in depth detailing of these earlier Project initiatives. This report will also present data on local economic crime units' operations, obtained from the computer-based Economic Crime Project Reporting System ("ECPRS") designed by Battelle for Project use. The data encompass a 17-month period from February, 1979, when the system became operational, through June, 1980. The chapter of this report presenting this enriched body of ECPRS data is essentially an update of our analysis of the first 10 months of this ECPRS data contained in the report on the Project's fifth grant period.

The National District Attorneys Association and its Economic Crime Project have played a vital role in facilitating and supporting effective white-collar crime control. In 1973 with the support of the Law Enforcement Assistance Administration (LEAA), a core group of prosecutors' offices began their effort to improve local prosecutive capability to deal with white-collar crime. The program expanded to include an outer ring of additional district attorneys' offices. Finally, as envisioned, the Project evolved into a network of 68 local district attorneys' offices, working to improve the overall capacity of the criminal justice system, on all levels, to prevent, detect, and prosecute economic crime.

To accomplish the primary purpose of the Economic Crime Project, the Project's tasks have included:

- Infusion of resources.
- Development and dissemination of training materials.
- Provision of liaison networks among local prosecutors and between local and federal offices concerned with prosecuting economic crime, including actual joint efforts and cross-assignment of personnel.

- Commissioning research and evaluative efforts.
- Cooperative prosecutive activity with respect to offenses committed in more than one of the Project's participating jurisdictions.
- Preparation and distribution of a bi-monthly Economic Crime Digest and a bound volume entitled The Prosecutor's Manual on Economic Crime, to enhance prosecutive expertise.
- Development of prosecutors' manuals on antitrust enforcement, auto repair fraud, business opportunities fraud, insurance fraud, and official corruption and procurement fraud.
- Technical assistance, such as investigative accounting, to local prosecutors' offices.
- Participation in and direction of the activities of the Project's Task Forces on auto repair, antitrust, business opportunity fraud, insurance fraud, official corruption and procurement fraud, and complex crime training and litigation.
- Public education programs that have included distribution of pamphlets on charity frauds, merchandising frauds, and business opportunity frauds.
- Periodic, (usually quarterly) meetings of the district attorneys' offices' Unit Chiefs to compare information, coordinate efforts, share and expand expertise, and attend workshops on particular problem areas.

II. PROJECT OBJECTIVES IN THE FIFTH GRANT PERIOD

The primary objective of the NDAA Economic Crime Project in the fifth grant period was to improve the overall capability of the criminal justice system, on all levels, to prevent, detect, and prosecute economic crime. It was intended to increase the effectiveness of local economic crime prosecution by:

- Broadening the scope and character of economic crime violations to be dealt with by local prosecutors.
- Maximizing the usefulness of support services, through improved communication and liaison between prosecutors and investigative agencies or other agencies which refer cases for investigation/prosecution.
- Tapping new resources for investigative support.

- Executing prosecutive tasks in the field of white-collar crime enforcement so as to improve the overall effectiveness of criminal justice systems in this area, e.g., implementing prosecutive programs in a manner which will assist the improvement and effectiveness of other criminal justice system components.

A. Program Component

The major specific operational objectives which relate to the continuance and enhancement of prior Project activities ("Program Component") were to:

- Develop an Economic Crime Reporting System (ECPRS) for collection of data on white-collar crime enforcement activity in Project offices.
- Produce and distribute the Project's Economic Crime Digest.
- Continue Project efforts to educate the public about economic crime through alerting NDAA membership as to currently flourishing economic crime schemes via Project bulletins and information in The Prosecutor, through media contacts, and by making Project staff available to make public presentations on economic crime subjects.
- Schedule and conduct Unit Chiefs' meetings during the grant period.
- Continue current Task Forces to deal with business opportunity and investment frauds, auto repair frauds, price-fixing and bid-rigging (antitrust), and establish three new Task Forces--to deal with insurance fraud, official fraud and corruption, and complex crime training and litigation.
- Continue to deliver expert assistance in the area of economic crime prosecution throughout the country, e.g. in the area of investigative accounting.

B. National Strategy Objectives. The central core of the new National Strategy initiative was a systematic, organized, and comprehensive effort, in conjunction with federal and state law enforcement authorities, to develop a national strategy against white-collar crime, much of which is subject to concurrent federal-state jurisdiction. This major new program initiative was expected to involve:

- Developing criteria for maximizing the number of significant state and local investigations and prosecutions of white-collar offenses which are subject to concurrent federal-state jurisdiction.
- Organizing and marshalling state and federal investigative and other support activities to provide resources for local prosecution of such dual jurisdiction cases.
- Developing procedures for complementary federal-local prosecutive efforts which will minimize the likelihood of undesirable duplicative enforcement activity, or of failure of response to particular significant white-collar criminal activity because it is in a "no-man's land" of federal-state-local priorities.
- Developing a body of information on white-collar crime investigation, prosecution, and impact which will facilitate improved planning of white-collar crime enforcement efforts, setting of priorities, and models for budget justification--and be a valuable resource for research on white-collar crime.

More specific objectives were to:

- Establish mechanisms for continuing liaison with the U.S. Department of Justice, and with federal and state departments and agencies, to coordinate investigations and prosecutions of white-collar criminal offenses which are subject to concurrent federal/state/local jurisdictions.
- Establish, in cooperation with federal law enforcement agencies, criteria for provision of federal investigative support for local investigation and prosecution of white-collar criminal offenses which are subject to federal/state/local jurisdictions.
- Develop, in conjunction with federal and state law enforcement agencies, a survey report which will identify gaps in present enforcement responses to white-collar crime and duplicative responses thereto.

It was anticipated that the National Strategy initiative would result in major progress toward the development of a National Strategy for coordinating the responses to white-collar crime on the part of federal, state, and local enforcement agencies, and of regulatory, administrative, and other governmental departments and agencies. This would include:

- Significant and documentable improvement in intergovernmental and interagency cooperation and mutual support in the area of white-collar crime enforcement.
- A rising level of consciousness on the part of all such agencies and departments as to the degree of and the disadvantages of problems of duplicative effort, and of the magnitude of white-collar offenses not responded to because they are inadvertently on no agency's priority list.
- Tentative and mutually developed drafts, in circulation among agencies, setting forth proposed criteria for division of responsibilities which would move greater areas of white-collar crime enforcement to the local prosecutive level and provide for added sources of investigative support to local prosecutors.

It was expected that the Economic Crime Project, by continuance and expansion of the level of its activity, would more firmly fix in the consciousness of the public and of local prosecutors the major message conveyed by the Economic Crime Project in the past--that economic (white-collar) crime enforcement is properly a responsibility for local prosecutors and not only for federal prosecutors or prosecutors' offices in a few major urban centers. This national consciousness was expected, in turn, to make more likely the development of a National Strategy which would vest greater responsibility for local prosecutions of economic crimes which fall within concurrent federal-state jurisdictions.

The National Strategy approach reflected in the fifth grant application sought to achieve the following goals:

- Increased interaction between local prosecutors and federal agencies.
- Development of written agreements of cooperation between local prosecutors and federal agencies.
- Establishment of five "pilot programs," subsequently called "Lead Units."

Because the National Strategy initiative was a new and unexplored realm, the funding application could provide but the

sketchiest of directions for charting the course of this effort. Early National Strategy efforts explored a number of avenues knowing that some would lead to dead ends but unable to determine in advance which would do so. Effort was also made to be alert to the unexpected opportunity and to exploit it.

Several lessons, it was observed, were learned early in the course of these National Strategy efforts. Discussions with federal officials and ECP unit prosecutors offered valuable insight into the dynamics of interagency cooperation. More was learned about federal policies and resources. In light of the lessons learned from these experiences, NDAA and Battelle reassessed the goals of a National Strategy to determine which strategies would be most likely to lead to the accomplishment of these goals.

The original plan, of necessity, presented a simplistic model of how federal-local interaction could be developed. It may be represented schematically as follows:

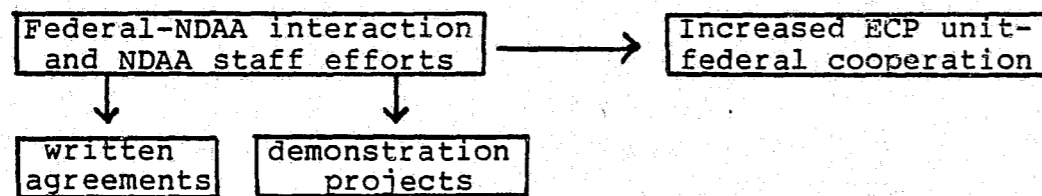


Figure 1.1
ORIGINAL GOALS

With the fuller understanding of the dynamics of federal-local interaction gained thus far, this model was expanded, as shown in Figure 1.2, to reflect both the process by which the above results would occur and the broad range of results which might be expected.

Specific Project efforts to establish liaison between agencies working in the field of white-collar containment were begun early in the fifth period. Efforts to establish "credibility" were seen as being more difficult, requiring patient effort and good preliminary federal-ECP mutual

8-2

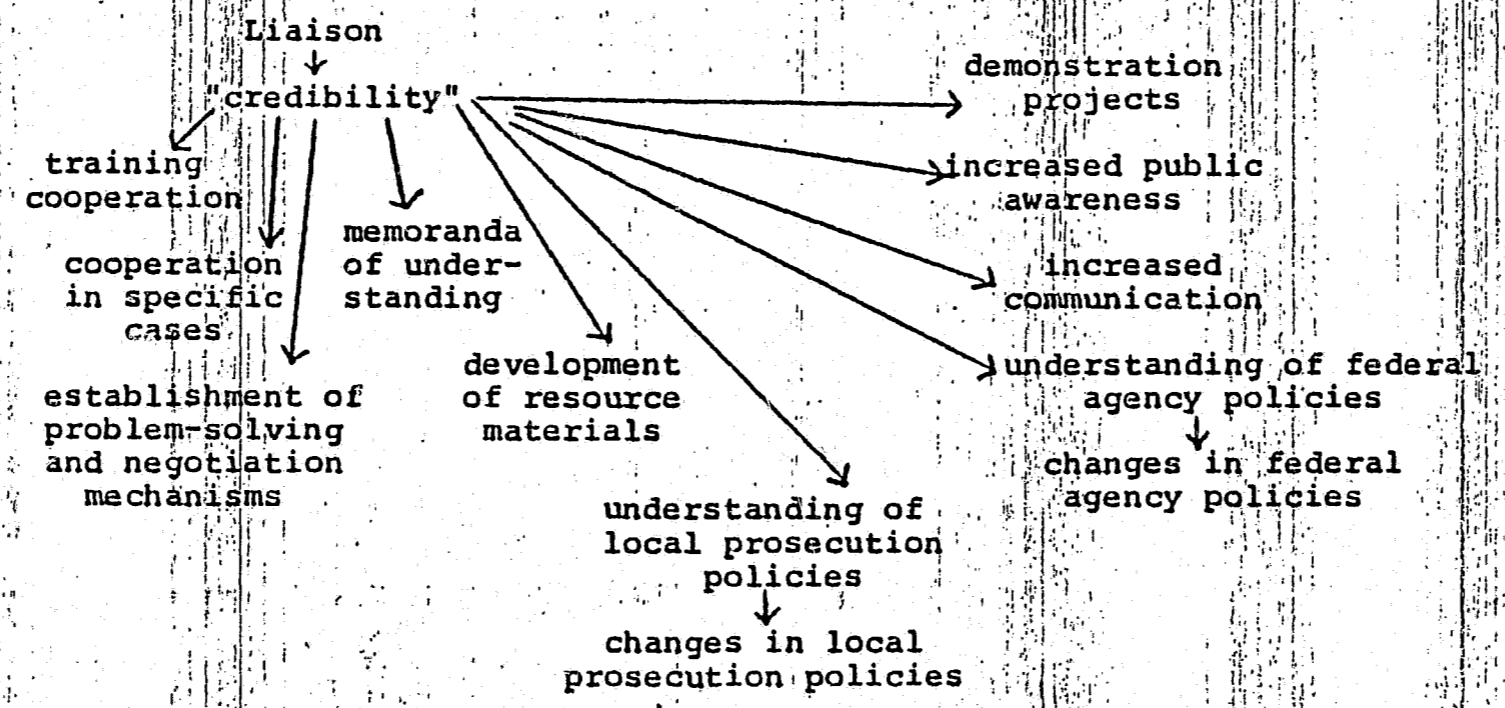


FIGURE 1.2
REFINED GOALS

experiences. Several approaches undertaken early in the National Strategy effort included:

- Increasing awareness of the ECP and National Strategy efforts.
- Increased dialogue and interaction leading to increased understanding of each other's positions; and
- Specific efforts resulting in interactions and work products of mutual benefit to federal and local prosecutors.

The schematic diagram of National Strategy efforts presented above, it was recognized, was simplistic. It only presented in linear fashion a process which was, in fact, circular. That is, NDAA and Battelle staff concluded that efforts to establish training coordination, case cooperation, problem-solving mechanisms, memoranda of understanding, pilot projects, and review of federal agency policies must proceed simultaneously with efforts to establish credibility, rather than waiting for credibility to be established. These initial efforts were expected to lead to increased credibility (assuming that they are successful), which in turn would lead to more cooperative efforts, such as joint training and cross-assistance. Analogy may be made to community service programs: despite best intentions, a solid program, hard work, endorsement and involvement of criminal justice and community "movers and shakers," and everything else the program can think of, the typical result is that during the first six months to a year cases and referrals dribble in at a disturbingly slow rate. Then, as word spreads through a "grapevine" that nobody quite understands and some are not even aware of, the program is inundated with responses. The same, it was speculated, would probably be true in the case of the National Strategy.

The just-described goals and approaches were further refined at a second National Strategy Conference in July, 1979, described in detail in a prior Battelle report.⁴ While no specific goals for the remainder of the grant period were

established at this meeting, there was general consensus that enough progress had been made to justify changing National Strategy emphasis from planning, meetings, and discussions to action initiatives.

The Project's application for a six-month supplemental funding to extend the fifth grant period to 18 months reflected this shift from planning to implementation of the National Strategy initiatives. This application called for continuation of the Program Component with only minor changes, but provided for substantial reorientation of the National Strategy initiatives. The lessons learned from experience to date were to be summarized by Project staff into one or more monographs on training, the intelligence function, and the role of Memoranda of Understanding in the National Strategy initiative. The coalescence of the volunteer Lead Unit Task Force was given formal recognition, and Lead Unit chiefs undertook to implement the National Strategy initiative on a regional level. Six new Lead Units were to be established, one within each of the regions encompassed by the original six Lead Units. While the Project would respond to new "targets of opportunity" and contacts received from additional federal agencies, further outreach and the undertaking of new initiatives was de-emphasized. Rather, the goal was to consolidate the gains made thus far and to implement them on the local as well as the national level.

The Project's efforts to achieve these objectives are described in detail in Battelle's prior report on the fifth grant period.

III. PROJECT OBJECTIVES FOR THE SIXTH GRANT PERIOD

The Project's objectives for the sixth grant period marked further consolidation of the National Strategy initiative into Program Component operations. In line with this thrust, the National Strategy staff attorney position in the fifth grant period was converted into a part-time, consultant position in

the sixth. The Project's objectives in the sixth grant period involved:

- Transition of the National Strategy initiative from planning and development to action, for example, through cooperation with the Executive Working Group of officials from the U.S. Department of Justice, NDAA, and NAAG.
- Integration of National Strategy initiatives into Program operations.
- Designation of and support to additional Lead Units and state-wide councils.
- Regionalization of National Strategy initiatives through the leadership of the Lead Units.
- Making Lead Unit experiences and lessons learned available to other interested agencies.

One means of achieving the last goal was to integrate National Strategy initiatives more closely into the program at Unit Chiefs' conferences. Liaison with federal agencies, formerly the responsibility of the Project's National Strategy staff attorney, was to be maintained by the Program Component staff and Lead Unit chiefs.

Chapter Two of this report provides a review of Project operations. Each section begins with a brief overview of Project efforts in the fifth grant period, extracted from the Executive Summary of Battelle's prior report, in order to provide the context for the more detailed description of Project activities in the sixth grant period. The first part of this chapter describes the continuation of Program Component activities, including the integration of the National Strategy initiative into Program Component operations. The focus of the second part of the chapter deals with implementation of the National Strategy initiative. It includes a description of the third annual National Strategy Conference, held at FBI headquarters in Washington, D.C. in July, 1980, in conjunction

with a meeting of the previously-mentioned federal Executive Working Group the next day.

The third chapter contains an analysis of the data provided through the Economic Crime Project Reporting System over the fifth and sixth grant periods. This chapter is a revision of the ECPRS chapter in the Battelle report on the fifth grant period, which analyzed data from only the first 10 months of the 17-month period described in Chapter Three. Chapter Four contains the report's conclusions and observations on possible avenues for further action.

CHAPTER TWO

PROJECT OPERATIONS IN THE SIXTH GRANT PERIOD

This chapter describes the Project's program operations and efforts to implement the National Strategy initiative in the sixth grant period, from April 1980 through the end of 1980. The real impact of the Project, of course, is in the investigations, prosecutions and other activities of the 69 Economic Crime Units in local prosecutors' offices which encompass about 40% of the nation's population. The results of these efforts are impressive. They have accounted for recovery, or orders for recovery, of an estimated \$32.6 in restitutions, fines and penalties in 17 months of the 27 months in the fifth and sixth grant periods. Convictions were obtained in 1,736 (82.9%) of the 2,094 reported criminal filings, more than half of which (930) were at the felony level. These convictions resulted in an estimated 1,175 people going to prison or jail. Details of these local units' operations and the results obtained are described in Chapter Three of this report.

I. THE PROGRAM COMPONENT

Program Component activities in the sixth grant period included two Unit Chiefs' meetings, the continuing work of the Project's Task Forces, the preparation of Project publications, and clearinghouse and technical assistance activities.

A. The Unit Chief Conferences

Five Unit Chief meetings were held during the fifth grant period. Unit representatives are obligated to attend one such meeting a year at their own office's expense as a condition of membership. The conferences generally lasted three days, beginning with a roundtable discussion (open to law enforcement

personnel only) of pending investigations and cases. The first afternoon and the second day were devoted to presentations, panel discussions, training sessions, and workshops. They concluded with a second roundtable on the morning of the third day.

The roundtable discussions have proved to be one of the most valuable contributions that Unit Chief meetings have made to individual economic crime unit operations. Unit Chiefs contemplating a proactive auto repair investigation or disturbed about a plethora of newspaper ads offering instant wealth through diamond investments, vending machine franchises, or worm farms learn how other jurisdictions acted to protect the public and how they successfully prosecuted such cases and--more importantly--how other jurisdictions encountered problems and learned from their mistakes. On several occasions participants learned that individuals being investigated or prosecuted in their jurisdiction were active in other jurisdictions as well--setting up the basis for inter-unit cooperation. Other cases reported on served to precipitate discussions on tactical problems such as how to set up a car for a proactive auto repair investigation, or on legal issues such as procedures to use in obtaining needed financial records.

Case discussions at Unit Chief meetings have been interspersed with short presentations by representatives of federal agencies (e.g., U.S. Postal Inspection Service; U.S. Department of Agriculture, Office of Inspector General; U.S. Department of Justice), update reports on pending legislation, a briefing on the Economic Crime Project Reporting System, and a report on the results of the first National Strategy questionnaire on unit interactions with federal and state agencies.

Presentations and workshops have included:

- Presentations on computer crime, the NDAA Evidence Tracking Project and statewide Economic Crime Councils.

- A National Strategy panel discussion on cooperation with the U.S. Department of Justice and National Strategy workshops on state, federal, and international cooperation.
- A presentation and film on arson by the Insurance Crime Prevention Institute.
- Workshops on business opportunity fraud and the FTC franchise rule, antitrust, insurance fraud and arson, and fraud against the elderly.
- A talk by a noted criminologist, Prof. Gilbert Geis of the University of California, Irvine, on deterring the corporate criminal.
- A workshop on sentencing the white-collar crime offender.
- A presentation and discussion of two "60 Minutes" segments (auto repair fraud and corruption in meat packing), led by a producer of this television show.
- A panel presentation and workshops on securities registration and securities fraud, involving representatives of the U.S. Securities and Exchange Commission and the securities department of four states.
- Workshops on particular types of cases, including auto dealer reserve account fraud, the Kingsbridge Fiduciary Trust case (investment fraud), and statutory reform.
- Regional workshops on local-level National Strategy initiatives, conducted by the Unit Chiefs of the six Lead Units undertaking such initiatives; and
- A presentation on the jurisdiction, services, and procedures of the Federal Bureau of Investigation.

The Unit Chief meetings have served in several respects to strengthen the National Strategy initiative. First, the program at each conference has contained sessions informing the units of National Strategy efforts and achievements which are useful to them in their daily operations. Second, a number of representatives of federal and state agencies and national organizations concerned with the detection, investigation, and prosecution of white-collar crime have attended the conference.

Some have given presentations on their agency or organization's priorities and procedures. Others have participated in panels to discuss means of cooperating more closely, lectured on technical aspects of white-collar crime investigation or prosecution, and participated in workshops or Task Force meetings (held in conjunction with Unit Chief meetings) addressing specific areas of concern. Virtually all have taken the opportunity to meet with Unit Chiefs and discuss particular problems.

Unit Chief meetings have also provided Lead Unit Chiefs with an opportunity to meet, discuss problems, share strategies for fostering interagency cooperation, and plan future initiatives. These Lead Units serve as demonstration sites for efforts to implement National Strategy initiatives on the local level. At these meetings Lead Unit Chiefs, with NDAA staff, have decided to constitute themselves a Task Force, determined criteria for designation of an additional six Lead Units, discussed methods of assisting these additional six Lead Units, and planned a two-day meeting with representatives of federal agencies in Washington, D.C. The unit which hosted one conference used the meeting as a forum to convene an organizational meeting of a statewide interagency economic crime group involving some 76 representatives from four federal agency local offices, five county prosecutors' offices, seven local police departments or sheriffs' offices, two banks or department stores, and four other organizations.

Two Unit Chiefs' meetings were held in the sixth grant period. Many of the costs of attending the first conference, as in prior grant periods, was underwritten by project funds. This conference was held in Boston, June 4-7, 1980. The second conference was conducted at no expense to the project (other than project staff travel costs)--a requirement designed not only to economize on grant funds but also to elicit and test the commitment of the local Economic Crime Units. The conference was hosted by the Denver District Attorney's office and was held

in that city on September 15-17, 1980. Some 36 unit chiefs or designates attended the Denver conference, which is fewer than the 54 attendees from 51 units at the Boston conference, but which is a remarkably high number considering that the units' offices solely bore the transportation costs.

The Battelle report on the project's fifth grant period and earlier evaluations uniformly stressed that these Unit Chiefs' conferences were the most important project service offered to the units. This was confirmed by a project survey of units' views as to which services are most valuable, done as part of the planning in anticipation of the possible loss of LEAA funding for the project.

The Unit Chiefs' meetings became an increasingly important vehicle for implementation of the National Strategy initiative during the sixth grant period. The last two conferences focused on specific topics of National Strategy significance, and were held in conjunction with other professional associations whose members might interact with units in carrying out National Strategy initiatives. The Boston conference was held in conjunction with the National Association of State Securities Administrators (NASAA), and was devoted to securities fraud investigations and prosecutions. This conference was attended by staff of the securities departments of 21 states and one Canadian province, as well as representatives of several attorneys general offices and the Toronto stock exchange.

The Denver conference was held in conjunction with a National Association of Attorneys General consumer protection unit conference and was devoted to energy-saving devices fraud prevention. The energy-saving fraud prevention aspect was supported by a grant from the U.S. Department of Energy to the Metropolitan Denver District Attorneys' Office of Consumer Fraud and Economic Crime to operate a national clearinghouse and provide training and technical assistance with respect to such devices. This grant, described in more detail in the discussion of the Business Opportunity Task Force, below, was obtained with

the cooperation and support of the Economic Crime Project. Presentation and workshop leaders included representatives of the:

- U.S. Attorney's Office, Denver, Colorado (U.S. Attorney and Economic Crime Enforcement Specialist);
- Office of Inspector General, U.S. Environmental Protection Agency;
- U.S. Department of Justice, Organized Crime Section;
- U.S. Department of Energy, Office of Consumer Affairs;
- U.S. Postal Inspection Service;
- U.S. Federal Trade Commission;
- U.S. National Air and Space Administration;
- Colorado Gasohol Promotion Commission;
- Montana Department of Business Regulation;
- Office of Attorney General, State of Utah; and
- Office of Attorney General, State of Colorado.

While prior conferences offered programs encompassing a diverse range of economic crimes and remedies, the two held in the sixth grant period were each devoted to one topic of National Strategy significance. The Boston conference, for example, involved a two-day program on securities violations, put together through the collaboration of Project staff and members of NASAA. This program centered around eight dramatized "scenes" depicting the handling of a securities fraud case from the initial complaint, through investigation and prosecution, to sentencing. Each scene was followed by a lecture or workshop on the problems encountered at that particular stage of the case. This program was videotaped and edited by Project and NASAA staff and at NASAA expense. Seven copies of the 10 hour training tape based on this conference are being circulated to interested law enforcement units, with priority being given to ECP units and NASAA members, under the auspices of the Massachusetts Securities Division.

The Boston conference also included the traditional roundtable discussions, regional roundtables on implementation of National Strategy initiatives which were chaired by the heads of the six original Lead Units, and Task Force meetings. NASAA undertook to review the evaluation forms for this conference. Project staff report favorable feedback from the unit chiefs.

The Denver conference, as mentioned, focused on frauds related to energy-saving devices. The first day involved only Unit Chiefs. The morning was devoted to roundtable discussion of pending cases. The afternoon session included a presentation on the U.S. Department of Justice's recently announced federal economic crime priorities by the Economic Crime Enforcement Specialist in the Denver U.S. Attorney's Office, as well as workshops on toxic waste disposal and organized crime. The second day was a joint session with representatives of NAAG consumer protection units. This began with an overview of the Department of Energy grant to the Metropolitan Denver office to operate a clearinghouse and technical assistance center on energy-saving devices fraud and a presentation on such devices. A panel discussion on informal techniques for coping with questionable advertising claims was followed by a presentation by the Federal Trade Commission of interagency cooperation in monitoring advertising claims. Other presentations involved alcohol fuels and preparing a gas saving device case for trial. A presentation and panel discussion centered on sample advertisements related to a NASAA developed energy-saving device, the "power factor controller." The second day closed with an hour-long roundtable on energy-saving devices investigations and cases.

Participants at Denver Unit Chief meeting were asked to rate the individual sessions. The roundtable discussions were given high ratings, as was true of the conferences in the fifth

grant period. The results are presented in Table 2.1 on the following page.*

There was more variation in the ratings given sessions at the Denver conference than was the case with respect to meetings in the fifth grant period. The results of the participant evaluations of fifth grant period conferences seldom varied more than one point above or below the overall rating given to the conference at which the session was held. By contrast, the overview on energy-saving devices was given a rating 2.68 points higher than the rating given the conference, and one workshop was given a rating 2.77 points lower than that given the conference.

The methodological problems just mentioned are those associated with use of Likert scales. For example, different people attended each conference; they may use different criteria or simply be harder--or easier--to please. Even the same individual may be inconsistent in rating two conferences held four months apart. Thus, any comparison of scores between conferences is potentially very misleading. The relevant comparison is between sessions at the same conference.

*Participants were asked to rate each session on a scale of 1 to 10. The results of these ratings are expressed in comparison to the average rating given to the individual conference at which the session was presented, in order to avoid methodological problems in attempting comparisons between sessions. Thus, if the overall rating for a conference is 8.6 and one seminar was given a 6.4, its rating on Table 2.1 would be the difference, or -2.2.

TABLE 2.1
UNIT CHIEF CONFERENCE PARTICIPANT RATINGS
OF CONFERENCE SESSIONS, DENVER CONFERENCE
SEPTEMBER 15 - 17, 1980

Conference Session	Participant Rating
Presentation: Energy-Saving Devices	+ 2.68
Presentation: Preparing a Gas-Savings Device Case for Trial	+ 1.56
Roundtables:	+ 1.18
Monday (ECP, including ECPRS presentation)	+ 1.60
Tuesday (Joint ECP/NAAG, on Energy Saving Devices)	+ 0.89
Wednesday (ECP, including plans for future)	+ 1.07
Workshop: Toxic Wastes	+ 1.14
Presentation: Public Prosecutor and the Private Sector	+ 0.60
Panel: Informal Techniques with Advertising Claims	+ 0.51
Presentation: "Power Factor Controller": sample acts	+ 0.13
Presentation: FTC Ad monitoring, interagency cooperation	- 0.10
Presentation: Federal economic crime enforcement--priorities	- 0.55
Workshop: Organized crime influence and economic crime	- 1.19
Presentation: Alcohol fuel	- 2.30
Workshop: Commodities futures frauds	- 2.77

Note: Sessions were rated on a scale of 1 to 10. Overall conference ratings were calculated as a mean of the ratings of the individual sessions, and individual session ratings were calculated by subtracting the conference mean from the individual session ratings. This was done to avoid inter-observer reliability problems in comparing scores of sessions at different conferences.

B. The Task Forces

In the fifth grant period the Project continued its Task Force approach to addressing significant problem areas. In the fifth grant period these included:

- Antitrust
- Auto Repair Fraud (since disbanded)
- Business Opportunity Fraud
- Complex Crimes Training and Litigation (formed late in the grand period, it replaced the Auto Repair Task Force)
- Insurance
- Official Corruption and Procurement Fraud

In addition, the Lead Units charged with implementing the National Strategy formed a Lead Unit Task Force to regionalize and implement this initiative on the local level. This Task Force is described in the National Strategy section of this chapter.

The Task Forces originally consisted of the District Attorneys from six jurisdictions and their unit chiefs, but in the fifth grant period membership was expanded by inclusion of other units and representatives of federal and state agencies as "associate members." Despite the fact that associate members receive no grant funds whatsoever to support their participation, 21 units are associate members. Representatives of state attorneys general, such federal agencies as the Antitrust Division of the U.S. Department of Justice and national-level organizations concerned about such issues as arson-for-profit also serve as associate members.

By the end of the fifth grant period each of the Task Forces except the Complex Crime Task Force had produced an original or updated manual. (It was not envisioned that the latter would produce one).

The Business Opportunity Fraud Task Force continued its Business Opportunities Clearinghouse, operated by the Denver Unit. This Task Force collects and makes available to law enforcement agencies nationally information on individuals and companies suspected of being active in business opportunity frauds. This information is provided by economic crime units and other involved agencies. This clearinghouse has been important in the development of a National Strategy. Clearinghouse staff have provided advice and comment on the FTC business opportunity regulations mentioned earlier, and has fostered closer relationships with state and federal agencies (e.g., state attorneys general, the U.S. Postal Inspection Service) by providing these agencies with timely, valuable information. The Clearinghouse's newsletter is distributed to some 270 law enforcement and prosecutorial agencies.

Because of funding problems, the Business Opportunity Clearinghouse was formally closed in October, 1980. Among the accomplishments of the Task Force and Clearinghouse were:

- Two manuals defining the world of business opportunity fraud and legislation to curb it.
- 27 newsletters which went to over 300 agencies in the U.S. and Canada and helped develop an information-sharing network which really worked.
- Two file cabinets of promotional literature, copies of ads, legal briefs and reports of action taken.
- A prevention pamphlet which was a joint effort with the Direct Selling Education Foundation (who paid for the product).
- A legislation data bank.

The Denver office intends to continue to respond to requests for information on an informal, involuntary basis as long as the files contain useful information.

The Task Forces also promoted National Strategy initiatives during the fifth grant period. The Antitrust Task Force has worked actively with the Antitrust Division of the U.S.

Department of Justice, the National Association of Attorneys General, and several state attorneys general offices. The arson-for-profit focus of the Insurance Fraud Task Force has brought it into closer working relations with state and federal agencies and national organizations also concerned with this problem. The Auto Repair Task Force (since disbanded) had been promoting National Strategy initiatives by cooperating with the U.S. Department of Transportation in a study to assess the amount of auto repair fraud, and with the National Highway Traffic Safety Administration and National Auto Dealers' Association in the development of their AUTOCAP program for mediation of new car sales and warranty problems. Associate membership on the Task Forces has proven to be a useful way to involve federal and state agencies and national organizations in the work of the Economic Crime Project, and thus to promote National Strategy objectives. Representatives of NAAG are associate members of each of the Task Forces. Federal and state agencies and national associations have been active in the work of the Antitrust and Insurance Fraud Task Forces.

In the sixth grant period the Task Forces continued to promote National Strategy initiatives. A representative of the Public Integrity Section of the U.S. Department of Justice, for example, attended the June meeting of the Official Corruption and Procurement Fraud Task Force. A representative from the Federal Trade Commission gave an informal presentation to the Business Opportunity Task Force on plans for enforcement of the FTC's rule requiring full disclosure in franchise solicitations and distributed a draft memo detailing planned FTC enforcement efforts.

The Antitrust Task Force met in the Washington offices of the Antitrust Division, U.S. Department of Justice, the day before the Boston unit chiefs' meeting. Representatives of the National Association of Attorneys General, the Antitrust Division, and the Federal Trade Commission attended. Following this all-day meeting the Task Force representatives met with the

head of the Antitrust Division to continue cooperative efforts, maintain liaison contacts and expand training and coordination possibilities.

As part of the National Strategy initiative the Business Opportunity Task Force changed its focus to energy-saving devices. In the face of the national energy crisis in the past few years the number of energy-saving devices offered to the public have increased dramatically. Two problems were encountered; the promoters of these products made specific, unsubstantiated claims as to their effectiveness and persons who had offered fraudulent franchises and distributorships in other areas began to offer franchises for distribution of these products as well. Thus, the Metropolitan Denver office, which operated the Business Opportunity Fraud Clearinghouse began to operate a Gas Savings Devices Clearinghouse as well. This entailed receiving reports from economic crime units, similar units in state offices of attorney general and other law enforcement agencies; responding to these agencies' requests for information on particular promoters, companies or devices; and circulation of a newsletter.

With Project support the Denver office applied to the U.S. Department of Energy for a grant to continue and expand operation of this clearinghouse. Following a favorable initial reaction from the Department of Energy, the Business Opportunity Task Force voted to serve as a local prosecutors' liaison committee to this grant effort. Chairmanship of the Task Force passed from the Denver unit to the Sacramento unit, which also has considerable experience and interest in prosecution of gas saving device cases.

A two-year, \$200,000 grant was awarded to the Denver unit in July, 1980, by the U.S. Department of Energy. Under this grant the clearinghouse, in addition to exchanging information on promoters and devices and circulating a newsletter, will catalog testing facilities and investigative methodologies. It will also keep law enforcement agencies posted on action by the

FTC and Postal Inspection Service, as well as acting as a first-line monitor for claims of endorsement by the EPA, HUD and Department of Energy. The grant also provides for a \$50,000 revolving fund for testing devices, this fund to be replenished through recovery of investigative and court costs in the resulting cases. The clearinghouse is also responsible for coordinating and arranging for training functions. The Denver conference in conjunction with the Unit Chiefs' meeting discussed earlier is the first of an anticipated series of such conferences.

The last formal meeting of each Task Force was held in connection with the Boston Unit Chiefs' meeting in June, 1980. By this time it had become apparent that continued LEAA funding was problematical beyond the expiration of the sixth grant period. Thus, the focus of the Task Forces turned to planning for future efforts whether or not LEAA funding continued. Each Task Force agreed to continue operation on a voluntary, unfunded basis, making their expertise available to other units in much the same manner as had the members of the earlier-disbanded Auto Repair Task Force.

C. Project Publications

The Economic Crime Project publishes an Economic Crime Digest, which is sent not only to economic crime units but to other law enforcement agencies, prosecutors' offices, law libraries, and other interested persons as well. About 2,500 copies of each issue are distributed. This Digest contains Project and white-collar crime news and short descriptions of recent cases handled by the units. An indexing system was devised in the fifth grant period, which classifies these case notes by a system adapted from the list of economic crime categories used in the Economic Crime Project Reporting System.

In the fifth grant period the format of the Digest was modified to include more articles written by Unit Chiefs or reprinted from other white-collar crime newsletters and

publications. About two-thirds of the two most recent issues have been devoted to articles.

Persons interviewed during the course of Battelle field visits to the six lead Units during the fifth grant period cited the Digest as one of the most useful of the Project services. Benefits cited were that it kept unit staff current on trends in economic crime and developments in other units. The Digest's cases notes, however, may be less useful in specific cases. An attorney from one of the larger, more experienced, and more sophisticated units added that general information on a prosecution on the other coast was not helpful to his; he would like more detailed information on how to prove difficult cases, spelling out steps to take and evidence needed. Several persons commented favorably on the format shift to longer articles describing cases in more detail.

During the fifth grant period the Economic Crime Project surveyed the Digest readership with a questionnaire enclosed with the third Digest issue of that grant period. Eighty-four responses were received from federal, state, and local agencies, universities, and other organizations. Of those responding, 73.4% indicated they circulate the magazine to different units or divisions within their office. Sixty-nine percent indicated they do not circulate outside their office. Ninety percent of the responding recipients file the Digest in their office for convenient staff use. The Digest is most frequently used as an alert to new frauds, to identify new enforcement techniques, to identify people to contact for information, to keep current, as a reference or general overview of the field, to track particular offenders, or as a training device. Aspects of the Digest found most useful by respondents included in-depth reports, detailed descriptions of investigative techniques and procedures, articles on various schemes, information and referral functions, and novel prosecution techniques. The aspects found least helpful included consumer scam information

and the "in brief" section (containing short notes on unit activities and developments in white-collar crime enforcement).

The Project published two issues of the Digest in the sixth grant period. The June, 1980 issue (Vol. 6, #2) contained five articles, including a description of the nation's first successful prosecution for theft of computer time (by the Indianapolis unit), a related article on computer fraud legislation and a description of the Westchester, New York unit's experiences in welfare fraud prosecution. Another article describes a profile of the white-collar criminal, based on research funded by a major accounting firm.

The last issue of the Digest was scheduled at the time of this writing to be published by mid-December. It will contain an article on a successful school lunch fraud prosecution by the San Antonio unit in conjunction with the Office of Inspector General, U.S. Department of Agriculture and a description of the Department of Energy grant effort.

In addition to the Task Force manuals and Economic Crime Digest, discussed earlier, the Project has produced three special documents for Economic Crime Units, addressing Priority topic areas. These are in the areas of investigative accounting, securities violations, and chain letters and pyramid schemes. The Project continued to reprint and make available the six public awareness brochures developed prior to the present grant period.

The Project has also prepared and distributed a directory of the Economic Crime Units for use by Project participants and other state and federal agencies. The list is being used, as witness a staff memorandum from the Office of Inspector General of the U.S. Department of Housing and Urban Development to field units, which introduces this list as follows: "This directory provides considerable detail including the name, address, and telephone number of each Unit Chief, as well as the organization, experience, and/or interest of the particular unit."

The major publication efforts of the Project in the sixth grant period were devoted to the securities fraud training videotape described earlier and revision of the Project's well-received but three-year-old manual on economic crime. Copies of this revised manual were distributed in early December, 1980.

D. Clearinghouse, Training, and Technical Assistance Activities

Much of the Project Center staff time in the sixth grant period, as in earlier periods, was devoted to coordinating clearinghouse, training, and technical assistance activities. The Unit Chief meetings, the Digest and other Project publications, fall under this rubric, as do the Business Opportunity Clearinghouse and many of the activities related to the National Strategy initiative. One of the most important of the staff activities is to keep units in touch with each other and informed of each other's activities. Thus, a unit encountering a particular type of problem can phone the Project Center in Chicago for suggestions or for referral to a unit which has encountered this type of problem before.

The Project regularly circulates confidential alerts about possible frauds or pending investigations to economic crime units. Because this is sensitive information about pending investigations, these alerts have not been reviewed by Battelle staff. Persons interviewed in Lead Units report that these confidential alerts are one of the most useful of the Project's services. Response was less uniform, however, to the more general memos sent to the units. While many of these memos were viewed as useful, the sheer number of memos was viewed by some as overwhelming. Some 184 of these consecutively numbered memos were issued in 1979. In response to this critique, the number of such memos was reduced of 86 in 1980. Topics range from announcements of personnel changes to requests to substantiate donations of matching funds, to announcements and agendas of upcoming Unit Chief meetings, to descriptive or background

material on particular subjects, to progress updates on significant National Strategy initiatives.

Investigative accounting technical assistance offered by the Project was reported by the units to be one of the most useful of the Project's services. Because of the demand for this, in the fifth grant period the Project added the service of a second investigative accountant. These investigative accountants do not become involved in individual cases. Rather, they provide more general training to unit prosecutors and investigators, showing them how to recruit, select, and use the services of investigative accountants to achieve investigative and litigative goals. In order to maximize the effectiveness of this service and to promote the National Strategy objective of getting unit staff to work more closely with their local counterparts in state and federal agencies, in the fifth grant period Project staff determined to place increased emphasis on the hosting of these training programs by units which will invite prosecutorial and law enforcement agency staff from neighboring jurisdictions and state and federal agencies to attend them as well.

In the first quarter of the sixth grant period, three accounting seminars were conducted, involving 58 participants, including police officers and inspectors from the inspector general's office of a state welfare agency. In the second quarter two training seminars were conducted and consultaion was provided to two units in connection with a complex series of fraud cases.

In anticipation of the expiration of LEAA funding the Project has undertaken to regionalize its coordination and technical assistance function. The Philadelphia unit has volunteered to serve as a national coordination point, and each of the six original Lead Units will coordinate activities on a volunteer basis within their respective jurisdictions. Efforts are underway to provide modest financial support for this effort through voluntary contributions from participating prosecutors' offices.

E. The Project's Educational Role

One of the missions of the Project has been to stress the seriousness of white-collar crime and the need for vigorous prevention and enforcement. The Project's message has been delivered to prosecutors to encourage them to give white-collar crime enforcement a higher priority than in the past, and to the public to recognize white-collar crime-type activity and therefore to enable it to protect itself better. In the sixth grant period, for example, Project staff conducted site visits to provide technical assistance to six units and assisted two prosecutors to begin economic crime units and join the Project. To keep the NDAA membership informed of Project and unit activities and to encourage other prosecutors to begin similar efforts in their own jurisdictions, Project staff and Unit Chiefs have written numerous articles for the association's bi-monthly professional journal, The Prosecutor, which is read in almost every local prosecutor's office in the United States. These have included a regular column of Project activities in the section of the magazine devoted to NDAA grant activities, short articles for the "association news" section, and longer, feature-length articles.

Project staff have also delivered presentations at NDAA's Metropolitan District Attorneys' Conference in January, 1979, and Rural/Urban Prosecutors Attorneys' Conference in November, 1979, held in the Washington, D.C. area.

Project staff have also assisted in the formation and operation of statewide economic crime councils, attending meetings of such councils in Mennesota, New York and Pennsylvania.

Project attorneys and Unit Chiefs make numerous appearances before professional and public groups. This included Project testimony before the Subcommittee on Crime of the U.S. House Committee of the Judiciary. In the sixth grant period, for example, Project staff delivered presentations at an Association

of Federal Investigators meeting (Chicago chapter), a Blue Cross/Blue Shield utilization review conference, a meeting and an auto repair conference of the National Association of Consumer Agency Administrators, a meeting of the Federal Probation Officers Association, a U.S. Department of Energy Interagency Task Force on Auto Repair Fraud conference and a meeting of representatives of state police departments.

Project staff have also served in an advisory capacity in planning for both a first national legislative conference on arson-for-profit and a first national conference on mass transit crime.

The Project's six public-awareness brochures have already been mentioned. In the sixth grant period Project staff and the Business Opportunity Task Force prepared a pamphlet entitled "Promises: Check 'em Out" in conjunction with the Direct Selling Association, on business opportunity fraud. The Direct Selling Association financed the printing of 150,000 of these pamphlets, which have been distributed. In addition, the staff has prepared a number of press releases and held news conferences at each of its Unit Chiefs' meetings. Project staff have been interviewed in connection with articles appearing in Businessweek, Police Magazine, NBC's "60 Minutes," the Los Angeles Times news service, and other national media.

II. THE NATIONAL STRATEGY INITIATIVE

The National Strategy initiative begun by the Project in the fifth grant period constituted an innovative, experimental approach to fostering federal, state, and local interagency cooperation in the investigation and prosecution of white-collar crime. Many lessons were learned in the first year, which are

summarized in the Battelle report on the fifth grant period,⁵ a book directly based on the symposium that began the National Strategy and ensuring events,⁶ and the Battelle report on the second National Strategy conference.⁷ The process proved to be complex and time-consuming, but a sufficient groundwork had been established to justify a major shift from planning and development to implementation by the end of the first year. This thrust was continued into the sixth grant period, when National Strategy initiatives were integrated into such Program Component activities as the Unit Chief meetings and the work of the Task Forces. The Lead Units continued to serve as practical laboratories for developing and testing initiatives on the local level.

A. A Brief History of the National Strategy

This section provides a brief history of the National Strategy initiatives. Initial planning was devoted to developing a strategy for use by units seeking to establish contact with broad ranges of federal agencies, to give the Project's National Strategy initiative visibility and to foster an environment within which "targets of opportunity" for later, more specific Project efforts could arise. The approach taken was to:

- Explain to each federal agency the nature of the ECP and the National Strategy initiative.
- Discuss mutual priorities and concerns.
- Seek their cooperation.
- Establish a point of liaison within each agency to assist in resolving specific problems encountered by Project units and federal agency regional or local offices.
- Lay out a mechanism and procedures for planning future efforts.

The federal agencies were provided directories of the ECP units,

and several of them sent out memos encouraging their field staffs to work with these units.

1. Interagency Liaison

One early goal of the Project's National Strategy effort was to establish a closer working relationship with the recently-established offices of Inspector General in the Departments of Agriculture, Housing and Urban Development, Energy and Health, and Education and Welfare (now Health and Human Services), and to develop specific programs and mechanisms for the resolution of specific problems. The approach to be undertaken was to demonstrate that the National Strategy effort would be of mutual benefit to federal and local government, not merely a device to get the federal government to assist with local problems.

As part of the National Strategy effort, the Project initiated efforts to develop specific, written Memoranda of Understanding (MOU's) with the Inspectors General in these federal departments, to include joint training, the designation of a permanent liaison, and the establishment of specific liaison mechanisms for interaction between these agencies and local ECP units. A major issue to be addressed was the continued availability of federal investigative resources once a matter declined by federal prosecutors is referred to an ECP unit for prosecution. It soon became obvious that the role of the Project and the capabilities of individual units would have to be clearly outlined to those agencies with which the Project sought to promote cooperation and coordination. The necessary coordination and liaison, it was quickly learned, could only be established effectively when built initially upon the points where enforcement agencies and the ECP find cooperation mutually beneficial.

The ECP has also established liaison with the Executive Group to Combat Fraud and Waste in Government, consisting of the federal-level Inspectors General and representatives from the

Office of Management and Budget (OMB), Office of Program Management (OPM), the FBI, IRS, and the Postal Inspection Service. The Executive Group operates under the auspices of and receives staff support from the U.S. Department of Justice.

The Project made special efforts to develop working relationships with the Federal Bureau of Investigation and the U.S. Postal Inspection Service. As part of the National Strategy initiative, the Bureau and the ECP expanded the FBI computer training course to include sessions jointly attended by ECP unit representatives and assistant United States attorneys. The Bureau also hosted the National Strategy Conferences in 1979 and 1980. The U.S. Postal Inspection Service extended cooperation to the Project even before the National Strategy initiative was begun. Local prosecutors had reported to Project staff that they had found the Postal Inspection Service to be very cooperative in mutual enforcement activities. In the fifth grant period, the Project began the circulation to units of the Postal Inspection Service's regular bulletin of current schemes and pending investigations.

The Project also began to work with the Federal Trade Commission, largely through the efforts of the Business Opportunity Fraud Clearinghouse. Clearinghouse staff offered comments and suggestions on proposed FTC disclosure regulations regarding business opportunities and solicited the input of the other ECP units. The U.S. Department of Transportation was not one of the federal agencies specifically envisioned as being within the ambit of the National Strategy efforts, but the opportunity presented itself and the ECP had the flexibility to take advantage of this opportunity to work with the National Highway Traffic and Safety Administration (NHTSA) and DOT in implementing "Auto-cap" programs for the mediation of new car purchase and warranty complaints, developed with the cooperation of the National Auto Dealers Association. Project staff also met to explore possible mutual cooperative efforts with the U.S. Department of the Treasury, the Secret Service, the Securities

and Exchange Commission, the Commodities Futures Tracking Commission, the Small Business Administration, and the General Services Administration.

The Project also undertook to increase cooperation between state and local prosecutors, through the development of contacts with the National Association of Attorneys General (NAAG) and attorneys general in individual states. In the past, there has not been a consistent pattern of cooperation between NDAA and NAAG. It became clear during the earliest planning of the National Strategy effort that, if this were to be a truly national effort, involvement of NAAG and the attorneys general would be important to its success. Prosecutorial cooperation between the staff attorneys general and local prosecutors had increased during the first nine months of the National Strategy initiative, in part through the participation of attorneys general at Task Force meetings on an "associate" basis. The two organizations agreed to designate personnel to serve as liaison between NAAG and NDAA, and the Executive Directors of each organization attended the other organization's board meetings. The Board of NAAG authorized sending copies of NAAG's antitrust newsletter and other relevant newsletters to local prosecutors, which it had declined to do before this National Strategy initiative was launched. This cooperation spread to the "working level," as well. NAAG members began to frequently use the national-scope Business Opportunity Clearinghouse, and NDAA members participated in a number of NAAG antitrust seminars. This cooperation culminated in the joint NDAA-NAAG conference on energy savings devices at the Unit Chiefs' conference in Denver in September, 1980..

Project staff also began to work with staff members of national organizations concerned about particular aspects of economic crime, such as the Insurance Crime Prevention Institute, the National Welfare Fraud Association, the National Auto Dealers Association, and the National Organization of Bar Counsel.

2. The Lead Units

It was envisioned from the outset of the National Strategy initiative that the true test would be in the laboratories of experience provided by six Lead Units charged with responsibility for implementing these efforts at the local level, in specific prosecutions, and other efforts aimed at protecting the citizenry and halting the perpetrators of economic crime.

The goals of these Lead Units were to: (1) develop their own ongoing liaison mechanisms with federal, state, and local agencies; (2) seek to increase interagency cooperation; and (3) seek to undertake cooperative enforcement actions. But the purpose of the Project's Lead Unit initiative was more to extract lessons as to the feasibility of specific strategies attempted and learn from the problems thus encountered than it was to prove that quantifiable results would follow from specific strategies.

The Lead Units were selected to reflect the geographical and demographical diversity of the Project units, and willingness to undertake this effort was perhaps the most important selection criterion. Thus, the experiences of these units were not considered to be "representative" of the results which would follow if the same initiatives were undertaken by each Project unit. Some units were selected because they had already demonstrated a considerable degree of effort in working with federal and state agencies, and it was considered important to document and analyze this experience in order to extract ideas as to viable strategies for other jurisdictions. Other Lead Units were selected because this would be a new effort, and thus their experiences would offer insight into the problems to be encountered in beginning National Strategy initiatives in other jurisdictions. Three of the six units were in jurisdictions housing the first of the Economic Crime Enforcement Units to be established in U.S. Attorneys' offices

under a new Department of Justice initiative. Two of these, and an additional Lead Unit, were in cities which also served as regional offices for many of the federal departments and agencies expected to be important to the National Strategy initiative.

The Lead Units ultimately selected were in Atlanta, Denver, Los Angeles, Louisville, Minneapolis, and Philadelphia. These six units developed a variety of approaches and strategies tailored to meet local jurisdictions' needs and circumstances. These units swiftly demonstrated how the National Strategy Program could be improved through an infusion of the ideas and efforts of local Unit Chiefs, based upon their own initiatives and creativity. At least two of the units began their own "grass roots" National Strategy initiatives, meeting regularly with federal, state, and other local officials. One was also central to state Economic Crime Council, which was envisioned as having potential as a unique vehicle for National Strategies initiatives.

The technical assistance offered by the Project Center to the Lead Units has been more in the form of support and encouragement than specific technical advice, onsite assessment, or planning. The experts on local problems and strategies that would work in any specific jurisdictions, the ECP staff believed, would be the Lead Unit staffs and their local counterparts from state and federal agencies.

3. Encouraging Units to Undertake National Strategy Initiatives

At the outset, a strategy was devised by Project staff to pass on to the units the lessons and benefits of the National Strategy initiative. As National Strategy initiatives and strategies were developed, they were to be passed on to ECP Units through the Project's Program Division. For example, at the quarterly Unit Chiefs' meetings, presentations and workshops were conducted on the National Strategy issues, particularly in

the area of preservation of the integrity of government programs. The six Lead Units described earlier were seen as key to this process, as were the ECP Task Forces.

The Task Forces proved to be effective vehicles for translating National Strategy initiatives into local action. They focused efforts on national priority areas and worked to find ways to enhance federal, state, and local cooperation. They also provided assistance and models to other units in implementing National Strategy initiatives. Further, the Project encouraged representatives of state and federal agencies interested in the subject matter to become associate members of the Task Forces.

4. The Second National Strategy Conference

National Strategy efforts in the first nine months culminated in the Second National Strategy Conference, held at the Washington, D. C. headquarters of the Federal Bureau of Investigation in July, 1979. The role of this conference in refining the goals and objectives of the National Strategy initiative has been described in Chapter One. The conference is described in detail in a report submitted by Battelle to NDAA and LEAA earlier.¹⁹

The 36 officials attending this conference represented a broad range of federal, state, and local officials. On the federal level the agencies represented several branches of the Criminal Division of the Department of Justice, the USDOJ Antitrust Division, a United States Attorney's Office, the Department of Agriculture, the Department of Housing and Urban Development, the Federal Bureau of Investigation, the Postal Inspection Service, the Secret Service and the Law Enforcement Assistance Administration, as well as counsel to the Subcommittee on Crime of the U.S. House of Representatives' Committee on the Judiciary. An attorney general and the then-Executive Director of the National Association of Attorneys General attended as did a Unit Chief, the Executive

Director of the Police Foundation, and an expert on criminal justice system organization then with the American Bar Association.

Following introductory remarks by officials from NDAA, the Criminal Division of the U.S. Department of Justice, and the Federal Bureau of Investigation, representatives from each of the Federal agencies briefly described their agencies' roles in the National Strategy initiatives. Further information was provided by staff of the Project and Battelle. The afternoon was devoted to planning future efforts in this area. It was determined that, while planning efforts should continue, the time had come to translate the initiative into specific operational programs.

5. Subsequent Efforts

After the Second National Strategy Conference, Project staff refocused its efforts in the direction of developing specific programs and initiatives with a narrower range of federal and state agencies and working through the Lead Units in implementing the National Strategy initiative on the local level. This process was begun toward the end of the fifth grant period and was completed shortly after the start of the sixth grant period. The Program Component became more active in the National Strategy effort as the planning function tapered off and implementation efforts were stepped up. Less effort was devoted to establishing initial contact with additional federal agencies, although the Project continued to respond to approaches made by such agencies.

The Lead Units took a more active and direct role in the overall National Strategy effort. The Unit Chiefs began to meet regularly in breakfast hours at the Unit Chiefs' Conferences to exchange information and plan new initiatives. They constituted themselves a Task Force, although there were no Project funds available to cover the travel or other costs associated with such an effort. They met with federal

officials in Washington, D. C. for two days in early 1980 to establish contact on a more personal level, discuss problems encountered to date, and explore avenues of mutual collaboration on the local level. Subsequently they agreed to serve as liaison between the specified federal agencies and the ECP units. The number of Lead Units was expanded to 12, and each of the original Lead Units agreed to assist one of the new ones.

The Lead Unit Chiefs also began to serve as chairpersons for regional National Strategy workshops held at the Unit Chiefs' Conferences at Atlanta in February, 1980, and Boston in June, 1980. Each unit was assigned to a workshop on a geographic basis. The purposes of these workshops were to encourage and assist the units to undertake National Strategy initiatives, compare notes on problems encountered and results obtained in working with other agencies, and to plan regional-level National Strategy efforts.

B. Federal Level Initiatives

This section describes the results of specific National Strategy initiatives involving several federal agencies. As noted above, Project efforts in the sixth grant period were devoted to consolidating gains made in the fifth grant period and translating these into practical measures to assist units on the local level. Thus, in order to provide a comprehensive picture of the status of the National Strategy initiative at the end of the sixth grant period, this section will summarize activities in both periods. As one measure of the continued growth of National Strategy efforts, the Battelle report on the fifth grant period contained sections describing efforts with eight federal agencies, while this report describes activities with 15 federal agencies and four national-level organizations.

1. Executive Working Group

Perhaps the National Strategy initiative with the greatest long-range potential is the Project role in the recently-formed Executive Working Group for Federal-State-Local Prosecutorial Relations. This Working Group arose out of efforts under an interagency Memorandum of Understanding (MOU) signed between the Criminal Division of the U.S. Department of Justice and LEAA on July 31, 1979. The MOU established a committee of three officials from each agency to share ideas on how to improve federal, state, and local law enforcement in such areas as white-collar crime, organized crime, and arson. The Criminal Division agreed to review and comment on LEAA grant applications in these areas and to conduct training sessions for state and local prosecutors. One of the first efforts to be undertaken was to study the possibility of establishing a federal-state-local working group in these areas.

The composition and role of such a working group was one of the topics of discussion at the Second National Strategy Conference, mentioned earlier. Following meetings between NDAA, NAAG, and the U.S. Department of Justice, the formation of the Executive Working Group for Federal-State-Local Prosecutorial Relations was announced on December 7, 1979, at a formal ceremony at which the by-laws were signed by Attorney General Benjamin R. Civiletti, NDAA President Robert W. Johnson, and NAAG President J. D. MacFarlane. The Group consists of six voting members from each organization. Staff support is provided by the Department of Justice. Project staff serve as NDAA staff to this Working Group.

One of the primary functions of this group is to support the 42 Federal-State-Local Law Enforcement Committees already established and encourage the formation of new ones. It is also developing exchanges of information in such areas as enforcement resources, differing approaches to enforcement, legislative proposals, training and federal financial assistance, and also identifying areas in which additional law

enforcement data will be exchanged. The by-laws state that the Executive Working Group is designed to open discussion and encourage the free exchange of information; they specify that it is not to be used as an advisory body for or provide any advice or recommendations to federal, state, or local governments.

The Executive Working Group is composed of six standing committees. These committees will examine issues related to concurrent jurisdiction, legislation, training, Federal-State-Local Law Enforcement Committees, law enforcement assistance programs, and data collection.

From the inception of this group, Project staff have served as liaison and staff support for NDAA and the Working Group, participating actively at its meetings. As one example of the fruits of these efforts, the Working Group published a training agenda listing the courses to be offered by the U.S. Department of Justice, National College of District Attorneys and NDAA over the coming year. The Project circulated this list to units together with a memorandum encouraging them to participate in these courses.

The third National Strategy conference, described in a later section of this report, was held in conjunction with the July, 1980, meeting of the Executive Working Group so that members of the latter could contribute to both meetings. One of the topics raised at the National Strategy conference was how to continue the National Strategy initiative in the event of the termination of LEAA funding for the Project. The Working Group and the U.S. Department of Justice officials have been actively exploring approaches to maintaining liaison with local economic crime units and maintaining the momentum of the National Strategy initiative, but as of the writing of this report no concrete plans have emerged.

2. Criminal Division, U.S. Department of Justice

The Project staff have been working closely with officials of the Criminal Division of the U.S. Department of Justice since the inception of the National Strategy initiative. It has been involved in planning efforts with the Criminal Division, and has been active in the work of the Executive Working Group mentioned earlier.

In February, 1979, then-Attorney General Griffin B. Bell issued an order creating an Office of Economic Crime Enforcement within the Criminal Division of the Department of Justice. Project staff have worked closely with Mr. Don Foster, head of this office, and other Justice Department officials since it was formed.

The goal of this office was to establish Economic Crime Enforcement Units in approximately 30 U.S. Attorneys' Offices throughout the country, to combat white-collar crime by coordinating federal law enforcement efforts. The first of these units began operation in Portland, Oregon, on April 1, 1979. Shortly thereafter additional units were established in Los Angeles; Denver; Columbia, South Carolina; Cleveland; Philadelphia; and New Haven, Connecticut. By March 1, 1980, a total of 14 such units were in operation, and by September, 18 had been established. Several of these are in cities with Project units, including Phoenix, San Francisco, Atlanta, Boston, Houston, and Dallas.

Each unit consists of a Criminal Division attorney, an Economic Crime Enforcement Specialist, and at least three other experienced Assistant U.S. Attorneys. Their initial tasks were to gather information on the extent of white-collar crime within their respective regions and to help to establish investigative and prosecutorial priorities. During the first six months of this program the units attempted to identify major white-collar crime containment needs as the basis for setting these priorities. Thus, these units are priority-oriented, not case-oriented. The Economic Crime Specialists

are responsible for developing all aspects of economic crime enforcement, including prevention, detection, investigation, prosecution, and sentencing enhancement. They employ a methodical, strategic approach based on research and analysis.

The information which these units have gathered has been used in the development of national, federal government-wide priorities which were announced by the Attorney General in September, 1980.^{FN} The specialist from the Denver ECEU gave a presentation on these guidelines at the Denver Unit Chiefs' conference. These national guidelines are expected to provide flexibility for the establishment of regional guidelines and priorities, which may well differ from region to region. Justice Department officials have stressed that the units will be actively involved in the development of these regional guidelines in consultation with other federal, state, and local agencies.

To establish the basis for further cooperation, Lead Unit chiefs have met with their Economic Crime Enforcement Unit counterparts in several jurisdictions. In the summer of 1980, for example, the Economic Crime Enforcement Specialist in Denver arranged a meeting between herself, the Denver Unit Chiefs, and regional representatives from Offices of Inspectors General. However, because the U.S. Attorneys' Offices' units are so new, because their jurisdictions encompass one or more states while Lead Units operate at the county level, and because the problems of interagency coordination within the federal government are pressing, there have not, to date, been any major federal-local initiatives in this area.

The Office of Economic Crime Enforcement publishes a bi-monthly Bulletin on Economic Crime Enforcement which is circulated to Project units as well. This Bulletin describes useful techniques in the areas of prevention, detection, investigation, prosecution, and sentencing, as well as highlighting significant cases and describing new economic crime schemes. It also describes changes in federal

investigative and regulatory agencies, especially those which are likely to make new investigative and prosecutorial resources available.

3. Antitrust Division, U.S. Department of Justice

The Antitrust Division of the U.S. Department of Justice began early to work with Project staff and its Antitrust Task Force, to enhance federal, state, and local cooperation. The Antitrust Division's efforts to this time had been concentrated on working more closely with state-level government, through a grant program funding antitrust initiatives in attorneys' general offices. In response to Project efforts the Division issued a press release announcing plans to work with NDAA to establish an antitrust liaison to emphasize antitrust enforcement on the local level. This press release pointed out that local prosecutors had recovered substantial sums for their jurisdictions and observed that they could promote competition because of their familiarity with the economic environment in their communities. It urged them to advocate competitive policy on the local level urged them to refer matters to a state antitrust unit or to the Division if they had insufficient resources to complete an investigation or prosecution. Mr. John J. (Jeff) Miles, Jr., Division liaison to local prosecutors, prepared a paper "Suggestions to Local Prosecutors on Establishing an Antitrust Enforcement Program," which was circulated to the Project units. This paper is reported by Project staff to have been of substantial use to the Unit Chiefs.

To date, efforts with the Antitrust Division have been limited to liaison and coordination. There has not been sufficient mutuality of interest discovered between federal, state, and local prosecutors to provide the basis for more extensive cooperation, for example, on specific cases.

The Antitrust Task Force has taken responsibility for cooperation between the Antitrust Division and the Project.

For example, the Antitrust Task Force meeting held in San Francisco in June, 1979, was attended by representatives from the Antitrust Division, two offices of state attorney general and a regional association of such offices. The model of federal, state, and local cooperation developed by this Task Force proved to be the prototype for the "associate member" concept later adopted by the Project for all the Task Forces.

4. Land and Natural Resources Division, U.S. Department of Justice

In October, 1980, Project staff met with the Land and Natural Resources Division of the U.S. Department of Justice. In a subsequent letter which Project staff sent to the Units, this Division designated a liaison and provided a description of several of the sections whose work might be of interest to the units. These descriptions outlined priority areas of concern and capsulized recent cases handled by these sections. The Policy, Legislation, and Special Litigation Section, for example, has assisted state and local governments by filing amicus briefs on these governments' authority to implement environmental and energy conservation programs such as beverage container recycling laws, regulation of highway billboards, and restrictions on the development of wetlands. The Hazardous Waste Section works closely with the Environmental Protection Agency's (EPA) Hazardous Waste Task Force. While its docket is civil, it is anticipated this section will handle criminal cases in cooperation with the Criminal Division of the U.S. Department of Justice, many of which involve state and local as well as federal interests. The Environmental Enforcement Section brings cases (mainly civil) to enforce such EPA regulations as the Clean Water Act, the Clean Air Act, and pesticide statutes. There is frequently concurrent state jurisdiction under these statutes.

5. U.S. Department of Agriculture

Following Project staff meetings with the Inspector General of the U.S. Department of Agriculture (USDA) that office designated Mr. Thomas J. Burke, Director of the Marketing and Consumer Programs Division (Investigations), as liaison to the Project. One of the first efforts was to circulate to the units a flyer describing the USDA programs most subject to fraud and abuse. These include the Food Stamp Program; the separate Food Stamp Program for Children; the Farmers Home Administration Program; the Grain Standards Act Program; the Agriculture Marketing Act Program; Agricultural Conservation Programs; Federal Poultry and Meat Inspection Programs; and Disaster Relief programs. This sheet lists the most common forms of fraud and abuse encountered in each program.

The USDA also provided the units with the first in an anticipated series of Fraud Alert Bulletins. This 17-page detailed bulletin examines schemes and methods used to defraud the Food Stamp Program. The USDA will send copies of future Fraud Alert Bulletins to Project units as they become available.

To foster cooperation with Project units, the USDA provided units with a list of the names and phone numbers of regional and local contacts for the Office of Inspector General-Investigations, and gave these officials a directory of Project units. It sought the input of local prosecutors into the rule-making process concerning funding of food stamp investigations and prosecutions.

The Department's priorities for antifraud enforcement include the Food Stamp program, the Supplemental Summer Feeding program which provides lunches for school-age children when school is not in session, and the meat inspection programs.

Lead Unit chiefs met with the Inspector General and members of his staff in Washington, D. C. in early 1980. This office indicated its willingness to send local-level officials to its national training program at Glencoe, and to its short training program. It was noted that the USDA provides 75% federal

reimbursement to states for fraud investigations; presumably local prosecutors could bill the states for the portion of this reimbursement attributable to their efforts. The Department is exploring legislation to permit state and local governments to retain 50% of the funds recovered through fraud investigation and prosecution.

The Inspector General stated that the USDA attempts to obtain an indication of the local U.S. Attorney's interests in a case early in the process, and if the U.S. Attorney for any reason does not elect to proceed, to meet with local prosecutors and tailor the investigation to meet the needs of local prosecution. The Department is anxious to prosecute its cases, and seeks to work with local prosecutors just as it has traditionally done with federal prosecutors..

These cooperative efforts have borne fruit on the local level, especially during the sixth grant period. In particular, Lead Units have undertaken initiatives in cooperation with their counterparts in regional offices of the Inspector General. The Denver unit, for example, organized an interagency meeting on fraudulent freezer beef sales attended by a representative from the Department of Agriculture. Subsequently, the Inspector General's office was able to develop such a case and secure an indictment in Wyoming against a Colorado company. The Denver unit assisted in locating Colorado complainants, and the Inspector General's office provided information on other Colorado companies which might be engaging in similar activities. Similarly, the Philadelphia unit worked with the regional office of the Inspector General on a food stamp fraud case.

A cooperative effort between the Department's Atlanta office, local police, and the Clayton County prosecutor resulted in an arrest for the illegal purchase of over \$1,000 in food stamps. This was reported in a USDA press release to be the first such prosecution under Georgia rather than federal law. If successful, it was seen as only the beginning of a

combined effort by federal, state, and local authorities to curb the trafficking in food stamps.

6. The U.S. Department of Housing and Urban Development

The U.S. Department of Housing and Urban Development (HUD) designated Paul S. Adams, Assistant Inspector General for Investigations, and Robert E. Hudak, Acting Assistant Inspector General for Fraud Control and Management Operations, as liaison to the Economic Crime Project.

A July, 1979, letter of support to the Project from the Inspector General of HUD, highlighted the importance of antifraud measures, in light of the President's declared policy of encouraging maximum efforts in this area, and announced an effort to poll his field offices to glean their opinions and suggestions as to how federal-local cooperation might be enhanced in this effort. The results of this poll were used to identify specific areas for future HUD-ECP cooperation, and were also provided to the U.S. Department of Justice to use in the establishment of federal-level white-collar crime priorities, as discussed in the earlier section on the Criminal Division of the Department of Justice.

The Project and HUD also explored cooperation in the training of investigative auditors. Although there are many auditors available, few are trained in the highly complex and technical skills required for investigative auditing. Training is expensive, and two to five years of experience are required before such an auditor is equipped to conduct a complex fraud investigation. Such training remains a high HUD priority, although no specific results have yet emerged from this initiative.

An October 1, 1979, Project memo to the ECP units describing liaison efforts with HUD to date, identified community development block grants and interstate land sales as areas of special HUD concern. This memo urged local prosecutors to report the names of persons convicted of crimes

involving fraud or business opportunity schemes to HUD to determine whether these people should be barred from the list of those eligible to provide services and supplies to HUD-related projects. A list of HUD Inspector General Regional Offices and local Duty Stations was attached, and ECP units were encouraged to call their local HUD counterparts.

The ECP staff in Chicago also met with the HUD Regional Inspector General for Investigations in Chicago to establish contact on a regional level.

The HUD Inspector's General office has also begun to issue a series of Fraud Information Bulletins. The first of these, on Section 8 (Housing Assistance Payment Programs) frauds, has been sent to the ECP units. This bulletin briefly outlines the scope of the program and describes with pertinent examples typical fraud and scheme indicators. These include tenant misrepresentation of eligibility, misrepresentation by Section 8 project administrators, false billing, tenant overcharging, collusion and bribery. As of the end of September, 1980, the date of the most recent Inspector General's report to Congress, the only additional Bulletin to be issued concerned standards of conduct for federal employees. This was not distributed to the units.

On February 25, 1979, the Assistant Inspector General for Investigations issued a memo to regional offices regarding alternative actions and use of local prosecutions with respect to HUD investigations. This memo specifies that if the U.S. Attorney declines prosecution or if no federal offense is found, the investigator is required to consider the likelihood of local prosecution. In particular, the offices were encouraged to contact local Project units, a list of which was attached.

The lack of HUD staff makes it difficult to realize the full potential of local prosecutors' possible interest in these cases. The Minneapolis office observed, for example, that the nearest HUD office is in Chicago and that the one agent there

has responsibility for five states. The HUD emphasis has also been on matters with national or regional significance, which precludes many of the types of matters encountered on the local level. There has also been a de-emphasis on recipient fraud, since a high proportion of these have been declined by local U.S. Attorneys. Fraudulent interstate land sales have posed particular problems, since the law is perceived to lack "teeth," there are no adequate provisions for administrative enforcement, and U.S. Attorneys frequently decline these cases.

HUD investigators are prepared to assemble complete investigative "packages," so that local units need do little more than to evaluate the package and determine whether to file a complaint. The staff has particular expertise in mortgage and financial analysis. Decisions to commit resources are now made at the regional level, rather than locally or in Washington.

7. The U.S. Department of Energy

After the Project provided materials on the National Strategy initiative to persons attending the Inspectors General Conference in Charlottesville, Virginia, on March 16-18, 1979, the Department of Energy contacted the ECP to see what areas of cooperation might exist. At a follow-up visit to that Office, William L. DeSonia was designated as liaison to the ECP. An exchange of lists of field offices has taken place. There has been no further national-level effort with this office to date.

Due to the energy crisis a significant potential exists in the energy area for joint efforts to combat crimes involving contaminated oil, improper octane, tie-ins for the purchase of gas, excessive prices and fraudulent gas saving devices. The Sacramento unit, for example, developed several energy-related cases. Several involved gas-saving device misrepresentations, while others involved car wash dealers tying car washes into the sale of gas. This unit has negotiated a settlement with a major oil company alleged to be distributing contaminated oil,

and proceeded against a Salt Lake City operator of a gas station chain for selling gas with lower octane than the posted rating.

With the rise in the price of gasoline and the increasing public concern for saving energy, a host of so-called "gas-saving" or "energy-saving" devices have come on the market. This gave rise to the Department of Energy grant to the Denver unit, discussed earlier, for operation of the energy-saving devices clearinghouse.

8. U.S. Department of Health and Human Services

Project staff has also met with the Office of Inspector General of the Department of Health and Human Services. The Director of the H.H.S. Division of State Medicaid Fraud Control is currently the liaison to the Project. Further efforts to date have been limited, in part because of reorganization and turnover within the Department. The need for further efforts are seen in the area of Medicaid fraud. Federal cooperation in such areas as Medicaid fraud enforcement had previously been with state-level offices rather than with local prosecutors.

9. U.S. Department of Transportation

Project staff have been working with the U.S. Department of Transportation (DOT) and the National Highway Traffic Safety Administration (NHTSA) since the early days of the National Strategy initiative. Project staff and units assisted DOT in a study on the extent of auto repair fraud. The Project and its Auto Repair Task Force worked with the National Highway Traffic and Safety Administration (NHTSA) and DOT in implementing "Auto-cap" programs developed with the cooperation of the National Auto Dealers Association. Under this program local dealers' representatives were to work in conjunction with a local Economic Crime Unit to mediate customer auto service disputes. One such pilot program had been operating successfully for almost two years in Westchester County, New

York, and this project has served as a model for similar programs underway in Denver and other jurisdictions.

During the sixth grant period, Project staff met with the DOT Office of Inspector General. Project staff then provided units with copies of the Inspector General's most recent semi-annual report to Congress and a list of contacts in each of this agency's regional offices. The accompanying memo described the agency's national "hotline" for reporting suspected fraud, abuse, or mismanagement.

10. The Federal Trade Commission

The Business Opportunity Fraud Task Force and its Denver clearinghouse have been working closely with the Federal Trade Commission (FTC) because of their shared interest in attacking franchise sales frauds. The FTC recently promulgated regulations requiring disclosure of key information in promoting franchise and business opportunity ventures (16 CFR 436.1 et. seq.). Clearinghouse staff offered comments and suggestions on the proposed rules and solicited the input of the other ECP units. These regulations have been the subject of several Unit Chief meeting presentations and Task Force discussions. At the Task Force's June, 1980 meeting in Boston, FTC staff discussed plans for enforcement of these regulations and distributed a confidential draft memo outlining proposed policies and strategies. The clearinghouse had been vigorous in checking with potentially fraudulent business opportunity entrepreneurs to determine whether they have filed the appropriate FTC disclosure statement--so much so that FTC officials have described the Denver unit as its "first line of enforcement" of these regulations.

In 1979, the FTC launched a clearinghouse effort to serve the investigative and prosecutive needs of law enforcement officials involved in white-collar crime investigation. The Project's clearinghouse provided assistance in this effort, and

since that time has been providing information freely to the FTC with respect to specific business opportunity schemes.

During the sixth grant period, the cooperation thus established has led to joint initiatives with the FTC in other areas as well. For example, project staff solicited units' comments regarding proposed FTC rulemaking proceeding on auto warranty repairs. The FTC was also involved in the energy savings devices session of the Denver Unit Chiefs' meeting. Staff of the FTC Energy Rules and Energy Litigation programs gave a presentation on interagency cooperation in the monitoring of advertisements claiming energy savings.

11. The Commodity Futures Trading Commission

Towards the close of the fifth grant period, the Commodity Futures Trading Commission (CFTC) embarked on a national campaign to warn the public about commodity futures swindlers. The CFTC has established two national WATS lines to receive complaints and provide the public information as to whether dealers are registered. Project staff met with the CFTC to discuss this campaign, and the CFTC agreed to contact other law enforcement agencies, including Project units, to explain how the commodity futures industry operates and to seek state and local enforcement assistance in closing down fraudulent operations. These developments were described in a Project memo to units, which also contained newspaper articles providing background information on the problem. A later Project memo provided units with a list of contacts in the CFTC Division of Enforcement's regional offices, a CFTC information sheet, and a sample CFTC letter to complainants. This letter specifically lists local economic crime units among the agencies to which a complainant might wish to turn.

12. The Federal Bureau of Investigation

The Federal Bureau of Investigation has been helpful on the national level in assisting to promote the National Strategy

initiative. Its training courses have been excellent and the Bureau has made these freely available to unit staff despite increasingly severe budget restrictions. The Bureau has opened its week-long computer crimes course to NDAA units for the past three years, the most recent session being held in July, 1980. The Bureau has been actively involved in planning the Second and Third National Strategy Conferences, in July of 1979 and 1980, and provided the facilities for both of them. The Bureau has also been active with the Executive Working Group discussed earlier, which has also involved Project staff.

The Bureau has also provided training for unit staff and other law enforcement and prosecutorial agencies on the local and regional level, sometimes asking units to host such programs and sometimes asking unit staff to provide lectures.

The Bureau has also been able to provide local units with assistance in individual cases, for example, by locating witnesses or obtaining information from a distant jurisdiction. This has been a "two-way street"; in at least one instance a local unit has been able to obtain information for the Bureau from a Project unit in another jurisdiction. The Bureau regularly provides handwriting analysis and other laboratory assistance from Washington, although delays may be encountered.

Units have faced some problems in matters arising out of FBI investigations. First of all, the Bureau is an arm of the U.S. Department of Justice and must first respond to the Department's priorities. Thus, when the U.S. Attorney's Office declines a case or it becomes clear that no federal offense is involved, special permission must be obtained if the agents are to be further involved. And, as was explained to Lead Unit Chiefs in their Washington meeting with Bureau representatives, policies restrict agents from other jurisdictions or other law enforcement agencies from being informed of pending investigations. Permission must be obtained from the U.S. Attorney's Office before agents can discuss these matters with

local officials. Thus, units may obtain better results by working through their local U.S. Attorneys in obtaining Bureau cooperation in these cases. Logistical problems exist with joint investigations. The Bureau must retain control, and there can be only one investigative report, on Bureau forms.

These have not, by any means, proved to be insurmountable barriers to cooperation. Several units have reported examples of close FBI cooperation on cases. The Atlanta Lead Unit chief meets with his local Bureau representative once a month on a personal basis for lunch. He reports a number of successful joint investigations (including a joint public corruption investigation), total sharing of information, and a quick turnaround time on requests for information. The Minneapolis and Louisville unit chiefs also meet regularly on an informal basis with the Bureau's local office. Aside from cooperation and information exchange, in Louisville this resulted in a successful joint public corruption investigation. The Philadelphia Lead Unit has agreed to the FBI's request for the unit to prosecute bank embezzlements involving less than \$10,000, cases that had been "falling between the cracks" because of declinations by the U.S. Attorney's Office.

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13. The U.S. Postal Inspection Service

As has been described earlier in this Chapter, prosecutors report excellent working relationships with the Postal Inspection Service. Many units reported virtually complete investigations of matters brought to their offices, reflecting a high level of skill and training.

Liaison between the Service and the Project was established early in the National Strategy initiative and the Postal Service renewed its 1973 commitment to work closely with Project units. Priority areas of mutual interest and concern include automobile and major appliance repair fraud, merchandising swindles, fraud in health and welfare programs (including medical and accident frauds), offenses arising from the energy crisis, and housing and land sale frauds.

Aside from general investigative assistance, local units have been able to obtain specific technical assistance. In one case the Service's computers were made available to organize and analyze a large data base in the course of an investigation. A variety of crime laboratories are available (e.g., handwriting, fingerprints) with local Postal Inspection Service approval, although the facilities are more limited than those of the FBI. The Service, of course, can also obtain mail-stops in cases of suspected fraud.

14. The Internal Revenue Service

Cooperation between the Lead Units and the Internal Revenue Service (IRS) has increased substantially in the sixth grant period, following the lead of the Philadelphia unit in providing the IRS with information on potential tax violators where the unit has not been able to develop a criminal case. Several units now do this. The IRS is limited in its ability to reciprocate because of strictures on the disclosure of tax return information, but units report that local IRS offices can provide helpful background information and suggest avenues for further investigation. The Minneapolis unit chief meets with local IRS staff informally about once a month.

The IRS hosted the April, 1980, meeting of the Minnesota Interagency Economic Crime Group formed by the Minneapolis unit, and explained its procedures. Because of problems of dual jurisdiction, the IRS accepts criminal investigations only when there is no conviction by another jurisdiction, but referral to the IRS should not hinge only on prosecution potential. The IRS is receptive to all information on possible tax deficiencies and can pursue civil and administrative remedies as well as prosecution. When another agency finds individuals with large, unexplained sums of money, the IRS can begin a civil tax determination for "terminating the tax year." But the IRS would not necessarily undertake a case involving a crime where a return is not yet due. In a discussion on the success rate of prosecutions involving net worth computations of income, it was observed that one of the problems encountered is establishing a correct base year figure. IRS regional offices may be able to offer some guidance on this.

The IRS has also been active in offering Project units and other local law enforcement agencies training in investigative accounting. Several units have responded to IRS requests to host local seminars or to lecture at such seminars.

15. The U.S. Secret Service

The U.S. Secret Service, an arm of the Treasury Department, has jurisdiction over frauds involving government checks. Thus, as representatives of the Service pointed out at the second National Strategy conference, this agency is prepared to cooperate with and offer practical assistance to local units in cases involving government fraud and a range of other matters. For example, Service laboratories can conduct handwriting analyses--in one day, in a case cited by the Philadelphia Lead Unit. This unit has entered into a written agreement with the Service specifying procedures for referral of cases to the unit. The Service handles the case until an arrest is made,

then assists the unit in the subsequent development and prosecution of the case. These are cases which would otherwise "fall between the cracks" because of federal declination policies.

C. Initiatives with National Organizations

The Project has undertaken National Strategy initiatives with several national-level organizations concerned with particular aspects of the investigation and prosecution of economic crime. The Insurance Crime Prevention Institute has provided advice to the Insurance Task Force and practical assistance to several units with respect to arson-for-profit. The National Welfare Fraud Association has included Project presentations at its national conferences, and both organizations have urged their members to cooperate with their local counterparts.

The National Strategy effort reached out to the National Organization of Bar Counsel (NOBC) to develop cooperative white-collar crime enforcement and prosecution arrangements. The NOBC is a professional association of state bar officials responsible for the disciplining and disbarment of attorneys. If one takes a comprehensive view of the range of preventative measures, sanctions, and deterrent measures which can be applied in containing white-collar crime, it becomes more apparent that lawyer discipline may become an important tool in the arsenal of available weapons. Further, patterns of cooperation with respect to lawyer discipline may offer useful models for later efforts with respect to other professional bodies. For example, effective professional disciplinary procedures for doctors and other health care service providers may prove an important part of efforts to combat Medicaid fraud and abuse.

It had been only recently that any expertise had developed in the field of lawyer discipline, through the efforts of the

American Bar Association and NOBC. State bar discipline bodies deal regularly with cases in which attorneys are accused of defrauding clients of funds, and actions by lawyers during the course of complex fraud schemes may raise issues as to the attorneys' conduct. Yet there has been little or no contact to date between lawyer disciplinary bodies and federal, state, or local prosecutors at the time the National Strategy initiative was begun.

Assistance was obtained by units from NOBC members on specific cases where attorneys were involved in economic crime. As a result of Project efforts, NOBC passed a seven-part resolution at its annual meeting in August, 1979, which outlined specific plans for cooperation with the Project.D.

D. The Lead Units

As described in the first part of this Chapter, six Lead Units were selected to serve as laboratories of experience in testing out specific strategies in the National Strategy initiatives. These Units were selected to reflect a variety of approaches in tailoring this national-level effort to the needs and conditions of their separate jurisdictions, and thus offer their colleagues in other jurisdictions a cafeteria line of experience from which they, in turn, could select strategies for their own jurisdictions.

The evolution of this concept into one involving regional as well as national efforts, and into a program including 12 Lead Units, is chronicled in the first part of this Chapter as well. This section describes some of the more important results of these efforts.

1. The Atlanta Unit

The Atlanta office is the smallest of the Lead Unit offices, with a staff of one attorney and one investigator/accountant. One of the reasons it was selected

was that Atlanta is also the location of the regional offices of many federal agencies. Because it is in the state capital and many state agencies bring it cases, for all practical purposes it is a statewide office.

Virtually all of this office's cases begin by referral, since the unit is too small to undertake proactive investigations. In view of its limited investigative resources, it relies heavily on the investigative resources of such agencies as the state securities agency and Medicaid fraud unit. The Atlanta Police Department's recently-formed white-collar crime unit is becoming increasingly helpful. The Lead Unit provided this police unit with a one-week training course.

Relations with federal and state agencies are on an informal basis. Contact has been established mainly through local professional meetings, phone calls and monthly economic crime meetings. As an example of the process, the Unit Chief meets informally for lunch once a month with his FBI counterpart. He reports that there have been a number of joint investigations, total sharing of information, and quick responses to requests for information or assistance.

There have been monthly economic crime meetings for at least two years, begun at the request of the local bankers' association. Some 25 to 40 people attend, including representatives from the FBI, state Medicaid and securities offices, the Insurance Crime Prevention Institute, and local police. Participants share information and facilitate joint efforts on cases, referrals, and other cooperative efforts. Specific task forces are formed for individual cases, an approach which is reported to have worked well.

As a result of an idea gained through the Project, this unit has begun to work more closely with the U.S. Internal Revenue Service. It turns investigative information over to the IRS when it appears they may have a potential involvement because of tax evasion. This is a useful remedy when there is

insufficient information for the unit to obtain an indictment or go to trial on other charges.

This unit has also recently entered into an agreement with the Office of Inspector General of the U.S. Department of Health and Human Services for the joint investigation and prosecution of a multi-state nursing home chain for possible Medicaid and Medicare fraud. The Inspector General will provide federal investigators and pay costs associated with out-of-state witnesses. In a letter to the Project staff the Unit Chief stated that this agreement was the "result of the fine work that you have done in opening lines of communication between local district attorneys and the federal government."

2. The Denver Unit

The Metropolitan Denver unit is a consumer protection office under the auspices of the prosecutors of the five counties in the Metropolitan Denver area. Its role in hosting the Business Opportunity Fraud and Gas Savings Device Clearinghouses has been described. These clearinghouses have served to promote National Strategy efforts by fostering closer cooperation with the Federal Trade Commission, the U.S. Department of Energy and the Environmental Protection Administration. State attorneys general have also become involved in this effort, many having requested information from, or provided information to, the clearinghouses.

As has also been mentioned, this office has been active in providing input to the FTC in the development of its business opportunity and franchise disclosure regulations. Since that time the office has been very active in enforcing these regulations.

Cooperation with the Colorado Attorney General's Office has increased dramatically since the office became a Lead Unit. This has included obtaining assistance from the Attorney General in the investigation of a pyramid scheme, a

jointly-funded investigation into gas saving devices, and cooperative efforts with respect to business opportunity frauds.

The unit also assisted in organizing training courses for local prosecution and law enforcement offices. One, on financial investigative techniques, was taught by IRS staff. More recently, the Denver unit, the Office of the Attorney General, and the Colorado Springs unit organized a one-day training program for Colorado prosecutors.

In January, 1980, the unit sponsored a roundtable on fraudulent freezer beef sales, to discuss monitoring and possible joint action. This was attended by representatives from the U.S. Department of Agriculture Office of the Inspector General, the FTC, the Colorado Department of Agriculture, the Consumer Protection Division of the Colorado Attorney General's Office, and other concerned officials. Subsequently, the Office of Inspector General, USDA, was able to develop a case in Wyoming involving a Colorado company. The Denver unit assisted in locating Colorado complainants, and the USDA gave the unit information on other potential lawbreakers.

This unit has been able to forge a strong relationship with the counterpart Economic Crime Enforcement Specialist in the Department of Justice's Denver Economic Crime Enforcement Unit. This specialist, for example, arranged for the unit chief to meet with representatives of the regional offices of eight Inspectors General. She also gave a presentation on the Department of Justice's recently-announced statement of national priorities in white-collar crime enforcement.

Regional offices of the Inspector General for the U.S. Department of Energy have been conducting one-day seminars for FBI agents and other federal law enforcement agencies to familiarize them with Department of Energy financial assistance programs and types of fraud which arise in these programs. The Denver office invited the Denver unit to attend this session, even before the former knew of the grant for the gas saving devices clearinghouse.

Following up on the securities program at the Boston unit chiefs' meeting, the District Attorney of Denver met with regional representatives of the Securities and Exchange Commission to discuss cooperation and to encourage the SEC to refer cases to local prosecutors. A similar meeting was held with the state securities department. The District Attorney has also been active in encouraging other prosecutors to accept referral securities cases.

The Denver unit has also been hosting lunches for the investigators from the five prosecutors' offices which contribute to this metropolitan unit. Guests have included investigators from the state securities department, the Attorney General's consumer protection unit, the Postal Inspection Service, and the state motor vehicles department.

3. The Los Angeles Unit

The Los Angeles unit places special emphasis on consumer and environmental protection. (A second branch of this office, Major Frauds, serves as a permanent alternate to the Project but has not been active in national Strategy initiatives.) Thus, this unit's focus is civil in nature, though it brings occasional misdemeanor cases. It handles a number of false advertising, unfair competition, antitrust, business opportunity, and weights and measures cases. Thus, it has been working with a number of state agencies.

This office has also been exploring means of working with the Interstate Commerce Commission on of frauds arising out of household moves.

4. The Louisville Unit

When the National Strategy initiative was first announced and explained to the Unit Chiefs at the Tucson Conference in early 1979, the then-Unit Chief became intrigued with the concept and began to explore initiatives which he could implement or strengthen along these lines in his own jurisdiction.

One mechanism for such cooperation already existed. The Louisville region Economic Crime Task Force was organized in 1977 as a Consumer Fraud Task Force, to coordinate efforts, discuss cases, and review new law in this area. In part because consumer "momentum" slowed, and in part because it would be easier to work with businesses if the focus of the efforts was on fraud, the emphasis of the Task Force was shifted and broadened to developing a coordinated and concentrated attack on economic crime in Jefferson County, Kentucky. The current objectives of the Task Force include:

- Coordination of efforts of various law enforcement and regulatory agencies working against economic crime.
- Establishment of liaison with various local, state, and federal agencies.
- Designation of specific target areas of economic crime for cooperative efforts.
- Identification of critical policy and operational issues affecting economic crime enforcement.
- Investigation and case information sharing through roundtable discussions.
- Establishment of local and regional strategies against economic crime.
- Development of statewide strategy and participation in national strategy programs against economic crimes.

Meetings of the Economic Crime Task Force have been held on a quarterly basis and involve representatives of local, state, and federal law enforcement and regulatory agencies. Federal-level agencies which participate in this Task Force include the Federal Bureau of Investigation, U.S. Postal Inspection Service, the Bureau of Alcohol, Tobacco and Firearms (U.S. Treasury), and the United States Attorney's Office. State-level agencies include the Division of Criminal Investigation of the Kentucky State Police and the Division of Securities, Department of Banking and Securities. On the local level the agencies include the Jefferson County Police

Department Fraud Squad, Louisville Police Department Fraud Squad, Jefferson County Department of Consumer Protection, Louisville Department of Consumer Affairs, and the Office of the Commonwealth's Attorney.

The meetings have involved formal presentations, but the true value of the Task Force and these meetings, in the view of several participants, is that they permit the participants to have "unpressured contact so we can call each other on a first-name basis later." They also provide an opportunity to exchange information informally on cases, for example, to determine whether a collaborative effort would be worthwhile. One example of this arose at the June 14, 1979, meeting. One of the attorneys from the Economic Crime Unit mentioned to a Postal Inspector that the Commonwealth's Attorney was beginning to look into an insurance fraud (workmen's compensation) matter. They agreed to talk later about collaboration. Among the matters to be discussed was whether this should be a federal or a state matter. It was too early in the case to determine whether this was a purely local matter or whether the transaction "crossed the river" into bordering Indiana. Other factors to be taken into consideration, according to the Postal Inspector, were whether the local authorities had sufficient manpower, whether they were familiar with this type of case, and whether a stiffer penalty could be obtained in federal or state court.

The Task Force originally met once a month, but then met about every three months. There has not been a meeting of this council in the sixth grant period. These meetings have been hard to schedule at a time convenient to all the participants, and not all of the formal topics for these meetings have been of interest or concern to all the Task Force members. However, members keep in touch with each other every couple of weeks.

The unit has also been active in training, having hosted a one-week course offered by the FBI and the then-Unit Chief having lectured at a course co-sponsored by the Kentucky Bureau of Taxation and the IRS.

Like the Atlanta unit, the Louisville unit has begun to work with the Internal Revenue Service. The local office has designated a liaison to the Louisville unit, following IRS and Postal Inspection Service cooperation with the unit in a case involving an attorney indicted on 68 counts of criminal possession of forged instruments and filing false returns. The IRS plans to check with the office every month or so, for information on matters involving large dollar amounts or long-term schemes. The unit also gets cases from its state revenue department.

The unit has also developed a case in cooperation with the U.S. Department of Labor and the IRS involving a welfare and pension benefits matter. The U.S. Attorney had earlier declined prosecution.

5. The Minneapolis Unit

The Minneapolis unit, like Denver, has a major consumer-protection focus. The anecdotes and information provided below serve as examples of the kinds of assistance that can be obtained through interagency cooperation.

An investigator with this office had worked closely with the FBI and was in constant contact with the Minnesota state securities agency when he had been on the staff of the Minneapolis Police Department, and attributes the case cooperation which the unit has obtained from these agencies to these prior relationships.

The office has also obtained witness protection services from the U.S. Marshal's Office--which had an unexpected benefit when they discovered that another witness they were protecting was observed picking up checks being mailed to a vacant address as part of a mail fraud scheme. This case was developed with the Postal Inspectors, and prosecuted on the federal level because a higher penalty could be obtained.

The Postal Inspection Service also has provided access to its computers for data collection and analysis in a complex

case which had sufficient relevance to the Postal Inspection Service's mission to justify this assistance.

This unit worked with the state securities department to develop a real estate fraud case involving the sale of out-of-state land. Other state and federal agencies and local police also assisted. A conviction was obtained following a jury trial.

The staff includes an attorney, formerly the head of the state bar group responsible for disciplining attorneys. That body routinely sends the unit information on matters which seem to involve criminal solicitation. At one not atypical point the unit had five or six of these cases pending. Similarly, the unit investigates an average of one attorney a month. At the close of such an investigation relevant information is forwarded to the lawyer discipline staff.

The unit has also formed a state interagency working group. The unit had earlier been involved in a training course offered by the (Minneapolis-St. Paul) Metropolitan Council Complex Crime Control Task Force, which offered full-day training courses involving a range of federal, state, and local agencies once a month over a nine-month period. When the unit hosted a Unit Chiefs' Conference it took this opportunity to invite state and local officials to offer concurrent training sessions. At this conference the formation of an Interagency Economic Crime Group was announced in a press conference involving the Attorney General, four County Attorneys, and a representative of the U.S. Attorney's Office.

The group has since met informally once a month. It has no chairman and participating agencies rotate in hosting the meetings. Participating federal-level agencies include the U.S. Attorney's Office, the FBI, the IRS (which hosted a meeting last spring and gave a presentation), the Inspector General's Office of the Department of Agriculture, the Postal Inspection Services, and the Bureau of Alcohol, Tobacco and Firearms. State agencies include the state police, Attorney

General's office, state securities agency, state tax department, and state welfare department.

The Group seeks to meet informally to establish personal contact among the agencies, with the specific objectives of:

- Sharing intelligence information on current investigations;
- Coordinating multi-jurisdictional aspects of complex investigations and prosecutions;
- Providing a forum to promote decisions concerning what agency is in the best position to go forward;
- Sharing knowledge and expertise;
- Reviewing legislation needs; and
- Supporting training efforts.

Each of these meetings has focused on a specific topic. For example, the April meeting, hosted by the IRS, involved a presentation of its policies and a discussion of practical means of interagency cooperation and case referral. The May meeting, hosted by the Securities Division, involved a discussion on the custody and disposal of documentary evidence and a presentation by the Economic Crime Project Director on the Project's services. The July meeting was hosted by the Legislative Auditor, the Investigations Division of which deals with matters of fraud and misconduct. These meetings include a roundtable discussion on pending cases.

This group has not met since August, 1980, when the agency scheduled to host the meeting failed to follow through. One of the problems encountered was that the group had not become self-supporting; the Minneapolis unit ended up as the de facto chair. Roundtable discussions and information exchange was not as free as at Project unit chief roundtables on the national level. One possible reason for this may concern the composition of the group, which involves investigators and attorneys. Perhaps because the attorneys are in touch with each other more frequently than are the investigators, perhaps

because of status reasons, the attorneys in the group do more information sharing than do the investigators. The Minneapolis unit intends to have its chief investigator convene monthly meetings of the investigators from the participating agencies, joined only occasionally by the attorneys. The unit's chief investigator had organized an interagency law enforcement group that meets informally for lunch once a month when he was with the Minneapolis Police Department some years ago.

6. The Philadelphia Unit

The Philadelphia unit has been able to forge effective working relationships with a number of federal agencies. At the time of the first Battelle site visit to this jurisdiction, it was reported to be rare for the unit to work investigations with federal agencies and only occasional interaction was reported. By the time of the second site visit, relations with federal agencies were reported to be extremely good and the unit had entered into written agreements with the IRS and the Secret Service. The unit exchanges information and cooperates with the U.S. Attorney's Office on a regular basis. When interviewed in the fall of 1980, the unit had two cases from this office pending, and had received six or seven in the last two months.

This unit pioneered the strategy of referring cases to the IRS after a conviction had been obtained. In the sixth grant period, this has led to broader cooperation. Both the Intelligence Division and the Internal Security Division of the IRS (the latter being concerned with bribery of tax officials) have referred cases to the unit.

The unit also obtains information and technical assistance (e.g., handwriting analyses) from the Secret Service. The Service handles the matter to the point of arrest, and the unit supervises the subsequent development of the case and prosecutes it. The advantages are that the cases require only a minimal expenditure of unit resources and they are cases

which would not otherwise be prosecuted since they fall outside current federal declination guidelines. The unit chief reports that in the sixth grant period the unit has been getting an increasing amount of information from the Service as a result of its handling check fraud cases referred by the Service.

Personal contact is seen by the unit as the key to interagency cooperation. Thus, the unit has gone out of its way to contact federal agencies and, once contact is established, a unit staff attorney is designated as liaison to that agency.

The unit has developed food stamp cases in cooperation with the Office of Inspector General, Department of Agriculture. It has also developed a number of welfare fraud cases in conjunction with the U.S. Department of Health and Human Services. The unit is considering beginning a unit to investigate and prosecute frauds on the part of recipients or beneficiaries of benefit programs funded with federal, state and city funds.

E. The Third National Strategy Conference

In July, 1980, the Project conducted a third National Strategy conference. In the time since the NDAA conducted a symposium on the development of a National Strategy at Battelle's Seattle campus in the summer of 1978, the concept had grown from an idea to a planning and development initiative, to an operational program. One year after this symposium the Project sponsored a second National Strategy conference, hosted by the FBI at its Washington headquarters, to take stock of efforts to date and to plan the future direction of the initiative. Similarly, the third National Strategy conference was devoted to a review of current efforts and to the planning of future National Strategy efforts. In the intervening year, the emphasis of the National Strategy changed from planning and development to implementation, mainly through the Lead Units and other Project units.

The third National Strategy conference was again held at the Washington headquarters of the FBI. Conference coordination involved Project and Battelle staff and officials from the U.S. Department of Justice and the FBI. The date, July 23, 1980, was selected to coincide with a meeting with the U.S. Department of Justice/NDAA/NAAG Executive Working Group scheduled for the next two days, so that attorneys general and local prosecutors attending the Working Group meeting could contribute to this conference as well. It was also envisioned that plans or ideas emerging at the National Strategy conference could be presented for the Working Group's consideration.

The 47 participants at this conference represented a wide range of federal, state, and local officials. Several parts of the Criminal Division of the U.S. Department of Justice were involved, including the Office of Policy and Management Analysis, the Office of Economic Crime Enforcement, and the General Litigation Section. The Congressional Affairs Unit and the White-Collar Crime Section of the FBI also participated. Several Offices of Inspector General were present, including those of HUD, HHS, Agriculture, Energy and the SBA. The Federal Trade Commission, the Securities and Exchange Commission, and the Commodity Futures Trading Commission all sent representatives, as did the Department of Defense and the Postal Inspection Service. One state attorney general and staff from the offices of two attorneys general attended. One state securities department was represented. There were three elected district attorneys there, and staff from four Project units. The National College of District Attorneys sent an observer.

The first half of the morning session was devoted to topics related to the "how's" and "why's" of strategic planning, to set the background for the topic-related workshops to follow. Mr. Mark Richard, a Deputy Assistant Attorney General in the Criminal Division of the U.S. Department of Justice, noted that

NDAAs and the Project had long been on the forefront with innovative approaches to developing interagency coordination in the fight against white-collar crime. The Project served as the model for the Department's Office of Economic Crime Enforcement, which is headed by a former Project director. Mr. Richard stressed the important role which the Executive Working Group is expected to play in fostering such coordination. He mentioned that the Department was about to announce national priorities in white-collar crime enforcement which would be calculated to coordinate limited resources for maximum impact, and stressed that Project units and other state and local agencies would be consulted in the effort to develop regional guidelines to coordinate with these national priorities.

The Attorney General of Montana, representing NAAG, mentioned national initiatives that his organization was undertaking. The NAAG has been particularly active in the area of antitrust enforcement, and has been cooperating regularly with NDAA in these efforts. He reported that NAAG had become increasingly more active on both the national and the local level in cooperating with local prosecutors.

Mr. Herbert Edelhertz of Battelle listed some of the problems hampering enforcement efforts. These include:

- The diverse range of crimes falling under the rubric of white-collar crime;
- Jurisdictional issues involving the federal, state, local, and private sectors;
- Differences in the roles and training of the actors concerned with enforcement, including investigators, accountants, auditors, and lawyers;
- The diverse range of functions encompassed in enforcement efforts, including investigation, prosecution, civil litigation, administrative proceedings, and discipline proceedings; and
- Problems in the relationship between the resources available--who has them and how are they to be marshalled and deployed.

In this context, development of a National Strategy involves consideration of the following types of questions:

- Where are the cases coming from?
- What are the incentives and disincentives to investigation and prosecution?
- What is the prosecutor's response? How can the prosecutor encourage the development of complete investigative packages before referral? Is this prosecutor's office in the best position for overall containment effectiveness?

Mr. Joseph Tompkins, chief policy and planning analyst for the Criminal Division's Office of Policy and Management Analysis, provided an overview of the planning process used by the Department of Justice and the problems encountered. Mr. James H. Bradner, Jr., the Project's National Strategy consultant, presented a view of the criminal justice system and interagency coordination drawn from the experience gained in implementing the National Strategy. The criminal justice network depends on an informal "grapevine" process as well as formal rules and regulations. Thus, personal contact and credibility are the keys to success. The process of developing interagency cooperation is time consuming. It is also arduous, since one must inject one's own ego into the process.

Mr. Bert H. Hoff, Co-Principal Investigator of Battelle efforts in connection with this Project and rapporteur for this and the earlier National Strategy conference, provided an overview of National Strategy efforts to date. He reiterated that personal contacts and demonstrated, practical results are instrumental to success. In many ways the process was slower than anticipated. Nor could the process be predicted: hopeful efforts failed to bear fruit, while "targets of opportunity" yield unanticipated but dramatic results. Mr. Hoff announced that the Battelle National Center on White-Collar Crime is contemplating publishing an Operational Guide extracting the lessons learned from the National Strategy initiative.

The conference was then divided into three groups for two workshop sessions each. The topics of these sessions were:

- Securities and investment fraud; business opportunity fraud;
- Insurance fraud and arson-for-profit; organized crime; and
- Government program and procurement fraud; official corruption.

In these morning sessions participants discussed efforts to date and problems encountered. In the afternoon these workshop groups reconvened to plan future efforts in their respective areas.

The conference closed with a plenary session at which the reporters for the three workshop groups summarized their deliberations. Mr. Tompkins of the Justice Department then discussed that agency's statement of national priorities. He emphasized that these were statements of priorities, not declination policies. They were designed to assist federal agencies to reach agreement, for the first time in some instances, to ensure that cases developed by these agencies will get prosecutorial attention. The national priorities were formulated so as to ensure maximum flexibility in the development of regional guidelines, the next step in the process. These will be developed by U.S. Attorneys' Office and regional FBI offices, with state and local input. One purpose of the priorities initiative is to gather information on what federal agencies are doing in the areas encompassed in the guidelines, for national planning in the future. The guidelines will be reviewed regularly, on at least an annual basis. The Justice Department is concerned about their impact on state and local enforcement efforts; this will be examined in the review process. The Executive Working Group is expected to be an important influence in this process.

The conference concluded with a discussion of the future of the National Strategy initiative. One primary concern was that

LEAA funding for the NDAA project was slated to expire by the end of the year. It was recognized that the Project had been an innovative and effective force in the battle against white-collar crime. For one thing, a Justice official observed, federal, state, and local officials were talking together--this would have been impossible five years ago. The Executive Working Group was seen as a vital forum for cooperation between federal, state, and local prosecutors. It was hoped that this group could guide a dialogue between all federal law enforcement agencies and their state and local counterparts, to determine which agency can best perform which enforcement task. However, prospective termination of LEAA support was seen as weakening the local prosecutor link in this enforcement effort. LEAA funding had provided the NDAA focal point for the coordination of local prosecutors' efforts, a function which cannot be continued without resources.

The group discussed a number of options to perpetuate the concept of local economic crime units and coordinating their activities, including creation of a position within the Department of Justice to coordinate these activities. It was determined to raise this issue at the meeting of the Executive Working Group the next day. The Executive Working Group actively explored a number of approaches, but at the time of the writing of this report, no solutions had been found.

CHAPTER THREE

THE ECONOMIC CRIME PROJECT REPORTING SYSTEM: MEASURES OF THE WORK OF THE ECONOMIC CRIME UNITS

I. INTRODUCTION AND OVERVIEW

This chapter seeks to describe quantitatively the efforts of the individual Economic Crime Units in investigating and prosecuting economic crimes. Data for this chapter are derived from the Economic Crime Project Reporting System, a data system designed and implemented by Battelle with the close cooperation of the ECP Project Center. It relies on monthly, voluntary self-reporting by the individual economic crime units.* The system is described in detail in the second section of this chapter, and the third section describes the development and implementation of the system.

As one would expect with a voluntary, self-reporting system, the data are incomplete in some respects. Some units failed to report for some months, problems exist with some months' data from other units, and still others reported on a delayed basis. In order to use data from the maximum number of units, despite reporting delays, and to allow sufficient time for analysis, data in this report are from the period from February, 1979 through June, 1980. Of the 72 units in the Economic Crime Project when the ECPRS was established, five have since withdrawn. Another unit, the Washington, D.C., United States Attorney's Office, is a federal-level office differing significantly from the other units. Thus, there are 66 units which could contribute to the ECPRS. The data in this

* Units agree to report data monthly as one of the conditions for participation in the national-level project; project affiliation itself is voluntary. Units are not provided funds to cover the costs of this data collection.

report are based on complete and usable monthly reports from 42 (63.6%) of these units for the February, 1979 - June, 1980 period. Battelle's report on the project's fifth grant period contains data from the first ten months of this period. This earlier sample of 45 units is described and compared to the 72 original units in the fourth section of that report. No significant differences between the two groups were found. On that basis, we assume that the 42 units in the data base used for this chapter are similar to the 67 units remaining in the project. The data from the 42 units have been subjected to closer analysis, the results of which are presented in subsequent sections of this chapter. Because the analyses below are based on data from this non-random portion of the Project units' activities, which in turn reflect only a part of federal and local prosecutors' efforts to contain white-collar crime, they must be viewed as exploratory rather than definitive.

During the sixth grant period Battelle staff devoted considerable effort to the redesign of the ECPRS coding system to eliminate problems encountered in the analysis of the first ten months' data. A new codebook was written, and staff designed a new system for checking for and correcting internal inconsistencies. As a result of these efforts, the data cleaning process required two weeks rather than three months.

During the sixth grant period the Project provided the units for which complete data were available with individual print-outs describing their handling of investigations and cases. Units represented at the Denver Unit Chiefs' conference received print-outs at that time. Battelle staff also gave a brief presentation on the results of the ECPRS data analysis, summarizing the contents of the Battelle report on the Project's fifth grant period. NDAA staff mailed the print-outs to units not represented at the conference.

The data supplied to these units summarized investigation and case handling, broken out by subject matter of the

investigation or case. The data indicated the number of investigations opened, the number closed, the source of referral for investigations referred to the units, the number of cases filed, case outcomes (acquit/dismiss/drop, felony conviction, misdemeanor conviction) and sentences imposed (prison, probation, fine or restitution). The print-outs were accompanied by a letter explaining their contents.

The print-outs and presentation at the Denver conference was followed by a question and answer period in which unit chiefs explored possible impact of the ECPRS data in some depth. Several units requested copies of the national level aggregate data so they could compare their performance to the overall experience of the Project's units. Battelle responded to this request in a letter presenting data equivalent to that contained in the individual unit print-outs.

When analysis of the data from the full 17-month period was completed, the Project again distributed individual unit computer print-outs. These were again accompanied by national level aggregate data.

Project units have continued to submit monthly statistical reports, although the possibility that LEAA funding would expire increased by the fall of 1980. Thus, the units and Battelle continue to be in a posture of readiness to reinstitute the system and analyze data submitted after June, 1980 should funds for this become available.

A. Estimating the Impact of the Units

The work of the units can be categorized as involving handling complaints and inquiries, complaint mediation, investigations, and civil or criminal litigation. Not all units engage in each category of activities to the same degree; some specialize in investigations and prosecutions, while others devote the bulk of their time and effort to complaint mediation.

Projections from the data from the 42 units have been used to estimate the overall impact of unit efforts, multiplying the results by a factor of $(68/42 =) 1.62$.^{*} This method of estimating the overall impact of unit efforts is clearly not as accurate or as reliable as data from all the units would be. The approach taken here necessarily assumes that the non-reporting units have accomplished the same level of effort as have the reporting units. However, unless there is some obvious factor which makes the reporting units significantly different from the others this method of estimation should result in a relatively accurate estimate of overall unit impact. The estimates below cover the 17-month period from February 1, 1979 through June 30, 1980.

Obviously the speculativeness or the reliability of the overestimate of Project impact based on projections from the units providing complete data is a function of the degree to which these 42 units resemble the other units in the Project. The problem is compounded when one considers that complete reporting may itself reflect significant differences between the two groups of units. Does complete reporting indicate that units have more to report or are better at their job? Or are the aggressive units with larger caseloads too busy to devote the resources to reporting? No data are available to answer these questions. Nor are data available on the relative caseloads of the two groups of units. The issue of the similarity or dissimilarity of these groups was addressed indirectly in the Battelle report on the project's fifth grant period. In that report, we compared the 45 units for which data was then available to the units for which data were not available. These two groups of units were compared with respect to those factors thought to be affiliated with unit

^{*}Projections in this section are based on 68 units, rather than the 72 original units, to reduce the amount of possible overestimation involved in the projection procedures.

caseloads; attorney and investigative staff size; length of time the units have been in operation; their scope of jurisdiction (criminal, or civil as well?); and unit staff estimates of the proportion of time devoted to complaint intake, complaint mediations, criminal and civil investigations, prosecution, and civil litigation. No large, systematic (as opposed to random) differences were noted with respect to any of these factors, except that almost twice as many fully reporting units engaged in civil investigations (51.1%, compared to 26.1% for the remainder of the units) and civil cases (48.9%, compared to 26.1% for the non-reporting units). But civil litigation comprised only 7.4% of the fully reporting units' litigation caseload. (No data were collected to differentiate civil from criminal investigations.)

B. Complaints and Inquiries; Complaint Resolution

Most of the Economic Crime Units handle complaints and inquiries from the public, either on a walk-in basis or by referral from other agencies. (This was true of 38 of the 42 units for which we have complete data.) At this stage a unit may undertake to mediate or otherwise resolve the dispute, or may begin an investigation. A large number of complaints and inquiries may be settled at this stage, by referral to a more appropriate agency or by informing the complainant that the matter is not appropriate for this office. Field interviews indicate that as many as half the complaints may end this way. This is not inconsistent with estimates made by other prosecutorial intake and consumer assistant units. Referral to another agency may involve significant coordination and follow-up effort, or may consist of a receptionist or intake paralegal advising the complainant to go to the local Legal Aid Society. Because a large volume of referrals is involved, and because of the informal nature of many such referrals, it was decided not to attempt to report the number and nature of referrals at this stage. Thus, the data on complaints and

inquiries are more a measure of public awareness and acceptance of the unit than a solid indicator of unit assistance to complainants.

More tangible assistance is offered to complainants by unit complaint resolution efforts. Here, a unit may obtain cancellation of an onerous contract signed under duress during a high-pressure sales pitch, or may obtain restitution for the complainant. The unit may refer the matter to another agency, or may itself launch an investigation.

Table 3.1 provides an estimate of the units' efforts with regard to inquiries, complaints, and complaint mediation. In the 17-month period encompassed, almost a third of a million people (319,261) have had contact with the 38 units for which relatively complete data on complaints and inquiries are available.* Projections from the 42 fully reporting units imply that this figure may exceed a half of a million. If LEAA's support for the Economic Crime Project is considered an investment in white-collar crime enforcement, seventeen months' work for the 42 units in just this one aspect of project operations has returned over almost \$5 million; the two-year LEAA investment in this project was \$1,984,958. Projecting from this data, the amount recovered by the 68 units may exceed \$7.5 million.

More detailed analysis of the complaint intake and complaint resolution activities of the 42 units for which complete data are available is presented in Section V of this chapter, below.

*Twelve of the 646 possible monthly reports, or 1.9%, were not submitted. Thus, the figures in this section constitute underestimates of unit activity in this period.

C. Investigations

If a matter brought to the attention of a unit appears to involve criminal activity or to warrant a civil action, the office will begin an investigation. Complaint resolution activities are frequently a valuable tool for identifying matters for investigation. Matters are frequently brought to the units by local police, a pattern which one would expect to become increasingly apparent as more and more police departments form white-collar crime units. Matters are also brought to the units by federal, state, and local regulatory and law enforcement agencies. This is discussed in more detail in the chapter of this report devoted to National Strategy efforts, below.

TABLE 3.1
ECONOMIC CRIME UNIT ACTIVITY WITH REGARD TO INQUIRIES,
COMPLAINTS, AND COMPLAINT MEDIATIONS
(38 of 42 Units, February, 1979 through June, 1980)

	Number Reported from 42 Units for Which Data Are Available ^a	Projected Upper Limit Estimate for 68 Units from Data for 42 Units ^b
Number of Complaints and Inquiries	319,261	517,203
Number of Complaint Resolutions Begun	31,176	50,505
Number of Restitutions Obtained	5,225	8,465
Amount of Restitution Obtained	\$4,675,991	\$7,575,105

^aTwelve of the 646 possible monthly reports, or 1.9%, were not submitted. Thus these data constitute underestimates of unit activity in this period.

^bColumn 2 x 68/42 or 1.62. As discussed in the text, the units from which data are complete are assumed to be similar to the remaining units in several respects, based on comparisons of data from the first ten months from reporting and non-reporting units, but this projection must still be viewed as only an estimate of unit activities.

An investigation may result in the filing of a criminal or civil case. But a unit may decline to prosecute a case, yet still obtain relief for those victimized by the target(s) of the investigation. This may consist of restitution or some other form of remedial relief such as cancellation of an onerous contract or an agreement by the target(s) to halt the offending conduct--the informal equivalent of a cease-and-desist order. In other instances, the matter is referred to another law enforcement or regulatory agency for further action.

The number of investigations begun, the number closed, and the outcomes of these investigations are shown in Table 3.2.* The column on the far right represents an upper-bound estimate of the scope of the units' investigative activities.

The number of voluntary or court-ordered restitutions obtained in connection with case dispositions (described below) is large. The 42 units for which relatively complete data are available obtained just over \$2.5 million in restitution. Again, projecting from these data, the amount recovered by all the units may have totalled as much as \$4 million.

More detailed analysis of the investigative activities of the 42 units may be found in Section VI, below.

D. Cases

Table 3.3 provides an estimate of the impact of the units' prosecutorial and civil litigation efforts.* The 42 units obtained 1,998 convictions, more than half of which (1,132, or 56.6%) were at the felony level. Of these, 725 resulted in incarceration. These units obtained \$12.9 million in

*Nine of the 646 possible monthly reports on investigations and cases, or 1.4%, were not submitted. Thus, the figures in this section constitute underestimates of unit activity in this period.

TABLE 3.2

ECONOMIC CRIME UNIT INVESTIGATIONS
(42 Units, February, 1979 through June, 1980)

	Number Reported from 42 Units for Which Data Are Complete ^a	Projected Upper Limit Estimate for 68 Units from Data for 42 Units ^b
Number of Investigations Opened	14,586	23,629
Number of Investigations Closed	9,950	16,119
Number of Referrals to Other Agencies	867	1,405
Number of Restitutions Obtained	890	1,442
Amount of Restitution Obtained	\$2,552,126	\$4,134,444
Number of Other Remedial Actions Obtained	324	525
Number of Cases Filed Following Investigation	4,257	6,896
Felony	2,689	6,896
Misdemeanor	1,134	4,359
Civil	363	588
Type not specified	71	115

^aTwelve of the 646 possible monthly reports, or 1.9%, were not submitted. Thus these data constitute underestimates of unit activity in this period.

^bColumn 2 x 68/42 or 1.62. As discussed in the text, the units from which data are complete are assumed to be similar to the remaining units in several respects, based on comparisons of data from the first ten months from reporting and non-reporting units, but this projection must still be viewed as only an estimate of unit activities.

TABLE 3.3

ECONOMIC CRIME UNIT ACTIVITY WITH REGARD
TO PROSECUTION AND CIVIL LITIGATION
(February, 1979 through June, 1980)

	Number Reported from 42 Units for Which Data Are Complete ^a	Projected Upper Limit Estimate for 68 Units from Data for 42 Units ^b
Number of Cases Filed	5,213	8,445
Felony	3,626	5,874
Misdemeanor	987	1,599
Criminal--type not specified	407	659
Civil	193	313
Number of Cases Closed	2,929	4,745
Felony	2,112	3,422
Misdemeanor	490	794
Criminal--type not specified	149	241
Civil	178	288
Number of Trials	452	732
Jury	179	290
Non-jury	273	442
Number of Guilty Pleas (including pleas during trial)	1,521	2,464
Felony	746	1,209
Misdemeanor	775	1,255
Number of Guilty Verdicts	477	773
Felony	386	625
Misdemeanor	91	148

(continued)

TABLE 3.3 (continued)

	Number Reported from 42 Units for Which Data Are Complete ^a	Projected Upper Limit Estimate for 68 Units from Data for 42 Units ^b
Number of Civil Judgments	106	172
Number of Injunctions/ Equitable Remedies	86	139
Number of Prison Sentences Imposed	725	1,175
Number of Probation Sentences Imposed	902	1,461
Number of Fines, Penalties Imposed	666	1,079
Number of Restitutions Obtained	1,371	2,221
Amount of Fines, Penalties, Restitutions Obtained	\$12,920,000	\$20,930,400

^aTwelve of the 646 possible monthly reports, or 1.9%, were not submitted. Thus these data constitute underestimates of unit activity in this period.

^bColumn 2 x 68/42 or 1.62. As discussed in the text, the units from which data are complete are assumed to be similar to the remaining units in several respects, based on comparisons of data from the first ten months from reporting and non-reporting units, but this projection must still be viewed as only an estimate of unit activities.

restitution, fines, and penalties* at the litigation stage alone. Combining this figure with the restitutions obtained at the complaint mediation stage and following investigation, the 42 units obtained \$20.5 million in restitutions, fines, and penalties--over ten times the amount of LEAA funding provided over the two-year period encompassing the 17-month data period.

The units' litigation activities are analyzed in more detail in Section VII, below.

II. DEVELOPMENT AND IMPLEMENTATION OF THE ECPRS

The purpose of the ECPRS is to document the significant national effort to combat economic crime being undertaken by the units of the National District Attorneys Association Economic Crime Project. It is also anticipated that, if it can be continued, the collection of this information will have operational utility for the units. Specifically, the data gathered through the ECPRS are designed to:

- Document the magnitude and nature of the Economic Crime Units' efforts to combat economic crime and, by inference, provide increased understanding of the nature, scope, and impact of economic crime;
- Identify national trends in prosecutorial activity in this area, for example, in order to pinpoint future needs and plan future initiatives, and
- Provide a basis for considering the value of the substantial commitment of resources as this Project launches its National Strategy to increase federal, state, and local interjurisdictional cooperation and to provide other resources for this effort.

*No data was available on the actual amount of restitution, fines and penalties collected.

The work that went into the development of the ECPRS over the first eight months of the Project is particularly noteworthy and, at this time, requires more complete documentation.

During the first quarter of this Project, major Battelle attention was directed toward working with the Project Director and staff of the NDAA Economic Crime Project in the development of the ECPRS. Battelle staff met with the Economic Crime Project Director in a planning session at Battelle's Seattle campus. This meeting succeeded in outlining the nature and extent of the data to be collected through the ECPRS. The general structure of the ECPRS was also established at this time. It was decided the the ECPRS would collect information concerning four aspects of economic crime-related prosecutorial activity: inquiries and complaints received by the unit, in-office complaint resolution procedures, investigations conducted by the unit, and cases filed in court. Furthermore, it was decided that the units would provide data monthly on either two or three forms; the number of forms actually used was to be determined by the Unit Chiefs.

Following this meeting, Battelle staff drafted a description of the proposed system, reporting forms, and instructions for use of the forms. These drafts were reviewed by Economic Crime Project staff and revised pursuant to their suggestions. The final Description and Instructions for the ECPRS are contained in Appendices A and B, respectively, and the data collection forms are in Appendix C.

Six Economic Crime Project Units throughout the United States were selected as pretest sites and received ECPRS materials (Description, Instructions, and Forms). These units were visited by Project staff in order to gain input from a sample of those who would be using the system. The intent of the visits was to assess problems with the reporting materials, to determine the utility of the system, and to anticipate problems that might be encountered in implementing the system.

During the site visits, several suggestions were made to simplify the forms and, thus, ease data collection. Few comments were made concerning the instructions for use of the forms. Several people, however, indicated that the instructions concerning the type of trial and case outcome (used when reporting the disposition of a case) were somewhat unclear. Appropriate revisions were made.

In addition to the specific comments received during the site visits, several general conclusions were drawn as a result of the contact with the unit members. The basic structure of the reporting system was found acceptable to the units and the quantity of data requested did not appear to be excessive. For example, it proved difficult, if not impossible, for units to provide detailed information on complaints and inquiries; therefore, Battelle's decision to request a minimum amount of information in this area met with approval. Offering the units the option of reporting investigations and cases on the same form or on separate forms (i.e., permitting units to choose whether to use a total of two or three reporting forms) was also attractive since it allowed units with different record-keeping practices to use the forms most appropriate (and less disruptive) to their internal systems. Generally, the reporting forms were found to be manageable.

On February 14, 1979, the system was introduced to Unit Chiefs at the NDAA ECP Unit Chiefs' meeting in Tucson, Arizona. The nature of the system and mechanics involved in reporting were described, and the revised reporting forms, Description, and Instructions (see Appendices A, B, and C) were distributed. The process of developing the system, and its review in six units, were also described. Those units that were not represented at the Tucson meeting received a packet of reporting system materials (Instructions, Description, and forms) from the ECP by mail. The conference evaluation forms completed by those attending the Tucson meeting indicated that the majority present reacted favorably to the presentation

concerning the ECPRS and that only a few people expressed concern about the work involved and the difficulty of implementing the new system.

Additionally, during the second quarter, procedures for internal data processing at Battelle were developed. It was decided that all reporting forms would be mailed by the Economic Crime Units to the ECP in Chicago. The ECP was then to forward the forms to Battelle.

By the close of the Project's second quarter, reporting forms were received from 18 of the 70 units participating in the Project. Given the drastic changes in reporting required by the revised system, the need to supply information on backlogs of pending cases and investigations, and the increased information requested by the system, the tardy reporting by most units was not surprising. Units experienced an increased reporting burden and had to become familiar with a new data collection system. Nevertheless, the fact that only one-fourth of the member units reported in the first month prompted the ECP to initiate telephone contacts with non-complying units in order to facilitate and encourage reporting.

During the second quarter, the ECP also conducted a survey of all units to collect background information concerning member units. This information was intended to provide the ECP with a profile of its members and to permit more meaningful analyses of the data collected through the ECPRS.

As past Battelle and NDAA Economic Crime Project progress reports have documented, the ease with which the units have been able to meet the reporting requirements imposed by the system, as well as their willingness to meet these, have varied considerably. Therefore, throughout the operation of the ECPRS, the level of unit reporting has varied. Thus, there has been complete reporting from some units, but only partial reporting from others. Battelle quarterly reports discuss reporting problems in more detail, but two aspects of the general problem are noteworthy at this time. First, the lag

between the end of a reporting period (any given month) and the time at which units were able to complete and file their reporting forms varied from a few days to several months. Variation within and among units may have been a function of staffing problems, heavy workloads, or vacation and holiday schedules. This variation may also have been due to different internal case management record keeping systems. At any rate, assessing unit compliance with ECPRS requirements has been difficult. Many months must pass before it could be known, with certainty, that a unit was truly unable to report or was simply reporting late for any of a number of (legitimate) reasons--or was simply failing to comply.

Units could also partially report for any one (or combination) of several reasons. Regardless of the timeliness of reporting, or frequency of reporting, failure to complete the reporting forms correctly or to clarify substantial inconsistencies in the filed reports rendered the unit's data uncodable. Such data could not be entered into the Battelle computer data system. As a result, these units were considered to be "partial reporters" just as units that failed to report at all, or units that reported for only a portion of the Project period. These problems should be borne in mind when, later in this report, the complete and partial reporting units are described and the study results are presented.

III. DATA OBTAINED BY THE ECPRS

A. Overview

As described above, the approach taken to the design of the data collection forms was to gather the minimum amount of information which could be analyzed to produce the maximum amount of understanding of economic crime as reflected by the unit's activities. Wherever possible, analytic labor was substituted for unit reporting labor by, for example, using a computer to track, total, and organize the information supplied

by the units. Thus, the reporting efforts required of each unit were minimized. The system was not intended nor designed to be comprehensive at all levels, but rather to obtain selected, nationally significant measures of Project activities. This has required a substantial joint planning effort by the NDAA's Economic Crime Project staff and the Battelle Law and Justice Study Center staff.

The ECPRS was designed to gather more information on cases and investigations than on complaints, inquiries, and in-office resolution procedures, because individual investigations and cases generally represent a more substantial commitment of office resources. Furthermore, gathering detailed information on the sources of referral and nature of all the inquiries made to an office would have constituted a substantial reporting burden for the unit staff. This is not to imply that either the complaint-resolution function or investigation leading to criminal prosecution is more important than the other. Rather, the relative importance of these functions is an issue of local policy, needs, and priorities beyond the ambit of this Project.

Very simply, units were asked for a few basic details about their investigations as well as their criminal and civil litigation. They were also asked to provide some more general information about their handling of complaints and referrals. The ECPRS is compatible with, but less detailed than, individual unit data systems designed to meet units' management, case tracking, and budget justifications needs.

The reporting system is based on a relatively simple view of Economic Crime Project unit activities, which does not describe any one office in detail, but which is broad enough to encompass the activities of all units. This view of unit activities is reflected in the flow chart presented in Figure 3.1. Dispositions, courses of action, other details on what occurs within each stage of unit activities, and transfers of matters between stages are discussed below.

The first stage of processing economic crime matters (except where another agency submits an investigative report or transfers a matter to the unit) is Inquiries and Complaints. These may be turned down by a unit as totally inappropriate or requiring no further action; referred to another agency; retained for attempted resolution, or investigated with an eye toward further prosecution. One second stage alternative shown in this chart is In-office Complaint Resolution Procedures, for example, through formal or informal mediation or arbitration. While this frequently involves some investigative type activities as well, it can be differentiated from Investigations, a term limited here to investigations intended to determine whether to file a criminal or civil action and to prepare a case for such action, regardless of the final outcome of the matter. Note that, for purposes of this system, it is immaterial whether the investigation was referred directly from Inquiries and Complaints, or whether it involved Complaint Resolution Procedures as well. The final stage is Cases Filed, both criminal and civil. The information requested in each category is described below.

B. Inquiries and Complaints

For inquiries and complaints, data were collected on all "walk-ins," mail and phone contacts with the office to seek information or to report an activity, whether or not the report alleges a white-collar crime or consumer complaint. These are most often first encountered by the unit receptionist, an investigator, a volunteer or a paralegal. Because of the relatively large volume of inquiries and complaints encountered, and since a significant portion of these are frequently inappropriate for office action, no information was requested on the subject matter of these initial contacts, nor was information requested to differentiate inquiries from complaints. This is a frequently vague distinction, and some units defer making this distinction until after contact with

the party complained of or other further inquiry. Only one item of information was requested with regarding complaints and inquiries, that being:

- Total number of complaints, inquiries, or other initial contacts occurring between the public and the prosecutor's office during each month.

This information was intended to measure the amount of unit-public contact on incoming matters.

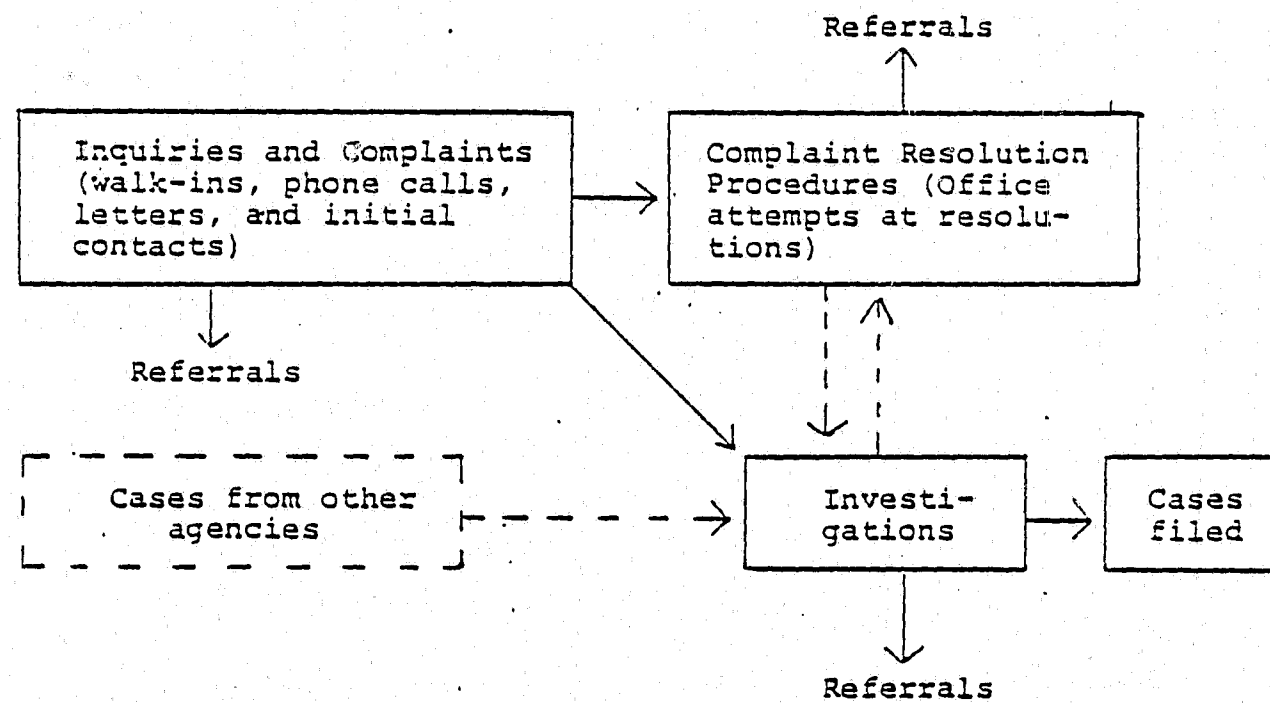


FIGURE 3.1

FLOW CHART OF UNIT ACTIVITIES

C. Complaint Resolution Procedures

Data on complaint resolution procedures dealt with all in-office efforts to resolve complaints or secure satisfaction for the complainant, short of filing a criminal or civil case. Some investigative activity may have been involved. In most cases, contact is made with the subject of the complaint.

(Some units might regard this as an investigation, but such contact was not to be reported in the investigation category because it was intended only to help achieve the main purpose of seeking resolution without litigation.) On occasion, following an unsuccessful attempt at resolution, a matter may be referred to investigators or attorneys for further investigation, case preparation, and possible litigation. These matters are reflected in both Complaint Resolution Procedures and Investigations.

The information requested under this category includes the total number of matters where resolution procedures (as described in more detail above) are initiated, the number of matters in which restitution is obtained, the amount of restitution, and the number of matters referred to other agencies.

Note that restitution is only one possible successful outcome of a matter. No more detailed information on outcomes was requested, for two reasons. First, the determination of what is a "successful" or "partially successful" outcome is a subjective judgment, and given the diverse environments within which the units operate, the different priorities and goals of units, and the diverse nature of the caseload, unit outcomes cannot easily be compared. Second, the gathering of such subjective information might tempt one to make relatively meaningless tallies and comparisons of "batting averages."

The following data elements were obtained on office complaint resolution procedures:

- Total number of matters for which in-office complaint resolution procedures were initiated during the month.
- Number of voluntary restitutions obtained during the month as a result of in-office complaint resolution procedures.
- Total dollar amount of voluntary restitutions obtained during the month.
- Number of referrals made to other agencies following in-office complaint resolution procedures.

D. Investigations

For purposes of the ECPRS, eligible "investigations" were limited to those where criminal or civil litigation was contemplated. This included investigations ending with the decision not to file a criminal or civil case. But work undertaken in order to gather further information to aid in the in-office resolution of a matter which was not aimed at criminal or civil litigation was not to be reported as an investigation.

Occasionally, a unit may receive a "package" from another agency, containing a file, notes of investigation, and evidence with a request for prosecution. Almost invariably, the unit will review the matter closely before deciding whether to actually file, even if only to frame an appropriate response to the referring agency. This process not infrequently involves further investigation or field work. This review process was to be counted as an investigation, whether or not field work was involved. Units, however, reported a number of cases (about 18.3% of all cases filed) without reporting a prior investigation.

The length or complexity of the investigation was immaterial for the purposes of this reporting system. The important point was whether the investigation was anticipated to aid in consideration of litigation.

The following data were obtained on investigations:

- Subject matter of the investigation.
- Number and type of party or parties under investigation (individual, business or institution).
- Number and type of victim(s) (individual, business or institution, government).
- Source of investigation (inquiry/complaint, pro-active, agency referral).
- Closing/disposition of investigation (closed administratively, remedial action, restitution, referred out, case filed).

As noted above, offices were given the option of reporting information on investigations on the same form as information on cases filed or to use separate forms for investigations and cases. The same information was supplied either way.

E. Cases

Of all the data collected, case data were the easiest to define. This category of data includes all cases actually filed with a court, either criminal (felony or misdemeanor) or civil.

Case data were limited to the following:

- Type of case filed (felony, misdemeanor, civil).
- Subject matter of the case.
- Number and type of defendant(s) (individual, business or institution).
- Number and type of victim(s) (individual, business or institution, government).
- Type of proceeding (none, negotiated plea, non-jury trial, jury trial).
- Result of proceeding (negotiated plea or settlement, conviction, acquittal, dismissed/dropped, deferred judgment).
- Penalty/remedy imposed (prison/jail, probation, injunction/equitable remedy, fine/penalty, civil judgment, restitution).

IV. PARTIAL AND COMPLETE REPORTING ECP UNITS--A DESCRIPTION

The Economic Crime Units are located in local district attorney's offices throughout the country, but they were not established according to any statistical sample design aimed at projecting the nature or amount of economic crime prosecution in the nation. Thus, it is improper to conclude that the units' experience reported here would resemble that which would have been obtained if the Economic Crime Units had been established across the U.S. on the basis of a probability sample design. Nevertheless, it is acceptable to refer to the original 72 Economic Crime Units as a population or universe.

It was originally hoped that all units would report according to the ECPRS study protocol. As can be expected in any survey or data collection effort, not all participants were able to meet the study requirements for the entire data collection period. Because of the problems of non-participation or non-response on the part of the units, inferences must be drawn as to whether the reported data are representative of the activities of the 72 units. The problem, more specifically, is to estimate to what extent a non-participation or non-response bias is likely to enter the data analyses as a result of partial data reporting.

Non-response or non-participation bias occurs when a group of individuals or a given data source (here, the Economic Crime Units) has failed to participate in a data collection activity. The only way to truly handle non-response bias is to limit statistical inference to the population represented by the participating subjects, here, the 42 units which have reported completely. A second source of bias, as equally troublesome as non-response bias, is item-selection bias. This occurs when data collection forms are not filled out completely or correctly. Both non-participation and item-selection bias have

been evaluated with regards to the ECPRS data; non-participation bias is the most serious concern.

Of the 72 Economic Crime Units which were to have participated in the study, five have since withdrawn or been terminated from the project. A sixth, the Washington, D.C., office, was excluded because it is a federal rather than local agency. This left 66 units as active participants. Of these, only 45 reported fully and accurately during the present reporting period covered in Battelle's study of project operations in the fifth grant period. (February through November, 1979). Between that time and June 30, 1980, three units underwent changes of administration and were unable to supply data during the transition period, reducing the number of units for which complete data are available to us to 42. In order to include as many units with complete data as possible in these analyses, this reporting period (November, 1979 through June, 1980) was deemed to be most acceptable. This allowed time for those units experiencing difficulty in reporting promptly to submit their reports, thus minimizing the likelihood of erroneously classifying a unit as reporting partially and, as a result, minimizing the extent to which non-participation bias would enter the analyses.

In our report on the project's fifth grant period, we compared the units with full reporting and the other units is based on the 68 units in the Project at the time this analysis was done. According to various criteria, it was quite clear that there were relatively few differences between the 45 units with complete data and the 23 (total = 68) that were necessarily excluded from these analyses because of partial data. The tables presented in that report described and contrasted the complete and partial reporting units with regard to their jurisdictional authority, the activities in which they engage, their size, and the length of time they have been in operation. These background data on the units were provided by the Unit Chiefs or other members of the units' staffs.

In summary, the 45 Economic Crime Project units which have provided complete data did not appear to be substantially different from the 23 units which reported partial data. All units included in the ECPRS had a number of distinguishing characteristics including size of the unit staff, duration of operation, type of activities, and type of jurisdictional authority. Along these dimensions, however, units with complete data and those with partial data were found to be quite similar. It should be noted, however, that these dimensions do not include the size or nature of the units' investigative or litigation caseload, and thus the total impact of the Economic Crime Project can only be inferred. Because of the similarities between the 45 units described in that report and the non-reporting units, it was not deemed worthwhile to compare the present 42 units and the non-reporting units.

V. COMPLAINTS, INQUIRIES, AND COMPLAINT RESOLUTION PROCEDURES

A. Introduction

This section describes the 38 units' receipt of complaints and inquiries from the public and their attempts to resolve consumer-type complaints by mediation or other intervention.* The available data represent a total of 634 unit months of activity. Given the nature of the data obtained on complaints and inquiries, it is unnecessary to do more than present simple frequency distributions and the appropriate descriptive statistics. The types of statistics presented also vary according to whether or not the distributions are distorted by the presence of outliers (e.g., extreme values, as where one or two units have several times as many cases as any of the others). For example, in some cases, a statistical mean (i.e., average) is misleading due to the shape of the distribution. When this occurs, much like reporting income levels, it is more

*It will be recalled that four of the 42 units did not engage in receipt or mediation of complaints.

appropriate to report the median (i.e., midpoint among the units on the variable under discussion) rather than the mean.

As an indication of dispersion about the mean, standard deviations (S.D.) are also presented. The greater the dispersion of values about the mean, the larger the standard deviation. Extreme deviation from the mean has by far the greatest weight in determining the value of the standard deviation. If there are a few extreme values, the standard deviation can give misleading results in that it may be unusually large. When the value of the standard deviation is large, the median is a more appropriate measure of central tendency. When the mean and standard deviation are affected by extreme values of a distribution, the median remains unaffected unless the value of the middle case is also changed.

For various reasons, four of the 42 units reporting complete data had virtually no contact with the public and did not file a report on the receipt of monthly complaints and inquiries, nor did they provide data on office complaint resolution procedures.

B. Complaints and Inquiries

Over a total of 634 unit months, the units handled a total of 319,261 complaints and inquiries from the public with an overall average rate of 504 (S.D = 835.20) complaints per month. The median, that is the figure which divides the distribution at the fiftieth percentile, is 162 complaints per month.

Examination of the data indicates that the level of contact between prosecutive units and the public varies slightly from month to month. Furthermore, the average level of contact between the public and the units varied markedly from unit to unit. The average number of complaints and inquiries received by a unit ranged from a low of fewer than five per month to a high of over 4,500 per month. Differences between units are

not surprising because, for example, some units actively encourage the public to file complaints.

Given the wide variation in the number of complaints and inquiries received by individual units, it will be helpful to examine some of the background characteristics of units to better understand some of the factors that contribute to this variation. The level of contact with the public varied with the size of a unit's prosecutive and investigative staff and with the scope of a unit's jurisdiction (the percentage of time devoted to criminal and/or civil matters); these variations do not, however, appear to be systematic. Yet, as might be expected, the level of contact with the public was much greater for units that routinely handled complaints and inquiries than for units with no routine complaint intake procedures. Similarly, units that routinely undertook civil investigations and civil litigation generally had far more contact with the public than units that did not routinely become involved in civil matters.

The level of contact with the public, then, varied sharply from unit to unit. As might be expected, those units with formal complaint intake activities typically had more contact with the public than those with no such procedures. Units that engaged in civil investigative and litigative activities generally had more contact with the public than did those units that do not conduct civil investigations or litigation. As mentioned earlier, a unit may have civil jurisdiction as attorney for the county, or under specific consumer protection statutes, or both. Units with the latter enforcement powers may be more likely to mediate consumer complaints and conduct civil investigations and litigation as part of these enforcement powers. On the whole, the data indicate that the 38 units reporting on contact with the public have served a vast number of individuals by receiving and handling complaints, inquiries, and other initial contacts with the public.

C. Office Complaint Resolution Procedures

The 38 units reporting on contact with the public also reported on the extent of their in-office complaint resolution procedures. As discussed previously, units supplied four types of data concerning office complaint resolution procedures each month: the number of times resolution procedures were initiated each month, the number of times voluntary restitution was obtained as a resolution, the amount of restitution obtained, and the number of referrals made to other agencies following attempts at complaint resolution.

As with the number of complaints and inquiries received each month, activities associated with and results of complaint resolution procedures varied somewhat from month to month and varied dramatically from unit to unit. A total of 31,176 complaint resolution procedures was initiated by these units between February, 1979 and June, 1980. On average, units initiated complaint resolution procedures 50 times per month, with a median of 15.4 procedures.

As a result of complaint resolution procedures, these units obtained voluntary restitutions on 5,225 occasions, for a reported total dollar recovery of \$4,675,991. Some units obtained no restitution, while others were more successful in gaining restitution. The average amount obtained per unit per month was \$12,502.65, with a standard deviation of \$33,545.77. The median dollar amount for each unit for each month was \$3,837.50. The range per unit per month was from less than \$10.00 to more than \$360,000.

Variation in the amount of restitution did not appear to be associated with any particular unit characteristics. The same unit characteristics associated with a high number of complaint resolutions, not surprisingly, were also associated with a high number of restitutions obtained. When the amount of restitution obtained per month was compared to these unit characteristics, however, a different result emerged. There

was no systematic difference between units which received consumer complaints and those which did not, and units which mediated consumer complaints, undertook civil investigations, or handled civil litigation obtained less restitution than did the units which did not perform these functions. This apparently anomolous result may be due to the wide variation in amount of restitution obtained as a result of any one suspect, activity, or scheme. One restitution involving a very large amount of money can substantially alter the total and average amount of restitution for a unit or group of units.

Following the initiation of complaint resolution procedures, units may refer the matter to another agency. Between February, 1979 and June, 1980, the reporting ECP units referred a total of 23,684 matters to other agencies. On average, units referred 37.4 matters, with a standard deviation of 118.2. The median number of referrals was 7.1. The range for referrals was between 1 and 1,266.

In summary, the Economic Crime Project units initiated over 31,000 in-office complaint resolution procedures between February, 1979, and June, 1980. As a result of in-office resolution procedures, these units obtained close to \$5 million dollars in voluntary restitutions, and referred over 23,000 matters to other agencies. The volume of in-office resolution-related activities varied somewhat from month to month, but the monthly variations were not extreme enough to note seasonal trends during this initial phase of ECPRS operation. Differences among units, however, were pronounced: individual units differed dramatically in the extent to which they engaged in in-office resolution activities during the 17-month period of study. Furthermore, differences in activity level could be noted on the basis of several classes of units.

Thus, units that routinely handled complaint intake, complaint mediation, civil investigations, and civil litigation were more frequently involved in undertaking complaint resolution procedures, obtaining restitution, and referring matters to other agencies than were units that did not

routinely handle complaint intake and mediation or civil matters. However, neither the size of units' staff nor the scope of units' jurisdiction appeared to be associated with the level of complaint resolution activity.

VI. INVESTIGATIONS

As discussed above, the investigations to be reported under the ECPRS were limited to those undertaken in contemplation of possible criminal or civil litigation. This included investigations ending with the decision not to file a criminal or civil case. On the other hand, work undertaken in order to gather further information to aid in the mediation or other in-office resolution of complaints was to be excluded.

As explained in the introductory section to this chapter, the 42 units for which complete data are available handled 14,586 investigations in the 17-month period between February, 1979 and June, 1980. Of these, 2,204 were pending when the ECPRS was instituted in February, 1979. The remaining 12,382 were opened between February, 1979 and June, 1980. As of June, 4,636 investigations were still open.

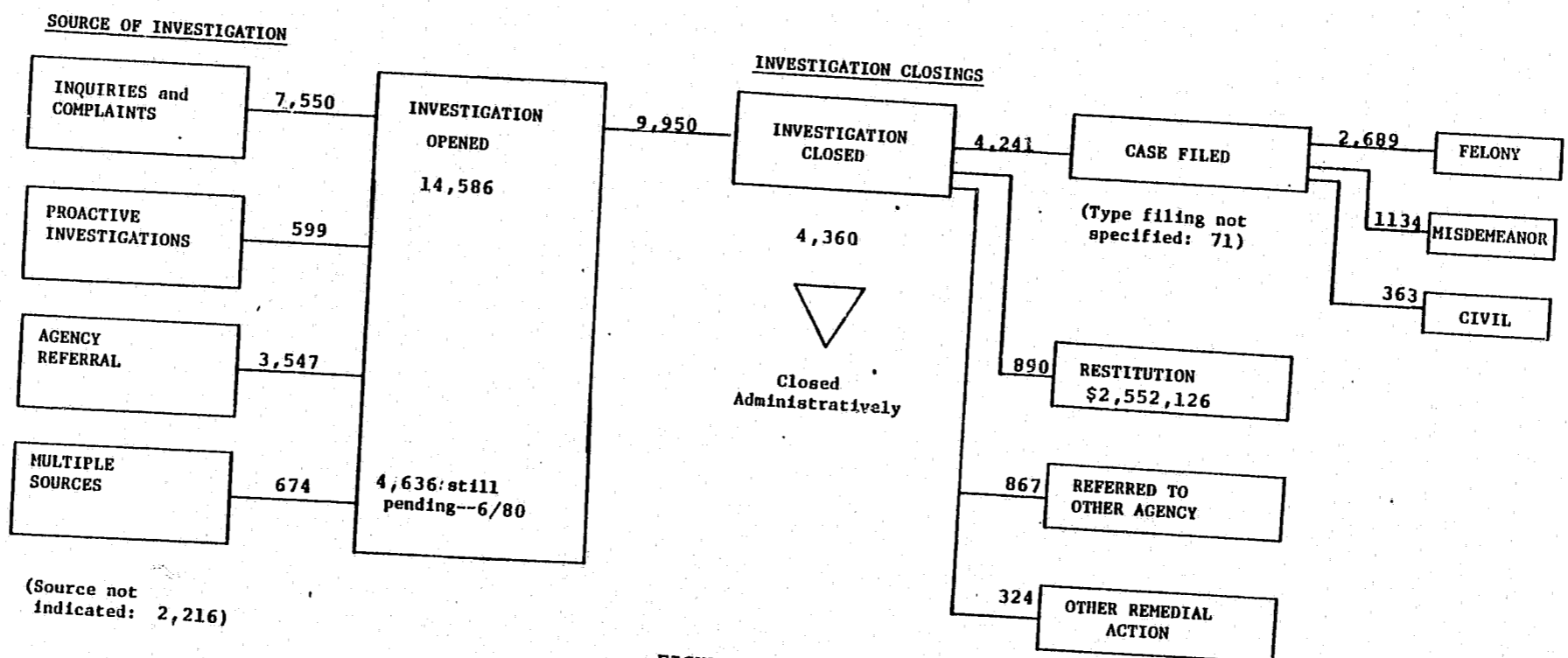
The manner in which units handled the investigations is graphically summarized in Figure 3.2. In examining this figure, it is important to take the "multiple problem" into account. This problem has been encountered throughout the analyses of the ECPRS data relating to investigations and cases. For example, with regards to the source of investigations, it can be seen in Figure 3.2 that 674 investigations had multiple sources. This means that the source could have been some combination of inquiries and complaints, proactive investigations, and agency referrals. Similarly, investigations could have closed at one or more times, each, perhaps, reflecting the closing of a different aspect of the investigation or with respect to different targets. For example, an investigation involving several

targets can be closed with respect to some when restitution is obtained, and closed a second time with respect to the remaining targets when criminal charges are filed. According to Figure 3.2, 9,950 investigations were closed; however, if the various types of closings are added, it appears that 10,682 investigation closings were reported. The difference of 732 is attributable to the fact that multiple closings of an investigation occur, and are reported to the ECPRS at different times.

Below, a descriptive account of the investigative activities of the 42 units with complete data is presented. In particular, attention is directed to the subject matter of the investigations, the number of individuals and businesses or institutions under investigation, the number of victims involved, the source of investigation, and the closing or disposition of the matter. As appropriate, these results will be accompanied by more extensive analyses of the data through a tabular approach.

A. Number of Investigations Opened

Units were instructed to use one line on the reporting form for each investigation that was opened. They were to use their office procedures and policies for determining whether to count these as one or several investigations. When in doubt, units were to consider each related series of transactions as one investigation, even where each transaction involved different individuals or organizations being investigated and/or different victims. For example, in one "advance fee" case, the investigation would be shown on one line regardless of the number of complainants or the number under investigation. Similarly, where the matter involved defrauding two banks, and it appeared that the same people were involved in similar frauds against several institutions, the investigation was to be reported on one line.



(Source not indicated: 2,216)

FIGURE 3.2 FLOW CHART: UNIT INVESTIGATIVE ACTIVITIES (42 Units, February, 1979 through June, 1980)

Note: Number of closings shown exceeds number of investigations closed because of multiple remedies obtained in some investigations.

As indicated in Figure 3.2, 4,636 investigations were still pending at the time data collection began in June, 1980. In Battelle's report on the project's previous grant period, extensive analyses of the ECPRS data on investigation openings indicated that there was relatively little variation in the number of investigations opened each month, although there was considerable variation among units with regard to investigative procedures. Some units opened and closed far more investigations than other units.

B. Subject Matter of Investigations

For purposes of the data collection effort, a standard list of economic crime codes was used, which classified economic crimes into major subject-matter categories and specific subject-matters within each of these categories. This list is provided in Table 3.4. All units were requested to report the subject matter of investigations according to these pre-established codes. When multiple allegations were being investigated, units were to record only the most serious matter. Table 3.5 presents the percent of the total and the ranking of the specific subject-matter subcategories which were most frequently reported (N = 14,586). Here it can be seen that larceny, embezzlement, home improvement, deceptive trade practices, and bad checks were most frequently the subject of investigations. These accounted for 45.6% of all investigations. On the other hand, investigations resulting from Ponzi schemes, commodities, precious metals, jewelry and gems, bankruptcy, inheritance frauds, debt consolidation, usury, installment procedures, computer abuse and fraud, life insurance, bribery of government employees, commercial bribery, conflict-of-interest, misuse of confidential information, regulatory violations, income tax revenue violations, sales and use tax revenue violations, Medicaid, theft of utility services, energy, weights and measures, coupon redemption frauds, mobile home, title law, rental location, medical

treatments, medical supplies and devices, nursing homes, general health care services, health and safety standards, appliance repair fraud, career/employment opportunity school/training frauds, and attorney's professional services each accounted for much less than 1% of the investigations. While the percentage for each of these categories of investigations

TABLE 3.4

ECONOMIC CRIME PROJECT REPORTING SYSTEM

LIST OF ECONOMIC CRIME CODES

Investments

- 1.1. Advanced fee schemes
- 1.2. Business opportunity schemes (including franchises, vending machines, chain referral, and pyramid schemes)
- 1.3. Ponzi schemes
- 1.4. Securities
- 1.5. Commodities
- 1.6. Precious metals, jewelry, and gems
- 1.7. Other investment schemes-- general

Financing, Credit, and Banking

- 2.1. Bad checks, check kiting
- 2.2. Bankruptcy
- 2.3. Inheritance frauds
- 2.4. Credit cards
- 2.5. Debt collection
- 2.6. Debt consolidation
- 2.7. Usury
- 2.8. Loans (including mortgages)
- 2.9. Installment purchases

Computer Related

- 3.1. Electronic Funds Transfer System (EFTS)
- 3.2. Computer abuse and fraud

Insurance

- 4.1. Arson-for-profit
- 4.2. Life
- 4.3. Accident/casualty
- 4.4. Other insurance fraud

Corruption, Abuse of Trust, and Theft (see also 6.7.--Theft of utility services, energy)

- 5.1. Bribery of government employees (including kickbacks)
- 5.2. Commercial bribery (including kickbacks)
- 5.3. Conflict-of-interest
- 5.4. Misuse of confidential information, trade secret theft
- 5.5. Embezzlement
- 5.6. Larceny (including by false pretenses and by trick)
- 5.7. Misappropriation of funds
- 5.8. Forgery

Fraud Against Government, Public Agencies, Utilities

- 6.1. Licensing violations
- 6.2. Regulatory violations
- 6.3. Revenue violations: income tax
- 6.4. Revenue violations: sales and use tax
- 6.5. Welfare
- 6.6. Medicaid
- 6.7. Theft of utility services, energy
- 6.8. Procurement fraud

Trade Practices (see also 2.9.--Installment purchases)

- 7.1. Advertising: bait-and-switch
- 7.2. Advertising: general
- 7.3. Weights and measures
- 7.4. Antitrust and restraint of trade, price-fixing
- 7.5. Deceptive trade practices - general (including misdescription of goods/services, pricing, packaging, and warranty frauds)
- 7.6. Coupon redemption frauds
- 7.7. Other trade-related frauds

Housing, Land, Real Estate, and Construction

- 8.1. Home improvement
- 8.2. Construction
- 8.3. Landlord-tenant
- 8.4. Mobile home
- 8.5. Real estate/land
- 8.6. Title law
- 8.7. Rental locator

Health and Medical Care (see also 6.6--Medicaid)

- 9.1. Medical treatments by professionals (services--doctors, dentists, nurses)
- 9.2. Medical supplies and devices (products--hearing aids, drugs cosmetics)
- 9.3. Nursing homes
- 9.4. General health care services (laboratory, hospital care)
- 9.5. Health and safety standards (including buildings, institutions, environment)

Sales and Repairs (see also 7.1 and 7.2--Advertising)

- 10.1. Appliance repair fraud
- 10.2. Automobile sales (including automotive parts)
- 10.3. Automobile repairs
- 10.4. Other products: sales
- 10.5. Other products: repairs

Personal and Professional Services (see also 1.2--Business opportunity schemes; 9.1--Medical professional services)

- 11.1. School/training frauds: career/employment opportunity
- 11.2. School/training frauds: personal improvement or benefit
- 11.3. Personal improvement schemes-- general (including club memberships)
- 11.4. Contest frauds
- 11.5. Travel and vacations
- 11.6. Transportation
- 11.7. Charity frauds
- 11.8. Attorneys' professional services

Other

- 999. "Other"--use this category only if NO other category applies and if the nature of the investigation/case is explained under "Comments."

TABLE 3.5

SPECIFIC SUBJECT-MATTER SUBCATEGORIES OF
INVESTIGATIONS OPENED
(Percent of Total and Ranking) (N = 14,586)
(42 Units, February, 1979 through June, 1980)

Economic Crime	Percent	Ranking
Larceny	10%	1
Deceptive Trade Practices	9%	2
Bad Checks	8%	3
Home Improvement	8%	3
Embezzlement	7%	5
Welfare	4%	6
Automobile Sales	4%	7
Other	4%	6
Business Opportunity Schemes	3%	9
Misappropriation of Funds	3%	9
Forgery	3%	9
Automobile Repairs	3%	9
Sales: Other Than Automobiles or Appliances	3%	9

appears to be small, in many instances their importance as single cases may be substantial.

By major category, the subject matter of investigations can be ranked as indicated in Table 3.6. Here it can be seen that most investigations (31.7%) were connected with corruption, abuse of trust, and theft. Larceny and embezzlement are the major contributors to this category, accounting for 23.2% of all known investigations. Another 25.6% of all investigations occurred in relationship to trade practices (including 7.5% attributable to deceptive business practices), housing, land, real estate, and construction (including the 7.7% involving home improvements). Thus, three major economic crime categories accounted for slightly over 55% of all investigative activity.

C. Number and Type of Target Under Investigation.

White-collar crime frequently involves a scheme or artifice. Help from others may be required. Legitimate businesses or "dummy corporations" may be involved. Thus, a white-collar crime investigation may involve several individuals, several businesses, or both, as targets. Similarly, the victim of the crime may be a business or a government agency. But because victims may not willingly come forward--or may not even know they have been victimized--and because it is not always easy to tell how large or complex a scheme is when an investigation is first begun, it is frequently difficult to estimate how many or even what type of targets or victims may be involved. Each Economic Crime Unit was to supply the ECPRS with data on the number and type of target being investigated. The type of targets fall in two categories: individuals and businesses or institutions. Due to some difficulties associated with the reporting and coding of the data, statistics on the total number of targets have been underestimated in this report. These difficulties resulted from the fact that, in some investigations involving several targets, the units were unable to supply an exact

TABLE 3.6

MAJOR SUBJECT-MATTER CATEGORY OF INVESTIGATIONS OPENED
(Number and Percent Distribution)
(42 Units, February, 1979 through June, 1980)

Economic Crime Category	Number	Percent Unadjusted (N =14,586)	Percent Adjusted (N =14,586)
Corruption, Abuse of Trust, and Theft	4,289	29.4%	31.7%
Trade Practices	1,760	12.1%	13.0%
Housing, Land, Real Estate,	1,707	11.7%	12.6%
Financing, Credit, and Banking	1,345	9.2%	9.9%
Sales and Repairs	1,319	9.0%	9.7%
Fraud Against Government, Public Agencies, Utilities	891	6.1%	6.6%
Investments	873	6.0%	6.4%
Other (unlisted)	537	3.7%	4.0%
Insurance	456	3.1%	3.4%
Personal and Professional Services	218	1.5%	1.6%
Health and Medical Care	130	0.9%	1.0%
Computer Related	16	0.1%	0.1%
Unknown	1,045	7.2%	N/A

N/A = not applicable.

figure for the number of targets involved. As a result, the units were asked to estimate the number. In spite of these difficulties, it is conservatively estimated that over 13,500 individuals were the targets of investigations. In several instances, the number of targets under investigation exceeded 100, while in several others between 50 and 100 people were designated as targets. Based on this data, it is estimated that over 65% of all investigations involved one or more individuals as targets.

As with the reporting of individual targets, the results of analyses involving the number of businesses or institutions must also be qualified. Once again, units were asked to provide estimates in spite of some uncertainty surrounding them. Although many investigations which involved businesses or institutions had a single such organization as a target, some units reported that some investigations involved in excess of 100 separate businesses. This might occur, for example, in a false billing scheme where the targets send phony invoices for magazine advertising or other services in hopes that the company's accounting department will pay it without verifying whether or not the bill is valid. The data also indicate that one or more businesses were involved in about 40% of the reported investigations. Finally, over 7,000 businesses were the targets of investigations.

Some investigations involved both individuals and businesses or institutions as targets. Further tabular analyses of the data were undertaken to gain a better understanding of the number of investigations involving multiple numbers and multiple types of targets. Table 3.7 is a restructured table shedding the necessary light on the multiples problem. Note that for 464 investigations, or 3.2%, data on the number and type of targets under investigation were missing or incomplete. Based on this table, the following conclusions about targets of investigations are tenable:

TABLE 3.7
 SINGLE AND MULTIPLE TARGETS OF INVESTIGATION
 (N = 14,586)
 (42 Units, February, 1979 through June, 1980)

Number of Individuals	Number of Businesses or Institutions		
	None	1 or More	Total
None	N/A	3,917 ^a 100.0% 67.6% 27.7%	3,917 (27.8%)
1 or More	8,329 81.6% 100.0% 58.9%	1,876 18.4% 32.4% 13.3%	10,205 (72.2%)
Total	8,329 (58.9%)	5,793 (41.0%)	14,122 (100.0%)

464 Missing Observations

N/A = not applicable.

^aTable format: Number, Row Percent, Column Percent, Total Percent.

- 58.9% of all investigations involved one or more individuals as targets, without involving businesses or institutions.
- 27.7% of all investigations only involved businesses or institutions.
- 13.3% of all investigations involved both individuals and businesses or institutions.
- Of those investigations involving one or more individuals, 81.6% did not involve businesses or institutions.
- Of those investigations involving one or more individuals, 18.4% also involved one or more businesses.
- Of those investigations involving one or more businesses or institutions, 67.6% did not involve individuals.
- Of those investigations involving one or more businesses or institutions, 32.4% also involved one or more individuals.
- 27.8% of all investigations did not involve individuals.
- 72.2% of all investigations involved one or more individuals.
- 58.9% of all investigations did not involve businesses or institutions.
- 41.0% of all investigations involved businesses or institutions.

A closer examination of the data through additional tabular analyses reveals that some investigations were extremely large, targeting as many as 50 or more individuals and businesses or institutions as investigative subjects. Extremely large multiple target investigations, although rare, are clearly not unheard of. In the future, greater efforts appear to be warranted to further study these large-scale investigations.

D. Number and Type of Victims of Economic Crime Investigations

Individuals, businesses, and government agencies may find themselves the victims of white-collar crime. Indeed, the victims may not even realize that they have been victimized. This is one important respect in which white-collar crime is different from, and more difficult to prosecute than, "street" crime. Even when a person, business, or agency has been victimized, there may be a reluctance to report the crime for fear of shame, embarrassment about being "duped," loss of business reputation, or government scandal. For purposes of the ECPRS, three types of victims were identified: individuals, businesses or institutions, and government. As will be discussed below, some crimes have individual, business, and government victims. Before proceeding with the more elaborate analyses, it is first necessary to look at various bivariate relationships between type of victims. Throughout the following discussion it is important to keep in mind that some investigations will in fact be double-counted. In the analyses, progression is made from univariate, to bivariate, to trivariate relationships.

A large number (64.6%) of investigations involved one or more individual victims. Some 60% involved only individual victims, while the remainder involved businesses or institutions, or government agencies, or both. In at least 37 instances, over 100 individuals were considered to be the victims of a single economic crime. This fact, although surprising, is not startling. Moreover, it is conservatively estimated (i.e., taking the 50 to 100 victim category as equal to 50, the over-100 category as equal to 100, and the one-or-more category as equal to one) that well over 24,000 individuals were the victims of economic crimes reported as being under investigation.

Businesses or institutions were also frequently the victim of economic crime. The available data suggest that one or more businesses were the only victims in about 25% of the economic

crime investigations reported to the ECPRS, while an additional 3.8% involved individuals, government agencies, or both, as well. As in the case of individuals, there were instances where 50 to 100 businesses were the victims of a single crime. It is very conservatively estimated that over 6,000 businesses were the identifiable victims of economic crimes investigated by the 42 units reporting to the ECPRS.

Finally, government agencies were the least likely victim of economic crime as far as investigations reported to the ECPRS were concerned. The data indicate the government to be a victim in about 11.5% of all economic crimes investigated by the 42 units (being the only type of victim in 9.7% of the investigations). In four instances, it was reported that an investigation had 50 to 100 government victims. From the available data it is estimated that there are over 1,800 government victims associated with a variety of economic crimes.

At this point, it is appropriate to give further consideration to those investigations which involve two or more different types of victims. Table 3.8, a summary table, indicates the percentage of investigations which involve one or more types of victims (all possible combinations). Here it can be seen that, of the multiples, those investigations involving individuals and businesses as victims were most prevalent, followed by individual and government, and business and government. Only 14 investigations reportedly involved individual, business, and government victims. Thus, of all investigations, only about 5% involved more than one type of victim.

Closer examination of the data reveals that the magnitude of some investigations involving multiple victims can be enormous. For example, two investigations involved over 100 individual and 6 to 10 business or institution victims, another three included 50 to 100 individual and over 11 government victims, and still another three included over 11 businesses and over 11 government victims. Three of the most varied

TABLE 3.8
 VICTIMS OF ECONOMIC CRIME REPORTED AT THE
 TIME OF INVESTIGATION

Type of Victim	Percent of Total Investigations
Individual Only	60.1
Business or Institutions Only	25.0
Government Only	9.7
Individual and Business or Institutions	3.4
Individual and Government	1.1
Business or Institutions and Government	0.4
Individual, Business or Institutions, and Government	0.3

investigations involved 50 to 100 individuals, over 11 businesses, and over 11 government victims. Clearly, these economic crimes had a rather substantial scope and unmistakably involved considerable effort to process. Such large investigations could easily consume all the resources of any ECP unit.

E. Source of Investigation

An investigation can originate with one or more of several sources. The ECP units were asked to indicate which of the following was/were the source of each investigation they had undertaken:

- inquiry/complaint,
- proactive investigation, and
- agency referral.

System instructions provided that the source of an investigation was to be considered as an inquiry or complaint whenever an individual complaint or inquiry was being considered for criminal or civil prosecution (rather than in-office resolution such as mediation), and no decision was made to expand the investigation beyond the individual complaint to actively seek similar complaints against the same individual or business. Where the unit did decide to seek out similar complaints (expanded investigation), the source was to be considered as proactive. The investigation was also to be considered as proactive if the investigation was begun by the office (for example, by sampling meat content on ground beef or setting up a "dummy" car or appliance to be repaired) before an individual had complained. The source of an investigation was considered to be a referral if another agency brought the matter to the attention of the unit, whether or not prosecution had been specifically requested and whether or not the agency had supplied investigative reports or evidence. Given the fact that an investigation can have multiple sources, a special code was set up to handle these.

It was found that 7,550 investigations resulted from inquiries or complaints (including 602 involving another source as well), 599 from proactive investigations (including 136 involving a second source), and 3,547 from agency referrals (621 of which involved an additional source). These differences are summarized in Table 3.9. (Note that for 2,216 investigations, the ECP units failed to report data on the source of investigation.)

The referral of matters for investigation is an important issue warranting further attention, especially in view of the Economic Crime Project's focus on development of a National Strategy for coordination of federal, state, and local enforcement efforts. In particular, data were reported by the ECP units as to the types of agencies which referred cases for investigation. These agencies, and the percent of investigations begun by referral which they referred to the 45 units, are detailed in Table 3.10. On the basis of this table, it is evident that local investigative, police, and law enforcement agencies have primary responsibility (43.5%) for referrals which result in investigations. State regulatory agencies have the second highest referral rate (14.2%). In short, relatively few agencies are responsible for investigative referrals to ECP units.

F. Closing/Disposition of Investigations

Units were allowed to indicate which of five types of closings occurred. These were:

- closed administratively,
- remedial action,
- restitution,
- referred, and
- case filed.

Given the reporting procedures for the study, any investigation could have multiple closings. For example, one aspect of an investigation could be closed with restitution from one target

TABLE 3.9
SOURCE OF INVESTIGATIONS
(N = 14,586)
(42 Units, February, 1979 through June, 1980)

Source	Excluding Multiple Source Investigations	Multiple Sources Allocated Among Source Categories
Inquiry or Complaint	6,984	7,550
Proactive Investigation	463	599
Agency Referral	2,926	3,547
Multiple Source	N/A	674

2,216 Investigations: Source Unknown

N/A = not applicable.

TABLE 3.10

AGENCIES MAKING REFERRALS RESULTING IN
INVESTIGATIONS (N = 4,168)
(42 Units, February, 1979 through June, 1980)

Referring Agency	Total Referrals	
	Number	Percent
<u>Consumer Protection Agencies</u>		
1. State Agencies	30	0.7
2. Local Agencies	96	2.3
3. Non-government/Business/ Consumer groups	61	1.5
<u>Regulatory Agencies</u>		
4. Federal Agencies	59	1.4
5. State Agencies	590	14.2
6. Local Agencies	173	4.2
<u>Investigative/Police/Law Enforcement Agencies</u>		
7. Federal Agencies	32	.8
8. State Agencies	199	4.8
9. Local Agencies	1814	43.5
<u>Attorneys/Prosecutors</u>		
10. United States Attorneys (Federal)	5	.1
11. State Attorney General Consumer Protection/Fraud Units	72	1.7
12. State Attorney General (other than Consumer Protection/Fraud Units)	90	2.2
13. Local/Municipal Government Attorney's Office (for example, Corporation Counsel, New York City)	489	11.7
14. Legal Services or Private Attorneys	75	1.8
15. Small Claims Court	6	.1
16. Trade Associations	27	.6
17. Other	90	2.2
18. Other Local District Attorneys/ Prosecutors' Offices	63	1.5
19. NDAA Economic Crime Project Center, Chicago	7	.2
<u>Agency Not Specified</u>	190	4.6

and "no action" with respect to others. In a subsequent month, another aspect of the investigation could be closed with the filing of criminal charges against the remaining targets, and reported to the ECPRS as a second closing in the same investigation. The results presented below do not explicitly document the various combinations of multiple closings, although the number of multiple closings can be estimated (N = 732 or 6.9%).

Table 3.11 shows the distribution of outcomes obtained in closed investigations. As indicated here, closings primarily take one of two extremes, either they are closed administratively (40.8%) or they are filed as felonies, misdemeanors, or civil cases (39.7%). A relatively small percentage of investigations are closed through remedial action, restitution, or referral, although cumulatively these account for the disposition of approximately 19.5% of all investigations.

A total of 890 investigations were closed involving the payment of restitution. The total dollar value of the restitution received was \$2,552,126. The average amount of restitution paid was \$2,467.59, with a standard deviation of \$16,233.13. Restitution ranged from a low of \$2.00 to a high of \$286,743. The median restitution was \$238.17. Units were instructed to record the amount of restitution only where the person or organization being investigated agreed to (1) pay money to victims, (2) replace something of value, or (3) perform a service for which the victim already paid (e.g., a satisfactory car or appliance repair). In the latter two instances, units were advised to record the price or the present market value of the item replaced or service performed. Restitution, however, was not to include either "symbolic restitution" through community service or situations in which the person or organization agreed to cancel a future obligation (e.g., payments on a lifetime dance studio

TABLE 3.11
 TYPE AND PERCENT DISTRIBUTION OF INVESTIGATION
 CLOSINGS (N = 9,950)
 (42 Units, February, 1979 through June, 1980)

Type of Closing	Number ^a	Percent
Closed Administratively	4,360	40.8
Remedial Action	324	3.1
Restitution	890	8.3
Referral	867	8.1
Case Filed	4,241	39.7
TOTAL	10,682	100.0

^aNumber of investigation closings exceeds 9,950 because of multiple closings.

contract). In 30 investigations the amount of restitution was not reported.

ECP units also referred 867 matters to other agencies. Table 3.12 characterizes the types of agencies to which the ECP units referred investigations. As can be observed in this table, most (18.6%) investigations were referred to local investigative, police, and law enforcement agencies, followed by state regulatory agencies, and then to small claims court. These three agencies received almost half of all referrals from the ECP units. As noted in Table 3.12, the ECP units failed to identify to what agency 6.6% of all investigations were referred.

Cases were filed as a result of 4,257 investigations. Units were instructed to indicate whether civil charges (including filings for administrative hearings if the office had jurisdiction to begin administrative hearings), felony charges, or misdemeanor charges were filed. A felony was defined as any crime punishable by a sentence of one year or more, whereas "misdemeanors" were limited to crimes punishable by a sentence of one year or less. In most states, misdemeanors are punishable by a sentence of no more than one year. In a few states, some misdemeanors are punishable by more than one year (e.g., "high misdemeanors" in New Jersey). Consequently, units were asked to distinguish felonies and misdemeanors on the basis of maximum statutory sentence, rather than the sentence the unit requested.

The data reveals that between February, 1979, and June, 1980, 2,689 investigations resulted in the filing of felony charges, 1,134 resulted in misdemeanor cases, and 363 led to civil litigation. These data also confirm that the ECP units failed to identify the type of case filed in 17.7% of the investigations closed with case filings. The numbers and types of cases filed are presented in Table 3.13

TABLE 3.12

ECP UNIT REFERRALS OF INVESTIGATIONS TO OTHER AGENCIES
(Number and Percent Distribution) (N = 867)
(42 Units, February, 1979 through June, 1980)

Agency Referred To	Total Referrals	
	Number	Percent
<u>Consumer Protection Agencies</u>		
1. State Agencies	7	0.8
2. Local Agencies	13	1.5
3. Non-government/Business/ Consumer groups	4	.5
<u>Regulatory Agencies</u>		
4. Federal Agencies	19	2.1
5. State Agencies	91	10.5
6. Local Agencies	8	.9
<u>Investigative/Police/Law Enforcement Agencies</u>		
7. Federal Agencies	67	7.7
8. State Agencies	31	3.6
9. Local Agencies	161	18.6
<u>Attorneys/Prosecutors</u>		
10. United States Attorneys (Federal)	20	2.3
11. State Attorney General Consumer Protection/Fraud Units	61	7.0
12. State Attorney General (other than Consumer Protection/Fraud Units)	59	6.8
13. Local/Municipal Government Attorney's Office (for example, Corporation Counsel, New York City	64	7.4
14. Legal Services or Private Attorneys	59	6.8
15. Small Claims Court	82	9.5
16. Trade Associations	1	.1
17. Other	29	3.3
18. Other Local District Attorneys/ Prosecutors' Offices	34	3.9
19. NDAA Economic Crime Project Center, Chicago	0	0
<u>Agency Not Specified</u>	57	6.6

TABLE 3.13

TYPE OF CASE FILING FOLLOWING AN INVESTIGATION
(N = 2,293)
(42 Units, February, 1979 through June, 1980)

Type of Filing	Number	Percent
Civil	363	8.5'
Misdemeanor	1,134	26.6
Felony	2,689	63.2
Filing Unknown	71	1.7

G. Further Analyses of the Subject Matter of Economic Crime

At this time, it is appropriate to undertake further analyses of these data focusing on the relationship between the subject matter of the economic crimes and other variables pertaining to investigative activities including targets, victims, source of investigation, and the closing or disposition of an investigation. These analyses are intended to provide further insight into nature and extent of economic crime processed at the investigative level. In a subsequent section of this report attention will be directed to case processing.

Before proceeding with these analyses it is important to offer several cautionary notes. First, the actual incidence and prevalence of economic crime of various types remain unknown. Victims may not know they have been victimized or may be reluctant to come forward; this is much more likely to be true in economic crime than in "street" crime. Where the victim does come forward, he or she may not know the identity or whereabouts of the perpetrator. Thus, the ECPRS provides a means of estimating the true rates for the investigation or prosecution of certain crimes, but not the victimization rates. A given crime can very well be much more prevalent than it appears according to the data that are reported to the ECP. Similarly, there is no firm basis to generalize the results presented here to the entire U.S. As described above, those units which participated in the ECPRS are by no means representative of district attorney's offices across the U.S. At best, the sample is judgmental, and any generalizations should make note of this fact.

In the tables which follow, the number of investigations (N) will vary from tabulation to tabulation. This occurs because only observations (investigations) with complete data on both variables of interest are tabulated. If an observation lacks data on one or both variables being tabulated, the entire observation is deleted from the analyses. This is not a

major problem in this study as the percentage of observations which are deleted remains very small. Other notes necessary to assist with the interpretation of each table have been included on the appropriate tables.

In Table 3.14, an attempt is made to identify what types of targets are most often associated with what types of economic crimes. Table 3.15 facilitates this endeavor in that each economic crime is ranked according to the target of investigation. In both of these tables it can be seen that individuals are most likely to be victims in cases which involve corruption and theft, followed by finance and credit, housing, land, and real estate, fraud of government and utilities, and fifth, investments. The types of crimes businesses or institutions are most likely to be victims of are somewhat different, as expected. Crime associated with trade practices is first, followed by sales and repairs, housing, land, and real estate, corruption and theft, and investments.

Tables 3.16 and 3.17 identify in which crimes individuals, businesses and institutions, and the government are most likely to be found as the victims. As expected, there are some differences, although with regards to several of the crimes (e.g., theft and corruption) each of the types of victims are ranked high. In some cases, the type of victim involved is limited to a single crime category (e.g., business and corruption, government and fraud). On the other hand, individuals are often the victims of a wide array of crimes.

Table 3.18 indicates the source of an investigation for each of the economic crimes. Two percentages are presented in each cell of this table, and each has a distinctively different interpretation. Of these percentages, the column percent figure (the second listed) is, perhaps, the most interesting. For example, examining the first column it can be seen that 61.0% of all investigations dealing with investments are the result of complaints and inquiries, 16.4% from proactive

TABLE 3.14

SUBJECT OF INVESTIGATION TABULATED BY TYPE OF
TARGET OF INVESTIGATION (N = 14,122)
(42 Units, February, 1979 through June, 1980)
(Column Percentages Indicated in Parentheses)

Subject of Investigation	Target of Investigation		
Investments	540 (5.3%)	468 (8.1%)	865 (6.1%)
Finance, Credit	1,206 (11.8%)	194 (3.3%)	1,344 (9.5%)
Computer Related	16 (.2%)	1 (.0%)	16 (.1%)
Insurance	406 (4.0%)	93 (1.6%)	454 (3.2%)
Corruption, Theft	3,884 (38.1%)	884 (15.3%)	4,260 (30.2%)
Fraud of Government, Utilities	806 (7.9%)	103 (1.8%)	873 (6.2%)
Trade Practices	471 (4.6%)	1,477 (25.5%)	1,758 (12.4%)

(continued)

TABLE 3.14 (continued)

Subject of Investigation	Target of Investigation		
House, Land, Real Estate	1,195 (11.7%)	968 (16.7%)	1,698 (12.0%)
Health, Medical Care	72 (.7%)	72 (1.2%)	127 (.9%)
Sales and Repairs	474 (4.6%)	1,045 (18.0%)	1,313 (9.3%)
Personal, Professional Services	119 (1.2%)	134 (2.3%)	216 (1.5%)
Other, Unknown	1,016 (10.0%)	354 (6.1%)	1,198 (8.5%)
COLUMN TOTAL	10,205 (72.3%)	5,793 (41.0%)	14,122 (100.0%)

464 Missing Observations

NOTE: Percents and totals are based on respondents, not on responses. Thus, investigations involving both types of targets appear in both columns. This explains why the column percents sum to over 100 and why the frequencies in a column sum to more than the column total. The row frequencies can sum to the row total if each case has only one item in each row.

TABLE 3.15
 SUBJECT OF INVESTIGATION RANKED ACCORDING TO
 TYPE OF TARGET OF INVESTIGATION
 (N = 42, February, 1979 through June, 1980)

Subject of Investigation	Rank According to Target Involvement	
	Individuals	Businesses or Institutions
Investments	6	5
Finance, Credit	2	7
Computer Related	12	12
Insurance	9	10
Corruption, Theft	1	4
Fraud of Government, Utilities	5	9
Trade Practices	8	1
House, Land, Real Estate	3	3
Health, Medical Care	11	11
Sales and Repairs	7	2
Personal, Professional Services	10	8
Other, Unknown	4	6

TABLE 3.16
 SUBJECT OF INVESTIGATION TABULATED BY VICTIM
 OF INVESTIGATION (N = 14,586)
 (42 Units, February, 1979 through June, 1980)
 (Column Percentages Indicated in Parentheses)

Subject of Investigation	Victim of Investigation			
Investments	758 (8.9%)	74 (1.9%)	92 (8.1%)	817 (6.2%)
Finance, Credit	363 (4.2%)	991 (26.0%)	18 (1.2%)	1,333 (10.1%)
Computer Related	2 (.0%)	13 (.3%)	3 (.2%)	16 (.1%)
Insurance	187 (2.2%)	250 (6.6%)	15 (1.0%)	434 (3.3%)
Corruption, Theft	2,176 (25.4%)	1,802 (47.3%)	396 (26.5%)	4,185 (31.7%)
Fraud of Government, Utilities	111 (1.3%)	104 (2.7%)	682 (45.6%)	879 (6.7%)
Trade Practices	1,586 (18.5%)	266 (7.0%)	30 (2.0%)	1,726 (13.1%)

(continued)

TABLE 3.16 (continued)

Subject of Investigation	Victim of Investigation			
House, Land, Real Estate	1,526 (17.8%)	94 (2.5%)	23 (1.5%)	1,605 (12.2%)
Health, Medical Care	84 (1.0%)	27 (.7%)	31 (2.1%)	120 (.9%)
Sales and Repairs	1,154 (13.5%)	53 (1.4%)	14 (.9%)	1,205 (9.1%)
Personal, Professional Services	179 (2.1%)	27 (.7%)	7 (.5%)	204 (1.5%)
Other, Unknown	427 (5.0%)	110 (2.9%)	185 (12.4%)	669 (5.1%)
COLUMN TOTAL	8,553 (64.8%)	3,811 (28.9%)	1,496 (11.3%)	13,193 (100%)

1,393 Missing Observations

NOTE: Percents and totals are based on respondents, not on responses. Thus, investigations involving both types of targets appear in both columns. This explains why the column percents sum to over 100 and why the frequencies in a column sum to more than the column total. The row frequencies can sum to the row total if each case has only one item in each row.

TABLE 3.17

SUBJECT OF INVESTIGATION RANKED ACCORDING TO VICTIM
(42 Units, February, 1979 through June, 1980)

Subject of Investigation	Rank According to Victim Involved		
	Individuals	Businesses or Institutions	Government
Investments	5	8	4
Finance, Credit	7	2	8
Computer Related	12	11	12
Insurance	8	4	9
Corruption, Theft	1	1	2
Fraud of Government, Utilities	10	6	1
Trade Practices	2	3	6
House, Land, Real Estate	3	7	7
Health, Medical Care	11	10	5
Sales and Repairs	4	9	10
Personal, Professional Services	9	10	11
Other, Unknown	6	5	3

TABLE 3.18

SOURCE OF INVESTIGATION TABULATED BY SUBJECT OF INVESTIGATION^a
(N = 14,586)
(42 Units, February, 1979 through June, 1980)

SUBJECT OF INVESTIGATION

SOURCE OF INVESTIGATION	INVESTMENTS	FINANCE, CREDIT	COMPUTER RELATED	INSURANCE	CORRUPTION, THEFT	FRAUD OF GOVERNMENT UTILITIES	TRADE PRACTICES	HOUSE, LAND, REAL ESTATE	HEALTH, MEDICAL CARE	SALES AND REPAIR	PERSONAL PROFESSIONAL SERVICES	OTHER, UNKNOWN	ROW TOTAL
INQUIRY/COMPLAINT	475 (6.3%) (61.0%)	503 (6.7%) (30.6%)	6 (0.1%) (42.9%)	186 (2.5%) (44.0%)	2294 (30.6%) (61.0%)	172 (2.3%) (21.2%)	1179 (15.7%) (73.0%)	1208 (16.1%) (80.6%)	42 (0.6%) (35.6%)	1039 (13.8%) (89.7%)	152 (2.0%) (75.6%)	252 (3.4%) (48.6%)	7508 (61.5%)
PROACTIVE INVESTIGATION	128 (21.4%) (16.4%)	25 (4.2%) (1.9%)	0 (0.0%) (0.0%)	25 (4.2%) (5.9%)	101 (16.4%) (0.8%)	24 (4.0%) (3.0%)	146 (24.4%) (9.0%)	39 (6.5%) (2.6%)	19 (3.2%) (16.1%)	44 (7.4%) (3.8%)	7 (1.2%) (3.5%)	40 (6.7%) (7.7%)	598 (4.9%)
AGENCY REFERRAL	155 (4.5%) (19.9%)	476 (13.9%) (36.5%)	7 (0.2%) (50.0%)	190 (5.5%) (44.9%)	1212 (35.4%) (32.2%)	557 (16.3%) (68.7%)	256 (7.5%) (15.9%)	229 (6.7%) (15.3%)	51 (1.5%) (43.2%)	58 (1.7%) (5.0%)	33 (1.0%) (16.4%)	202 (5.9%) (38.9%)	3426 (28.1%)
MULTIPLE SOURCES	(3.1%) (2.7%)	(45.0%) (23.0%)	(0.1%) (7.1%)	(3.3%) (5.2%)	(22.9%) (4.1%)	(8.7%) (7.2%)	(4.9%) (2.0%)	(3.3%) (1.5%)	(0.4%) (5.1%)	(2.5%) (1.5%)	(1.3%) (4.5%)	25 (3.7%) (4.8%)	667 (5.5%)
COLUMN TOTAL	779 (6.4%)	1304 (10.7%)	14 (0.1%)	423 (3.5%)	3760 (30.0%)	811 (6.6%)	1614 (13.2%)	1490 (12.3%)	118 (1.0%)	1158 (9.5%)	201 (1.6%)	519 (4.3%)	12199 (100.0%)

2,387 Missing Observations

Due to single precision calculations and rounding errors, percentages may not total 100.0.

^aRow percentages, then column percentages indicated in parentheses; thus, 6.3% of inquiries and complaints involved investments, while 61.0% of investment matters began by inquiries and complaints.

investigations, 19.9% from agency referrals, and 2.7% from multiple sources. For all crimes, the source of investigation is most likely to be a complaint or inquiry (61.5%) but fraud of government investigations most frequently result from referrals (68.7%) and only 21.2% of these investigations arose from complaints or inquiries. Other investigations are equally as likely to be a result of two sources, although not multiple sources. For example, insurance-related investigations result from inquiries and complaints 44.0% of the time and from agency referrals 44.9% of the time.

The row percentages reveal what proportion of each source of investigation is attributable to which crimes. Proactive investigations, when serving as the source of an investigation, most frequently involve trade practice violations (24.4%). The most common subject-matter of agency referrals is corruption and theft (35.4%). Inquiries and complaints most frequently involve crimes related to corruption and theft (30.6%). Multiple sources are frequently the source of investigation for finance and credit crimes (45.0%). In short, by examining the column percentages it is possible to identify the sources for the investigation of each crime.

Table 3.19 is a tabular presentation of the status of all investigations as of the end of June, 1980. As noted in the table, investigations could have closed administratively, by remedial action, through restitution, through referral to another agency, or by a case being filed. The table also indicates whether the investigation is pending. In this table it can be observed that, of the investigations closed administratively, 27.1% have involved corruption or theft, 13.1% trade practices, 11.3% sales and repair, 11.2% housing, land, or real estate, and 7.3% finance and credit. Of the investigations closed through remedial action, 19.8% involved trade practices, 18.8% sales and repair, 13.6% housing, land, and real estate, and 8.0% corruption and theft. Of the

TABLE 3.19

SUBJECT OF INVESTIGATION TABULATED BY STATUS
AND DISPOSITION OF INVESTIGATION
(N = 14,586)
(42 Units, February, 1979 through June, 1980)

SUBJECT OF INVESTIGATION	STATUS OF INVESTIGATION ^a						ROW TOTAL
	CLOSED					PENDING	
	CLOSED ADMINIS- TRATIVELY	REMEDIAL ACTION	RESTITUTION	REFERRED	CLOSED, CASE FILED	PENDING	
INVESTMENTS	192 (4.4%)	15 (4.6%)	26 (2.9%)	52 (6.0%)	235 (5.6%)	370 (8.0%)	873 (6.0%)
FINANCE, CREDIT	318 (7.3%)	16 (4.9%)	179 (20.1%)	93 (10.7%)	526 (12.6%)	284 (6.1%)	1345 (9.2%)
COMPUTER RELATED	3 (0.1%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	6 (0.1%)	7 (0.2%)	16 (0.1%)
INSURANCE	101 (2.3%)	5 (1.5%)	12 (1.3%)	22 (2.5%)	161 (3.9%)	163 (3.5%)	456 (3.1%)
CORRUPTION, THEFT	1180 (27.1%)	26 (8.0%)	110 (12.4%)	318 (36.7%)	1392 (33.4%)	1430 (30.8%)	4289 (29.4%)
FRAUD OF GOVT, UTILITIES	164 (3.8%)	5 (1.5%)	16 (1.8%)	56 (6.5%)	396 (9.5%)	270 (5.8%)	891 (6.1%)
TRADE PRACTICES	570 (13.1%)	64 (14.8%)	110 (12.4%)	56 (6.5%)	530 (12.7%)	500 (10.8%)	1760 (12.1%)
HOUSE, LAND, REAL ESTATE	487 (11.2%)	44 (13.6%)	110 (12.4%)	92 (10.6%)	470 (11.5%)	577 (12.4%)	1707 (11.7%)
HEALTH, MEDICAL CARE	39 (0.9%)	4 (1.2%)	6 (0.7%)	6 (0.7%)	38 (0.9%)	42 (0.9%)	130 (0.9%)
SALES AND REPAIR	492 (11.3%)	61 (18.8%)	219 (24.6%)	93 (10.7%)	106 (2.5%)	480 (10.4%)	1319 (9.0%)
PERSONAL, PROFESSIONAL SERVICES	71 (1.6%)	10 (3.1%)	27 (3.0%)	24 (2.8%)	32 (0.8%)	78 (1.7%)	218 (1.5%)
OTHER, UNKNOWN	743 (17.0%)	74 (22.8%)	75 (8.4%)	55 (6.3%)	264 (6.3%)	435 (9.4%)	1582 (10.8%)
COLUMN TOTAL	4360 (29.9%)	324 (22.8%)	890 (6.1%)	867 (5.9%)	4164 (28.5%)	4636 (31.8%)	14586 (100.0%)

NOTE: Percents and totals are based on respondents, not on responses. This explains why the column percents sum to over 100 and why the frequencies in a column sum to more than the column total. The row frequencies can sum to the row total if each case has only one item in each row. Also note that some percents which should total 100.0 may not because of rounding errors inherent in single precision calculations.

^aPercentages in parentheses are percentages of all investigations.

investigations closed through restitution, 24.6% involved sales and repair subject-matter, 20.1% finance and credit, 12.4% housing, land or real estate, 12.4% trade practices, and 12.4% corruption and theft. Investigations led to referrals in 36.7% of crimes involving corruption and theft, 10.7% of those involving sales and repair, 10.7% involving finance and credit, 10.6% involving housing, land, and real estate, and 6.0% involving investments. Cases were filed in 33.4% of the investigations involving corruption and theft, 12.6% of those related to finance and credit, 11.5% of those involving housing, land, and real estate, and in 9.5% of those involving fraud of government and utilities. The status of other investigations by the type of case filing can be interpreted accordingly.

Table 3.20 is a tabulation of the subject matter of investigations by the type of case filing. This table indicates how the various types of economic crimes are filed after an investigation has taken place. In some instances, units failed to record the type of case filing and this is also tabulated. As noted here, 63.5% of all civil filings involved trade practices, as did 16.7% of all misdemeanors filed. The largest proportion of felony filings involved corruption and theft matters (46.0%). Finally, multiple filings, for the most part, were in response to crime involving corruption and theft and housing, land, and real estate.

VII. CASE PROCESSING

This section of the report describes in detail and analyzes the litigation activities of the 42 units. The units filed 3,626 felony cases, 987 misdemeanor cases, 407 civil cases, and 193 other cases for which the type of filing was not specified. The subsequent processing of these cases is depicted in Figure 3.3, below. Separate

TABLE 3.20

SUBJECT OF INVESTIGATION TABULATED BY
TYPE OF CASE FILING
(N = 4091)
(42 Units, February, 1979 through June, 1980)

SUBJECT OF INVESTIGATION	TYPE OF CASE FILING ^a						ROW TOTAL
	UNIT FAILED TO REPORT TYPE OF FILING	CIVIL FILING	MISDEMEANOR FILED	FELONY FILED	CIVIL AND FELONY FILED	MISDEMEANOR AND FELONY FILED	
INVESTMENTS	12 (8.8%)	24 (6.8%)	92 (9.9%)	110 (4.3%)	0 (0.0%)	0 (0.0%)	238 (5.8%)
FINANCE, CREDIT	14 (10.3%)	1 (0.3%)	206 (22.1%)	313 (12.2%)	0 (0.0%)	1 (1.0%)	535 (13.1%)
COMPUTER RELATED	0 (0.0%)	0 (0.0%)	1 (0.1%)	5 (0.2%)	0 (0.0%)	0 (0.0%)	6 (0.1%)
INSURANCE	11 (8.1%)	0 (0.0%)	12 (1.3%)	143 (5.6%)	0 (0.0%)	1 (1.0%)	167 (4.1%)
CORRUPTION, THEFT	58 (42.6%)	11 (3.1%)	89 (9.6%)	1183 (46.0%)	1 (0.3%)	77 (80.2%)	1419 (34.7%)
FRAUD OF GOVT, UTILITIES	12 (8.8%)	3 (0.8%)	140 (15.0%)	248 (9.6%)	0 (0.09%)	0 (0.0%)	403 (9.9%)
TRADE PRACTICES	16 (11.8%)	224 (63.5%)	156 (16.7%)	141 (5.5%)	0 (0.0%)	0 (0.0%)	537 (13.1%)
HOUSE, LAND, REAL ESTATE	5 (3.7%)	137 (10.5%)	177 (19.0%)	244 (9.5%)	2 (0.6%)	17 (17.7%)	482 (11.8%)
HEALTH, MEDICAL CARE	4 (2.9%)	14 (4.0%)	9 (1.0%)	15 (0.6%)	0 (0.0%)	0 (0.0%)	42 (1.0%)
SALES AND REPAIR	4 (2.9%)	31 (8.8%)	26 (2.8%)	48 (1.9%)	0 (0.0%)	0 (0.0%)	109 (2.7%)
PERSONAL, PROFESSIONAL SERVICES	0 (0.0%)	2 (0.6%)	6 (0.6%)	24 (0.9%)	0 (0.0%)	0 (0.0%)	32 (0.8%)
OTHER, UNKNOWN	0 (0.0%)	6 (1.7%)	18 (1.9%)	97 (3.8%)	0 (0.0%)	0 (0.0%)	121 (3.0%)
COLUMN TOTAL	136 (3.3%)	353 (8.6%)	932 (22.8%)	2571 (62.9%)	3 (0.0%)	96 (2.4%)	4091 (100.0%)

^aPercentages in parentheses are column percentages of all investigations.

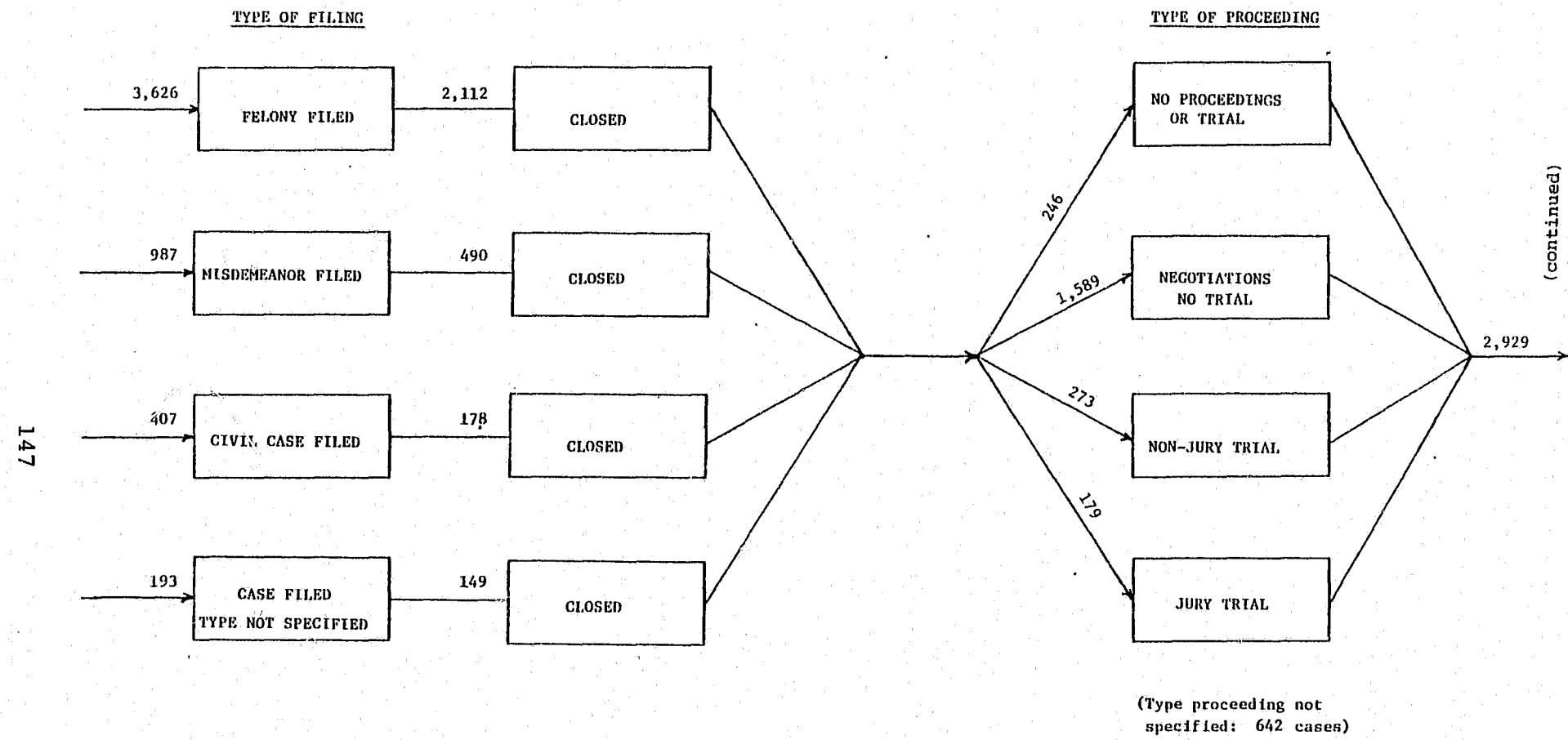


FIGURE 3.3
 FLOW CHART: UNIT LITIGATION ACTIVITIES
 (42 Units, February 1979 through June 1980)

CONTINUED

2 OF 3

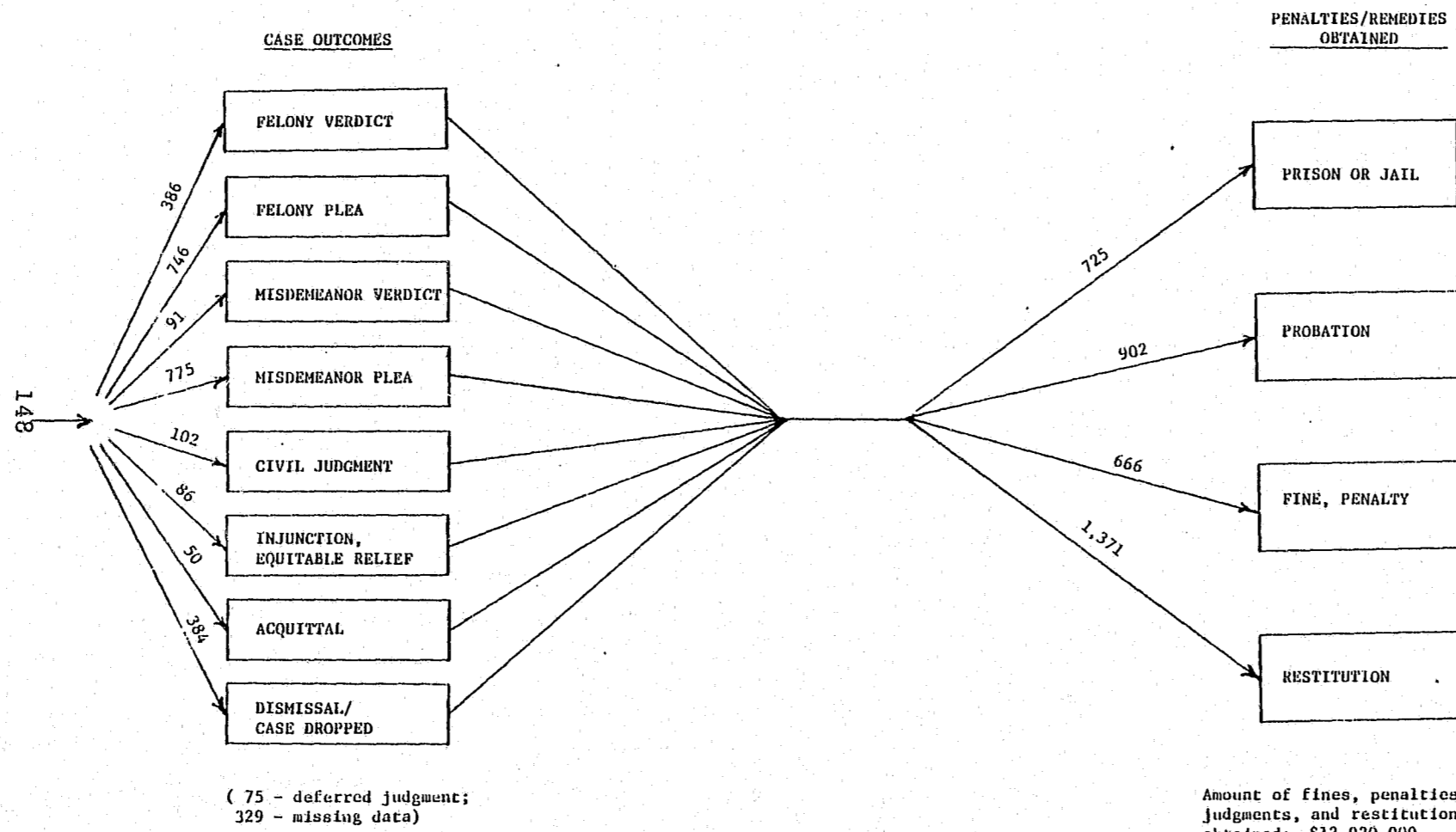


FIGURE 3.3 (continued)

Subsections of this chapter describe in more detail the units' handling of these categories of cases.

A. Case Filings

1. Number of Cases Filed. As stated, the units filed a total of 5,213 cases. Some 4,257 (or 81.7%) of these were the result of investigations described in the last section of this report. The type of case filed is indicated in Table 3.21. The units had 1,067 filed cases pending when the ECPRS was instituted in February of 1979, and filed 4,146 more in the 17-month period from February 1979 through June, 1980. The number of cases pending on February 1 ranged from lows of 1 case each for three units to a high of 115 cases. Filings per month in the 17-month period ranged greatly, and this fluctuation appeared random.

2. Subject-Matter of Cases. As was explained in the section on investigations, above, cases were classed by subject-matter into 11 broad, generic categories (e.g., investments, finance and credit, fraud against government or a utility), each of which was subdivided into narrower categories. For example, the investment category included advance-fee schemes, business opportunity schemes, Ponzi schemes, securities cases, commodities cases, cases involving precious metals and gems, and other investment schemes. The subject-matter of the case was indicated in 4,757 cases (91.3%). Table 3.22 indicates the frequency with which each broad category of subject-matter was involved. For the seven largest categories, the number of cases within each subcategory is also shown. Within each category, one or two types of cases account for the major share of the cases.

Once these major subject-matter subcategories are broken out separately, a different pattern emerges. Table 3.23 lists in rank order of frequency all general categories excluding

TABLE 3.21

TYPE OF CASE FILING, IN CASES FILED AT CLOSE OF
REPORTED INVESTIGATION AND IN ALL CASES
(42 Units, February, 1979 through June, 1980)

	Number	Percent
Felony	3,626	69.6%
Misdemeanor	987	18.9%
Civil	407	7.8%
Type of Filing Not Specified	193	3.7%
Total	5,213	100%

TABLE 3.22

SUBJECT-MATTER OF FILED CASES IN
RANK ORDER OF FREQUENCY
(N = 5,213)
(42 Units, February, 1979 through June, 1980)

Subject-Matter	Number	Percent
Corruption, Abuse of Trust and Theft	2,002	38.4%
1. Bribery of government employee	(15)	
2. Commercial bribery	(12)	
3. Conflict of interest	(2)	
4. Misuse of confidential information	(7)	
5. Embezzlement	(538)	(10.3%)
6. Larceny	(935)	(17.9%)
7. Misappropriation	(210)	
8. Forgery	(283)	
Financing, Credit and Banking	600	11.5%
1. Bad checks, check kiting	(490)	(9.4%)
2. Inheritance fraud	(1)	
3. Credit cards	(71)	
4. Debt collection	(3)	
5. Debt consolidation	(1)	
6. Loans (including mortgage)	(25)	
7. Installment purchases	(9)	
Fraud Against Government, Public Agencies, Utilities	590	11.3%
1. Licensing	(32)	
2. Regulatory	(6)	
3. Income tax	(15)	
4. Sales use tax	(5)	
5. Welfare	(325)	(6.2%)
6. Medicaid	(14)	
7. Theft of utility service, energy	(40)	
8. Procurement fraud	(153)	

(continued)

TABLE 3.22 (continued)

Subject-Matter	Number	Percent
Housing, Land, Real Estate, and Construction	426	8.2%
1. Home improvement	(357)	(6.8%)
2. Construction	(25)	
3. Landlord-tenant	(6)	
4. Mobile homes	(3)	
5. Real estate/land	(30)	
6. Title law	(2)	
7. Rental locator	(3)	
Trade Practices	376	7.2%
1. Advertising: bait and switch	(7)	
2. Advertising: general	(115)	
3. Weights and measures	(28)	
4. Anti-trust, restraint of trade, price-fixing	(16)	
5. Deceptive trade practices	(158)	
6. Coupon redemption frauds	(24)	
7. Other	(28)	
Investments	292	5.6%
1. Advanced-fee schemes	(13)	
2. Business opportunity schemes	(165)	
3. Ponzi schemes	(7)	
4. Securities	(72)	
5. Commodities, precious metals and gems	(12)	
6. Other	(23)	
Insurance	226	4.3%
1. Arson-for-profit	(67)	
2. Life	(7)	
3. Accident/casualty	(62)	
4. Other	(90)	
Sales and Repairs	141	2.7%
Health, Medical Care	50	1.0%
Personal/Professional Services	40	0.8%
Computer-related	14	0.3%
Other, unknown*	456	8.7%

*Unknown = 154 cases or 3.0%

TABLE 3.23

MAJOR SUBJECT-MATTER CATEGORIES AND SUBCATEGORIES OF
FILED CASES IN RANK ORDER OF FREQUENCY

(N = 4,757)

(42 Units, February, 1979 through June, 1980)

Subject-Matter	Number Cases	Percent
Larceny	935	19.7%
Embezzlement	538	11.3%
Bad checks, check kiting	490	10.3%
Home improvement	357	7.5%
Welfare	325	6.8%
Investments	292	6.1%
Forgery	283	6.0%
Fraud against government, public agencies, utilities, excluding welfare	265	5.6%
Insurance	226	4.8%
Trade practices, other than deceptive trade practices	218	4.6%
Misappropriation	210	4.4
Deceptive trade practices	158	3.3%
Sales and repairs	141	3.0%
Financing, credit, banking, excluding bad checks	110	2.3%
Housing, land, real estate, excluding home improvement	69	1.5%
Health, medical care	50	1.1%
Personal/professional services	40	0.8%
Corruption, abuse of trust, theft, other than larceny, embezzlement or forgery	36	0.8%
Computer-related	14	0.3%
Other	302	6.3%

subcategories accounting for more than 200 cases, and all the thus-excluded subcategories. Larceny and embezzlement predominate, together accounting for 31.0% of the cases. Two other categories, bad checks and welfare fraud, may encompass a large number of high volume, but "routine" cases, which constitute less of a resource drain per case than do more elaborate and complex economic crime schemes. These categories account for another 17.1% of the units' caseload. Data were not gathered to permit us to distinguish between welfare provider and recipient fraud, or between second-offense bad checks in an existing account and more elaborate and costly check-kiting schemes.

Further detail on the subject-matter of cases and the results obtained in cases within these subject-matter categories is provided in Section VIII, below.

B. Defendants and Victims

As mentioned in the section on investigations, above, white-collar crime frequently involves a scheme or artifice by several individuals. Help from others may be required. Legitimate businesses or "dummy corporations" may also be involved. Similarly, the victim of the crime, be it an individual, a business, or a government agency, may not willingly come forward--or may not even know he, she, or it has been victimized. It is not always easy to tell how large or complex a scheme is, even when the investigation is completed and a case is filed. Thus, it is frequently difficult to estimate how many or even what type of defendants or victims may be involved.

We obtained data on the types of defendants and victims in the cases filed by the 42 units in the study group and attempted to gather information on the actual number in each case, but in many cases the units could only specify that one or more of each category of defendant or victim was involved. Thus, we present data on the types of defendants and victims

involved in each case, and data on the number of victims and defendants in those cases where units supplied this data, but we cannot project from this sub-sample of cases to determine the total number of victims or defendants involved.

1. Defendants. Because of the nature of white-collar crime, cases may be filed against business entities or organizations as well as individuals. Units provided data on the types of defendants involved in 4,711 (94.2%) of the 5,002 cases which did not involve multiple closings. Individual defendants were involved in 4,427 or 94.0% of these cases. By contrast, individuals were targets in only 65 of the investigations. Businesses were defendants in 758 (15.7%) of the cases, most of which (460, or 9.8% of the cases) involved individuals as well. This is a smaller percentage than at the investigative stage; businesses were targets in about 40% of the investigations, and both individuals and businesses were targets in 18.4%.

Units provided more detailed information on multiple individual defendants in 13.0% (550) of the 4,427 cases involving individual defendants. Of these, 303 (55.3%) involved two defendants; 67 (12.2%) involved three; 122 (22.3%) involved four; 13 (2.4%) involved five; 17 involved six to nine; 7 involved ten defendants; and 19 involved more. Information on multiple business defendants was provided in 39 of the 758 cases involving business defendants. Nineteen of these involved 2 businesses, eleven involved 3 to 5 businesses, and nine involved 8 to 20 businesses. Thirty-seven of these 39 cases involved 2 or more individuals, as well. Eighteen involved 2 to 5 individuals and 2 to 5 businesses. Four were yet more complex, involving 3 to 20 businesses, as well as 6 to 34 individuals.

2. Victims. Units provided information on the types of victims in 4,592, or 88.1%, of the 5,213 cases filed in the 17-month period of this study. Of these, 2,251 (49.0%) involved individuals; 1,682 (36.6%) involved businesses; and

659 (14.4%) involved government. Most cases involved only one type of victim. This was true of 2,064 of the 2,251 cases involving individuals (91.7%); 1,493 of the 1,682 cases involving businesses (88.8%); and 611 of the 659 cases involving government (92.7%). Of the 367 cases (or 9.2%) involving more than one type of victim, 189 involved both one or more businesses and one or more individuals as victims. The types of victims are indicated in Table 3.24.

Differences exist between the types of victims reported at the investigative stage and the types reported in cases. Individuals were involved (alone or in combination with businesses or government) in at least 64.6% of the investigations, but only 49.0% of the cases. Businesses were victims in 28.8% of the investigations, and 36.6% of the cases. While government agencies were the reported victims in 11.5% of the investigations, they were the victims in 14.4% of the cases. Note that the percentage of individual targets or defendants declined by 29 percentage points between the investigation and litigation stages, while the percentage of individual victims declined by 15.6 or more percentage points. More than one type of victim were involved in about 5% of the investigations and about the same proportion (8.3%) of the cases. The combination of individual and business victims predominated in both instances.

In 673 of the 2,251 cases in which individuals were involved (or 29.9%), more detailed information on multiple victims was provided. These data are displayed in Table 3.25, below. Some 44.3% of these cases involved 5 or more individual victims, with 16.8% involving over 20 individuals and 13.4% involving over 25 individual victims. In 123 of these 673 cases (18.3%), other types of victims were involved as well, as will be elaborated on in the discussion of data on cases involving both multiple numbers and multiple types of victims.

TABLE 3.24

TYPES OF VICTIMS IN FILED CASES
(N = 4,590 of 5,213 Cases)
(42 Units, February, 1979 through June, 1980)

	Neither Business nor Government Involved	Business Involved	Government Involved	Both Business and Government Involved
Individual(s) Involved	2,064 (44.9%)	189 (4.17%)	100 (2.1%)	6 (0.1%)
No Individuals Involved	Not Applicable	1,600 (34.9%)	559 (12.2%)	72 (1.6%)
		1,791 (39.0%)	659 (14.4%)	78 (1.7%)

With regard to cases in which businesses were victimized, more detailed information was provided regarding multiple business victims in 331 of the 1,682 cases involving business victims (or 19.7%). Table 3.40 presents the data on these cases. Some 43.8% of the cases involve four or more business victims, while 19.4% involve ten or more. In 28 of these cases involving more than one business victim (or 17.9%) other types of victims were involved as well.

Multiple victimization of governmental agencies was reported for 34 of the 611 cases (5.6%) involving government victims. Seven involved 2 agencies, eleven involved 4 to 6 agencies, and fifteen cases each involved 9 or 10 agencies. In 77 cases of government victimization, several individuals were also victimized, in cases involving from 2 to 18 individual victims. Three of these involved businesses as well. The other two involved governments, and 10 to 18 individuals, and 4 businesses. One of these cases involved 4 to 6 governments, 6 individual victims and 6 to 9 businesses.

Of the 367 cases which involved more than one type of victim, information was provided in 152 cases to indicate that more than one individual, more than one business, or more than one government agency was involved, as well. These cases represent 3.3% of the caseload of the units, but one would expect that, because of their complexity, these cases involved a considerable amount of effort by unit staff. Eleven cases involved two to five individuals and two to five businesses, one of which also involved a government agency. Three more cases with two to four business victims involved larger numbers of individual victims--from 7 to 24. The most frequent pattern involved one business victim and two or more individual victims. There are 23 cases in this category, fourteen with 2 to 5 individual victims; four more with between 7 and 20 individual victims (in one of which the government was also a victim); three with between 20 and 50 victims; and two with more than 100 individual victims. Some 12 cases were even more

TABLE 3.25

NUMBER OF INDIVIDUAL VICTIMS IN CASES INVOLVING
MORE THAN ONE INDIVIDUAL VICTIM
(673 Cases)
(42 Units, February, 1979 through June, 1980)

Number of Victims	Number of Cases	Percent of Cases
2	232	34.5%
3	87	12.9%
4	56	8.3%
5	39	5.8%
6	31	4.6%
7-9	36	5.3%
10-18	79	11.7%
20-24	23	3.4%
25-50	30	4.5%
51-100	14	2.1%
Over 100	46	6.8%

TABLE 3.26
 NUMBER OF BUSINESS VICTIMS IN CASES INVOLVING
 MORE THAN ONE BUSINESS VICTIM
 (193 Cases)
 (42 Units, February, 1979 through June, 1980)

Number of Businesses	Number of Cases	Percent of Cases
2	125	37.8%
3	61	18.4%
4	26	7.9%
5	23	6.9%
6-9	32	9.7%
10	37	11.2%
12-40	27	8.2%

complex. Four of these involved 6 to 9 businesses, with up to 24 individual victims as well, one also involving 4 to 6 governments. Two cases each involved 10 businesses, one also had over 100 individual victims. Five involved from 12 to 40 business victims, two with between 10 and 24 victims, and three in which between 50 and 100 people were victimized.

C. Case Dispositions, Penalties, and Remedies Imposed

The units reported 2,929 case closings, which represent 2,723 (or 52.2%) of the 5,213 cases filed. (There are more case closings than cases closed because different defendants in multi-defendant cases may have received different case dispositions, or cases may have been closed vis-a-vis to different defendants at different times.) The vast majority of these cases were felony filings (2,122, or 72.1%). Closings in cases filed as misdemeanors represented 490 closings (or 16.8%), while criminal cases in which units did not indicate whether the filing was a misdemeanor or a felony filing accounted for 149 (or 5.1%) of the closings. Civil litigation accounted for 178 (or 6.1%) of the case closings. The percentage of closings represented by each of these categories of cases does not differ greatly from the percentage of case filings represented by each category.

The percentage of civil case filings (188, or 5.5% of all filings) and closings (114, or 7.4% of all closings) is small, even considering that only 45% of the units report handling civil litigation (as opposed to 97.5% reporting that they prosecute criminally).

1. Criminal Cases. Units indicated the type of proceeding (e.g., jury trial, guilty plea) and result of the proceeding (e.g., acquittal, felony verdict, misdemeanor plea) in 1,590 (75.3%) of the 2,112 felony closings. Felony convictions were obtained in 930 cases (58.5%) while another 342 (21.5%) resulted in misdemeanor convictions. Some 26 more resulted in deferred judgments (whether at the misdemeanor or felony level

was not specified). Thus, convictions were obtained in 1,298 (81.6%) of these cases. Of these, 1,023 (64.3%) were the result of negotiated pleas. Data on the type of proceedings and the results of these proceedings are in Table 3.27, which follows.

Data on both the type of proceeding and the result of the proceeding were provided for 427 (87.1%) of the 490 closed misdemeanor cases. Convictions (including deferred judgments) were obtained in 376 (88.1%) of these cases, 287 of which (or 58.6%) were the result of guilty pleas. Table 3.28 presents data on the type and result of proceedings in misdemeanor cases.

Of the 149 cases where the type of criminal filing was not indicated, information on the type and result of the proceedings was provided in 77 cases (51.7%). These cases accounted for 62 convictions. The data for these cases are presented in Table 3.29.

Overall, convictions were obtained in 1,736 (82.9%) of the 2,094 criminal filings. Over half of these (930) were felony convictions. The disproportionately high percentage of felony filings, the fact that felonies account for an even higher percentage of the case closings, and the high conviction rate would seem to indicate an effective screening process. Cases are not filed unless they seem reasonably prosecutable as felonies; of the 10,682 investigations closed, 4,247 (or 39.7%) resulted in cases being filed. Yet, despite the complexity of these cases and the difficulties of proof that arise (e.g., problems of proving intent) the units are able to obtain a high percentage of felony convictions.

A substantial number of those convicted are sentenced to prison or jail, as well. Of the 1,736 convictions obtained, 725 (41.8%) resulted in incarcerative sentences. In 505 (38.9%) of the felony cases filed in which convictions were obtained, prison or jail sentences were imposed. This was true of 14 (or 37%) of the misdemeanor sentences. An additional 902 probation sentences were imposed, accounting for 52.0% of the

TABLE 3.27

FELONY CASES: RESULT OF PROCEEDINGS BY TYPE OF PROCEEDINGS
(N = 1,590 of 2,112 Felony Cases Reaching Disposition)
(42 Units, February, 1979 through June, 1980)

Result of Proceedings	Type of Proceeding				Total
	Jury Trial	Non-Jury Trial	Negotiation	No Proceedings	
Deferred Judgment	1 (0.6%)	3 (1.7%)	22 (2.0%)	N/A	26 (1.6%)
Dismissed or Dropped	4 (2.6%)	4 (2.6%)	N/A	146 (100.0%)	154 (9.7%)
Acquittal	26 (16.7%)	12 (6.9%)	N/A	N/A	38 (2.4%)
Misdemeanor Verdict	6 (3.8%)	11 (6.4%)	N/A	N/A	17 (1.1%)
Felony Verdict	114 (73.1%)	118 (68.2%)	N/A	N/A	232 (14.9%)
Misdemeanor Plea	3 (1.9%)	9 (5.2%)	313 (36.6%)	N/A	325 (26.5%)
Felony Plea	2 (1.3%)	16 (9.2%)	680 (42.1%)	N/A	698 (43.2%)
Total	156 (9.8%)	173 (10.9%)	1118 (70.3%)	144 (9.1%)	1590 (100%)

N/A = not applicable.

TABLE 3.28

MISDEMEANOR CASES: RESULT OF PROCEEDINGS BY TYPE OF PROCEEDINGS
(N = 427 of 490 Misdemeanor Cases Reading Disposition)
(42 Units, February, 1979 through June, 1980)

Result of Proceedings	Type of Proceeding				Total
	Jury Trial	Non-Jury Trial	Negotiation	No Proceedings	
Deferred Judgment	-0-	-0-	40 (13.1%)	N/A	40 (9.4%)
Dismissed or Dropped	-0- (28.6%)	4 (5.6%)	N/A	42 (100.0%)	46 (10.8%)
Acquittal	2	2 (2.8%)	N/A	N/A	4 (0.9%)
Misdemeanor Verdict	5 (71.4%)	44 (62.0%)	N/A	N/A	49 (11.5%)
Misdemeanor Plea	N/A	21 (29.6%)	266 (86.9%)	N/A	287 (63.4%)
Total	7 (1.6%)	71 (16.7%)	306 (71.6%)	42 (10.1%)	427 (100%)

N/A = not applicable.

TABLE 3.29

CRIMINAL CASES, TYPE FILING NOT INDICATED
(N = 149)
(42 Units, February, 1979 through June, 1980)

Result of Proceedings	Type of Proceeding				Total
	Jury Trial	Non-Jury Trial	Negotiation	No Proceedings	
Dismissed or Dropped	N/A	3 (100.0%)	N/A	9 (100.0%)	12 (15.6%)
Acquittal	3 (75.0%)	N/A	N/A	N/A	3 (3.9%)
Guilty Plea	1 (25.0%)	N/A	61 (100.0%)	N/A	62 (80.5%)
Total	4 (5.2%)	3 (3.9%)	61 (79.2%)	9 (11.7%)	77 (100%)

N/A = not applicable.

TABLE 3.30
 PENALTIES AND REMEDIES IMPOSED, BY TYPE OF CASE FILED
 (N = 1,736 Convictions)
 (42 Units, February, 1979 through June, 1980)

	Felony Filing	Misdemeanor Filing	Criminal, Type Filing not Indicated	Total
Prison or Jail	505 (38.9%)	14 (3.7%)	206 5	725 (41.8%)
Probation	602 (46.4%)	100 (26.6%)	200	902 (52.0%)

convictions. The units also obtained fines in 666 cases and restitutions in 1,371 cases, which amounted to \$12.9 million. Table 3.30 indicates the penalties and remedies imposed for each type of case filed.

Figure 3.4 is a flow chart which indicates graphically how felony cases were processed and what results were obtained. The percentages indicated are the percentage of cases which passed through the prior case-processing stage indicated, e.g., the 156 jury trials constitute 9.8% of the cases filed, the 114 felony verdicts following jury trials constitute 73.1% of the jury trial cases, and the 71 prison or jail sentences imposed constitute 62.3% of the jury trial cases resulting in felony verdicts. There were almost as many jury trials as non-jury trials (156 vs. 173) and jury trials appear to be a riskier proposition to both sides--they resulted in a higher percentage of felony verdicts (73.1% versus 68.2%) and a higher percentage of acquittals (16.7% versus 6.9%). The overall felony conviction rate, however, appeared similar in each type of trial (74.4% in jury trials and 77.4% in non-jury trials). The difference is attributable to the high felony plea rate in non-jury trials. This may reflect an awareness by the defense of the vagaries of jury trials in complex economic crime cases; in cases where the prosecution's case is strong, there is may be little to gain by complicating the issues or attempting to show that the defendant's conduct was not intentional but merely "bad business judgment" in hopes that a jury will acquit or convict on a lesser charge. The similar percentage of misdemeanor convictions following each type of trial would indicate that the former is more likely than the latter. Combining felony and misdemeanor convictions, the conviction rate in jury trials was 80.1% and in non-jury trials was 97.7%.

Most felony charges resulted in guilty pleas. The units' attorneys would agree to nothing less than a felony plea in 43.2% of the cases. In 36.7% of these cases, prison or jail

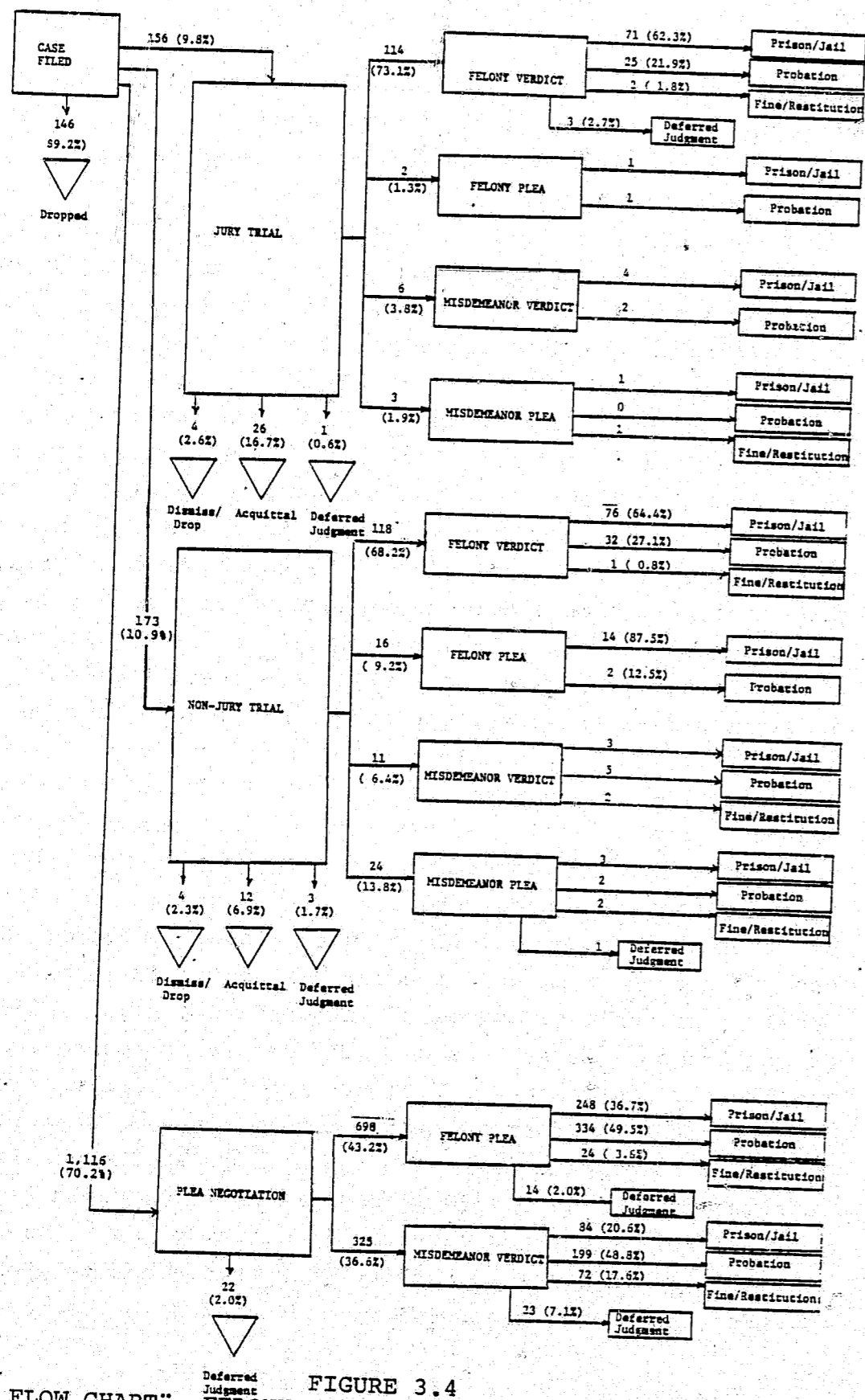


FIGURE 3.4
 FLOW CHART " FELONY CASE PROCESSING, DISPOSITIONS,
 MAXIMUM PENALTIES, AND REMEDIES IMPOSED
 (42 Units, February 1979 through June 1980)

sentences were imposed. This rate is lower than the incarceration rate following a felony verdict (64.8%, combining jury and non-jury trials), but relative smallness of the differences indicates that defendants are frequently unsuccessful in "bargaining their way out of jail" by pleading guilty. The units appear to take an even firmer position when pleas are offered after trials are begun; only 40% of the pleas accepted are felony pleas (compared to 62.0% of plea negotiation cases), but 83.3% of these resulted in prison or jail sentences.

The processing of misdemeanor cases and the results obtained are reflected in Figure 3.5. About the same percentage of these cases resulted in plea negotiations (71.7%, contrasted to 70.2% of felony cases), but virtually all the trials were before a judge rather than a jury. Twenty-one of the 70 convictions obtained in the course of trial (or 30.0%) were the result of guilty pleas during trial; this was true of only 45 of the 294 (or 15.3%) felony convictions in which a trial was begun.

2. Civil cases. Civil cases were almost invariably settled short of trial. Of the 111 civil cases for which information on the type of proceedings and result of proceedings is available (62.4% of the 178 civil cases reaching disposition), 102 ended in negotiated or stipulated judgments without a trial. (Four cases were dropped, one involved a non-jury trial and deferred judgment, and three were dropped in the course of non-jury trials.)

Just over half the cases (106 of 178, or 59.6%) resulted in civil judgments for monetary damages. In 86 cases, injunctions, or some other forms of equitable relief, were obtained.

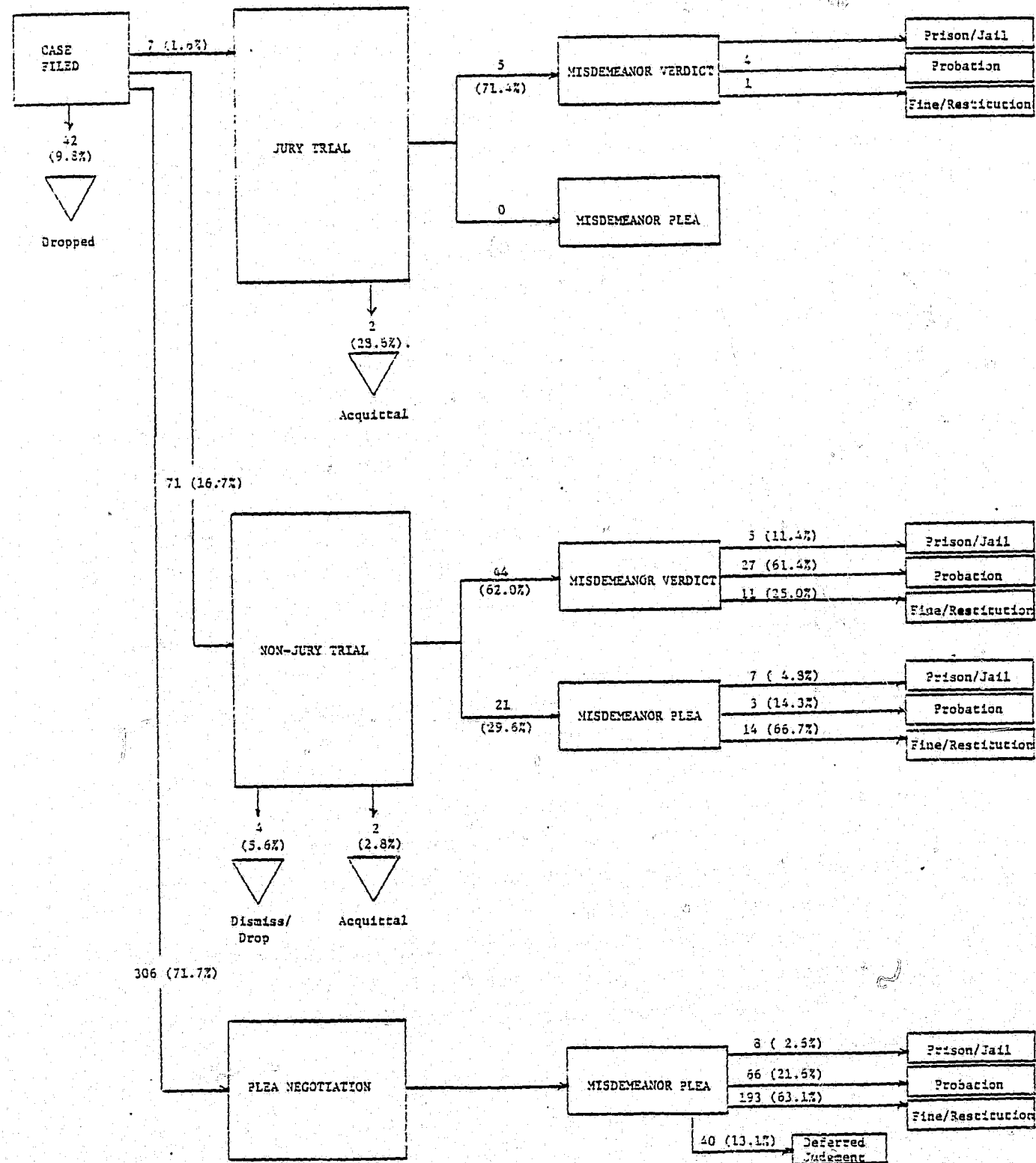


FIGURE 3.5

FLOW CHART: MISDEMEANOR CASE PROCESSING, DISPOSITIONS, MAXIMUM PENALTIES, AND REMEDIES IMPOSED (N = 427 of 490 Closed Misdemeanor Filings) (42 Units, February 1979 through June 1980)

VIII. SUBJECT-MATTER ANALYSIS OF UNIT ACTIVITIES

A broad spectrum of offenses falls under the rubric of "economic crime," ranging from employee embezzlement of small amounts for "grocery money" to elaborate schemes for sale of "deferred delivery contracts" for non-existent oil or gold, which may victimize hundreds or thousands of relatively sophisticated investors on a national scale. Units may handle scores of relatively minor welfare recipient fraud cases in a fairly routine manner with little drain on resources, and devote a substantial amount of time and energy on just one particularly complex and difficult arson-for-profit case. Trends may emerge over time as one particular form of scheme becomes less fruitful because of consumer awareness, government regulation or, vigorous prosecution, and con-artists move on into other ventures. In order to gain a clearer perspective on unit activities, the ECPRS was designed to gather data on the subject-matter of investigations and cases handled by the units. As has been mentioned earlier, investigations and cases were classified into eleven (11) broad, generic subject-matter categories. This section examines the degree to which each of these subject-matter areas is represented at each stage of investigation and case processing as an indicator of the units' handling of matters involving these subject-matter areas. Table 3.31 indicates for each subject matter the number of felony, misdemeanor, and civil cases filed; the outcome of criminal cases (acquit/dismiss/drop, felony conviction, misdemeanor conviction), and the criminal penalties obtained. The balance of this section summarizes the results of our analysis. Following this, separate sections present detailed subject-matter analyses of investigations, cases, and differences between the investigation and case stages.

At the litigation stage, a high percentage of corruption and theft cases were prosecuted as felonies. (This category accounted for 48.5% of the felony caseload, but only 39.3% of

TABLE 3-31

CASE FILINGS, OUTCOMES, AND CRIMINAL PENALTIES, BY SUBJECT-MATTER
(N = 2,929 cases) (42 units, February, 1979 through June, 1980)^a

	Count	Civil	Misdem.	Felony	Aquit.	Felony	Misdem	Unknown	Prison	Probation	Fine	Unknown	Row
	Col.Pct.	Filing	Filing	Filing	Dismiss	Convict	Convict	Outcome			Restitu-	Penalty	Total
					Drop						tion		
Investments	1	5 2.8%	40 8.2%	90 4.3%	31 7.1%	44 4.6%	42 4.9%	30 4.2%	30 4.1%	36 4.0%	37 6.8%	44 5.8%	147 5.0%
Finance, Credit	2	1 .6%	85 17.4%	212 10.0%	44 10.1%	103 11.1%	123 14.3%	35 4.9%	68 9.4%	68 7.5%	108 20.0%	61 8.0%	305 10.4%
Computer Related	3	0 0%	1 .2%	11 .5%	0 0%	4 .4%	4 .5%	4 .6%	3 .4%	6 .7%	0 0%	3 .4%	12 .4%
Insurance	4	1 .6%	4 .8%	134 6.3%	27 6.2%	57 6.2%	38 4.4%	23 3.2%	43 5.9%	43 4.8%	6 1.1%	53 7.0%	145 5.0%
Corruption, Theft	5	11 6.2%	58 11.9%	1025 48.5%	158 36.4%	482 52.1%	223 25.9%	287 40.5%	423 58.3%	388 43.0%	85 15.7%	254 33.4%	1150 39.3%
Fraud of Govt. Util.	6	3 1.7%	133 27.3%	268 12.7%	55 12.7%	99 10.7%	193 22.4%	59 8.3%	55 7.6%	157 17.4%	109 20.1%	85 11.2%	406 13.9%
Trade Practices	7	110 61.8%	26 5.3%	54 2.6%	8 1.8%	10 1.1%	57 6.6%	126 17.8%	8 1.1%	28 3.1%	74 13.7%	91 12.0%	201 6.9%
House, Land, Real Est.	8	6 3.4%	83 17.0%	131 6.2%	41 9.4%	57 6.2%	92 10.7%	37 5.2%	30 4.1%	92 10.2%	66 12.2%	39 5.1%	227 7.8%
Health, Medical Care	9	3 1.7%	6 1.2%	8 .4%	1 .2%	2 .2%	11 1.3%	7 1.0%	1 .1%	11 1.2%	2 .4%	7 .9%	21 .7%
Sales and Repairs	10	26 14.6%	17 3.5%	33 1.6%	23 5.3%	16 1.7%	11 1.3%	31 4.4%	11 1.5%	14 1.6%	25 4.6%	31 4.1%	81 2.8%
Pers. Prof. Services	11	3 1.7%	6 1.2%	16 .8%	6 1.4%	3 .3%	7 .8%	10 1.4%	2 .3%	6 .7%	2 .4%	16 2.1%	26 .9%
Other, Unknown	12	9 5.1%	29 5.9%	130 6.2%	40 9.2%	48 5.2%	60 7.0%	60 8.5%	51 7.0%	53 5.9%	27 5.0%	77 10.1%	208 7.1%
Column Total		178 6.1%	488 16.7%	2112 72.1%	434 14.8%	925 31.6%	861 29.4%	709 24.2%	725 24.8%	902 30.8%	541 18.5%	761 26.0%	2929 100.0%

^aPercentages indicated are column percentages.

the overall caseload.) Cases involving fraud against the government, (largely welfare fraud), housing and real estate cases (which were mainly home-improvement matters), and finance cases (including bad checks), accounted for most (61.7%) of the misdemeanor prosecutions. Most of the civil litigation (61.8%) involved trade practices such as deceptive advertising. The percentage of felony prosecutions which resulted in conviction was high, but did not vary greatly by subject-matter.

A high percentage of corruption, abuse of trust, and theft cases filed resulted in prison sentences, while this was true in few of the trade practices and fraud against the government cases. It is fair to speculate that this reflects a vigorous prosecution policy in corruption, abuse of trust, and theft cases.

The case outcome categories offer clues as to the strategies undertaken by units to resolve particular categories of cases. Thus, virtually all corruption and theft cases (1,025 of the 1,150 cases or 89.1%) were pursued as felonies, while felony prosecution was used in just over half (57.7%) of the housing, land, and real estate cases. Some 72.1% of all cases involved felony prosecution rather than civil litigation or prosecution at the misdemeanor level, including 92.4% of the insurance cases, 69.5% of the finance and credit cases and 66.0% of the cases involving fraud against a governmental agency or public utility. Some 36.6% of housing, land, and real estate cases, 32.8% of fraud against government cases, and 27.9% of the finance and credit cases were prosecuted as misdemeanors. As indicated earlier, cases in these categories include large numbers of home improvement, welfare, and bad-check cases, respectively. Civil litigation involved mainly trade practices and sales and repair issues.

Comparison of the criminal case and criminal conviction columns indicates the relative success of the units in pursuing prosecutions in each of the subject-matter areas. Overall, 68.7% of the prosecutions undertaken by the units resulted in

some form of conviction. This was the case in 76.1% of the finance and credit cases, 72.8% of the cases involving fraud against the government.

When we examined the types of proceeding (jury trial, judge trial, plea negotiations, no proceedings) involved in the disposition of cases involving the various subject-matters of economic crime (e.g., corruption and theft, government fraud), no significant trends emerged.* Some 7.8% of the cases were disposed of by jury trial, ranging from 27 of the 118 insurance cases (22.9%), to no use of jury trials in the 8 computer-related cases. While 11.9% of all cases involved non-jury trials, this ranged from 15.4% of the fraud against the government cases to 5.8% of the trade practice cases.

An analysis of the maximum penalty imposed or remedy obtained, by subject-matter, also revealed no significant trends. Incarceration was imposed in 36.8% of all cases filed involving corruption or theft (423 of 1,150 cases), as compared 13.5% of the government fraud cases (55 of 406).

*N = 2,287 of 2,929 cases.

CHAPTER FOUR

CONCLUSIONS

The Economic Crime Project has continued to be a vital force in encouraging and assisting local prosecutors in the vigorous containment of white-collar crime. In 17 months alone, 42 of the 68 units were able to recover over \$20.5 million in orders for restitutions, fines, and penalties--this for a two-year LEAA investment of under \$2 million. Extensive prior Project efforts were continued under the Program Component in the fifth and sixth grant periods. The Project has been able to find ways to increase local units' involvement in the national-level effort through associate membership in the Project's Task Forces, more frequent articles and book reviews by Unit Chiefs in the Project's Economic Crime Digest, an expanded unit role in the authorship of Task Force Manuals, and increased unit staff participation as lecturers and workshop leaders at Unit Chiefs' Conferences.

The significant mark of the Project's impact in the present grant period, however, is in the National Strategy initiative. Only an idea in the minds of criminal justice officials and experts at the time of the first National Strategy Conference on the Battelle campus in July, 1978, the concept has been translated into a number of specific interagency initiatives to foster federal, state, and local cooperation in the battle against white-collar crime by the end of the fifth grant period. In the sixth grant period the National Strategy initiative shifted from the planning and development stage to the implementation stage and the Program Component assumed a more active role in this initiative. Lead Units undertook to increase interagency cooperation on the local level to encourage and assist other units to do the same and to develop regional National Strategy initiatives.

Perhaps one of the most dramatic and significant results of this initiative is the Executive Working Group on Federal-State-Local Prosecutorial Relations. At the time the National Strategy initiative was launched, such a working group would have been difficult to visualize as even a middle-range objective. Through the National Strategy initiatives of the Project's Antitrust Task Force, NDAA began working closely with its counterpart association for state prosecutors, the National Association of Attorneys General. By the time of the Second National Strategy Conference, in July, 1979, this had expanded into unprecedented cooperation between the two organizations. LEAA and the Criminal Division of the U.S. Department of Justice were then about to announce the signing of a Memorandum of Understanding for cooperation in enforcement against white-collar crime, organized crime, and arson. At this second conference the idea of expanding this cooperation to include NDAA, NAAG, and other organizations was discussed at length and strongly urged. Six months later an agreement between Justice and these two organizations was signed in a formal ceremony in Washington, establishing the Executive Working Group. While this group expanded the focus of its efforts beyond white-collar crime, organized crime, and arson, these areas remained top priorities on the Group's agenda. It would not be appropriate to claim the establishing of the Executive Working Group as a Project achievement. Nevertheless, it did emerge out of a complex of interactions of which the National Strategy effort was a major part. We would certainly view the Project as entitled to special mention for its part here.

Several significant lessons have been learned from the National Strategy experience. First, the process has been a slow one--even slower than anticipated in the original grant application in August, 1978. Second, the results of this effort were not--and could not be--the results originally anticipated. Independent actions of federal and state agencies served to encourage, hinder, or shape the direction of National

Strategy initiatives. Thus, Project staff put equal amounts of time and energy into efforts with the Inspectors General of the U.S. Department of Agriculture, Housing and Urban Development, Health and Human Services, and Energy at the outset, but obtained quite different results with respect to each.

In this context, the Project took the wise course of maintaining a posture of flexibility in being able to respond to "targets of opportunity" as they arose. Thus, the Project was able to respond to the needs of the Executive Working Group, encourage the development of statewide economic crime councils, foster a much closer working relationship with NAAG, obtain a resolution of support from the National Organization of Bar Counsel for cooperation in lawyer discipline, and promote expansion of the Auto-Cap Program. None of these initiatives was initially anticipated.

Third, as in any research and development effort in private industry, or any innovative and exploratory venture, not every effort paid off. The goal here was not to make every effort succeed, but to extract the appropriate lessons from those that failed as well as from those that succeeded.

Fourth, the key to agency interaction proved to be in establishing credibility through person-to-person interaction leading to demonstrated results. Just as Unit Chiefs' Conferences had been invaluable in getting unit chiefs together to exchange ideas and discuss problems (thus encouraging them to contact each other to solve mutual problems and to forge the Project into a truly national effort), the involvement of federal agency officials in Unit Chiefs' Conferences and Task Force efforts proved to be an important part of fostering interagency cooperation. The visit of Lead Unit Chiefs to Washington, D. C. to meet with officials of the Criminal Division of the U.S. Department of Justice, Inspectors General, and representatives of the Federal Bureau of Investigation and the Postal Inspection Service was important in translating National Strategy initiatives into local-level efforts. So,

too, were the joint Unit Chief meetings with the North American Securities Administrators Association and consumer protection units of the NAAG during the sixth grant period.

In this vein, Memoranda of Understanding proved to be less essential to the National Strategy effort than originally envisioned. They were originally conceived as "treaties" between the respective agencies, resolving "turf" problems by clearly delineating the cases which each agency could or would handle and establishing criteria for rendering mutual assistance. It was discovered early in the process, however, that agencies were frequently less willing to be candid in resolving disagreement and exploring areas of mutual interest if the details and results were to be irrevocably committed to writing. It is significant in this regard that the by-laws of the Executive Working Group specifically prohibit it from giving specific advice or recommendations to the member organizations.

Earlier it was stated that personal contact and personal relationships were the key to interagency cooperation. The written agreements which emerged from National Strategy efforts sought to designate liaison, list areas of mutual interest and encourage local or regional representatives to meet with each other and work in these areas. They did not attempt to delineate "turf." Unit chiefs and agency officials alike agreed that if there was no interpersonal interaction, Memoranda of Understanding by themselves would, in the words of one Unit Chief, "not be worth the paper they're written on."

The role of written agreements was seen as encouraging cooperation in areas of mutual benefit and establishing the mechanisms which might effectuate such cooperation. For example, they might ease transition problems when there is turnover within one of the agencies. The written understanding might provide the opportunity for representatives of the other agency to meet with the replacement in the first agency, offer assistance and begin to establish a working relationship.

This view of the role of written understandings was confirmed in a Project review and analysis of Memoranda of Understanding on the federal level. This study concluded:

These examples point to the conclusion that inter-agency cooperation is most likely to occur and be effective when each agency perceives that the other is willing and able to help resolve a common problem. In my discussion with Lloyd A. Bastian, Director of the Law Enforcement Study, he expressed his belief that the role for written agreements between the heads of federal, state and local prosecutorial and investigative agencies should be to provide the mandate and the mechanisms for such interaction to occur. Then, local prosecutors and regional offices of federal agencies might be prompted more frequently to resort to specific agreements to resolve specific conflicts or problems. On the basis of my examination of the surveys at the Reorganization Project and my contact with ECP members, I concur in this belief.²¹

Although significant progress has been made in promoting National Strategy initiatives, it is no more than a good start. The Executive Working Group holds much promise because it provides a needed forum for national-level discussions, which will be of crucial importance in view of the threatened curtailment of funding support for this NDAA effort. But the true impact of the National Strategy effort is to be felt at the local level, in communities throughout the nation. It remains to be seen if local prosecutors can continue to expand their efforts, described in this report, into a significant and coordinated national effort to protect the public, protect the integrity of governmental programs and safeguard increasingly restricted public monies. Nothing in this area will happen or continue to happen by itself; there is a clear need to maintain the momentum of current Project efforts and to "shepherd" on the national level the continuation of National Strategy efforts.

* * * * *

As this report is written, there is much doubt as to the future of the Project. The impending loss of LEAA support,

directly and through the parallel losses of state block grant funds for prosecutors' office, threatens the continuation of channels of communication and interaction which were so painstakingly developed over a period of many years. Looking back over this history, one is prompted to make a number of observations.

First, if it is possible to continue the Economic Crime Project, or to reestablish it at some later date, it will be vital to (1) review the experiences detailed in this and prior reports dealing with the Project experience; and (2) avoid short-term funding of any effort, for it almost inevitably results in excessive administrative and grant management efforts at the cost of substantive project operations.

Second, it is clear that economic crime containment efforts require continued, dedicated attention to achievement of the objectives of the National Strategy initiative. The challenge of such crime has not diminished. As we are required to pay more attention to diversion and theft of public and private resources--to protect the integrity of our institutions and ensure their productivity--it will be essential that we ensure that resources to do so are available and that they are marshalled and deployed to maximum effect. There are important roles in this effort for all types of agencies, public and private, and at all levels.

Third, it is possible to create, or at least facilitate the development of permanent change through the demonstration process. The fact is that the NDAA Economic Crime Project clearly played a key role in the development of economic crime enforcement units in prosecutors' offices throughout the United States, most of which will survive the prospective end of this project, albeit with diminished facilities for broad national interaction, training, and access to special resources.

ENDNOTES

1. Symposium proceedings and the activities of the Economic Crime Project are discussed in detail in A National Strategy for Containing White-Collar Crime, edited by Herbert Edelhertz and Charles H. Rogovin, Lexington Books, 1980.
2. LEAA Grant Numbers 78-DF-AX-0170 and 80-CJ-AX-0043.
3. Battelle Law and Justice Study Center, Report on the National District Attorneys Association Economic Crime Project: Fifth Grant Period. Submitted to NDAA and LEAA in August, 1980.
4. Battelle Law and Justice Study Center, Report: National Strategy Conference, National District Attorneys Association Economic Crime Project. (B. Hoff, rapporteur) (submitted to NDAA and LEAA on August 31, 1979)
5. See note 3, supra.
6. See note 1, supra.
7. See note 4, supra.

APPENDIX A

ECONOMIC CRIME PROJECT REPORTING SYSTEM:

DESCRIPTION

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January 29, 1979

ECONOMIC CRIME PROJECT REPORTING SYSTEM:

DESCRIPTION

The purpose of the Economic Crime Project Reporting System (ECPRS) is to document the significant national effort to combat economic crime being undertaken by the units of the National District Attorneys Association Economic Crime Project. It is anticipated that collecting this information will also have operational utility for the units. Specifically, the information gathered through the ECPRS will:

- document the magnitude and nature of these efforts to combat economic crime and, by inference, provide increased understanding of the nature, scope, and impact of economic crime;
- identify national trends in prosecutorial activity in this area, for example, in order to pinpoint future needs and plan future initiatives; and
- justify the substantial commitment of resources of the Law Enforcement Assistance Administration, through the Economic Crime Project, other branches of the Department of Justice, and other federal and state agencies as this Project launches its National Strategy to increase federal, state, and local interjurisdictional cooperation and to provide other resources for this effort.

The approach taken to the design of these forms is to gather the minimum amount of information which can be analyzed to produce the maximum amount of understanding of economic crime as reflected by the units' activities. Wherever possible, we have tried to substitute analytic labor for unit reporting labor by, for example, using a computer to track, total, and organize the information

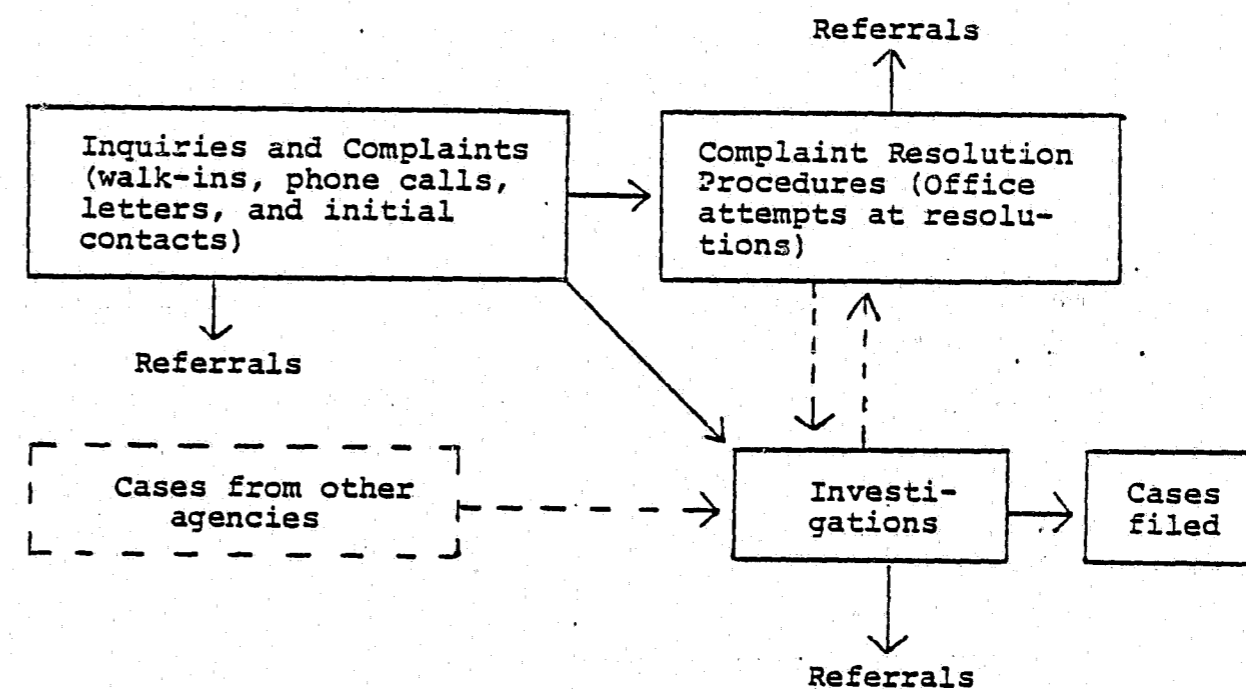
which is supplied by the units. Thus, the reporting efforts required of each unit will be minimized. The system is not designed to be comprehensive at all levels, but to obtain selected, nationally significant measures of project activities. This has involved a substantial joint planning effort by NDAA's Economic Crime Project staff and the Battelle Law and Justice Study Center staff.

The ECPRS therefore requires more information on cases and investigations than on complaints, inquiries, and in-office resolution procedures because each individual case in the former category generally requires a more substantial commitment of office resources; furthermore, gathering detailed information on the source of referral and nature of all the inquiries made to an office would constitute a substantial reporting burden on unit staff. This is not to imply that either the (1) ombudsman or complaint-resolution function, or (2) investigation leading to criminal prosecution is more important than the other. Rather, the relative importance of these functions is an issue of local policy, needs, and priorities beyond the ambit of this project.

Very simply, we will be asking you for a few basic details about your investigations and about your criminal and civil litigation--and for some more general information about your handling of complaints and referrals. The ECPRS should be compatible with, but less detailed than, individual unit data systems designed to meet units' management, case-tracking, and budget-justification needs. Information will be reported monthly by the units on either two or three forms; the number of forms used will be determined by unit preference.

The reporting system is based on a relatively simple view of Economic Crime Project unit activities, which does not describe any one office in detail, but which is broad enough to encompass the activities of all units. This view of unit activities is reflected in the flow chart below:

FLOW CHART OF UNIT ACTIVITIES



Dispositions, courses of action, other details on what occurs within each stage of unit activities, and transfers of matters between stages are included in the discussion of each stage, below.

The first stage of processing economic crime matters (except where another agency submits an investigative report or transfers a matter to the unit) is Inquiries and Complaints. We recognize that these may be turned

down by a unit as totally inappropriate or requiring no further action, referred to another agency, retained for attempted resolution, or investigated with an eye toward further prosecution. One second stage alternative shown in this chart is In-office Complaint Resolution Procedures, for example, through formal or informal mediation or arbitration. While this frequently involves some investigative type activities as well, it can be differentiated from Investigations, as the term is used here, by the fact that criminal or civil litigation is not seriously contemplated. Another second stage alternative is Investigations, a term limited here to investigations intended to determine whether to file a criminal or civil action and to prepare a case for such action, regardless of the final outcome of the matter. Note that, for purposes of this system, it is immaterial whether the investigation was referred directly from Inquiries and Complaints, or whether it involved Complaint Resolution Procedures as well. The final stage is Cases Filed, both criminal and civil. The information requested in each category is described below.

I. INQUIRIES AND COMPLAINTS

This activity involves all "walk-ins," mail and phone contacts with the office to seek information or to report an activity, whether or not the report alleges a white-collar crime or consumer complaint. These are most often first encountered by the unit receptionist, an investigator, a volunteer or a paralegal. Because of the relatively large volume of inquiries and complaints encountered, and because a significant portion of these are frequently inappropriate for office action, no information is requested on the subject matter of these initial contacts. Nor is information requested to differentiate inquiries from complaints. This is a frequently vague distinction, and some

units defer making this distinction until after contact with the party complained of or other further inquiry.

Only one item of information is requested here: the total number of complaints and inquiries, or initial contacts received by the unit. We are not asking for information on individual complaints or inquiries, only total numbers. Information gathered here is intended to measure the amount of unit-public contact on incoming matters.

II. COMPLAINT RESOLUTION PROCEDURES

Here the ECPRS deals with all in-office efforts to resolve complaints or secure satisfaction for the complainant, short of filing a criminal or civil case. Some investigative activity may be involved. In most cases, contact is made with the subject of the complaint. (Some units might regard this as an investigation, but such contact is not to be reported in the investigation category because it is intended only to help achieve the main purpose of seeking resolution without litigation.) On occasion, following an unsuccessful attempt at resolution, a matter will be referred to investigators or attorneys for further investigation, case preparation, and possible litigation. These matters will be reflected in both Complaint Resolution Procedures and Investigations.

The information requested under this category includes the total number of matters where resolution procedures (as described in more detail above) are initiated, the number of matters in which restitution is obtained, the amount of restitution, and the number of matters referred to other agencies.

Note that restitution is only one possible successful outcome of a matter. No more detailed information on outcomes is requested, for two reasons. First, the determination

of what is a "successful" or "partially successful" outcome is a subjective judgment, and given the diverse environments within which the units operate, the different priorities and goals of units, and the diverse nature of the caseload, unit outcomes cannot easily be compared. Second, the gathering of such subjective information might tempt one to make relatively meaningless tallies and comparisons of "batting averages."

III. INVESTIGATIONS

For the purposes of this reporting system, the term "investigations" is limited to "investigations in contemplation of possible criminal or civil litigation." This does not mean that investigations ending with the decision not to file a criminal or civil case should be excluded. But work undertaken in order to gather further information to aid in the in-office resolution of the matter which is not aimed at criminal or civil litigation are to be excluded here.

On occasion, a unit will receive a "package" from another agency, containing a file, notes of investigation, evidence and the like with a request for prosecution. Almost invariably, the unit will review the matter closely before deciding whether to actually file, even if only to frame an appropriate response to the referring agency. This process not infrequently involves further investigation or field work. This review process should be counted as an investigation, whether or not field work is involved. Thus, while not all investigations will result in cases, all cases will have been preceded by an investigation.

Note that the length or complexity of the investigation is immaterial for the purposes of this reporting system. The important point is whether the investigation is anticipated to aid in consideration of litigation.

The information to be gathered on Investigations includes the identifying number, subject matter, number of persons under investigation, number of victims, source of referral, and outcomes.

Offices may choose whether it is more convenient to report information on investigations on the same form as information on cases filed (expedient where the same person will tally information on investigations and cases) or to use separate forms for investigations and cases (which may be less confusing if different people supply information on investigations and cases). The same information would be supplied either way.

IV. CASES

This category is the easiest to define. It includes all cases actually filed with a court, either criminal (felony or misdemeanor) or civil.

Information to be supplied with respect to Cases includes the identifying number (the same number used when reporting the investigation which led to the case), subject matter, number of defendants, number of victims, nature of filing (civil, misdemeanor, or felony), type of proceeding (for example, negotiation, trial), result of proceeding (for example, conviction, acquittal), and penalty imposed.

APPENDIX B

ECONOMIC CRIME PROJECT REPORTING SYSTEM:
INSTRUCTIONS

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ECONOMIC CRIME PROJECT REPORTING SYSTEM:
INSTRUCTIONS

Introduction

The Economic Crime Project Reporting System (ECPRS), described in a companion memo, seeks to gather national-level information about unit efforts and activities directed toward controlling economic crime. Specifically, the ECPRS will collect information in four areas: (1) inquiries and complaints received by units, (2) in-office matters involving unit complaint resolution procedures, (3) unit investigations carried out in contemplation of litigation, and (4) criminal and civil cases filed with a court.

Two or three forms will be used by each unit to report this information to the Economic Crime Project in Chicago. Information on (1) inquiries and complaints and (2) in-office complaint resolutions will be reported on Form S-1. Information on (3) investigations and (4) cases filed will be reported either on one form (Form S-2) or on two forms (Form S-3 for investigations and Form S-4 for cases filed), as the unit prefers. Instructions for completing the forms and the nature of the information to be reported are described below. Sample copies of the forms are found at the end of this memo. Column numbers shown on sample forms S-2, S-3, and S-4 are keyed to numbered headings of sections in the instructions which follow.

The forms will be completed monthly by each unit and mailed to Nicholas Gerren, Jr., Senior Staff Attorney, Economic Crime Project, National District Attorneys Association, 666 Lake Shore Drive, Suite 1432, Chicago, Illinois 60611.

I. INQUIRIES AND COMPLAINTS

This activity involves all "walk-ins," mail, and phone contacts with the office to seek information or to report an activity, whether or not the report alleges a white-collar crime or is a consumer complaint.

Only one item of information is requested here: the total number of complaints and inquiries, or initial inquiries received by the unit.

Reporting Complaints and Inquiries. The same form, S-1, will be used to report complaints, inquiries, and in-office complaint resolution procedures (discussed in the following section.) In order to report the complaints and inquiries received by your office, simply report the total number of all such initial contacts for the time period covered on Form S-1.

II. COMPLAINT RESOLUTION PROCEDURES

Here the ECPRS deals with all in-office efforts to resolve complaints or secure satisfaction for the complainant, short of the filing of a criminal or civil case against the potential defendant. Some investigative type activity may be involved. In most cases, contact is made with the other party. But this investigative activity is intended only to help achieve the main purpose, seeking resolution short of litigation.

The information requested under this category includes the total number of matters where resolution is attempted, the number of matters in which restitution is obtained, the amount of restitution, and the number of matters referred to other agencies. (Note that restitution is only one possible successful outcome of a matter; more detailed information on outcomes is not requested.)

A. REPORTING ATTEMPTED RESOLUTIONS. Using the Complaints, Inquiries, and Complaint Resolution Procedures Form (Form S-1), record the number of instances during the time period covered in which your office attempted to resolve complaints or secure satisfaction for the complainant, short of filing a criminal or civil case.

The information to be gathered on Investigations includes the identifying number, subject matter, number of persons or organizations under investigation, number of victims, source of investigation, and result of the investigation. Form S-2 or S-3 is to be used to report information about investigations. The names of investigative targets should not be reported under any circumstances.

Offices may choose whether it is more convenient to report information on investigations using the same form (Form S-2) that is used to report information on cases filed (expedient where the same person will tally information on investigations and cases); or to use separate forms for investigations (Form S-3) and cases (Form S-4), which may be less confusing if different people supply information on investigations and cases. The same information would be supplied either way.

Frequently investigations are opened during one calendar month, and closed at a later time. Since the ECPRS calls for monthly reporting, the system has been designed to accommodate such time lapses: simply report all investigations opened and all investigations closed each month, following the instructions detailed below. This will typically involve making two separate entries (at different times) in the reporting forms--one entry when an investigation is opened and one entry when the investigation is closed. Occasionally an investigation will be opened and closed during the same month; when this occurs, only one entry may be needed (in Form S-2 or Form S-4) to describe the investigation in full.

A. INVESTIGATIONS: OPENING (Numerical categories below are keyed to numbers shown on attached sample forms S-2 and S-3.)

HOW MANY LINES TO USE PER INVESTIGATION?

For investigations being opened, use one line on the form for each investigation. Use your office procedures and policies

*See, however, the discussion of number of lines to use when closing an investigation, page 7, below.

B. OUTCOME OF ATTEMPTED RESOLUTION.

1. Enter the number of voluntary, non-court ordered or negotiated restitutions or settlements obtained by your office as a result of in-office complaint resolution procedures. Record only those instances in which the party has (1) agreed to pay money to the victim(s), (2) agreed to replace something of value, or (3) agreed to perform a service for which the victim(s) has already paid (e.g., satisfactory car or appliance repair.)

2. Enter the total amount recovered in restitution, following the guidelines outlined above. That is, record the amount of money the party has agreed to pay the victim(s); the price or fair market value of the item(s) the party has agreed to replace; or the price or fair market value of services performed.

3. Record the number of referrals made to other agencies following an in-office attempt at resolution.

III. INVESTIGATIONS

For the purposes of this reporting system, the term "investigations" is limited to "investigations in contemplation of possible criminal or civil litigation." This does not mean that investigations ending with the decision not to file a criminal or civil case should be excluded. But work undertaken in order to gather further information to aid in the in-office resolution of the matter which is not aimed at criminal or civil litigation is not to be counted here.

On occasion, a unit will receive a "package" from another agency, containing a file, notes of investigation, evidence and the like with a request for prosecution. Where the unit reviews the matter before deciding whether to file a criminal or civil complaint, this review process should be counted as an investigation whether or not field work is involved.

for determining whether to count these as one or several investigations. In cases of doubt, consider each related series of transactions as one investigation, even where each transaction involves different individuals or organizations being investigated and/or different victims. (The number being investigated, persons, organizations, or both, will be indicated in the appropriate column.) In one "advance fee" case, for example, the investigation would be shown on one line regardless of the number of complainants or the number under investigation. Or, for example, where the matter involves defrauding two banks, and it appears that the same people are involved in similar frauds against several institutions, the investigation would also be reported on one line.

1. TYPE OF ENTRY. Check the appropriate column to indicate the nature of the information being reported, that is, the type of entry in the form (Investigation Opening.)

2. IDENTIFYING NUMBER. Indicate in the Identifying Number column the number that your office assigns to the investigation, so that investigation openings can be linked to closings within your office, and so that the investigation can be linked to any subsequent case filed in court. The names of those under investigation are not to be used as identifiers.

3. SUBJECT MATTER. Enter the appropriate numerical code from the attached list of economic crimes. For each investigation, when multiple allegations are being investigated, record only the most serious matter.

4. NUMBER UNDER INVESTIGATION. First, determine whether the investigation involves individuals; businesses, institutions, or organizations (including partnerships, corporations, foundations and the like); or both. Then enter the number(s) in the appropriate column(s). If it is impossible to determine the

number under investigation, simply check the appropriate column to indicate whether individuals, businesses/institutions, or both are involved.

5. NUMBER OF VICTIMS. First, determine whether the victim(s) of the alleged crime(s) were individuals; businesses, institutions, or other non-governmental organizations; federal, state, county, or municipal governmental entities, or some combination of these. Enter the number(s) in the appropriate column(s). For all proactive investigations (see below for definition of "proactive") and other investigations where the number of victims cannot be estimated, simply put a check in the appropriate column to indicate whether the victims are individuals, businesses/institutions, or governmental entities.

6. SOURCE OF INVESTIGATION.

6.1. Inquiries/Complaints. When (1) the investigation begins as a result of a complaint or inquiry brought by an individual; (2) the case is being considered for criminal or civil prosecution rather than in-office resolution such as mediation; and (3) no decision has been made to expand the investigation beyond the individual complaint to actively seek similar complaints against the same individual or business, check this column. If the last condition (expanded investigation) is met, check the Pro-Active column rather than the Inquiry/Complaint column.

6.2. Proactive. If the investigation was begun by the office (for example by sampling meat content in ground beef or setting up a "dummy" car or appliance to be repaired) before an individual has complained; or if the matter came to office attention through an individual complaint but the decision has been made to actively seek similar complaints against the same individual or business, check this column.

3. SUBJECT MATTER. LEAVE THIS COLUMN BLANK WHEN REPORTING ONLY THE CLOSING OF AN INVESTIGATION.

4. and 5. NUMBER UNDER INVESTIGATION, NUMBER OF VICTIMS. Complete these columns as instructed for INVESTIGATIONS: OPENING (pages 5, 6, above), keeping in mind the appropriate number of lines to use when closing an investigation (see page 7, above).

6. SOURCE OF INVESTIGATION. LEAVE THESE COLUMNS BLANK WHEN REPORTING ONLY THE CLOSING OF AN INVESTIGATION.

7. CLOSING/DISPOSITION OF INVESTIGATION.

7.1. Closed Administratively. Check this column if no other column under 7. CLOSING/DISPOSITION applies. For example, if the decision is made to take no further action on the investigation, check this column.

7.2. Remedial Action. Check if the investigation resulted in remedial or corrective action by the individual or organization under investigation, unless: (1) the individual or organization has agreed to make restitution, or (2) the matter is referred to another agency for action.

7.3. Restitution. Check this box and indicate the amount only where the person or organization being investigated has agreed to (1) pay money to victims, (2) replace something of value, or (3) agrees to perform a service for which the victim(s) has (have) already paid (e.g., a satisfactory car or appliance repair.) In the latter two instances, the price or present fair market value of the item replaced or service performed is entered under "Amount." Restitution here does not include either "symbolic restitution" through community service or situations in which the person or organization has agreed to cancel a future obligation (e.g., payments on a lifetime dance studio contract); in either of these instances, check column 7.2. Remedial Action.

7.4. Referred. Use these columns to indicate whether or not the investigation resulted in a referral to another agency.

6.3. Agency Referral and Agency Type. Use these columns to indicate whether or not the investigation resulted from a referral from another agency. If the matter came to office attention by being referred from another agency, whether or not prosecution has been specifically requested and whether or not the agency has supplied investigative reports or evidence, check the column and write in the code indicating the type of referring agency, as indicated on the attached list of agency codes.

7. CLOSING/DISPOSITION OF INVESTIGATION. LEAVE THESE COLUMNS BLANK WHEN REPORTING ONLY THE OPENING OF AN INVESTIGATION.

B. INVESTIGATIONS: CLOSING

HOW MANY LINES TO USE PER INVESTIGATION?

When an investigation involves more than one individual or organization, or involves both individuals and organizations, first determine the number of different closings which occurred. Use one line for each form of closing, and indicate the number of subjects (persons or organizations) included in this form of closing. For example, if all those being investigated agreed to restitution, or no action was taken against any, or criminal felony charges were filed against all, use one line. Taking another example, where one investigation against ten defendants resulted in "no action" for six, felony charges against three, and remedial action short of restitution for one (whether or not this one agreed to restitution or was charged with a felony,) there are three forms of closings. Three lines would be used: one line for all defendants involved in each of these three forms of closing.

1. TYPE OF ENTRY. Check the column "Investigation Closing" to indicate the nature of information being reported.

2. IDENTIFYING NUMBER. Enter your office identifying number in this column. (See page 5, above.)

Check the column and write in the code indicating the type of agency to which the referral was made, using the attached list of agency codes. Otherwise, leave these columns blank.

7.5. Case Filed. On Form S-2, these columns are used for reporting both investigation closings and case openings. Check the appropriate column for civil filings (including filings for administrative hearings if your office has jurisdiction to begin administrative hearings), felony charges, or misdemeanor charges. A "felony" is defined here as any crime punishable by a sentence of one year or more; "misdemeanor" refers here to any crime punishable by a sentence of one year or less. In most states, misdemeanors are punishable by a sentence of no more than one year. In a few states, some misdemeanors are punishable by more than one year (e.g., "high misdemeanors" in New Jersey.) Here, felonies and misdemeanors are to be distinguished on the basis of maximum statutory sentence, rather than sentence requested by your office.

8 through 13. CASE INFORMATION. LEAVE THESE COLUMNS BLANK WHEN REPORTING INVESTIGATIONS.

IV. CASES

Information is requested here on all cases actually filed with a court, either criminal or civil. Where the case began on referral from another agency which has provided a "package" of file, investigative reports, evidence and the like, the process of reviewing this material, deciding whether to file a case with the court, and framing appropriate charges should be counted as an Investigation, rather than a Case, whether or not fieldwork or an extensive investigation is involved. It is not reported here, as a Case, until a complaint is filed in court.

Information to be supplied with respect to Cases includes the unit's identifying number (the same number used when the investigation leading to this case was reported), the type

of case filed (felony, misdemeanor, or civil), subject matter, number of defendants, number of victims, type of proceeding, result of proceeding (e.g., conviction, acquittal), and penalty or remedy imposed.

Units may report their civil and criminal litigation (Cases) on either Form S-2 or Form S-4. (See discussion of use of forms for reporting investigations on page 4, above.) Since it is highly unlikely that a case would be filed and disposed of during one calendar month, units will ordinarily report on each case twice: the first time when the case is filed, and the second time when the case is closed.

A. CASES: FILING (Numerical categories below are keyed to numbers shown on attached sample form.)

HOW MANY LINES TO USE PER CASE?

For cases being opened, the primary rule is to use one line for each case number. Exception: for multiple charges or multiple defendants with one case number, use one line on the form for each related series of transactions involved in the case being filed. In an "advance fee" case, for example, the case would be shown on one line regardless of the number of victims or defendants. (But the number of victims and defendants would be indicated in the appropriate column.) When one or more persons are involved in the same or similar crime scheme, then the case would be reported on one line. However, when one or more persons are involved in different, unrelated crime schemes, then one line would be used for each crime scheme.

1. TYPE OF ENTRY. Check the "Case Filing" column to indicate the nature of information being reported.

2. IDENTIFYING NUMBER. Indicate in the "Identifying Number" column the number that your office initially assigned to the case. This is the same number that was used when

reporting the investigation which led to this case. Defendants' names are not to be used as identifiers.

3. through 7.4. (Form S-2). LEAVE THESE COLUMNS BLANK WHEN REPORTING CASES.

7.5. Case Filed. Note that on the combined Form S-2, these columns are used for both Investigations: Closing and for Cases: Filing. Check appropriate box for felony charges, misdemeanor charges, or civil filings (including filings for administrative hearings if your office has jurisdiction to begin administrative hearings.)

A "felony" is defined for ECPRS purposes as any crime punishable by a sentence of one year or more; "misdemeanor" refers here to a crime punishable by a sentence of one year or less. Here felonies and misdemeanors are to be distinguished on the basis of maximum statutory sentence, rather than sentence requested by your office.

8. SUBJECT MATTER. Enter the appropriate numerical code from the attached list of economic crimes. For each case, when either multiple charges or counts are being charged, only record the most serious charge or count.

9. NUMBER OF DEFENDANTS. First, determine whether defendants are individuals; businesses, institutions or organizations (including partnerships, corporations, foundations and the like); or both. Then enter the number(s) in the appropriate column(s).

10. NUMBER OF VICTIMS. First, determine whether the victims of the alleged crime(s) were individuals; businesses, institutions, or other non-governmental organizations; Federal, state, county, or municipal governmental entities; or some combination of these. Enter the number(s) in the appropriate column(s).

11. through 13. LEAVE THESE COLUMNS BLANK WHEN REPORTING ONLY THE FILING OF A CASE.

B. CASES: CLOSING

HOW MANY LINES PER CASE?

When a case with one number involves more than one individual or one organization, or involves individuals and organizations, first determine the number of different dispositions which occurred. Use one line for each form of disposition. For example, if all those charged agreed to restitution, or if all charges were dropped, or criminal felony charges resulted in prison terms for all, use one line. Taking another example, where one case against ten defendants resulted in acquittals for six, felony conviction with prison for three, and a felony conviction with probation for one, there are three forms of disposition. Three lines would be used: one line for all defendants involved in each of these three forms of disposition.

1. TYPE OF ENTRY. Check the "Case Closing" column to indicate the nature of the information being reported.

2. IDENTIFYING NUMBER. Enter the identifying number initially assigned to this case by your office. (See discussion of Identifying Number on page 5 above.)

3. through 7.4 (Form S-2). LEAVE THESE COLUMNS BLANK WHEN REPORTING CASES.

7.5, 8. CASE FILED, SUBJECT MATTER. LEAVE THESE COLUMNS BLANK WHEN REPORTING ONLY A CASE CLOSING.

9., 10. NUMBER OF DEFENDANTS, NUMBER OF VICTIMS. Complete these columns as instructed for Cases: Filing (page 11 above), keeping in mind the appropriate number of lines to use when reporting a case closing.

11. TYPE OF PROCEEDING. Use these columns to indicate the nature of the proceeding. If there were no proceedings

at all (for example, if the case were dropped without any negotiation or trial proceedings), check the "No Proceedings" column. If there was no trial, but negotiation or plea bargaining occurred, check the "Negotiation" column.

If there was a trial, check the appropriate column to indicate whether it was a jury or non-jury trial.

12. RESULT OF PROCEEDING. Check the appropriate column(s) to report the result of the proceedings: negotiated plea, negotiated settlement/stipulated judgment, felony conviction, misdemeanor conviction,* acquittal, dismissed/dropped, deferred judgment.

13. PENALTY/REMEDY.

13.1. Prison/Jail. Check if a prison or jail term has been imposed, unless the sentence was suspended, conditionally or unconditionally.

13.2. Probation. Check if defendant has been placed on probation, paroled following imposition and suspension of a prison sentence, or otherwise released on condition of supervision (other than payment of a fine or restitution). This may include release on condition that a defendant must remain in a vocational education program, or under the care of a psychiatrist, even when the Probation Department is not responsible for supervising this condition, since the judge retains the power to send the defendant to prison if he or she violates these conditions.

13.3. Injunction/Equitable Remedy. Check this column if the court imposed an injunction or other equitable remedy.

13.4. Financial. If any financial penalties or remedies were imposed on the defendant(s), check the appropriate column under the "Financial" heading to describe the nature of the

*For a discussion of the felony/misdemeanor distinction applied here, see the discussion of 7.5 Case Filed on page 11, above.

financial penalty/remedy, and enter the amount of the penalty or remedy (in dollars) in the "Amount" column.

Do not check any "Financial" column if the person or organization has agreed or been ordered to cancel a future obligation (for example, payments on a lifetime dance studio contract).

(a) Fine/Penalty. Check this column if the court has ordered defendant(s) to pay any sum to the court or to government, except where the defendant is ordered to reimburse a victimized governmental entity. This includes court costs which may be imposed. Then enter the total amount of this fine/penalty in the "Amount" column.

(b) Civil Judgment. Check this column if civil damages were imposed, and enter the amount of this judgment in the "Amount" column.

(c) Restitution. Unless restitution is imposed by court order and the court retains the power to hold a non-complying defendant in contempt of court, check "Restitution: Not Court Ordered" rather than "Court Ordered." Negotiated restitution may be a condition of a prosecutor's dropping a case, a gesture by the defendant prior to sentencing, or an agreement at sentencing where the court does not retain the power to hold a non-complying defendant in contempt.

Check one box and indicate the amount only where the person or organization being investigated has agreed or is ordered (1) to pay money to victims, (2) to replace something of value (in which case, the present fair market value of the item is entered under "Amount"), or (3) to perform a service for which the victim(s) has (have) already paid (for example, a satisfactory car or appliance repair).

Restitution here does not include "symbolic restitution" through community service. This should be considered as "Probation" instead.

ECONOMIC CRIME PROJECT REPORTING SYSTEM

Complaints, Inquiries, and Complaint Resolution
Procedures Reporting Form

Form S-1
1/29/79
Page 1 of 1

ECP Unit: _____
Period Covered: _____
Date Filled Out: _____
Filled Out by: _____

Complaints and Inquiries

Number of Complaints, Inquiries, or
Other Initial Contacts with officeNumber: _____

Office Complaint Resolution Procedures

Number of Matters Involving
Complaint Resolution Procedures begun this monthNumber: _____

Number of Voluntary RestitutionsNumber: _____

Restitution Amount in Dollars\$ _____

Number of Referrals to Other AgenciesNumber: _____

ECONOMIC CRIME PROJECT REPORTING SYSTEM

LIST OF AGENCY CODES

<u>Code Number</u>	<u>Agency</u>
	<u>Consumer Protection Agencies</u>
1	State Agencies
2	Local Agencies
3	Non-Government/Business/Consumer Groups (for example, Better Business Bureaus)
	<u>Regulatory Agencies</u>
4	Federal Agencies
5	State Agencies
6	Local Agencies
	<u>Investigative/Police/Law Enforcement Agencies</u>
7	Federal Agencies
8	State Agencies
9	Local Agencies
	<u>Attorneys/Prosecutors</u>
10	United States Attorneys (Federal)
11	State Attorney General--Consumer Protection/ Fraud Division
12	State Attorney General (other than Consumer Protection/Fraud)
13	Local/Municipal Government Attorneys' Office (for example, Corporation Counsel, New York City)
14	Legal Services or Private Attorneys
15	<u>Small Claims Court</u>
16	<u>Trade Associations</u>
17	<u>Other</u>
18	Other Local District Attorneys/Prosecutors' Offices
19	NDAE Economic Crime Project Center, Chicago

ECONOMIC CRIME PROJECT REPORTING SYSTEM

LIST OF ECONOMIC CRIME CODES

Investments

- 1.1. Advanced fee schemes
- 1.2. Business opportunity schemes (including franchises, vending machines, chain referral, and pyramid schemes)
- 1.3. Ponzi schemes
- 1.4. Securities
- 1.5. Commodities
- 1.6. Precious metals, jewelry, and gems
- 1.7. Other investment schemes--general

Financing, Credit, and Banking

- 2.1. Bad checks, check kiting
- 2.2. Bankruptcy
- 2.3. Inheritance frauds
- 2.4. Credit cards
- 2.5. Debt collection
- 2.6. Debt consolidation
- 2.7. Usury
- 2.8. Loans (including mortgages)
- 2.9. Installment purchases

Computer Related

- 3.1. Electronic Funds Transfer System (EFTS)
- 3.2. Computer abuse and fraud

Insurance

- 4.1. Arson-for-profit
- 4.2. Life
- 4.3. Accident/casualty
- 4.4. Other insurance fraud

Corruption, Abuse of Trust, and Theft (see also 6.7.--Theft of utility services, energy)

- 5.1. Bribery of government employees (including kickbacks)
- 5.2. Commercial bribery (including kickbacks)
- 5.3. Conflict-of-interest
- 5.4. Misuse of confidential information, trade secret theft
- 5.5. Embezzlement
- 5.6. Larceny (including by false pretenses and by trick)
- 5.7. Misappropriation of funds
- 5.8. Forgery

Fraud Against Government, Public Agencies, Utilities

- 6.1. Licensing violations
- 6.2. Regulatory violations
- 6.3. Revenue violations: income tax
- 6.4. Revenue violations: sales and use tax
- 6.5. Welfare
- 6.6. Medicaid
- 6.7. Theft of utility services, energy
- 6.8. Procurement fraud

Trade Practices (see also 2.9.--Installment purchases)

- 7.1. Advertising: bait-and-switch
- 7.2. Advertising: general
- 7.3. Weights and measures
- 7.4. Antitrust and restraint of trade, price-fixing
- 7.5. Deceptive trade practices - general (including misdescription of goods/services, pricing, packaging, and warranty frauds)
- 7.6. Coupon redemption frauds
- 7.7. Other trade-related frauds

Housing, Land, Real Estate, and Construction

- 8.1. Home improvement
- 8.2. Construction
- 8.3. Landlord-tenant
- 8.4. Mobile home
- 8.5. Real estate/land
- 8.6. Title law
- 8.7. Rental locator

Health and Medical Care (see also 6.6--Medicaid)

- 9.1. Medical treatments by professionals (services--doctors, dentists, nurses)
- 9.2. Medical supplies and devices (products--hearing aids, drugs cosmetics)
- 9.3. Nursing homes
- 9.4. General health care services (laboratory, hospital care)
- 9.5. Health and safety standards (including buildings, institutions, environment)

Sales and Repairs (see also 7.1 and 7.2--Advertising)

- 10.1. Appliance repair fraud
- 10.2. Automobile sales (including automotive parts)
- 10.3. Automobile repairs
- 10.4. Other products: sales
- 10.5. Other products: repairs

Personal and Professional Services (see also 1.2--Business opportunity schemes; 9.1--Medical professional services)

- 11.1. School/training frauds: career/employment opportunity
- 11.2. School/training frauds: personal improvement or benefit
- 11.3. Personal improvement schemes--general (including club memberships)
- 11.4. Contest frauds
- 11.5. Travel and vacations
- 11.6. Transportation
- 11.7. Charity frauds
- 11.8. Attorneys' professional services

Other

- 999. "Other"--use this category only if NO other category applies and if the nature of the investigation/case is explained under "Comments."

APPENDIX C

ECONOMIC CRIME PROJECT REPORTING SYSTEM:

FORMS

ECONOMIC CRIME PROJECT REPORTING SYSTEM

Complaints, Inquiries, and Complaint Resolution
Procedures Reporting Form

Form S-1
1/29/79
Page 1 of 1

ECP Unit: _____

Period Covered: _____

Date Filled Out: _____

Filled Out by: _____

Complaints and Inquiries

Number of Complaints, Inquiries, or
Other Initial Contacts with office Number: _____

Office Complaint Resolution Procedures

Number of Matters Involving
Complaint Resolution Procedures begun this month Number: _____

Number of Voluntary Restitutions Number: _____

Restitution Amount in Dollars \$ _____

Number of Referrals to Other Agencies Number: _____

ECONOMIC CRIME PROJECT REPORTING SYSTEM

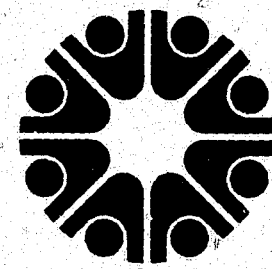
INVESTIGATION AND CASE INFORMATION REPORTING FORM

Form S-2
1/29/79

ECP Unit: _____
 Period Covered: _____
 Date Filled Out: _____
 Filled Out by: _____

Page _____ of _____

INVESTIGATION INFORMATION												CASE INFORMATION												COMMENTS
TYPE OF ENTRY	IDENTIFYING NUMBER	SUBJECT MATTER	NO. UNDER INVESTIGATION	NO. OF VICTIMS	SOURCE OF INVESTIGATION	CLOSING/DISPOSITION OF INVESTIGATION		CASE FILED	SUBJECT MATTER	NO. OF DEFENDANTS	NO. OF VICTIMS	TYPE OF PROCEEDINGS	RESULT OF PROCEEDINGS		PENALTY/REMEDY									
						Rest/Other	Referred						Final	Non-Final	Financial	Amount (in Dollars)								
CASE CLOSING		SEE CODED LIST OF ECONOMIC CRIMES			AGENCY REFERRAL	CHECK IF RESTITUTION	Amount (in dollars)	CIVIL	SEE CODED LIST OF ECONOMIC CRIMES			GOVERNMENT	NO PROCEEDINGS	DETERRED JUDGMENT	RESTITUTION - COURT ORDERED									
CASE FILING					AGENCY REFERRAL	CHECK IF RESTITUTION		FELONY				GOVERNMENT	NO PROCEEDINGS	DETERRED JUDGMENT	RESTITUTION - NOT COURT ORDERED									
INVESTIGATION CLOSING					AGENCY REFERRAL	CHECK IF RESTITUTION		MISDEMEANOR				GOVERNMENT	NO PROCEEDINGS	DETERRED JUDGMENT	RESTITUTION - NOT COURT ORDERED									
INVESTIGATION OPENING					AGENCY REFERRAL	CHECK IF RESTITUTION						GOVERNMENT	NO PROCEEDINGS	DETERRED JUDGMENT	RESTITUTION - NOT COURT ORDERED									



END