

ANNUAL REPORT FOR 1974



11471

Illinois Legislative Investigating Commission

ILLINOIS - LEGISLATIVE INVESTIGATING
COMMISSION -

ANNUAL
REPORT, 1974
FOR 1974

A REPORT TO THE
79TH GENERAL ASSEMBLY
OF ILLINOIS AND TO
GOVERNOR DANIEL WALKER



By the
ILLINOIS LEGISLATIVE INVESTIGATING COMMISSION
300 West Washington Street
Chicago, Illinois 60606

JANUARY 1975

Printed by the Authority
of the State of Illinois

(Two Thousand Copies)

16491

THIS REPORT IS RESPECTFULLY
 SUBMITTED PURSUANT TO
 SECTION SEVEN
 OF THE
 ILLINOIS LEGISLATIVE
 INVESTIGATING COMMISSION ACT

17731

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STATE OF ILLINOIS
LEGISLATIVE INVESTIGATING COMMISSION
 300 WEST WASHINGTON STREET
 SUITE 414
 CHICAGO, ILLINOIS 60606
 TELEPHONE: AREA CODE 312
 793-2606

TO: HONORABLE MEMBERS OF
THE GENERAL ASSEMBLY

This is a detailed report of: our investigations, recommendations for legislation, recommendations for administrative action, a list of the officers and employees in the employ of this Commission, and an account of all monies received and disbursed, for the calendar year 1974.

Section 7 of the Illinois Legislative Investigating Commission Act requires biennial reports, but by a 1971 policy decision of the Commission, we have since submitted annual reports.

During 1974, we carried a caseload of 20 major investigations, the largest in the 11 year history of our Commission.

Seventeen of those investigations were mandated by individual resolutions of the Illinois House of Representatives, two were the result of resolutions adopted by the Commission when the General Assembly was not in session, and one was at the request of the Illinois Legislative Audit Commission.

During the calendar year 1974 we completed ten investigations. As of December 31, 1974, we carried over, into 1975, an additional ten investigations: we anticipate their completion in 1975.

The most significant investigation conducted by the Commission involved the burglary of \$4,300,000, in small bills, from the vault of the Armored Express Division of Purolator Security, Inc., at 127 West Huron Street, Chicago, Illinois, on October 20, 1974.

Within several hours after this burglary the Commission furnished the law enforcement authorities with the identities of the principal perpetrators of this burglary.

This vital information was disclosed to the Commission in the course of an intensive undercover investigation of the criminal redistribution of stolen property ("fencing").

Our confidential informant and two Commission staff investigators are important witnesses in the pending State and federal prosecutions against six defendants charged with this burglary.

Another aspect of our "fencing" investigation led to the arrest in Chicago on November 21, 1974, of Victor Joseph Colletti of Chicago for the possession of a stolen stamp collection valued at \$500,000. Colletti had attempted to sell the collection to a Commission undercover agent.

Fourteen days of public hearings, involving six separate major investigations, were conducted by the Commission. Ten days of public hearings were conducted in Chicago, two days each in Elgin and Rockford, and one day in Springfield. The topic and area of interest dictated the sites for these hearings.

This year we produced and distributed ten special reports on specific investigative subjects. The ten pending investigations, carried over into 1975, will also be the subjects of subsequent, individual special reports.

The Commission sponsored ten separate bills in the General Assembly during the second year of the 78th General Assembly. Since they were not acted upon during that session, they have been pre-filed for reintroduction in early 1975 at the 79th General Assembly.

These bills cover the areas of horse racing, fireworks, drugs, and revisions of several acts which three State universities' officials circumvented when they made irregular disbursements.

House Bill 1133, a major revision of the Illinois Savings and Loan Act, designed to plug the loopholes through which the defunct City Savings and Loan Association was defrauded of approximately \$25,000,000, was the subject of an amendatory veto by Governor Walker. Minor changes were made which did not alter the principal thrust of the bill. On November 22 and December 4, 1974, respectively, the House and the Senate accepted the amendatory veto.

The 12 members of the Commission served without compensation. The Commission's staff consists of 20 paid employees, as follows: Executive Director, Chief Investigator, Administrative Assistant, two Counsels, one Investigative Reporter, eight Investigators, and five clerks, all of whom worked full-time and had no outside employment. We also have one clerk who is employed about 20 hours a week.

In addition, we have two Chicago Police Department Investigators, whose salaries are not

paid by us, assigned to the Commission since its inception in 1963.

Our appropriation from the General Assembly for fiscal year 1974 was \$406,000. Our appropriation for fiscal year 1975 was \$513,000. During the calendar year 1974 our disbursements totalled \$454,119.20.

The year 1974 has been the most prodigious in our eleven year history. Yet we anticipate that our caseload in 1975 will be even greater. This opinion is based on the fact that in addition to the ten investigations we had to carry over into 1975, the General Assembly will probably assign us an even greater number of new investigations.

The Commission acts as the investigative arm of the General Assembly. We are gratified by the General Assembly's faith in our capabilities to undertake investigations for both bodies of the legislature, and welcome the opportunity to continue to serve their needs to the best of our ability.

Respectfully submitted,

Co-Chairmen:

Sen. Philip J. Rock
Rep. Joseph G. Sevcik

Senate Members:

Daniel Dougherty
Howard R. Mohr
Don A. Moore
John B. Roe
Frank D. Savickas
*Hudson R. Sours**
*Jack E. Walker**

House Members:

Horace L. Calvo
Peter P. Peters
George H. Ryan, Sr.
W. Timothy Simms
James C. Taylor

**Resigned on December 5, 1974*



STATE OF ILLINOIS
LEGISLATIVE INVESTIGATING COMMISSION

300 WEST WASHINGTON STREET
SUITE 414
CHICAGO, ILLINOIS 60606
TELEPHONE: AREA CODE 312
793-2606

COMMISSION STAFF

| | |
|--------------------------|----------------------|
| Executive Director | Charles Siragusa |
| Chief Investigator | Howard O. Roos |
| Senior Investigator | Ronald Ewert |
| Administrative Assistant | John W. Baylor |
| Assistant Counsel | Jordan H. Bodenstein |
| Assistant Counsel | William P. White III |
| Investigative Reporter | Thomas L. Costello |
| Investigator | Rex R. Bivins |
| Investigator | Edward J. Doyle |
| Investigator | Jeffrey C. Green |
| Investigator | Dennis A. Hamilton |
| Investigator | Thomas R. Hampson |
| Investigator | Edward B. King |
| Investigator | Frank Kolbaba |
| Investigator | Michael E. Pawlowski |
| Investigator | Charles R. Wilson |
| Administrative Clerk | Kathleen Gober |
| Secretary | Linda S. Boldyga |
| Secretary | Darline Hoffman |
| Secretary | Teresa Jamerson |
| Secretary | Marsha Ann Sarelli |
| Receptionist | Debra A. Nawara |

Chapter 1

THE ILLINOIS LEGISLATIVE INVESTIGATING COMMISSION

A. History

The Commission was created on July 1, 1963, by an Act of the 73rd General Assembly as the Illinois Crime Investigating Commission. It had two specific powers: to investigate organized crime and official misconduct.

On July 23, 1971, the General Assembly amended the enabling statute, changing the name of the agency to the Illinois Legislative Investigating Commission. It retained its former powers and gained a third: to investigate any matter of legislative interest.

The enabling legislation, as amended, and the rules of procedure, are reprinted at the conclusion of this report.

Biennial reports were submitted to the General Assembly and the Governor, pursuant to Section 7 of the Act, in 1965, 1967, 1969 and 1971. In accordance with a 1971 policy decision by the Commission, annual, rather than biennial, reports have been submitted since then.

Illinois remains as the only state that has ever established an all-purpose commission of this type. Some jurisdictions have established crime commissions and other permanent fact-finding bodies under the particular general assembly or under the state attorney general. But no state has yet emulated Illinois with a Commission whose jurisdiction is as broad as the General Assembly's power to legislate.

Numerous investigations have been conducted which resulted in the discovery of facts which have been of invaluable assistance to the legislative process in Illinois. The Commission, in 1974, again sponsored significant legislative acts.

B. Powers

Investigations are commenced by the Commission pursuant to resolutions received from either house of the General Assembly, or by the Commission's own resolution, when the General Assembly is not in session. These various alternatives were established in order to provide investigative assistance to the many legislative committees of both houses which do not have adequate investigative staffs to accomplish their objectives.

Since many important legislative issues arise while the General Assembly is not sitting, the Commission has the authority to commence investigations pursuant to its own resolutions during such periods. In this regard, preliminary inquiries may be initiated by the Commission's staff with appropriate Commission approval.

The general powers of the commission are similar to those of a grand jury. The Commission has the power to issue subpoenas, signed by the Executive Director or either of the Co-Chairmen. It can petition for civil and/or criminal contempt against recalcitrant witnesses and it has the authority to obtain grants of immunity.

The Commission's investigators have the power to carry weapons because of their hazardous, undercover duties. However, the Commission does not have arrest powers. It has been the Commission's policy to deliver all evidence of criminal

violations, developed in the course of its investigations, to the appropriate law enforcement agency.

Other than the statutory requirement to furnish the Governor with a copy of our annual report, the Commission has no ties with the executive branch of government in Illinois. To the contrary, we are a singularly legislative agency. In each investigation, it is the Commission's sole purpose to make legislative or factual recommendations to the parent General Assembly.

C. Membership

The Commission is composed of six members of the Illinois Senate and six members of the Illinois House of Representatives. The members are appointed by the majority and minority leadership of each body.

Senator Philip J. Rock (D - Chicago) and Representative Joseph G. Sevcik (R - Berwyn) have served continuously as Co-Chairmen of the Commission from December, 1971, to date. Senators Hudson R. Sours (R - Peoria) and Jack E. Walker (R - Lansing) served from January 1 to December 5, 1974. On that date they were succeeded by Senators Don A. Moore (R - Midlothian) and Howard R. Mohr (R - Forest Park).

The other members of the Commission, as of December 31, 1974, and who served throughout the calendar year of 1974, are: Senators Daniel Dougherty (D - Calumet City), John B. Roe (R - Rochelle), and Frank D. Savickas (D - Chicago); and Representatives Horace L. Calvo (D - Granite City), Peter P. Peters (R - Chicago), George H. Ryan, Sr. (R - Kankakee), W. Timothy Simms (R - Rockford), and James C. Taylor (D - Chicago).

Mr. Charles Siragusa continued to serve as Executive Director throughout 1974. His duties include the exercise of general supervision over all investigations, the Commission's staff, and of proceedings by the Commission. Mr. Siragusa was the Executive Director of the predecessor Illinois Crime Investigating Commission. He has served in this position since December 16, 1963, except for the period from February through September, 1969.

Mr. Howard Roos continued as Chief Investigator for the Commission. His duties include direct supervision over the assignments of the investigative staff. Mr. Louis R. Fine served as Chief Counsel from July 1, 1973, to September 24, 1974, when he resigned. Mr. Jordan H. Bodenstein has served as Assistant Counsel since August 8, 1973. The Commission also appointed William P. White III, a former Commission Investigator, as Assistant Counsel, effective December 1, 1974.

Chapter 2

THE STATUTORY JURISDICTION OF THE COMMISSION

The responsibilities of the Commission are established in Section One of the Act which sets forth the intent of the General Assembly to provide its members with facilities, equipment, authority and technical staff to conduct investigations, including public hearings, on any matter upon which the General Assembly may legislate.

Sections 10 through 15 of the Act set forth the jurisdictional powers relative to the investigation of any allegation which, if proved, would constitute a breach of public trust, a conflict of interest, a crime, a defect or omission from the laws of Illinois, or malfeasance, misfeasance, or nonfeasance within the State.

The Commission has the power to: (1) demand and receive assistance from all State public officials and employees engaged in official investigations and to request the cooperation of standing or special committees of the Congress of the United States or of the General Assembly of this or any other state; (2) conduct public or private hearings; (3) subpoena witnesses, administer oaths, examine witnesses, and receive evidence; (4) petition the courts to compel attendance of witnesses and to compel witnesses to testify; (5) request the courts to grant immunity from prosecution in the event a witness declines to answer upon the grounds that his testimony will be self-incriminatory; and (6) to issue such reports and recommendations as may be indicated, to the Illinois General Assembly, the Governor, and other public officials.

Chapter 3

OVERVIEW OF COMMISSION ACTIVITIES

A. Statutory Policy

The Commission continued to use public and private hearings to elicit information under oath in the course of its official investigations. The transcripts made at these hearings provide a valuable source of information which is later used to write legislation, and to prepare reports to the General Assembly and the Governor. Such hearings are expressly recognized under Section 13 of the Act creating the Commission.

Transcripts of public hearings are available, for examination in the Commission's office, to any member of the public. Attorneys, students, teachers, research analysts, law enforcement agencies and other interested persons continue to receive access to these transcripts.

The Act provides that any Commissioner, the Executive Director, or Commission Counsel may administer oaths and affirmations, examine witnesses and receive evidence. The Act also provides that all witnesses shall have the right to be represented by counsel of their own choice for the purpose of advising them of their constitutional rights.

Further, the Act provides that no hearing shall be televised or broadcast by radio without the written approval, by resolution, of the Commission. As a matter of policy, permission has been granted in most of our public hearings. The only exceptions are generally in those cases where incriminatory statements may be made or where the Commission seeks to preserve the

anonymity of an undercover investigator. In some cases the Commission will offer the witness the option of being recorded by the media.

Any person accused of a crime or an irregularity at a public hearing who desires to answer the accusation is given the opportunity to do so at the earliest convenience of the Commission. There is a provision, however, that this opportunity cannot extend beyond 90 days following the accusation.

B. Public Hearings Conducted in 1974

Fourteen days of public hearings were conducted by the Commission during 1974, in connection with six separate investigations mandated by the General Assembly. Details concerning these investigations and hearings will be included later in this report. Following is a list of the dates and places where these public hearings were conducted.

| <u>Dates</u> | <u>Place</u> | <u>Subject</u> |
|----------------|--------------|-------------------------------------------------|
| Jan. 7-8, 1974 | Chicago | Elgin State Hospital House Resolution 382. |
| Feb. 20, 1974 | Chicago | Medical Prescriptions House Resolution 285. |
| Feb. 20, 1974 | Chicago | Fireworks; House Resolution 414. |
| May 27, 1974 | Springfield | Medical Prescriptions; House Resolution 285. |
| July 5, 1974 | Chicago | Medical Prescriptions; House Resolution 285. |

| <u>Dates</u> | <u>Place</u> | <u>Subject</u> |
|------------------------|--------------|-----------------------------------------------------------|
| July 17, 1974 | Chicago | Fireworks; House Resolution 414 |
| July 24-25, 1974 | Chicago | Redlining; House Resolution 753 |
| July 31 - Aug. 1, 1974 | Chicago | Redlining; House Resolution 753 |
| Sept. 25-26, 1974 | Chicago | Bulk Terminals; House Resolution 852 |
| Nov. 12-13, 1974 | Rockford | Illinois Extended Care Center; House Resolution 785 |

C. Special Reports

As previously stated, the Commission has, since 1971, submitted annual reports of its activities to each member of the General Assembly, whether or not the resolution was adopted in the House of Representatives or the Senate, and to the Governor.

These annual reports are also disseminated to the Secretary of State, and to other departments, commissions, and agencies of the legislative, executive and judicial branches of State government in Illinois. Also included in our dissemination are States Attorneys, Sheriffs and police departments in Illinois, and the news media.

We continued our practice of supplying these annual reports to all the Illinois members of the United States Senate and House of Representatives.

The Commission continued to honor requests for these annual reports from law enforcement agencies, public libraries, high school and university libraries, trade associations throughout the United States, and from many other interested citizens and organizations in Illinois and elsewhere.

A total of 1,425 persons and organizations are on our permanent mailing list.

The Commission also publishes and distributes special reports in connection with investigations mandated by resolutions from the Senate and House of Representatives of the Illinois General Assembly, and resolutions sponsored by the Commission itself.

During calendar year 1974 the Commission published and distributed ten special reports to each member of the Illinois General Assembly, the Governor, and to every one on our permanent mailing list.

These special reports were as follows:

1. Illinois Horse Racing: A Study of Legislation and Criminal Practices. Based on House Resolutions 847 and 219. Published March 1974.
2. "Redlining:" Alleged Discrimination in Home Improvement Loans. Based on House Resolution 321. Published March 1974.
3. Funding Irregularities in Presidential Housing at Three State Universities; Western Illinois, Eastern Illinois, Illinois State. Based on House Resolution 289. Published April 1974.

4. Patient Deaths at Elgin State Hospital. Based on House Resolution 382. Published June 1974.

5. Fireworks Plant Explosions and Bootleg Traffic in Illinois. Based on House Resolution 414. Published June 1974.

6. Lawrence Carr Amusement Company. Based on House Resolution 5. Published June 1974.

7. The South Cicero Avenue Bridge Controversy. Based on House Resolution 858. Published October 1974.

8. Medical Prescriptions. Based on House Resolution 285. Published November 1974.

9. Three Square Construction Corporation. Based on House Resolution 733. Published January, 1975.

10. Illinois Legislative Audit Commission. This report concerned a background investigation conducted, at that Commission's request, of three candidates for the position of Illinois Auditor General. Since this was a confidential investigation, no other dissemination was made of this report.

Upon the completion of ten pending investigations, the Commission will also compile and disseminate the following final reports:

1. "Redlining:" Discrimination in Residential Mortgage Loans. Based on House Resolution 753.
2. Alleged Bad Conditions at the Kane County Jail. House Resolution 1111.

3. Alleged Irregularities at the Ada S. McKinley Community Services. House Resolution 1069.

4. Drug Abuse in Secondary Schools. House Resolution 995.

5. The 1975 Project Priority List of the Illinois Environmental Protection Agency for Distribution of Grants to Sanitary Districts. House Resolution 965.

6. Chemical Leak at the Bulk Terminals Company Tank Farm the Weekend of April 26, 1974. House Resolution 852.

7. Patient Deaths at the Illinois Extended Care Center in Rockford. House Resolution 785.

8. Abuses by the Auto Repair Industry. House Resolution 1010.

9. "Fencing:" Criminal Redistribution of Stolen Property. Commission's Specific Resolution 6.

10. Alleged Corruption by a State employee. Commission's Specific Resolution 7.

D. Commission Sponsored Legislation

General Assembly resolutions which mandate the Commission to undertake specific investigations invariably instruct the Commission, in addition to reporting its findings, to make appropriate legislative recommendations wherever such action seems to be indicated.

House Bill 1133, sponsored by Rep. Joseph G. Sevcik, the Commission's Co-Chairman, will amend

the Savings and Loan Act to fill the loopholes in existing legislation that caused the tragic demise of the City Savings and Loan Association of Chicago and the loss of about \$25,000,000 through the fraudulent machinations of Charles Oran Mensik, former president of that institution.

On September 5, 1974, Governor Dan Walker stated that the bill would achieve many desirable reforms and would approve the bill subject to two minor changes. Both houses accepted the amendatory veto and the bill became law on December 4, 1974.

Ten Commission-sponsored bills were introduced during the second year of the 78th General Assembly but none of them were acted upon. They were pre-filed in November 1974 for reintroduction during the first months of the 79th General Assembly.

1. House Bill 2777. It creates the Illinois Horse Racing Act. It established a salaried Racing Board consisting of three members appointed by the Governor and confirmed by the Senate. It provides for licensing, privilege taxes and the regulation of all types of horse racing in Illinois. It repeals the existing Illinois Horse Racing Act, Harness Racing Act and Quarter Horse Racing Act. (Based on our investigation of Illinois horse racing, House Resolutions 847 and 219).

2. House Bill 2765. It creates the Fireworks Regulation Act to supersede two Acts pertaining to regulation of the manufacture, storage, transportation, sale, use, importation and exportation of fireworks. It provides for licenses and permits for persons engaged in enumerated activities related to fireworks; establishes fees; classifies fireworks and pyrotechnic devices.

It provides safety requirements for the storage, manufacturing and transportation of fireworks; and imposes penalties for violations. It repeals two existing Acts. (Based on our investigation of fireworks, House Resolution 414.)

3. House Bill 2558. Amends the Illinois Municipal Code. Deletes references to Acts repealed by the new Fireworks Regulation Act and substitutes the title of the new Act in provisions requiring municipal regulations to be consistent with such Act. (Companion bill to House Bill 2765.)

4. House Bill 2559. Amends an Act concerning fees and salaries, and classifies the several counties of this State with reference thereto. Deletes fee requirement pertaining to issuance of fireworks permits in counties of the first and second class. (Companion bill to House Bill 2765.)

5. House Bill 2571. Amends the Controlled Substances Act. Assigns many of the present duties of the Department of Law Enforcement to the Dangerous Drugs Commission and the Department of Registration and Education. Deletes and adds certain substances to the schedules of controlled substances. Makes various other changes. (Based on our investigation of Medical Prescriptions, House Resolution 285.)

6. House Bill 2449. Amends an Act in relation to State finance. Includes student fees among the items of income received by State Colleges and Universities under the jurisdiction of the Board of Regents which must be paid into a special fund in the State treasury within 10 days after receipt. (Based on our investigation of funding irregularities in Presidential Housing at Three State Universities, House Resolution 289.)

7. House Bill 2450. Amends the Board of Regents Revenue Bond Act. Provides that no moneys derived from the sale of bonds, from certain fees of students or staff, or from rentals of facilities to the United States may be used for purchasing or leasing any furnishings or equipment unless their permanent use is in a project financed by the sale of bonds. (Companion bill to House Bill 2449.)

8. House Bill 2451. Amends the Regency University Act. Provides that neither the Board of Regents nor any foundation acting as an agent of the Board shall create any indebtedness or liability in excess of the funds appropriated or obtained by gifts and grants for the particular purpose concerned (now, only the Board is so limited). (Companion bill to House Bill 2449.)

9. House Bill 2452. Amends the Board of Governors of State Colleges and Universities Act. Provides that neither the Board of Governors of State Colleges and Universities nor any university foundation acting as an agent of the Board may create any liability or indebtedness in excess of the funds appropriated for the particular purpose concerned (now only the Board is so limited). (Companion bill to House Bill 2449.)

10. House Bill 2557. Amends the Illinois Legislative Investigating Commission Act. Changes the name of the Commission to the Illinois Crime Investigating Commission, and extends the power of the Commission to the county and municipal levels. Also, when a subpoena is disobeyed, the hearing on the notice of the petition to the Circuit Court may not be held less than three days after date of mailing.

Chapter 4

INVESTIGATIONS

A. Introduction

1. The Purolator "Heist"

The most significant Commission investigation involved the burglary of \$4,300,000, in small bills, from the vault of the Armored Express Division of Purolator Security, Inc., at 127 West Huron Street, Chicago, Illinois, on October 20, 1974.

The Purolator Burglary received international notoriety. The identities of the persons involved in this ring were furnished by this Commission to the county, State and federal law enforcement authorities within several hours after this largest cash theft in the history of this country.

By August, 1974, this Commission had already been engaged in a long-range undercover investigation of the criminal redistribution of stolen property ("fencing"), pursuant to the Commission's Specific Resolution 6, adopted December 17, 1973. That investigation is still continuing and will be discussed further in Section C of this part of our final report.

One aspect of this fencing investigation involved the penetration of a gang led by one Peter Gushi, a known felon and member of the Chicago underworld. A Commission informant infiltrated the gang. He was employed by Gushi at the latter's Family Bargain Center, 6663 West 111th Street, West, Illinois. This discount house was actively engaged in the criminal redistribution of stolen property.

During the course of that undercover operation, the Commission informant learned from Gushi that he, Pasquale Charles Marzano, Luigi Michael Di Fonzo and others were planning an imminent theft.

We were able to ascertain many of the elements of this crime in advance of its actual commission: that it would be the largest cash theft in the history of the country; that it would occur on a Sunday night; and that the money would probably be transported to Grand Cayman Island in the British West Indies. The only element we did not know in advance was the actual target of the theft.

The office of the Cook County State's Attorney and agents of the Illinois Bureau of Investigation, who assisted us in the development of our long range fencing investigation, were kept apprised of the information obtained by us concerning this imminent theft.

The morning after the discovery of the theft of \$4,300,000 from the Purolator vault, the Federal Bureau of Investigation was furnished the information we had obtained from our confidential informant.

The following persons were subsequently arrested: Peter James Gushi, 47, 10400 - 52nd Avenue, Oak Lawn; James Andrew Maniatis, 54, 7235 West 110th Place, Worth; Ralph Ronald Marrera, 31, 1410 South Clinton, Berwyn; Pasquale Charles Marzano, 40, 18035 - 59th Court, Cicero; William Anthony Marzano, 31, 1240 South Clinton, Berwyn; and Luigi Michael Di Fonzo, 27, 710 South Quincy, Hinsdale.

These defendants were indicted in federal court in Chicago. Subsequently, on December 5, 1974, the Cook County Grand Jury returned a six-count indictment charging Pasquale Charles Marzano, William Anthony Marzano, Di Fonzo, Gushi and Marrera with conspiracy, burglary, and theft. Marrera and the two Marzanos were also charged with arson and two counts of armed violence.

A separate, one-count indictment was also returned charging Maniatis with obstruction of justice for allegedly concealing \$250,000 of the

Purolator money in a room divider in Gushi's home. Only \$60,000 of that \$250,000 was recovered.

James Andrew Maniatis pleaded guilty in federal court on December 19, 1974, with regard to the Purolator theft, and was sentenced to 18 months. The following day he was convicted in Circuit Court and was sentenced to 1-3 years, to be served concurrently with his federal term.

A total of \$1,454,140 was found on November 21, 1974, in the basement of the unoccupied Chicago home of Marrera's grandmother.

On October 28, 1974, the Cook County Grand Jury returned indictments against five persons, alleged members of a stolen goods ring dealing in stolen goods valued at \$5,000,000 a year. This action resulted from undercover investigations conducted by this Commission, regarding independent aspects of our long range fencing probe.

Gushi and Maniatis, defendants in the Purolator theft case, were also arrested on those fencing indictments. Also arrested were Delmar Lee Markham, 30, 7505 West 161st Street, Tinley Park, the owner of Johnnie's Discount House, 7611 West 63rd Street, Summit; Charles Soteris, 23, 12804 Sycamore Lane, Palos Heights; and Paul Knight, 26, 4219 South Harlem Avenue, Stickney.

The defendants were charged with the sale of traveler's checks and wristwatches taken in armed robberies at the Bank of Commonwealth in Sterling Heights, Michigan and the Douglas Dunhill warehouse in Oak Forest. A robbery at the Michigan bank on July 27, 1974, netted \$12,000 in American Express traveler's checks and an undetermined amount of cash, and a robbery at the Dunhill warehouse on July 24, 1974, netted about \$1,000,000 in jewelry and other merchandise.

On December 19, 1974, Delmar Lee Markham started service of a 3 year federal sentence for theft in interstate shipment, following the denial of an appeal. On December 20, 1974, he was convicted in Circuit Court on our charges and was sentenced to 1-3 years, to be served concurrently with his federal term.

In a November 1, 1974 letter to the Commission, State's Attorney Bernard Carey said: "...Three members of your staff, Chief Investigator Howard Roos, and Investigators Edward Doyle and Ronald Ewert merit special attention for their seven-month undercover activities. They are fine examples of law enforcement officers who work tirelessly under the most dangerous of conditions..."

2. Stolen Stamp Collection

Another significant investigation involved the arrest in Chicago on November 21, 1974, of Victor Joseph Colletti, 44, 1421 Indian Hills, Hanover Park, Illinois, for possession of a stolen stamp collection valued at about \$500,000.

This was the result of another aspect of our long-range investigation of "fencing" activities in Illinois.

Several months before the successful culmination of this investigation, a Commission confidential informant told us that several years ago this stamp collection, and an undetermined and large amount of cash and gold coins were burglarized from the Indianapolis home of a private collector. We were able to verify this theft and determined it had occurred on December 9, 1967.

A Commission undercover agent eventually made contact with Colletti. Colletti told the undercover agent that he was acting as the "fence" for a group of felons who had perpetrated this theft.

The Commission agent negotiated for the purchase of the stamp collection for which Colletti wanted \$70,000 in cash. Officers of the Chicago Police Department, who assisted the Commission in the development of this case, arrested Colletti when he delivered the collection to our agent. The Cook County State's Attorney Office also cooperated in this case.

We are continuing our investigation to identify the thieves who are allegedly responsible for large coin and stamp collection thefts throughout the country.

3. Overview

During 1974 we carried a caseload of 20 major investigations, the largest in the history of our Commission.

Seventeen of those investigations were mandated by individual resolutions of the Illinois House of Representatives, two were the result of resolutions adopted by the Commission when the General Assembly was not in session, and one was at the request of the Illinois Legislative Audit Commission.

During the calendar year 1974 we completed ten investigations. As of December 31, 1974, we carried over, into 1975, an additional ten investigations: we anticipate their completion in 1975.

B. Completed Investigations

1. Illinois Horse Racing: A Study of Legislation and Criminal Practices

In our 1973 activities report we included a brief explanation of our investigation of House Resolution 219, sponsored by Representatives Philip W. Collins, W. Robert Blair, Edward E.

Bluthardt, A. T. McMaster and John E. Friedland, and adopted on April 27, 1973.

House Resolution 219 mandated the Commission to finalize its legislative proposal (pursuant to House Resolution 847, adopted on December 15, 1972), and to conduct an investigation of alleged criminal practices in connection with horse racing in Illinois.

In March, 1974, we furnished copies of our final report to the General Assembly. House Bill 2777, creating a new Illinois Horse Racing Act, and containing many innovative features, was an appendix to that report. It represented the work-product of our extensive investigation.

House Bill 2777, which was tabled during the 1974 session of the General Assembly, was pre-filed in late 1974 for reintroduction during the 79th General Assembly which convened in January 1975.

Our final report provided a detailed analysis of the following subjects: (1) integration of the Illinois Thoroughbred Racing Act, the Illinois Harness Racing Act, and the Illinois Quarter Horse Racing Act; (2) revision of the composition of the Illinois Racing Board, (3) racing stock ownership restrictions; (4) personnel hiring provisions; (5) minimum standards; (6) the date granting process; (7) Sunday racing; (8) abolishment of "paper associations;" (9) creation of a Racing Advisory Panel; (10) abolishment of the State admission tax; (11) revision of the wagering tax structure and disposition of funds; (12) revision of the track improvement fund; (13) revitalization of the Illinois breeding industry; and (14) a proposed Bureau of Race Track Security.

One chapter of our final report was devoted to the measures employed by private security systems to suppress criminal practices at each race

track in Illinois, an overview of State enforcement, and a detailed analysis of the various criminal practices that occur at race tracks.

Another chapter described three undercover investigations and nine other specific investigations which we conducted concerning criminal practices.

We submitted many conclusions and recommendations. We found that there were many glaring statutory deficiencies and serious flaws in Illinois' current fragmented racing statutes, and recommended they be replaced by one integrated statute.

In the past, horse racing legislation has been enacted without the prior receipt of authoritative comments from experts in the racing industry. The Commission called upon assistance from these experts prior to drafting our final legislative proposal. We suggested that this practice be emulated in the future, should further amendments seem indicated, following the hopeful passage of our proposal.

The Commission concluded that the current composition of the Illinois Racing Board is unwieldy and should be replaced by a professional, salaried three member Board. Furthermore, since the ownership of stock by public officials has led to serious scandals, the Commission thought that there should be a complete ban on such ownership.

We strongly urged the necessity for the awarding of dates for a three year period rather than the current annual system which has led to past inequities and uncertainties, reduced tax revenues, and disregarded the public welfare.

"Paper associations" have served no useful purpose and have led to questionable practices. The Commission recommended that they be prohibited.

from receiving any future racing dates, and that awards for racing dates where there is pari-mutuel betting be restricted only to those who own race track facilities.

The prevailing wagering tax structure is inequitable to race tracks and particularly to horsemen, some of whom are not entering their horses in Illinois races but who are racing them in meetings outside the State where their shares are much larger. Some of these horsemen own well-known horses whose entries would attract greater attendances, larger handles and greater tax revenues. Consequently, this situation adversely affects the State. The Commission recommended, and so proposed in its draft legislation, that the tax structure be on an actual daily graduated basis, as follows:

| <u>Handle</u> | <u>Racé Track</u> | <u>Horsemen</u> | <u>State</u> |
|--------------------------|-----------------------|-----------------|--------------|
| \$0 to \$100,000 | 7% | 7% | 2% |
| \$100,001 to \$500,000 | 6% | 6% | 4% |
| \$500,001 to \$2,000,000 | 5% | 5% | 6% |
| Over \$2,000,000 | 4½% | 4½% | 7% |

The Commission concluded it was illogical to restrict racing in Illinois to no more than 236 racing days a year and to prohibit Sunday racing. Therefore, it recommended all-year racing. This will include Sundays for those municipalities that wish to exercise local option if they decide to institute Sunday racing.

We are convinced that tax revenue to the State will greatly increase through the abolition of the admission tax, all year round racing including Sunday, and through our proposed daily, actual graduated tax. Although the State will probably earn less tax revenue the first few years through its lower share for certain categories of daily handles, daily attendances will undoubtedly increase and so will wagering taxes collected

by the State. Consequently, in the long run the State will earn more tax revenue than heretofore.

The creation of an Illinois Racing Advisory Panel would provide the Illinois Racing Board with input from experts whose knowledge and guidance is not now formally received on a continuing basis.

In the past Illinois racing laws have primarily benefited race tracks and racing associations. The Commission is convinced that its proposed legislation will fully protect the interests of the public, the State and the industry, in that order of priority.

Private race track security systems are almost exclusively concerned with protecting the financial interests of management with regard to the suppression of criminal practices involving the racing industry. Most of these security systems try to suppress only those criminal activities which adversely affect their incomes, such as riots, thefts, drunk and disorderly persons. Criminal conduct which does not concern the financial posture of race tracks is of secondary importance to management.

Criminal practices directly related to horse racing are given little, and sometimes, no investigative attention by private track security systems because they are not directly related to management's revenue. Included among this type of criminal activity are doping of horses, fixing of races, illegal use of drugs on horses, illegal use of electrical devices on horses, illegal bookmaking, false ownership of horses, and false classification of horses.

The suppression of criminal practices by State enforcement authorities is inadequate, not

because of incompetence, but due to limited resources and personnel.

The Commission recommended that when the Illinois Bureau of Race Track Security comes into being with the passage of our proposed law, it should be given the necessary resources and appropriations to effectively detect and prevent criminal activities.

The image of the horse racing sport has steadily deteriorated because of recurring incidents indicating wrongdoing or giving the appearance of wrongdoing. While the Commission does not believe that criminal practices are as widespread as some detractors claim, we are convinced that a serious problem still exists. Criminal prosecutions for illegal practices involving horse racing are virtually nonexistent. The Commission believes the efforts of both private race tracks and State authorities have been ineffective in the detection and prevention of criminal practices.

We are hopeful that with the establishment of a Bureau of Race Track Security, properly staffed and funded, criminal practices will be more effectively detected and prosecuted. In that regard, we would also hope that race track management security systems will render all possible assistance to that Bureau, in addition to their principal responsibilities to protect management's assets.

There is no exchange of criminal intelligence among private track security systems concerning data on ejected individuals, such as touts, illegal bookmakers, and known "ten percenters," who illegally cash in winning tickets for true owners, and other criminal practices. Consequently,

these undesirable persons move from one track to another with impunity. This fundamental shortcoming should be corrected by race track management.

Fire prevention and detection efforts at almost all of the race tracks have received little attention from race track managements. The Commission noted an almost universal disregard for the State requirement that licensed employees display their identification badges, and this should be promptly enforced.

2. Patient Deaths at Elgin State Hospital

a. Introduction

This investigation was initiated the summer of 1973 pursuant to House Resolution 382 sponsored by Representatives John F. Friedland and Leo D. La Fleur, and adopted by the House of Representatives on June 1, 1973. Public hearings were conducted at Elgin State Hospital on January 7-8, 1974. The investigation was terminated and our final report was produced and distributed in June, 1974.

Following are quoted excerpts from the Chicago Tribune newspaper editorial, titled "Death In The Mental Wards" of June 16, 1974:

"A 244-page report by the Illinois Legislative Investigating Commission offers the shocking conclusion that patients are dying at state mental institutions because of inexcusable neglect. The report centers on Elgin State Hospital but deals with other institutions as well.

"The document deserves the long and respectful attention of all citizens and especially of all state officials, legislative and administrative...

"The commission study suggests that an inordinate number of deaths allegedly attributed to natural causes reflects efforts to camouflage contributing causes other than the stated ones. Among these contributing factors it lists staff inattention, inappropriate medications, and assaults by other patients.

"It is of course axiomatic that a mental hospital by its very nature cannot be as orderly as a public library reading room. Yet it is also axiomatic that conditions described in the report do not belong in a properly funded, adequately staffed, and well-managed mental institution.

"For this reason it seems especially important that Governor Walker give thoughtful consideration to the findings, even tho the report is addressed to the General Assembly..."

b. Investigation of Deaths

Patient James Kowaczek, aged 20, a mental retardate, died at the hospital on May 19, 1973, 30 hours after his admission in good physical condition. We concluded that medical and staff neglect contributed to his death, and especially reckless conduct on the part of Dr. Rigoberto Diaz, a limited license physician.,

Dr. Diaz was indicted by the Kane County Grand Jury on March 25, 1974, but was subsequently acquitted at his trial.

Patient Norbert Doyle, a 54 year old mentally ill patient, died on May 25, 1973, from a heart attack which the Commission found was induced by a physical assault inflicted by another patient with a long history of aggression and violence. The Commission established that the attack occurred during a period when the ward dormitory was unattended. We, therefore, determined this constituted staff negligence, although there was no evidence of criminal neglect.

Patient Roger Princell, a 24 year old mentally ill patient, died on October 11, 1972, ostensibly as a result of acute epilepsy. The Commission established he was probably suffocated to death, by a pillow that was forcibly applied to his face, by the same aggressive fellow patient.

Charles Darling, a 37 year old profoundly mentally retarded patient, died on October 28, 1972, from a physical attack possibly inflicted by an unidentified fellow patient, in a ward dayroom that was not supervised at the time by staff personnel.

Charles Smith, a 54 year old mentally ill patient, died from a heart attack, precipitated by an epileptic seizure, on July 2, 1973, while he was in an unattended dayroom. James Nichols, aged 20, a mental retardate with a congenital heart defect, died on June 19, 1973. Following heart surgery at the Illinois Research Hospital and while still in very serious condition, he was transferred to Elgin State Hospital. Elgin State was not to blame for his death, but the Illinois Research Hospital is at fault for "dumping" a terminally-ill patient.

The deaths of Roger Princell, Charles Darling, and Charles Smith involved a common denominator: neglect on the part of the hospital's personnel. At the time of these incidents, the ward dayrooms were left completely unattended while the staff congregated elsewhere. The Commission found that the staff's estrangement from patient-populated areas impeded the receipt of timely medical attention which could have averted those deaths.

A total of 417 patients died at Elgin State Hospital during the period from January 1, 1971, through August 31, 1973. Autopsies were not performed in many instances of deaths under unusual circumstances.

c. Conclusions and Recommendations

We concluded that the hospital's Executive Committee, of which Superintendent Robert J. Mackie is the Chairman, did not properly investigate the unusual deaths of James Kowaczek, Norbert Doyle and some others. We stated that Superintendent Mackie bore the ultimate responsibility for the many shortcomings in connection with the circumstances that led to these deaths and those of other patients, and with regard to many supervisory and staff shortcomings.

The Commission listed in its final report a total of 13 conclusions concerning staffing problems at Elgin State.

We recommended eight specific legislative proposals to the Governor's Commission to Revise the Mental Health Code, which is currently in the process of drafting appropriate legislation in the mental health area.

We also made seven specific recommendations to improve the future administration of Elgin State Hospital. Finally, we recommended that local medical societies be encouraged to have physicians and psychiatrists donate their services to the hospital, and that there be more effective monitoring of the administration and activities of Elgin State Hospital.

d. Dr. Levitt's Press Release

On July 29, 1974, Dr. LeRoy P. Levitt, Director Illinois Department of Mental Health attacked the Commission's report, stating it contained inaccuracies, was prejudicial and inflammatory. Representative W. Timothy Simms, a member of our Commission, in answer to Dr. Levitt's comments, stated:

"I suggest that Dr. Levitt is either attempting to continue to cover up the circumstances of poor administration at Elgin State Hospital or he is without knowledge of his own department. Dr. Levitt said the report was replete with anonymous information and rumors. The record indicates that during the hearings we heard direct testimony, under oath, from persons, most of them within Elgin State Hospital, who themselves leveled rumors and criticisms of inefficiencies and inadequacies at the hospital. The Commission was untruthfully criticized for not including all the facts concerning autopsy reports but our report did include every single autopsy report. The Department of Mental Health had the opportunity on several

occasions to present testimony to refute charges made at the hearings, but chose not to reply."

e. Mental Health Association
Public Forum

On September 23, 1974, the Mental Health Association of Greater Chicago and the Illinois Association for Mental Health conducted a special public meeting at the Westbury Hotel in Chicago. The topic was "Patient Treatment and Services at Elgin State Hospital."

At the request of the Commission's Co-Chairmen, the Executive Director made a formal presentation at that meeting, commenting on the Commission's investigation and its final report. Copies of the Commission's recommendations, as contained in our final report, were distributed to the participants and those in attendance at the meeting.

The Commission's efforts and its final report were commended by most of those in attendance.

3. Abuse of Medical Prescriptions,
for Controlled Substances, by
Physicians and Pharmacists

a. Introduction

In our last annual report we presented our preliminary findings concerning our seven months 1973 investigation which was restricted to the greater Chicago area, and the first series of public hearings were conducted in Chicago on December 6-7, 1973. This investigation was based on House Resolution 285 sponsored by Representative Bruce L. Douglas, and adopted by the House of Representatives on May 8, 1973.

Additional public hearings were conducted on February 20, 1974, and July 15, 1974, concerning the Chicago area aspect of this investigation. On May 27, 1974, we conducted public hearings in Springfield concerning our investigation in Rock Island, Springfield, East St. Louis, Peoria, Champaign-Urbana, and Rockford.

Our final report was submitted to the General Assembly in November, 1974.

b. Physicians

In the Chicagoland area, we succeeded in identifying about 100 physicians suspected of illegally prescribing controlled, dangerous drugs. Our undercover agents were able to approach 19 of these physicians. Of that number, the agents made evidential purchases of 38 drug prescriptions from a total of 13 physicians, from July through December, 1973.

The downstate undercover investigation disclosed that there were 21 suspect physicians, a dozen of whom were approached by our agents. Of that number, we succeeded in making evidential purchases of 14 medical prescriptions for controlled substances, from January through March, 1974, from seven physicians: three in Springfield, one in Rock Island, two in Rockford, and one in East St. Louis.

The Commission concluded that the abuse by physicians of medical prescriptions for dangerous drugs is a serious problem in the greater Chicago area, and to a lesser degree, in other large metropolitan areas of the State.

c. Prosecutions

Our agents developed criminal evidence against Dr. Payming Leu, a Chicago physician,

and testified against him in federal court where he was convicted and sentenced on May 16, 1974, to five years in prison. Our criminal evidence against Dr. Valeriano Suarez, another Chicago physician, was presented to the federal court after his conviction and prior to his sentencing on May 21, 1974 to five years imprisonment.

These were landmark convictions and should materially improve the situation in the greater Chicago area where they had been operating multi-million dollar "prescription mills" with virtual impunity.

A third federal prosecution was initiated with the indictment on October 3, 1974, of Dr. Charman Palmer, formerly of Freeport, on testimony presented by our agents concerning a total of nine sales she made to five of our undercover officers, including Executive Director Siragusa, from August to November, 1974.

A fourth prosecution was initiated with the arrest of Dr. Bruce F. Avery of Rockford on July 17, 1974, based on his illegal sale of two medical prescriptions for drugs. He will be prosecuted in the Winnebago County Circuit Court; this will be the first prosecution of a physician in an Illinois State court on illegal prescription charges.

A fifth prosecution involved the conviction of Dr. Cornelius E. Kline in Rock Island County Circuit Court on December 9, 1974, for unlawfully dispensing controlled substances to a Commission investigator. He was fined \$500 and ordered to pay court costs.

The United States Attorney in Springfield has indicated interest in the prosecution of Dr. William E. Farney of Springfield, from whom

one of our undercover agents also purchased medical prescriptions.

Most of the physicians, from whom evidential purchases were made by our undercover agents of prescriptions for controlled substances, were principally motivated by greed, and they knowingly and wilfully violated the law by not exercising the required good faith. In many instances, Commission undercover agents specifically requested and received prescriptions for specific dangerous drugs.

Some of the physicians from whom Commission agents made undercover purchases of prescriptions appeared to be guilty of one or more of the following law violations: knowingly issuing prescriptions to persons using false names; predating or postdating prescriptions to cover excessive dosages; failure to conduct any physical examinations, or conducting only very superficial examinations; compliance with a patient's desire for gratification; failure to determine whether any medical need was indicated; and generally not exercising good faith or good professional practice.

The Commission concluded that the Illinois Department of Registration and Education has been lax in suspending and/or revoking licenses of physicians suspected of involvement in illegal prescription practices. We recommended that the Illinois State Medical Society and county medical societies continue to refer such physicians to that agency, and to State's Attorneys in Illinois.

The Commission believes that the Illinois State Medical Society should notify drug manufacturers, within Illinois and elsewhere, to exercise greater discretion in supplying controlled substance drugs in wholesale quantities to those

retail pharmacies which seem to be ordering inordinate amounts of particular dangerous drugs.

The Illinois State Medical Society should increase its efforts to educate its membership concerning the Illinois Controlled Substances Act, and their responsibilities in complying with the provisions of the law pertaining to medical prescriptions.

d. Pharmacists

The Commission was unable to establish the existence of any illegal cooperative arrangements between prescribing physicians and dispensing pharmacists. However, we did establish abusive practices by some pharmacies in the Chicago area. Although relatively few pharmacies were so involved, they accounted for the dispensing of enormous amounts of dangerous drugs pursuant to prescriptions, under circumstances which indicated a lack of good faith and possible violation of law.

We established that nine pharmacies in Chicago filled an inordinate number of such prescriptions under circumstances which indicated that monetary profit was the overriding motivation.

Based on our investigations, which included audits of retail stores operated by pharmacists, and their testimony at our public hearings, we believe they were involved in one or more of the following questionable practices in filling prescriptions in instances where: (1) recipients used false names, (2) prescriptions issued to one person for one drug were being filled prior to the expiration of preceding prescriptions, (3) recipients were obtaining prescriptions from

more than one physician at one time for the same drug, (4) amounts of drugs called for were excessive, to the extent that there was a presumption that recipients were illegally selling drugs obtained on prescriptions to other persons, and (5) there were strong suspicions that the prescribing physicians were not exercising "good faith."

e. Illinois Department of Registration and Education

The Commission found that this agency was derelict in its duty to register physicians engaged in prescribing and dispensing controlled substances, pursuant to the provisions of the Illinois Controlled Substances Act.

The Department's Bureau of Drug Compliance has not performed systematic audit inspections of inventories and records of controlled substances of suspect physicians and pharmacists to determine abusive practices.

There has been a dual responsibility by both this agency and the Illinois Bureau of Investigation to audit triplicate and single medical prescriptions for controlled substances, and to detect suspected irregularities by physicians, pharmacists, and other registrants. The Commission recommended that this be the sole responsibility of the Department of Registration and Education.

This agency has been lax in the enforcement of the Illinois Medical Practice Act and the Illinois Pharmacy Practice Act in suspending and/or revoking licenses of physicians and pharmacists.

f. Law Enforcement

There has not been an effective effort by State, county and local law enforcement officials to investigate and prosecute physicians and pharmacists for the abuse of medical prescriptions for controlled substances.

Local and county law enforcement agencies, and especially the Illinois Bureau of Investigation of the Department of Law Enforcement, should place a higher priority on the investigation of physicians and pharmacists who are criminally involved in violations of the Illinois Controlled Substances Act, when they knowingly abuse the prescribing and dispensing of controlled substances, where there is no medical need, and where there is an absence of good faith.

The Illinois Department of Law Enforcement has not effectively implemented the provisions of existing State law to monitor records of triplicate prescriptions for certain controlled substances.

g. Legislation

The Illinois Controlled Substances Act does not contain adequate provisions to enable law enforcement authorities to effectively investigate and prosecute physicians and pharmacists engaged in the abuse of medical prescriptions for controlled substances.

Existing law is defective because it does not define the "good faith" that must be employed by physicians and pharmacists in prescribing and dispensing controlled substances.

The responsibility for the issuance and distribution of triplicate prescription forms for controlled substances in Schedule II, and the monitoring of this data to identify physicians and pharmacists possibly engaged in the abuse of such prescriptions, should be transferred from the Department of Law Enforcement to the Department of Registration and Education.

Existing law does not adequately identify the elements of a legitimate prescription for controlled substances, and the responsibilities of physicians and pharmacists in the prescribing and dispensing of such substances.

The current law impedes the proper administrative inspection of controlled substances inventories and pertinent records of physicians and pharmacies by requiring State authorities to obtain court warrants.

The Department of Law Enforcement currently has the statutory responsibility for the scheduling of controlled substances, whereas it would be more logical to have this accomplished by the newly-created Dangerous Drugs Commission. The Department of Law Enforcement also has the responsibility of supervising and controlling the triplicate prescription auditing program, whereas it is more logical to have this done by the Department of Registration and Education.

House Bill 2571, introduced in 1973, and which will be reintroduced in the forthcoming 79th General Assembly, is aimed at the correction of these deficiencies.

4. Fireworks: Plant Explosions and Bootleg Traffic in Illinois

A preliminary report of this investigation, mandated by House Resolution 414, sponsored by Representative Calvin L. Skinner, and adopted on June 13, 1973, was included in our annual report for 1973. Public hearings were conducted in Chicago on December 17 and 18, 1973, and in Woodstock on December 19, 1973.

The investigation was continued during the current reporting year and our final report was submitted to the General Assembly and the Governor in June, 1974.

We identified various known and suspected fireworks bootleggers in Illinois and out of state who were involved in the illegal intrastate and interstate traffic. Also identified were fireworks companies in Illinois who illegally diverted fireworks to bootleggers. Details concerning this information were furnished to prosecution authorities in Cook County. The Chicago office of the United States Bureau of Alcohol, Tobacco and Firearms of the Treasury Department was also furnished information that will probably lead to an eventual federal conspiracy prosecution involving violators in Illinois and other states.

The Commission also furnished information to the St. Louis, Missouri office of that federal agency concerning a clandestine manufacturing operation in Missouri. As a result, a clandestine factory in Rolla, Missouri was successfully raided and a large quantity of illegal fireworks seized.

We determined that neglect was involved in the explosions of four fireworks plants, an explosion during a public fireworks display, and an explosion of a discarded aerial shell while two youngsters were playing with it.

Every year from 1970 through 1973 an Illinois fireworks company plant has exploded. A total of seven persons have died, 39 persons have been injured, some seriously, and many millions of dollars of property damage resulted from these plant explosions and display accidents.

Under the current Illinois Fireworks Act, the issuance of permits to conduct fireworks displays is haphazard. Our proposed law changes the system of permits so that the State Fire Marshal would issue such permits, have better control over such issuances, and for the first time have a central state-wide record of such displays.

The Commission also concluded it was a threat to the public welfare to permit youngsters to ignite fireworks displays. Therefore, our proposed law would provide for appropriate certification of all persons who fire such displays, and would limit permits to those 21 years of age or over.

The Commission further concluded that the bootlegging of fireworks, which is the diversion of legally-produced fireworks to persons unlicensed to deal in fireworks, is a serious problem in Illinois, involving hundreds of traffickers and retail sales of several million dollars annually. Organized bootleggers import fireworks from other states and also purchase fireworks illegally from Illinois companies.

The most significant illicit fireworks traffic involves the M-80 type of fireworks, the

manufacture of which, under federal law, is legal but the retail sale of which is prohibited except for agricultural or wildlife purposes. The Commission recommends that the Illinois law be the same.

The Commission found that law enforcement efforts by federal, State, county and local government agencies to detect, arrest and prosecute fireworks bootleggers leaves much to be desired. We strongly recommended that appropriate law enforcement programs, at all government levels, be initiated and pursued for the purpose of more effectively suppressing this bootleg traffic.

With regard to fireworks companies in Illinois, the Commission established that many of them have ignored the statutory requirement to obtain Certificates of Registration from the State Fire Marshal; that many of these companies have also ignored the statutory provisions concerning safety requirements; and that some Illinois companies have engaged in the illegal sale of fireworks to unlicensed bootleg traffickers.

The Commission concluded that prior State Fire Marshals, as well as the incumbent Fire Marshal, have been negligent and deficient in the following areas:

1. Ineffective enforcement of the statutory provision requiring fireworks companies to obtain Certificates of Registration;
2. Infrequent inspections of fireworks companies, and in some instances no inspections at all;

3. Failure to initiate prosecution against those fireworks companies who have failed to make corrections of cited safety violations;

4. Failure to maintain stenographic or other written records of hearings conducted in connection with appeals of Orders, containing safety violations;

5. Inadequate liaison with Fire Chiefs throughout Illinois whereby the State Fire Marshal has not been apprised of the existence of companies engaged in the manufacturing, assembling, processing or sale of fireworks; and

6. Failure to maintain full and complete files concerning fireworks companies.

The new law which the Commission will propose is directed toward the protection of the public's health, safety and welfare. In addition to the provisions mentioned previously, following are some additional salient features of our proposed law:

1. The Illinois Department of Mines and Minerals, rather than the State Fire Marshal, will have the responsibility to issue licenses to fireworks manufacturers, wholesalers, importers, retailers, and display operators, and to conduct periodic inspections of licensees' premises;

2. The State Fire Marshal will have the duty to issue permits for fireworks displays to licensed display operators who must be at least 21 years of age;

3. Contains complete definitions for Class B, Class C, "dangerous," and "safe and sane" fireworks, which are not now included in Illinois law;

4. Permits the retail sale of safe and sane fireworks, unrelated to public displays, under appropriate supervision;

5. The packaging or repackaging of fireworks already in a finished state will constitute manufacturing;

6. The licensing and annual renewals of such licenses to manufacturers, wholesalers, retailers, importers and exporters, at a graduated scale of fees for initial licensing and annual renewals;

7. Provisions that manufacturers and distributors must observe in the manufacturing, storing and transportation of all classifications of fireworks;

8. New hearing procedures in cases of appeals from citation orders and appeals of license revocations, including the obligatory presence of two competent hearing officers, and a requirement that there shall be a stenographic or other written record maintained of such proceedings;

9. Procedures that must be followed in the operation of supervised public displays of fireworks; and

10. Requirements that third party personal injury and property damage insurance policies, without deductible clauses, be purchased by fireworks companies for their plant operations, and also in connection with the ignition of public fireworks displays.

The Commission trusts that fireworks companies in Illinois are now sufficiently impressed

concerning the necessity to operate their plants safely in order to avoid a recurrence of the tragedies of these past few years. We are also confident that State regulatory and enforcement authorities, especially the Fire Marshal, are fully aware of their serious responsibilities, and the necessity to effectively discharge those responsibilities.

We believe that the Commission's proposed law is necessary. With the cooperation of the fireworks industry, and proper enforcement by the State of Illinois, the deaths, injuries and property damage, which the citizens of this State have suffered unnecessarily, can be reduced and hopefully eliminated in the future.

House Bill 2765, creating the Fireworks Regulation Act to supersede two existing laws, was introduced in 1974, but tabled. It was pre-filed for reintroduction and passage during the 1975 session of the Illinois legislature. On June 21, 1974, the Waukegan News-Sun newspaper carried an editorial urging the passage of our law, stating: (in part)

"The General Assembly has before it a bill that would turn over to a state agency the responsibility for licensing fireworks manufacturers and dealers operating inside Illinois...The bill incorporates the findings and recommendations of the Illinois Legislative Investigating Commission...What the commission, throughout the state, and News-Sun reporter Boots Davis, in the McHenry County case, found is appalling and frightening...Fortunately, a better way to control fireworks manufacturers and dealers has been offered and the

legislature should take it. A clear need for centralized control has been demonstrated time and time again..."

Copies of the Commission's final report, containing our draft legislative proposal, were furnished to every State Marshal in the United States.

5. Funding Irregularities in Presidential Housing at Three State Universities: Western Illinois, Eastern Illinois, Illinois State

A preliminary report of this investigation, mandated by House Resolution 289, sponsored by Representative John C. Hirschfeld, and adopted on June 30, 1973, was contained in our 1973 activities report. Our final report of this investigation was completed and distributed in April, 1974.

a. Western Illinois University

The Board of Governors gave no indication to the General Assembly that a President's residence was planned for this university. To avoid the scrutiny of our State legislators, the Board financed the residence through the use of the Western Illinois University Foundation.

The Board of Governors leased State land to the Foundation, which in turn mortgaged the land and future improvements to obtain the funds with which to construct the residence. The use of the Foundation to borrow the funds was in violation of the Board of Governors of State Colleges and Universities Act, which prohibits the Board from creating any indebtedness in

excess of funds appropriated for the particular purpose. The Act was violated because the University, through its agent, the Foundation, had borrowed funds with which to construct the residence despite no appropriation for the residence having been made by the General Assembly.

The Foundation leased the completed structure to the Board upon the condition that the Board pay an amount of rent equal to the annual principal and interest payments for which the Foundation was indebted and also pay the costs of maintaining the residence.

The rental payments have been made from a source of State money known as "interest income." This is interest earned on the investment of monies collected and retained by the University as "student fees." This Commission believes that the retention of these monies is a violation of the State Finance Act, which we interpret to require the deposit of these monies in the State Treasury.

The Board of Higher Education had set a limitation of \$150,000, excluding land, on the cost of a president's residence. This Commission has determined, however, that the cost of the residence was approximately \$202,000. The limitation was exceeded by approximately \$52,000.

b. Eastern Illinois University

The Board of Governors purchased a residence for the use of the President of Eastern Illinois University. The General Assembly was not made aware of the acquisition of the residence, however, because the purchase was made through the use of the Eastern Illinois University Foundation.

The Foundation borrowed the funds with which to purchase the residence. However, the borrowing was in violation of the Board of Governors of State Colleges and Universities Act because no funds were appropriated by the General Assembly for acquisition of a residence at the University.

The Foundation leased the residence to the Board of Governors for an amount of rent equal to the Foundation's annual principal and interest payments. The Board was also obligated to pay all maintenance costs.

The Board is using "interest income" to satisfy the rental payments. The monies collected by the University as "student fees," which are invested to earn "interest income," however, should be paid into the State Treasury. This is the tenor of the State Finance Act.

The total cost of the home, which was \$84,022.50, was considerably below the cost limitation of \$150,000 that was established for a president's residence by the Board of Higher Education.

Despite their compliance with the limitation on costs, officials of the University failed to submit their plan for acquisition of a residence to the Board of Higher Education for its approval, as is required by the Board of Higher Education Act. The failure to submit the plan was due, however, to the unauthorized modification of the Act by the Board of Higher Education. Although the Act requires the Board to review and approve the plans for all noninstructional facilities, the Board adopted the policy of requiring only projects costing over \$100,000 to be submitted for review. University officials did not submit their plan because it cost below \$100,000. The

modification of the Act, which the Act does not permit the Board to do, was clearly illegal.

c. Illinois State University

Of the three universities that we investigated, the construction of the President's residence at this University was by far the most controversial and violative of both law and policy. A large amount of the blame rests with David K. Berlo, former University President. His authoritarian manner prevented the necessary free flow of accurate information from the University to the Board of Regents and the Board of Higher Education. He also stifled productive communication between himself and the members of the University's administration.

The plan used to acquire the President's residence was analogous to the method employed at Western Illinois University. The Illinois State University Foundation borrowed funds with which to construct the residence. No funds were appropriated by the General Assembly, however, for the construction of the residence. Therefore, the Board of Regents, through the use of its agent, the Foundation, violated the Regency Universities Act, which prohibits the Board of Regents from creating any liability in excess of funds appropriated for the particular purpose.

Rental payments, equal to the Foundation's annual obligation for principal and interest, are paid by the University from its "Contractual Services" fund, which is State-appropriated money. The use of this money necessitates compliance with the Illinois Purchasing Act. The contract to construct the residence, however, was not awarded on the basis of competitive bidding, as is required by the Act. Therefore, the Act was violated.

The construction and furnishing of the residence is still incomplete. Yet the amount expended thus far is nearly \$250,000. This amount is \$100,000 above the cost limitation established by the Board of Higher Education, and \$150,000 above the limitation set by the Board of Regents.

The home was financed in part through the use of "interest income" and surplus revenue bond funds. The student fees collected by the University, which are invested to earn "interest income," should have been deposited in the State Treasury, as is required by the State Finance Act. The surplus revenue bond funds, which are excess income derived from projects financed with revenue bonds, should not have been spent to purchase items to be used somewhere other than in a building financed by revenue bonds.

Although the Board of Higher Education Act required the submission of the University's plan for acquisition of the residence to the Board of Higher Education for approval, this was not done by University officials. The Board had illegally modified the Act to require only the submission of plans which would exceed \$100,000 in cost. The Board of Regents had authorized construction costs of an amount not to exceed \$100,000. Therefore, there was no apparent need for the University to submit its plan. The modification of the Act, which enabled the University to avoid scrutiny of its plan, was a violation of the Board of Higher Education Act.

The regulations of the Board of Regents were also violated. They required that most capital projects costing over \$5,000 be approved by the Board of Regents. In at least one instance, that of the garage slab, the plan for the project was not even submitted to the Board of Regents, let alone approved.

d. Recommendations

The Commission recommended that the Board of Higher Education refrain from any future attempts to modify the Board of Higher Education Act. We also recommended that the Board of Higher Education redefine the term "capital project cost" in a manner which would eliminate the possibility of any further misinterpretation.

The Commission recommended that the Board of Governors and the Board of Regents make special efforts to ensure that university officials comply with the Purchasing Act and that each Board establish a policy under which any and all university officials will be discharged for disobedience of a Board regulation.

The Commission believes that the State Finance Act presently requires student fees to be deposited in the State treasury. The Act should be amended, however, to specifically identify student fees as an item of income to be so deposited.

The Commission also believes that the Board of Governors of State Colleges and Universities Act and the Regency Universities Act presently prohibit any university foundation, when acting as an agent of the appropriate Board, from creating a liability in excess of funds appropriated by the General Assembly for a particular purpose. The Acts should be amended, however, to specifically prohibit a university foundation from acting in such a manner.

The Commission found no evidence to indicate that the Board of Regents Revenue Bond Act of 1967 will permit surplus revenue bond funds to be spent on projects not financed with revenue bonds. The Act should be amended, however, to

specifically prohibit the expenditure of surplus revenue bond funds on projects not financed with revenue bonds.

House Bills 2449, 2450, 2451 and 2452, summarized in Chapter 3 of this report, constitute amendments to these Acts, that hopefully will rectify these unfortunate situations. They will be reintroduced in the early 1975 session of the Illinois General Assembly.

6. Lawrence J. Carr Amusement Company

House Resolution 5, sponsored by Representative W. Joseph Gibbs, and adopted on June 21, 1973, mandated the Commission to investigate the advisability of having the Lawrence J. Carr Amusement Company (Lawrence J. Carr Shows) perform at the Illinois State Fair from August 8, 1974, to August 18, 1974, in light of a fatal accident which occurred on June 16, 1974, at Charlestown, Massachusetts, involving a Hurricane amusement ride operated by that company, and other reported accidents in other parts of the country involving that company's amusement rides.

The Commission was first apprised of the Resolution on June 24, 1974, which instructed us to submit a final report on or before June 30, 1974. Because of the time limitation, the Commission interrupted its other pending investigations and assigned all of its personnel to this matter. Most of our inquiries were with organizations and persons outside of Illinois; therefore, we conducted many interviews by long distance telephone calls.

The Commission determined that Mr. Robert W. Park, the former Illinois State Fair Manager, let out bids for the amusement rides concession;

and it was granted orally, on December 17, 1973, to the Lawrence J. Carr Amusement Company of Wilmington, Massachusetts. This company is owned by Mr. Lawrence J. Carr, Sr., and his son, Mr. Lawrence J. Carr, Jr.

As a lameduck appointee, Mr. Park was advised by Mr. Andrew Leahy not to formally sign the award contract until Mr. Park's successor was appointed. Mr. Park resigned on December 31, 1973, effective January 31, 1974. His successor, Mr. Paul H. King, signed the contract on June 5, 1974.

The Commission found that the Lawrence Carr Amusement Company had a bad safety record, with a total of nine accidents since 1972. It operated amusement rides for the annual Bunker Hill Day celebration sponsored by the Kiwanis Club of Charlestown, Massachusetts, when on June 16, 1974, its Hurricane ride malfunctioned and hurled twenty persons to the ground. One person was killed, another was critically injured, and eighteen persons were severely injured.

Our investigation established that the accident was probably caused by the fact that the Hurricane ride was operating at excessive speed after someone had modified the machine to permit it to go at a speed greater than the manufacturer intended.

The Commission found that instead of one alleged accident involving rides operated by the Lawrence J. Carr Amusement Company at the 1973 Kentucky State Fair, a total of five accidents were suffered in 1973 on rides operated by that company, and another two accidents during the 1972 season. The company had a two-year contract.

On August 25, 1973, the Himalayan ride, operated by the Carr Company, was running at an excessive speed when it hurled two women to the ground, inflicting serious injuries. On August 23, 1973, a fifteen-year-old person was hurt when the Ferris Wheel was being operated at an excessive speed.

The third accident at the Kentucky State Fair occurred on August 17, 1973, when the Airplane Swing ride malfunctioned, injuring three children; and the adjacent Umbrella Boat ride also malfunctioned, but no one was injured. On August 16, 1973, a soldier fell to the ground and was injured when the guard rail to the Himalayan ride broke. On August 16, 1973, a pregnant woman was injured when a seat on the Merry-Go-Round broke.

On August 24, 1972, a nut loosened on the Himalayan ride, causing a malfunction which injured three young children. On August 18, 1972, a seven-year-old child was injured on the Kiddietown Roller Coaster ride.

The Commission also established that four children were injured while on the Himalayan ride on April 20, 1974, at the Kiddy Fair in Savannah, Georgia.

Several authoritative persons advised the Commission that the Lawrence J. Carr Amusement Company has a bad reputation in the industry. One source stated that the company hired itinerant, incompetent personnel; that Carr was a heavy drinker; that he does not properly maintain his equipment; and has run illegal gambling games at fairs and carnivals where he has operated.

The Commission established that following the 1947 Maine State Fair and dissatisfaction with the Lawrence Carr Amusement Company, Carr can no longer obtain contracts for that fair.

Carr was currently the subject of an \$8,500 civil litigation initiated by the City of Bangor, Maine, alleging he short-changed that administration on proceeds from his rides during the 1972 fair sponsored by that city.

The Kentucky State Fair Manager advised the Commission that Carr's company has been guilty of poor planning, management, and maintenance of his equipment.

The Cheshire Fair Manager at Keene, New Hampshire, claimed that after their 1964 event, they refused to hire the Carr Company thereafter because he had trouble with his employees, allowed open gambling, and fleeced patrons.

Lawrence J. Carr's record with the Massachusetts State Police included several arrests for assault and intoxication.

The Commission recommended that Carr's contract for the 1974 Illinois State Fair be canceled. We realized, however, that there may have been some legal impediment in revoking his contract. More importantly, even if this could have been accomplished, it may very well have been impossible to get another amusement company to undertake the contract on such short notice. We were advised that schedules are established months in advance of an event.

Since it would appear the Illinois State Fair would have to go along this year with the Lawrence J. Carr Amusement Company, we strongly recommended

that its operations be rigidly and continuously monitored for the duration of the fair. We also recommended that his Hurricane and Himalayan rides, which appear to be the most unsafe, not be permitted to operate.

We received conflicting views on the advisability of allowing the use of intoxicating beverages at State Fairs. Because of the paucity of information available to us, we hesitated to make any recommendation in that regard.

The Commission strongly recommended that the Illinois State Fair study the advisability of changing its economic criteria with regard to the letting of bids to amusement ride companies, because we had been told that the current system disregards safety standards or gives that consideration very low priority. In that regard, we recommended that all amusement companies submitting bids for future Illinois State Fairs be required to provide specific information concerning involvement in prior accidents on amusement rides.

It would also be advisable for the Illinois State Police to conduct thorough background investigations of any amusement company to be awarded a contract prior to the signing of such contract.

We would not recommend the enactment of a special law to license and regulate amusement ride companies until such time as another agency conducts the proper research into that subject.

Subsequent to the submission of our final report, the Lawrence Carr Amusement Company was allowed to fulfill its contract at the Illinois State Fair.

In response to several letter and telephonic requests, we supplied copies of our final report to various State fair authorities beyond Illinois.

7. Auditor General Applicants' Background Investigation

On May 28, 1974, the Illinois Legislative Audit Commission requested our Commission to conduct a background investigation of Messrs. Robert G. Cronson, Gerald L. Porter and David B. Thomas, each of whom was a candidate for the newly created, vacant position of Illinois Auditor General. Each candidate had previously indicated to the Legislative Audit Commission his acceptance of a background investigation by us.

The Commission was further requested to complete this investigation on or before June 4, 1974.

Accordingly, the Commission authorized its staff to undertake this investigation. In order to comply with the target date for completion, many members of the Commission's staff worked overtime and over a weekend.

The Commission verified the authenticity of the data contained in the candidates' resumes supplied by the Legislative Audit Commission, and conducted a personal interview of each candidate. Additionally, we included independent inquiries concerning each candidate's character, professional integrity and financial responsibility. Commission investigators also searched the files of appropriate law enforcement agencies, credit reporting firms, and other governmental and civil agencies.

Each candidate complied with our request to review several of their past income tax returns.

They submitted notarized net worth statements, and signed releases for all personal information and records from other sources.

We submitted our findings to the Legislative Audit Commission without making any recommendations or conclusions.

8. The South Cicero Avenue Bridge Controversy

This investigation was predicated on House Resolution 858, sponsored by Representatives John J. Beatty, Edmund F. Kucharski and Michael J. Madigan, and adopted by the House of Representatives on April 30, 1974. The resolution directed us to investigate the circumstances surrounding the deteriorated condition of the deck surface on the northbound South Cicero Avenue bridge, constructed in 1914, and owned by the Belt Railway Company of Chicago.

The resolution further directed the Commission to determine whether there had been a dereliction of duty by the officials of the Illinois Department of Transportation or any other person, corporation or agency with respect to the deteriorated and hazardous condition of South Cicero Avenue from West 63rd Street to West 71st Street within the city of Chicago.

We submitted our final report to the Illinois General Assembly in October, 1974.

We established that the Belt Railway Company of Chicago disregarded the public's welfare when, on February 14, 1974, it wrote the Illinois Department of Transportation that it would no longer maintain the deteriorated and dangerous condition of the deck surface of the northbound

bridge it owns on South Cicero Avenue (State Route #50), between West 67th and West 71st Streets.

The Belt Railway Company has refused to pay \$826.82 for emergency repairs performed by the Illinois Department of Transportation on March 4 and March 11, 1974. We recommended that the Illinois Department of Transportation institute prompt legal action to collect that claim from the Belt Railway Company of Chicago.

The Illinois Department of Transportation incurred a total cost of \$47,131.50 for the permanent repair of the deck surface and pier caps on the northbound bridge. We recommended that the Illinois Department of Transportation promptly bill the Belt Railway Company of Chicago for the payment of \$47,131.50. We further recommend that upon failure to collect this bill within a reasonable time, the Department of Transportation institute prompt legal action, through the Office of the Illinois Attorney General, for such collection.

There has been a continuing dereliction of duty by the Illinois Department of Transportation, and its predecessor agency (the Department of Public Works), in the failure to execute a written agreement whereby Belt Railway would be required to assume the responsibility for the proper maintenance of the northbound bridge structure, owned by that company, and the proper maintenance of the deck surface of that bridge.

The Department of Transportation is similarly culpable for not having executed written agreements with private business entities that own many other bridges which traverse other public roads in Illinois, whereby those entities should

be required to accept responsibility for the proper maintenance of such bridge structures and their deck surfaces.

We recommended that the Illinois Department of Transportation initiate prompt action toward the execution of such maintenance agreements with all business entities that own bridges which traverse all public roads in Illinois.

We concluded that the Illinois Department of Transportation was correct in its position that legal title to the northbound bridge remains with the Belt Railway Company, and concomitantly, the maintenance of the bridge structure and its deck surface. We rejected Belt Railway's argument that the State of Illinois had title to that private property through "prescription" (acquisition of legal title through adverse and continuous use).

During the period from January 21, 1974, (when Belt Railway last repaired the deck surface) to March 5, 1974, (when the Department of Transportation made temporary repairs) the deck surface of the northbound bridge was allowed to remain in a state of disrepair without any corrective action.

We applauded the efforts, though futile, of the Illinois Department of Transportation to compel Belt Railway to repair the deck surface of the northbound bridge. Whereas we recognized the rationale employed by the Department not to accomplish immediate repairs for fear of tacitly admitting maintenance responsibility, we believed the protection of the public's safety and welfare was a much more compelling consideration; and that temporary repairs should have been made by the Department at least one month before such action was eventually taken on March 5, 1974.

We recommended that when the Department of Transportation experiences a future, similar problem with the private owner of a bridge over a public road, repairs should be made immediately by the Department, to be followed by prompt action to obtain reimbursement of such expenses from such owner.

The two-lane road on South Cicero Avenue, from West 63rd to West 71st Streets, including the two bridges that traverse the last four blocks, is antiquated and inadequate to serve the main traffic artery between the western and southwestern suburbs of Chicago.

This was first recognized by the Department of Public Works in 1964 when it planned to demolish the existing northbound and southbound bridge structures, construct a new six-lane bridge between West 67th and West 71st Streets, and widen and resurface South Cicero Avenue from West 63rd to West 71st Streets.

The Department of Public Works and its successor agency, the Department of Transportation, neglected to implement this 1964 plan to the detriment of the public's welfare. We recommended that the Department of Transportation implement the 1964 plan without further delay.

Enforcement of truck overweight laws by State and Chicago authorities in the area of South Cicero Avenue from West 63rd to West 71st Streets has been highly inadequate, and probably materially contributed to the deteriorated condition of that roadway. We recommended that adequate truck overweight enforcement be promptly initiated by the Illinois State Police and the Chicago Police Department.

There had been an intentional and conscious neglect by Belt Railway in not conducting annual inspections of the northbound bridge structure and its deck surface, on South Cicero Avenue, between West 67th and West 71st Streets. The Illinois Department of Transportation had also been derelict in not taking proper measures to ensure that such inspections had been made.

We recommended that formal agreements between the Illinois Department of Transportation and business entities that own bridges traversing public roads contain provisions requiring annual inspections of bridge structures and deck surfaces be made by such business entities, and that copies of such annual reports shall be filed within thirty days thereafter with the Department of Transportation.

We further recommended that the Department of Transportation shall conduct such inspections in each instance where this inspection responsibility has been abandoned, and that the cost of such inspection shall be reimbursed by the private business entity.

9. "Redlining" - Alleged Discrimination in Home Improvement Loans

This investigation was predicated on House Resolution 321, which was adopted on June 30, 1973. The resolution was sponsored by Representatives Joseph R. Lundy, Horace L. Calvo, Bruce L. Douglas and Thaddeus S. Lechowicz.

Our preliminary findings were included in our 1973 activities report. The investigation was completed the early part of 1974, and a final report was produced and disseminated in March, 1974.

House Resolution 321 mandated the Commission to investigate complaints of alleged "redlining" by certain financial institutions. "Redlining" is described as arbitrary area discrimination practiced by banks and savings and loan associations because of the deterioration of old neighborhoods. Applied to home improvement loans, the practice involves the rejection of such loan requests solely on the location of residential property in older neighborhoods, without regard to generally accepted underwriting standards.

The first phase of the Commission's inquiry involved interviews of community action and neighborhood associations to identify specific complainants, and the identification of financial institutions allegedly engaged in "redlining" home improvement loans. We also identified and interviewed all persons with specific complaints, and requested suburban newspapers to encourage readers with specific complaints to contact us.

The Commission also interviewed representatives of trade associations in the banking and savings and loan association fields, and governmental and private authorities for any available data concerning "redlining" of home improvement loans.

During this initial phase of our investigation, we noted a significant paucity of hard facts concerning "redlining" practices involving home improvement loans, but did receive general complaints concerning mortgage loans. The investigation of mortgage loans was beyond the purview of House Resolution 321. Therefore, we were careful not to investigatively pursue the undeveloped leads we received regarding mortgage loans.

The second phase of our investigation related to interviews of specific complainants. Three persons accused the Rogers Park Prudential Savings and Loan Association, 7001 North Clark Street, Chicago, of home improvement loan "redlining." Two other persons similarly accused the Marquette National Bank, 6316 South Western Avenue, Chicago.

We examined the home improvement loan records and interviewed officials of both of these institutions. We also took similar action respecting other financial institutions whose names had been mentioned either by community organizations or by local neighborhood newspapers as being even remotely connected with the "redlining" issue. Included among all these categories of institutions were six banks, five State chartered savings and loan associations, and three federally-chartered savings and loan associations.

Of the fourteen institutions, four banks would not furnish documentation of home improvement loan records from July 1, 1972, without Commission subpoenas duces tecum. The remaining institutions voluntarily produced their records.

We investigated six banks and eight savings and loan associations. Only two of them were the subjects of specific complaints of home improvement loan "redlining," the Rogers Park Prudential Savings and Loan Association, 7001 North Clark Street, Chicago, and the Marquette National Bank, 6316 South Western Avenue, Chicago. Officials of the Rogers Park Prudential denied the complaints made by three individuals. We found that two of these persons did not meet generally accepted underwriting standards, and the other person would not accept the terms offered by the institution. Therefore, we were obliged to refute these allegations against Rogers Park Prudential.

By his own admission to us, the loan officer of the Marquette National Bank, in the Gage Park neighborhood of Chicago, was guilty of practicing "redlining" against two applicants for home improvement loans. There was no provable evidence that this was, or was not, unilateral action, but the bank must ultimately bear the responsibility for this discriminatory practice. We must reject the loan officer's rationale that he was acting in the joint best interests of these persons, and of his bank:

It was impossible for the Commission to make an independent determination respecting the validity of the five complaints against these two institutions through an examination of their records, for the simple reason that the five complainants made verbal requests for their respective home improvement loans, without submitting formal home improvement loan applications. Neither federal nor State law requires lending institutions to maintain records of such verbally initiated requests.

Likewise, there is no federal or State law which requires a financial institution to maintain records of rejected formal home improvement loan applications, or mortgage loan applications. However, the institutions, primarily banks, visited by the Commission that did do a large volume of home improvement loan business, did have on file rejected formal home improvement loan applications. Therefore, it was impossible to make a factual determination with respect to possible home improvement "redlining" in the additional areas of Austin, Oak Park, Cragin, Belmont-Irving, South and West Humboldt Park.

We found no pattern of "redlining" of home improvement loans to indicate any widespread problem in older Chicago neighborhoods, as alleged

by various community organizations, principally by the Citizens Action Program of Rogers Park. Nevertheless, it is the responsibility of financial institutions in those neighborhoods to continually review their underwriting standards with regard to home improvement loan applications, because it is imperative to preserve homes in those areas from deterioration.

The real thrust of the community organizations' complaints concerning "redlining" was aimed at area discrimination practices involving mortgage loans. The Commission could not investigate that matter because it was beyond the purview of the mandate we received in House Resolution 321. In spite of this investigative restriction, the Commission does believe that complaints of mortgage loan "redlining" are probably valid, and that a pattern may very well prevail.

The Commission has no such evidence but it believes that some financial institutions are using the current tight mortgage credit situation as an excuse for not granting certain mortgage loans, a practice which could very well mask actual "redlining" activities.

We could not substantiate the allegation that "many residents of older Chicago area neighborhoods have been refused home improvement loans." Perhaps those with legitimate complaints were reluctant to identify themselves to us, and a serious problem in that regard may exist. Therefore, we recommended that the Illinois Commissioner of Savings and Loan Associations, and the Illinois Commissioner of Banks and Trust Companies should encourage institutions under their regulation and control to extend the necessary financial assistance to persons applying for loans to preserve their homes and neighborhoods from deterioration.

This could also serve as an indirect warning to those institutions which may be covertly practicing "redlining."

The Commission further recommended that community organizations encourage their memberships to report specific complaints of "redlining" to the Illinois Commissioner of Banks and Trust Companies, and the Illinois Commissioner of Savings and Loan Associations, which we trust will promptly and effectively investigate such complaints.

We recommended that the best method to discover the existence of "redlining" as to home improvement and mortgage loans was to amend Illinois law to require that records be maintained of both accepted and rejected loan applications. Periodic State analysis of these records could reveal "red lining" patterns.

Finally, the Commission recommended that the Illinois House of Representatives adopt an appropriate resolution to be sent to the United States Congress urging federal banking and savings and loan association agencies to adopt regulations to require institutions to maintain records of both accepted and rejected loan applications.

10. Lease between Three Square Construction Company and Illinois Department of General Services for Office Space Occupied by the Bureau of Employment Security of Illinois Department of Labor

On June 29, 1974, House Resolution 733, sponsored by Representative Horace L. Calvo, a member of this Commission, was adopted by the Illinois House of Representatives. The resolution,

directing the Commission to investigate the terms of the lease and the circumstances surrounding its existence, implied the possibility of irregularities.

The Commission was unable to find, and does not believe there is, any evidence of wrongdoing, foul play, fraud or any form of malpractice regarding the lease, for reasons that will be hereinafter explained.

House Resolution 733 stated that on December 17, 1973, a lease was executed between the Three Square Construction Company of Granite City and the Illinois Department of General Services, for the use of the Bureau of Employment Security of the Illinois Department of Labor. This lease was for the use of a 5,000 square-foot, one story building, to be located at 1820 Cleveland Boulevard, Granite City.

At the time the lease was signed no building existed on the land which was a parking lot owned by the First Granite City Savings and Loan Associations. The resolution stated that the financial institution had not executed a lease, contract to purchase, or given an option to purchase such property, to the Three Square Construction Company.

We produced and distributed our report in January, 1975. All of the clues hinted at wrongdoing concerning the procural and execution of this lease. However, this was not the case.

The story began back in January, 1971, when Carl Freeman, Manager of the Bureau of Employment Security of the Illinois Department of Labor, requested the Real Estate Division of the Illinois Department of General Services to obtain new office space. The Bureau had long outgrown the building where it had been housed since 1961.

But it turned out that new office space is not easily come by in Granite City. In November, 1972, Darrel D. Stites, the new manager, placed several blind advertisements in local newspapers, to no avail. Some of his proposals for new offices were rejected by the Chicago office of the Regional Manpower Administration of the United States Department of Labor (which totally funds the Illinois Bureau of Employment Security) for being too large or too expensive. Two years later, Stites' Bureau was housed in temporary quarters, with no prospects in sight for new offices.

Finally, on August 30, 1973, Stites received a proposal from Eugene Johnson, owner of the Douglas Contracting Company in Granite City. Johnson told Stites that he would construct a building at 1740 Cleveland Boulevard in accordance with sketches provided by Stites. The lease would extend for seven years, at \$1,667.00 a month.

Stites submitted the proposal to the Regional Manpower Administration, which approved it. On October 17, 1973, the Illinois Department of General Services' Real Estate Division sent Stites a lease, for signature. The lease was made out to the Douglas Contracting Company.

It was about that time that events started taking on a touch of the bizarre. On November 6, 1974, Stites sent a memorandum to the Real Estate Division requesting a change in the lease. The Douglas Contracting Company was no longer the Douglas Contracting Company. It was now the Three Square Construction Corporation. Owner Eugene Johnson, in the process of incorporating, had been informed by the Illinois Secretary of State that there was already a corporation with the name of Douglas Contracting Company.

On December 7, 1974, Stites sent another memorandum to the Real Estate Division requesting some additional changes in the lease. The address of the proposed building should be changed from 1740 Cleveland to 1820 Cleveland. And it turned out that one Phillip Theis, a Granite City lawyer, now owned the Three Square Construction Corporation. Ex-owner Eugene Johnson was to be the contractor (though later he was totally eliminated from the job and replaced by the Ed. Moore Construction Company). On December 17, 1973, the lease was signed by Kenneth W. Holland, Director of the Illinois Department of Labor, and Roland W. Burris, Director of the Illinois Department of General Services.

Shortly after the signing of the lease became public, local newspapers began writing feature stories about the State's "mysterious" lease on a "phantom" building. Representative Horace Calvo checked out the address at 1820 Cleveland and found it to be a vacant parking lot, adjacent to and owned by the First Granite City Savings and Loan Association. Questioned by Calvo about the property, First Granite President Fred E. Williams signed a sworn affidavit stating that "as of this date (January 21, 1974), no individual has executed a contract of purchase, lease or an option to purchase said property."

Had the State signed a lease on a building which does not exist, and with a company that does not own the property on which to construct a building?

On January 29, 1974, Representative Calvo proposed a resolution for this Commission to investigate the circumstances surrounding the execution of the lease. It was not until June 29, 1974, however, that House Resolution 733 was finally adopted - by which time an office building

had been constructed at 1820 Cleveland Boulevard and Stites' Bureau of Employment Security was firmly ensconced in its new offices in that building.

Commission investigators interviewed everyone even remotely connected with the affair - several key figures were interviewed more than once. We went to Granite City and interviewed First Granite City President Williams and Vice President David G. Knollman. These officials had actually made an oral commitment to sell their property at 1820 Cleveland to Phillip Theis before President Williams' signed affidavit of January 21, 1974. Thus, while Williams' affidavit is technically correct, it can be deceptive, for a mere ten days later the property was in fact sold.

We interviewed Phillip A. Theis and found no evidence of any wrongdoing. The methods by which he 1) assumed ownership of Three Square Construction 2) acquired loans from First Granite City Savings and Loan and 3) replaced Eugene Johnson and retained the Moore Construction Company for the contracting were all legitimate.

The fact that Theis does legal work for First Granite, is a next-door-neighbor of Vice President Knollman, and had his own homebuilt by the Moore Construction Company - these possibly suspicious coincidences actually describe the realities of a small town rather than the basis for any underhanded "deal."

We interviewed Eugene Johnson. He admitted that while he suspected some kind of deal had been worked out between First Granite City, Theis, and the Moore Construction Company, he could not give any specifics, and he was not bitter about having been eliminated from the contract. He admitted that past bankruptcies and

his present lack of funds worked against his interest in the whole episode.

We interviewed State and federal employees who were associated with the case. Without exception, all of them agreed that there is nothing improper with the methods by which the lease was executed. Henry Bietsch, Leasing Manager for the Real Estate Division of the Department of General Services, said that a lease must be negotiated before construction if you expect to get a contractor. Most contractors are unable to obtain financing without a lease in hand. Bietsch also pointed out that the lease contained an important exclusionary clause in the event that construction was not completed within a defined period and within his department's specifications.

Milton Greenstein, former Manager of Real Estate and Procurement, said that the signing of the lease prior to construction and/or ownership of property was normal procedure. He too cited the exclusionary clause which would have voided the contract if the facility had not met State specifications.

Likewise, Walter E. Russell, Deputy Director, Department of General Services, said that it is common practice for both the State of Illinois and for a private real estate agency to sign a lease prior to a facility being constructed, but to become effective upon actual occupancy. The lease, he said, provides the contractor with leverage for obtaining financing.

Darrel Stites and his Bureau have now been in their new offices at 1820 Cleveland since late April, 1974. We last interviewed Stites on September 25, 1974, to get his own impression of the whole affair.

His main feeling, he said, was that the finding of a suitable building, location, and contractor should have been handled more directly by the Real Estate Division of the Department of General Services, rather than by himself. He agreed that certainly a local manager (the end user of an office building) should be consulted about a proposed facility, since it is the manager who has to "live" with it. But, he said, leaving the main responsibility for the procurement of a new office location with the local manager, cuts into time which should be spent on his regular duties.

Stites said that he was well satisfied with his new offices. The Department of General Services said that the manner in which this lease was drafted and eventually executed was perfectly regular. The lease became effective at the time the premises at 1820 Cleveland Boulevard were occupied. The First Granite City Savings and Loan Association had, in fact, given an oral commitment to sell their vacant lot to Theis. For these reasons, we concluded there were no irregularities.

C. Pending Investigations

1. Criminal Redistribution ("Fencing") of Stolen Property

In our 1973 activities report we mentioned that on December 17, 1973, the Commission unanimously adopted Specific Resolution 6, under the powers vested in it, pursuant to Section 8 of our Act, which permits the Commission to adopt its own resolutions when the General Assembly is not in session.

Specific Resolution 6 states that property crimes have increased 182 per cent since 1960

and now involve property thefts of \$16 billion per year, including \$1.5 billion per year by the theft or hijacking of cargoes from air, truck, rail, and maritime carriers. The resolution further stated that huge amounts of goods stolen from carrier vehicles, stores, docks, terminals, and warehouses are passed along to unscrupulous buyers and criminal "fences." Stolen goods are sold at less than fair market value in unfair competition with legitimate business enterprises. The resolution finally stated that during fiscal year 1972 there had been 255 federal indictments involving criminal redistribution of stolen property in Illinois.

The undercover phase of this investigation, initiated in 1973, and further developed during 1974, has been so successful that we will continue these undercover operations into 1975. The thrust of this undercover program has been to develop evidence against redistributors of stolen property, namely, the "fences." In the process, however, we are also developing evidence against their associates, including thieves, intermediaries, and others.

Thus far, our undercover investigators have made 28 separate evidential purchases of many thousands of dollars worth of stolen merchandise, from "fences" and several retail establishments in the Chicago area. To date, we have about 30 prospective defendants.

Upon the completion of our undercover investigation, the defendants will be arrested by the law enforcement agencies who are actively cooperating with the Commission during the course of this investigation. At that time we also plan to conduct public hearings.

2. "Redlining"

On March 11, 1974, House Resolution 753 was adopted mandating this Commission to investigate the practice of redlining with regard to home mortgage loans.

The resolution was sponsored by Representatives Robert F. McPartlin, John Merlo, Lawrence Di Prima, Joseph R. Lundy, Thaddeus S. Lechowicz, John F. Leon, Benedict Garmisa, Michael L. Nardulli, Roman Kosinski, Ralph C. Capparelli, John J. Beatty, Michael J. Madigan, Langdon Patrick, Isaac R. Sims, Bernard B. Wolfe, William J. Laurino, and Arthur L. Berman.

This resolution gave the Commission the go-ahead to extend our previous investigation of redlining with regard to home improvement loans (House Resolution 321), which was completed and published in early March, 1974.

Our current investigation is now nearly complete and we can state unequivocally that it has proved far more fruitful than the home improvement study. The tendency of many lending institutions to deny conventional home mortgage loans to areas which they decide are bad risks is a growing national problem, which is now being fought on two major fronts: by various State, Federal and City agencies, and by influential community organizations.

This Commission undertook an extensive investigation of both of these fronts. With regard to governmental efforts against redlining, we first did a study of the Federal Home Loan Bank of Chicago survey. This survey, taken at the request of community organizations, collected data from selected lending institutions in the

Chicago area to determine loan/lending patterns. We found the survey deficient in certain respects, and we used this knowledge to conduct a survey which we believe produced more significant results.

We also examined efforts by the Illinois State Savings and Loan Commission, the Illinois Commissioner of Banks, the Illinois Housing Development Authority, Governor Walker's Commission, and the Chicago City Council.

We interviewed numerous community organization leaders and attended several of their conferences and rallies. The Citizen's Action Program (CAP) is the most powerful group; their program position on redlining, released in December, 1973, was one of the first articulate statements on how the practice of urban disinvestment by lending institutions can destroy a neighborhood. In addition to CAP, we closely followed the activities of neighborhood organizations and their influence on the financial institutions in their areas.

The most important part of our work involved our investigation of individual complaints against specific institutions. On March 15, 1974, a letter was sent to neighborhood newspapers, informing them of the nature of the redlining investigation, and requesting these papers to ask readers having knowledge of or experience with redlining to contact the Commission's office.

Subsequently, we talked with numerous alleged redlined individuals, the details of which will be fully documented in our report.

We also issued subpoenas duces tecum to 62 banks and savings and loan associations, who were directed to prepare and submit certified lists

of all employees who were involved with evaluating the residential mortgage loan applications covering a two-year period. Then we issued subpoenas duces tecum to 66 financial institutions calling for submission of certain financial information. This information will be carefully discussed in the report.

An important part of the Commission's investigation was extensive undercover work. Undercover agents, presenting themselves as prospective home buyers and mortgage seekers, visited 58 banks and savings and loan associations in the Chicago area. The results of their work were presented at public hearings.

Because the home mortgage problem, the banking business, and the field of urban study consist of highly technical terminology and complex theoretical ideas, Commission members devoted considerable time to acquiring some expertise in these areas. We are indebted to several independent researchers and specialists whose work assisted us in acquiring a working knowledge of such concepts as disintermediation, advance commitment and disinvestment, the problems of branching and relocation, and the role of the United States Department of Housing and Urban Development (Federal Housing Administration).

On July 24, 25, 31, and August 1, 1974, the Commission held its public hearings in Chicago. We subpoenaed more than 80 witnesses, including numerous alleged redlined individuals, members of community organizations, officers of lending institutions, officials of the banking industry, realtors, and scholars in the field of urban study.

The content of these hearings are now being analyzed. Our final report is being written and should be completed shortly after the new year.

3. Patient Deaths at Illinois Extended Care Center

On April 17, 1974, House Resolution 785 was adopted, sponsored by Representatives W. Timothy Simms, E. J. "Zeke" Giorgi, and Frank P. North, instructing the Commission to investigate the deaths of seven patients at the Illinois Extended Care Center, a private community facility in Rockford, Illinois. The Commission conducted public hearings in Rockford on November 12-13, 1974.

This was the Commission's third investigation in the area of mental health. In 1973 we completed our investigation of the deaths of three patients at Peoria State Hospital, pursuant to House Resolution 146, adopted on June 27, 1972. In 1973 we were instructed to investigate the circumstances of two patient deaths at Elgin State Hospital, and completed that investigation in 1974 (discussed in a preceding section of this report).

The seven patients who died at the Illinois Extended Care Center had been recently transferred there from Dixon State School, in connection with placement policies of the Illinois Department of Mental Health and Developmental Disabilities.

In addition to investigating the circumstances of these deaths, the Commission also inquired deeply into the placement and aftercare monitoring policies of the Illinois Department of Mental Health, and the implementation practices of its agencies: Dixon State School and the H. Douglas Singer Zone Center.

Our final report will not be completed until the early part of 1975.

4. Chemical Leak at the Bulk Terminals Company Tank Farm the Weekend of April 26, 1974

On April 29, 1974, the Illinois House of Representatives adopted House Resolution 852, directing the Commission to investigate this major chemical accident on Chicago's southeast side. The resolution also directed the Commission to investigate the need for new legislation in order to avert future accidents of this nature.

Among the 34 Representatives who sponsored this resolution were: Samuel C. Maragos, Eugene M. Barnes, Arthur L. Berman, Susan Catania, Clyde L. Choate, Philip W. Collins, Bruce L. Douglas, Bernard E. Epton, Raymond W. Ewell, John E. Friedland, L. Michael Getty, Frank Giglio, Daniel L. Houlihan, George "Ray" Hudson, Henry J. Hyde, Aaron Jaffe, Emil Jones, Jr., and Roman Kosinski.

Other Representatives were: Walter S. Kozubowski, Joseph R. Lundy, Walter McAvoy, Michael L. Nardulli, Romie J. Palmer, Langdon Patrick, Daniel M. Pierce, Paul J. Randolph, J. Glenn Schneider, Gerald W. Shea, Isaac R. Sims, James C. Taylor, John F. Wall, William D. Walsh, Harold Washington and Harry Yourell.

At approximately 12:30 p.m. on the afternoon of April 26, 1974, a large chemical storage tank located at Bulk Terminals Company, 12200 South Stony Island in Chicago, containing approximately 780,000 gallons of silicon tetrachloride

began leaking. On contact with the moisture in the air, the silicon tetrachloride reacted to form silicon dioxide and hydrochloric acid.

The leak was immediately discovered by Bulk Terminals employees, but they were unable to approach the leak too closely because of the hydrochloric acid vapors being formed as the silicon tetrachloride reacted with moisture in the air and on the ground. There was no immediate danger to nearby residential areas in the early stages.

Shortly after the leak was discovered, Bulk Terminals officials consulted with Cabot Corporation officials in Tuscola, Illinois, the owner of the chemical. Cabot Corporation promptly dispatched a team to Chicago to assist in efforts to halt the leak.

Prior to the arrival of the Cabot team, numerous State and local agencies responded to the disaster, but nothing substantial was done to stop the leak because no decision could be reached on the best way to proceed. When the Cabot team arrived, it was decided that the best way to eliminate the problem would be to empty the tank as fast as possible. This decision was made because of the nature of the leak, which was caused by a crack at the tank wall, in a three inch pipe. The pipe had not fractured completely, however, and the emergency workers were afraid that if they tried to plug the leak, the pipe would break off completely, allowing the chemical to escape at a faster rate.

As efforts to empty the tank continued into the evening of April 26th, a huge acid cloud formed from the reaction of several thousand gallons of spilled chemical and began drifting toward Altgeld Gardens, a housing area a few

miles southwest of Bulk Terminals. This cloud descended into the housing area. Because of the health hazard, the Chicago Police ordered the evacuation of several hundred of the residents. The wind shifted later that night and the people were allowed to return to their homes.

Many of the people exposed to the hydrochloric acid went to hospitals for treatment, but few, apparently less than 50, were admitted.

By the following morning, April 27, emergency workers were successful in their attempts to install makeshift connections to drain the tank. After such connections were made and draining operations commenced, the emergency workers began spreading lime, oil, and polyethylene sheets over the spilled chemical in order to suppress the fumes. On April 28, the workers poured fast setting concrete over the leak area to stop the leak, or at least slow the rate of the leak.

These actions were successful in significantly reducing the amount of acid vapors generated. The danger was essentially over by Monday, April 29th. By Thursday, May 2nd, the tank had been drained to a level below the location of the leak and the emergency was considered ended.

The Commission's investigation centered on trying to determine what caused the leak. However, Commission investigators were also trying to determine whether or not the various governmental agencies involved in the emergency activities following the leak were properly trained and equipped to handle such an event. In that regard, the Commission examined the reports and logs maintained by the following agencies involved during the afternoon of the incident:

The United States Environmental Protection Agency;
The Illinois Environmental Protection Agency;
The Chicago Department of Environmental Control;
The Chicago Fire Department;
The Chicago Police Department;
The Illinois Department of Public Health;
The Illinois Civil Defense Agency;
The United States Army Technical Escort Center; and
The Chicago Board of Health.

Officials of all of these agencies were also interviewed by Commission Investigators concerning their participation.

To determine the cause of the leak, Commission investigators made numerous on site inspections of the tank and piping, interviewed approximately 40 of Bulk Terminals' operational employees, and discussed the incident with experts in the chemical industry. As yet, no final determination of the cause has been made. However, at this point it appears that the leak was caused as a result of thermal expansion of the chemical in the piping leading to the tank, combined with improper design of the piping system. The Commission has made arrangements to have the valves examined that were installed on the piping leading to the tank. This examination may determine whether or not pressures great enough to cause the pipe to shift were present prior to the leak.

The Commission conducted public hearings in Chicago on September 25 and 26, 1974. In addition to witnesses who testified concerning the Bulk Terminals chemical leak the weekend of April 26, 1974, we also received testimony concerning the storage and intrastate transportation

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1 OF 2

of hazardous materials, including chemical substances that are inflammable, explosive, create toxic fumes, and are radioactive.

We expect to complete this investigation and submit our final report the early part of 1975.

5. The 1975 Project Priority List of the Illinois Environmental Protection Agency Regarding Distribution of Grants for Improvement of Water Quality

On May 28, 1974, the Illinois House of Representatives adopted House Resolution 965 which was sponsored by Representatives Joseph R. Lundy, Gerald W. Shea, Thaddeus S. Lechowicz, and Philip W. Collins.

The resolution directed this Commission to (1) investigate the process utilized by the Illinois Environmental Protection Agency for assigning project priorities for the distribution of federal grants regarding the improvement of water quality, and (2) whether proper public hearings were held regarding the issuance on January 25, 1974, of the Project Priority List for 1975, prior to publication and issuance of that list.

House Resolution 965 directed the Commission to report its findings no later than September 1, 1974. It was impossible to meet that target date because of the complexity of the matter.

Our preliminary investigation revealed that the Project Priority List for Fiscal Year 1974 was issued on January 25, 1974, and the Project Priority List for Fiscal Year 1975 was issued on June 15, 1974.

It has been contended that a formula should have been developed by the Illinois EPA after the receipt of appropriate input from interested local governmental agencies. It appears that this input was not solicited; that the Illinois EPA adopted the formula, with the approval of the United States EPA; that it subsequently established its Project Priority Lists for both Fiscal Year 1974 and Fiscal Year 1975.

At the heart of this investigation is a dispute between the Metropolitan Sanitary District of Greater Chicago and the Illinois EPA over the priority assigned to the former's Deep Rock Tunnel and Reservoir Plan to eliminate the combined sewer overflow problem in the Chicago Metropolitan area.

In October, 1972, the United States Congress passed Public Law 92-500, amendments to the Federal Water Pollution Control Act. Among other things, the Act made available federal funds to be used by the States to abate water pollution. These funds were to be distributed by the United States Environmental Protection Agency in accordance with regulations promulgated by that agency.

Originally, Congress intended to provide 75 per cent grants for the construction of all needed water pollution control projects in the country. However, the impoundment of substantial portions of these funds made it necessary for the United States EPA to issue regulations concerning how the limited funds were to be allotted.

As a result, the United States EPA directed each state agency responsible for water pollution control to develop a formula for the assignment of priorities to all of the water pollution control projects in its respective state. The

factors to be considered in arriving at the formula were: the severity of pollution, the population affected, the need to preserve high quality waters, and national priorities. It is noted that certain areas of the country have been designated by the United States EPA as having a high national priority. The United States EPA allowed a great deal of latitude to the states in developing their priority systems. However, whatever the formula, the United States EPA required that it be reproducible.

Attempting to adhere to these regulations, the Illinois EPA devised a complex formula for assigning priorities which was approved by the United States EPA in October, 1973. Using that formula, the Illinois EPA assigned priorities to all grant applicants in the State. In November, 1973, the Illinois EPA held a series of public hearings concerning the Project Priority List for fiscal year 1974, pursuant to federal regulations. After the hearings, a final list was prepared, establishing priorities for the distribution of federal funds for fiscal year 1974.

The same procedure was followed for allocating the fiscal year 1975 funds. A preliminary list was prepared, a series of hearings were held in May, 1974, and then a final list was drafted on June 15, 1974.

In order to evaluate the Illinois EPA's formula for assigning priorities to projects in the State, the Commission gathered reams of documents, including the transcripts of the two series of hearings conducted by the Illinois EPA in connection with the Project Priority Lists for fiscal years 1974 and 1975. Documents were also obtained from the United States EPA, and the

Metropolitan Sanitary District of Greater Chicago. These documents are currently being examined by Commission investigators. Additionally, officials of those agencies have been interviewed.

A preliminary analysis indicates that Illinois EPA did adhere to federal requirements for generating a priority list for fiscal years 1974 and 1975. However, the manner in which the Illinois EPA developed the formula used to generate the priority lists is under current investigation by us. The formula appears to be biased, intentionally or unintentionally, against large metropolitan areas, especially the Chicago metropolitan area. And the formula apparently was developed without any public input.

The Commission is currently examining the possibility that the entire Grant Priority System, developed by the Illinois EPA, is faulty and operates contrary to the public interest.

6. Abuses in the Auto Repair Industry

On July 1, 1974, House Resolution 1010, sponsored by Representatives Bruce L. Douglas and John Edward Porter, was adopted. It mandated us to investigate questionable practices of automobile repair shops and the automobile repair industry.

We have already interviewed several dozen individuals in the Chicago area who identified auto repair shops engaged in many fraudulent and abusive practices, including, but not limited to, the following:

- shoddy workmanship;
- unauthorized repairs;
- excessive charges;
- charges for labor not performed;
- charges for parts not supplied;
- fraudulent replacement of non-defective parts;
- charges for new parts when the same parts are rebuilt or used parts installed;
- charges in excess of estimates; and
- improper towing of vehicles, causing additional damage.

We culled the files of the following governmental agencies concerning complaints of abusive auto repair practices: Consumer Fraud and Protection Division, Illinois Attorney General; Consumer Fraud Complaint Division, Cook County State's Attorney; the Federal Trade Commission; the Consumer Advocate to Governor Walker; and the City of Chicago Department of Consumer Sales, Weights and Measures.

We have already obtained the cooperation of the Cook County Pro Se Court in compiling data regarding law suits filed by private citizen complainants against auto repair establishments, and have solicited the same cooperation from the Circuit Court Clerks of the remaining 101 counties in Illinois.

In an effort to tap every possible source of information concerning abusive automobile repair practices, we consulted the following organizations: the Better Business Bureau of Chicago; Independent Garage Owners of America; Automotive Services Council of America; Illinois Petroleum Council; Chicago Motor Club; American Automobile Association; Chicago Automobile Trade Association;

Motor Vehicle Association of the United States; and Independent Garage Owners of Chicago Area.

An official of the Automotive Council of Information, headquartered in New York City, which has had extensive exposure to the auto repair abuses problem, was interviewed for assistance. At our request, we also obtained some material from the California Bureau of Automotive Repair.

At our request, the automobile editor of the Chicago Tribune informed readers of his weekly feature column, who had specific complaints, to contact this office. As a result of that program, we interviewed several complainants.

House Resolution 1010 also mandated our Commission to recommend legislative actions which the General Assembly might take to remedy alleged abuses of consumers by automobile repair shops. In that regard, we are researching the laws of other states, and have obtained a transcript of hearings held in California last year prior to the enactment of a new law by that state.

Our investigation and legal research will continue into 1975.

7. Kane County Jail

House Resolution 1111, sponsored by Representative John Jerome "Jack" Hill, and adopted on July 1, 1974, mandated this Commission to make a thorough investigation of conditions at the Kane County Jail, which was strongly criticized in a June 25, 1974, report by the Kane County Grand Jury as being "filthy, deplorable and unsanitary."

We obtained copies of the 1974 Kane County Grand Jury report as well as 17 prior reports

from that body; the oldest one was dated May 4, 1969. We also obtained copies of prior annual inspection reports of Kane County Jail by the Illinois Department of Corrections, dated: October 30, 1970; October 30, 1971; January 3, 1972; October 16, 1973; and August 9, 1974. Another State agency, the Department of Public Health, also cooperated with us by supplying a copy of their June 14, 1972, inspection report of Kane County Jail.

We were unable to interview the Sheriff of Kane County because he has been ill and under a doctor's care. However, we obtained a copy of his answer to a petition by the Kane County State's Attorney to compel compliance with the recommendations of the Grand Jury's 1974 report. Incidentally, that petition has been withdrawn on the promise that the Sheriff's office will comply with some of the recommendations.

We interviewed the Acting Sheriff, the warden, 14 correctional officers and other Kane County Jail personnel, and two members of the Kane County Board of Commissioners.

A total of 15 inmates of Kane County Jail, during the period of the Grand Jury's inspection of that institution, were interviewed by us. Eleven of these inmates were located and interviewed at Menard and Vandalia State penitentiaries. Four of them had since been discharged, and were located and interviewed in their local residences.

Our final report of this investigation should be completed and distributed the early part of 1975.

8. Drug Abuse in Secondary Schools

House Resolution 995 was adopted on June 6, 1974, by the Illinois House of Representatives. Thirty Representatives sponsored this resolution. They included: Henry J. Hyde, Donald E. Arnell, Tobias Barry, Charles M. Campbell, Clyde L. Choate, Brian B. Duff, Joseph B. Ebbesen, John E. Friedland, Adeline Jay Geo-Karis, W. Joseph Gibbs, Ronald E. Griesheimer, John E. Grotberg, John Jerome "Jack" Hill, Robert H. Holloway, and George "Ray" Hudson.

The remaining sponsors were Representatives: Carl T. Hunsicker, Robert S. Juckett, John C. Kriegsman, Leo D. La Fleur, James P. McCourt, Thomas H. Miller, James Philip, Ben Polk, Eugene F. Schlickman, Joseph G. Sevcik, Gerald W. Shea, Dr. Norbert G. Springer, Fred J. Tuerk, R. Bruce Waddell, and Richard A. Walsh.

House Resolution 995 instructed the Commission to (1) investigate the extent and pattern of criminal behavior regarding the sale to and use of drugs and among persons attending secondary schools in Illinois, and (2) submit legislative recommendations for more effective enforcement of the law regarding the apprehension and punishment of criminal distributors.

This will be a long range investigation. We will first attempt to determine the nature and extent of the problem in the Chicagoland area. This task took us through the end of 1974 and will continue in 1975. At a later date we will also try to assess the problem in other large metropolitan areas of the State.

We succeeded in identifying certain secondary schools in Chicago and their environs where drug

trafficking and abuse have been especially serious. In that regard, we have obtained vital statistics and data from the Chicago Board of Education. We interviewed representatives of that Board, as well as superintendents, counselors, disciplinarians, youth officers, social workers, and other staff members of various Chicago schools.

Persons from different sections of the Chicago Police Department were interviewed, and statistical arrest data was obtained from them. We also received cooperation from the Metropolitan Enforcement Group, comprised of drug enforcement specialists from many suburban law enforcement agencies in the greater Chicago area.

Representatives of various community groups involved in drug rehabilitation have been interviewed, and their facilities were visited.

We hope to obtain firsthand knowledge concerning drug trafficking and abuse on secondary school campuses from some cooperative students.

Statistics from the office of the Cook County Coroner concerning deaths from drug overdoses, report the escalation of the serious drug abuse problem. In 1973, a total of 44 youngsters, 20 years of age and under, died from such overdoses. A total of 61 individuals in that age group died just during the first nine months of 1974.

We studied the feasibility of conducting a Statewide survey of all secondary schools to determine the probable drug abuse population, using a questionnaire to be answered by every student in those schools. It readily became apparent that the cost would be prohibitive, and it would require a large staff to administer and evaluate the results, so the idea was abandoned.

We learned that the Illinois Dangerous Drug Commission has given a \$160,000 federal grant to the Institute for Juvenile Research, to conduct an extensive drug survey throughout Illinois on drug abuse among children, ages 14 to 18. We expect to receive the results of that survey. We have also learned of a comparable survey to be made in the City of Deerfield, to be sponsored and financed by that north shore municipality, and to be conducted by a professor at Northwestern University. We also expect to receive the results of that survey.

9. Alleged Corruption

Specific Resolution 7 was adopted by the Commission on September 17, 1974, when the General Assembly was not in session. It was based on a request of the Illinois Auditor General for our Commission to investigate an allegation that an unidentified person paid \$1,000 to have three moving violation convictions eliminated from the records of the Secretary of State's office.

We are attempting to identify the person or persons who are allegedly in collusion with one or more persons employed by the Secretary of State. The investigation is continuing.

10. Ada S. McKinley Community Services

House Resolution 1069 was adopted on July 1, 1974, by the Illinois House of Representatives. The sponsors of the resolution were the following Representatives: James C. Taylor, Raymond W. Ewell, Thomas J. Hanahan, Jr., Emil Jones, Jr., Charles F. Keller, Langdon Patrick, William A. Redmond, Isaac R. Sims, and Harold Washington.

This resolution mandated the Commission to conduct an investigation of the operations of the Ada S. McKinley Community Services organization which is financed wholly or in part by funds from State agencies, particularly the Illinois Department of Mental Health and Developmental Disabilities.

The Ada S. McKinley Community Services, Inc., is a private not-for-profit organization. The corporate charter on file with the Illinois Secretary of State states: "It is an inner-city social agency whose purpose is to provide key social services to the critically deprived residents of Chicago's ghetto communities. The agency seeks through a growing number of programs and through the constantly increasing effectiveness of its services to assist inner-city individuals and families in solving problems common to ghetto life."

We have already interviewed several people with direct knowledge of the operations of this organization, including former employees and State officials. Our intensive investigation continues.

Chapter 5

OTHER MATTERS

A. Horse Racing

Information was supplied to the Illinois Racing Board concerning alleged criminal practices in downstate harness and thoroughbred race tracks, including illegal medication of horses, fraudulent foal registrations, corruption of parimutuel ticket clerks, and misappropriation of track admission fees by track employees.

B. Murder of Hillside Police Officer Anthony Raymond

In our 1973 activities report we cited the fact that based on information supplied by this Commission, agents of the Illinois Bureau of Investigation and the Cook County Sheriff's Police, working with police authorities in Wisconsin, discovered the body of Hillside Police Officer Anthony Raymond in a shallow grave adjacent to a Wisconsin farm about 350 miles from Chicago, on August 18, 1973.

On October 7, 1974, the Commission's Chief Investigator, wearing a mask disguise to protect his identity, testified in the chambers of the presiding judge during the murder trial in Cook County Circuit Court, of Silas C. Fletcher. The court refused the defense motion to compel our agent to identify his confidential informant.

C. Fencing

Through an undercover investigation conducted by agents of our Commission, Lonza Lee Holmes, 27, 5618 South Martin Luther King Drive, Chicago, and his wife, Dorothy Holmes, 25, were arrested on

August 8, 1974, by the Illinois Bureau of Investigation, for possession of the following stolen property: 14 watches, 3 rings and 3 handguns.

As an aftermath of that case, federal authorities arrested Abraham Foote and Robert L. Hamilton on August 22, 1974. Three more handguns were seized from them. These defendants had stolen the six guns from packages handled by the United Parcel Service, 1400 South Jefferson Street, Chicago, where they had been employed.

In an independent fencing investigation two persons were arrested on March 11, 1974, when they delivered about \$1,000 in stolen do-it-yourself hobby kits to a Commission undercover agent. The defendants were Rolando J. Correa, 23, 2208 North Sacramento, Chicago, and Francisco Perez, 23, 3026 West Belden, Chicago.

D. Narcotics

Our 1971 activities report included the fact that Anthony Esposito, a labor union official, was convicted in federal court in Chicago on February 25, 1972, for violation of the narcotic laws, on information furnished by this Commission.

On September 13, 1974, Esposito was finally sentenced to two and one-half years in the penitentiary, after Judge Thomas R. McMillen had twice been prodded to do so by rulings of the United States Court of Appeals.

When Esposito was found guilty by the jury, the judge vacated the judgment, ruling that the indictment was defective. The government appealed and in January, 1973, the Court of Appeals ruled in favor of the government, ordering the judge to impose sentence. Esposito petitioned for a new trial which Judge McMillen refused to grant,

but he still refused to sentence Esposito. On September 11, 1974, the Court of Appeals again ruled in favor of the government, and again ordered the judge to sentence Esposito.

Esposito, the former secretary treasurer of Local 1001 of the Municipal Employees Union, subsequently was the field representative for the international union.

E. Prostitution

Based on information received by our undercover agents, and furnished to the Vice Control Division of the Chicago Police Department, two call-girls were arrested on March 28, 1974. The defendants were Rowena K. Crofton, 18, and Sheryl A. Friedman, 18, who had been operating from 3748 West Irving Park Road, Chicago.

We also submitted other criminal intelligence information to the Chicago Police Department and the Cook County Sheriff's Police concerning street prostitutes, call-girls and procurers.

F. Illicit Traffic in Stolen Securities

The subject of organized crime involvement in the securities field, in connection with our investigation of House Resolution 119, was included in our 1973 activities report. One of the cases we developed concerned the arrest of Arthur Ralph Taylor, William Hinkel, and Jerry Fisher for the attempted sale to a Commission undercover agent of 991 shares of stock securities stolen from the United States mails, enroute from the Jacksonville, Florida, brokerage office of Thomson, McKinnon, Auchincloss, and Kohlmeyer, Inc., to New York City.

The defendants were indicted in federal court in Chicago on June 17, 1974. On November 18, 1974, Taylor and Hinkel were convicted: Taylor was sentenced to two years in prison and Henkel was sentenced to 18 months. The case against Fisher is still pending.

G. State Building Contracts

Four persons, involved in our 1973 investigation of State building contracts, were indicted in federal courts in 1974. Talmadge G. Rauhoff, 52, of 104 North Stough Avenue, Hinsdale and J. Patrick Stoltz, 45, former president of the Metal Stamping Corporation of Conway, Arkansas were indicted in Chicago. Ralph Vancil, 53, of Cairo, and Milo H. Vogt, 36, of Petersburg, were indicted in Springfield.

The Commission's 1973 activities report contained a summary of the investigation we conducted of State building contracts, and particularly the Capitol Rehabilitation Project, pursuant to Senate Joint Resolution 79, adopted on June 30, 1972.

Among other things, we indicated that there had been some evidence of wrongdoing, and that we had made our files and the transcripts of our public hearings available to the United States Attorney in Springfield.

We pointed out at that time that several witnesses had invoked the Fifth Amendment in declining to answer questions at our public hearings; that in view of the fact that some of these persons were then under federal investigation and the subject of imminent criminal indictments, the Commission did not wish to jeopardize those efforts, and therefore, did not exercise our power to offer immunity to those witnesses.

Talmadge G. Rauhoff's construction company had performed considerable work on the Capitol Rehabilitation Project. During our investigation of his activities, we also learned of kickbacks allegedly made to former Secretary of State Paul Powell by J. Patrick Stoltz to win contracts for the latter's Arkansas firm to produce Illinois license plates.

Rauhoff testified at our public hearings. He answered questions concerning the Capitol Rehabilitation Project, but would not answer any questions concerning the license plate kickback scheme.

Rauhoff, Stoltz, and another person were indicted in federal court in Chicago on January 30, 1974.

On March 26, 1974, Stoltz pleaded guilty to charges of mail fraud, bribery, and conspiracy. He was sentenced to three years' probation, fined \$30,000, promised to repay \$80,000 of bribe money to the State Treasury, and agreed to testify in the trial, which has not yet been scheduled, against Rauhoff and the other defendant.

In an independent prosecution, Ralph Vancil and Milo H. Vogt, both of whom were heating and airconditioning contractors, were indicted in federal court in Springfield on March 8, 1974. The 48-count indictment charged the defendants with bribing the late Paul Powell and working with him to submit bids to obtain lucrative State building contracts. It is alleged that these defendants gave Powell a kickback of \$90,000.

Vancil had invoked the Fifth Amendment at our 1973 public hearings. Vogt testified but denied giving any kickbacks to Powell or anyone

else. James S. White, a former employee of Powell, and a witness before the federal grand jury that indicted Vancil and Vogt, had also invoked the Fifth Amendment at our 1973 public hearings.

H. Alleged Fraudulent Scheme to Obtain State Licenses

Information was developed and furnished to the Cook County State's Attorney regarding a scheme between a private citizen and unknown persons employed by the Illinois Department of Registration and Education to obtain licenses on intentionally falsified applications and affidavits.

I. Lectures

The Executive Director again addressed universities, law enforcement agencies, community groups, and other interested organizations, concerning the activities of the Commission and various aspects of organized crime. He also addressed the 1974 annual conference of the Law Enforcement Intelligence Unit, a national organization of organized crime specialists, on the subject of "fencing" (criminal redistribution of stolen property) and the "scam racket" (fraudulent bankruptcy).

For the second consecutive year, the Commission's Chief Investigator lectured to a class of Illinois Bureau of Investigation agents concerning financial crimes.

J. Cooperation with Other Agencies

We continued to enjoy a cooperative relationship with many State, county, local and federal

law enforcement and regulatory agencies in Illinois.

All of our requests for the development of investigative leads out-of-state, in furtherance of the Commission's investigations in Illinois, were handled by members of the Law Enforcement Intelligence Unit, a national organization composed of organized crime specialists in state and local law enforcement agencies throughout the country. The Commission has extended reciprocal assistance to these agencies in all matters of mutual interest. The Commission's Executive Director has been a member of L.E.I.U. since 1963.

Chapter 6

PERSONNEL & EXPENDITURES

The Commission receives no monies other than appropriations granted by the General Assembly.

A. Personnel

Following is a list of the Commission's present employees, their titles and salaries, as of December 31, 1974.

| <u>Name</u> | <u>Title</u> | <u>Annual Salary</u> |
|----------------------|-----------------------------|----------------------|
| Charles Siragusa | Executive Director | \$40,600 |
| Howard O. Roos | Chief Investigator | 25,575 |
| Ronald Ewert | Senior Investigator | 21,035 |
| John W. Baylor | Admin. Assistant | 18,300 |
| Jordan H. Bodenstein | Assistant Counsel | 16,272 |
| Edward J. Doyle | Investigator | 16,272 |
| William P. White III | Assistant Counsel | 16,200 |
| Thomas L. Costello | Invest. Reporter | 16,200 |
| Michael E. Pawlowski | Investigator | 15,100 |
| Jeffrey C. Green | Investigator | 14,275 |
| Dennis A. Hamilton | Investigator | 14,275 |
| Thomas R. Hampson | Investigator | 14,275 |
| Charles R. Wilson | Investigator | 14,275 |
| Rex R. Bivins | Investigator | 13,200 |
| Kathleen Gober | Admin. Clerk | 9,500 |
| D. Darline Hoffman | Stenographer | 9,050 |
| Teresa A. Jamerson | Stenographer | 9,050 |
| Linda S. Boldyga | Stenographer | 8,600 |
| Debra A. Nawara | Receptionist | 7,525 |
| Marsha A. Sarelli | Stenographer (Part Time) | 3,354 |

Two investigators from the Chicago Police Department are still on detached duty to the Commission. Their salaries are paid by their Department.

B. Expenditures

From January 1, 1974, through June 30, 1974, the Commission's expenditures were paid out of the 1974 fiscal year appropriation. That appropriation was \$406,000.00. Expenditures for the first six months of 1974 were as follows:

| | |
|-----------------------------|-----------------|
| Personal Services | \$129,772.28 |
| Retirement | 7,786.28 |
| Social Security | 7,177.27 |
| Contractual Services | 27,870.68 |
| Travel | 7,959.99 |
| Commodities | 1,812.00 |
| Printing | 19,402.34 |
| Equipment | 14,073.04 |
| Telecommunications | 6,068.28 |
| Operation of Auto Equipment | <u>5,321.57</u> |
| TOTAL | \$227,243.73 |

From July 1, 1974, through December 31, 1974, the expenditures were paid out of the 1975 fiscal year appropriation of \$513,000.00. Expenditures for the second six months of 1974 were as follows:

| | |
|-----------------------------|-----------------|
| Personal Services | \$145,385.52 |
| Retirement | 9,304.66 |
| Social Security | 5,914.74 |
| Contractual Services | 35,739.21 |
| Travel | 7,809.23 |
| Commodities | 2,903.05 |
| Printing | 12,351.39 |
| Equipment | 75.60 |
| Telecommunications | 3,900.48 |
| Operation of Auto Equipment | <u>3,491.59</u> |
| TOTAL | \$226,875.47 |

Thus, for the 12 month period ending December 31, 1974, the Commission expended the following:

| | |
|--------------------------------|-------------------|
| Jan. 1 thru June 30, 1974..... | \$227,243.73 |
| July 1 thru Dec. 30, 1974..... | <u>226,875.47</u> |
| TOTAL | \$454,119.20 |

Chapter 7

ILLINOIS LEGISLATIVE
INVESTIGATING COMMISSION ACT

Section 1. Legislative Intent. It is the intent of the General Assembly to provide its members with facilities, equipment, authority, and technical staff to conduct investigations, including public hearings, on any matter upon which the General Assembly may legislate.

This Act, and the jurisdiction of the Commission created thereby, is not intended to be in derogation of the jurisdiction of any Grand Jury of any county in the State.

Section 2. Definitions. As used in this Act:

(1) "Commission" means the Illinois Legislative Investigating Commission created by Section 3 of this Act.

(2) "Person" includes natural persons, public officials, partnerships and associations of persons and corporations.

(3) "Hearing" means a proceeding, whether public or private, held before the Commission or before a designated subcommittee of the Commission.

(4) "Investigation" means a proceeding held anywhere in this State before the Executive Director of the Commission, the Chief Investigator of the Commission or Commission Counsel, at which a person appears for the purpose of giving testimony or producing evidence voluntarily or in response to a subpoena.

(5) "Chairman" includes any co-chairman.

(6) "Commission Counsel" includes the Commission's Chief Counsel, any Associate or Assistant Counsel, or any designee of the Office of the Attorney General selected to represent the Commission.

Section 3. Creation of Commission -- Appointment of Members -- Terms -- Vacancies -- Chairmen -- Rules. There is created the Illinois Legislative Investigating Commission, consisting of six members of the Senate, three of whom shall be appointed by the President thereof and three of whom shall be appointed by the Senate Minority Leader; and six members of the House of Representatives, three of whom shall be appointed by the Speaker thereof and three of whom shall be appointed by the House Minority Leader. The members shall be appointed within 30 days after the effective date of this Act and during the month of June of each odd numbered year thereafter, and shall serve until July 1 of the next succeeding odd numbered year and until their successors are appointed and qualified, except that General Assembly members shall serve until their respective successors are appointed or until termination of their legislative service, whichever first occurs. Vacancies shall be filled for the unexpired term in the same manner as original appointments. Appointments shall be in writing and filed with the Secretary of State as a public record. Members of the Commission shall serve without compensation but shall be reimbursed for necessary expenses incurred in the performance of their duties. The Commission shall organize, select a chairman and such other officers as it deems expedient from its membership and provide rules for the transaction of its proceedings.

Section 4. Executive Director -- Other employees. The Commission shall appoint an Executive Director, who shall devote his full time to the exercise of general supervision of all investigations and proceedings by the Commission. The Executive Director shall receive a salary to be fixed by the Commission.

The Commission may appoint such other employees as it may from time to time find necessary for the proper performance of its duties, and may fix their compensation without regard to civil service laws.

Section 5. Payment of salaries and expenses -- Vouchers. The salaries of the Executive Director and other personnel, and the expenses of the Commission including necessary travel and subsistence expenses incurred by the Commissioners, Executive Director and other employees of the Commission shall be allowed and paid on the presentation of itemized vouchers therefor, approved by the Commission or by any Commissioner it designates for that purpose.

Section 6. Investigative expenses -- Accounting procedures and records. The Executive Director and other employees of the Commission may, when authorized by the Commission, expend such sums from a revolving trust fund, not to exceed \$3,000, as the Commission deems necessary for investigative expenses. The Commission shall maintain a system of accounting procedures and records as developed by the Auditor General to accurately reflect the disbursements of the amounts spent. These accounting procedures and records will be submitted to the Auditor General annually for review, and subsequently the Auditor General will issue an opinion to the Audit Commission as to the reliability of such records.

Section 7. Reports to the General Assembly and the Governor. The Commission shall, on or before February 1, 1972, and every two years thereafter, submit a detailed written report of all completed investigations, conclusions drawn therefrom, recommendations for legislation, recommendations for administrative action, the names, salaries and duties of all officers and employees in its employ, and an account of all monies received and disbursed, to the General Assembly and to the Governor. The Commission may omit the names of undercover investigators from its reports.

Section 8. Powers of Commission -- Investigations. The Commission shall only act, with respect to any investigation under the powers conferred upon it by this Act, pursuant to resolutions adopted by the Senate or House or as hereinafter provided in this Section. At any time when the General Assembly is not sitting, the Commission may act by a written resolution authorized by a three-fourths vote of the members appointed to the Commission and signed by both Co-Chairmen of the Commission. The subject matter of the Commission Resolutions shall be limited to matters which have not been considered by either House of the General Assembly. The Commission, by its own action, may, by subcommittee, or by its Executive Director, or by such agents or agencies as it may designate, conduct any inquiry reasonably related to the specific resolution adopted by either House of the General Assembly or to the Commission's own resolution. Inquiries conducted pursuant to authorization may be conducted within or without the State. A Commissioner participating in such an inquiry shall not be disqualified from subsequently participating in the hearings or reports of the Commission.

Section 9. Principal office of Commission. The principal office of the Commission shall be in the City of Chicago but the Commission, individual Commissioners and the Executive Director may perform any of their duties, exercise any of their powers, or conduct meetings, examinations and hearings at any other place.

Section 10. Assistance to and from public officers and committees. The Commission has power to extend assistance to and to demand and receive assistance from all State public officials and employees and may extend cooperation to and request the cooperation of Standing or Special Committees of the Congress of the United States of America, or of the General Assembly of this or any other State.

Section 11. Investigative powers. The Commission has the power to investigate generally any allegation which if proved would constitute a breach of public trust, a conflict of interest, a crime, a defect or omission from the laws of this State, or malfeasance, misfeasance or non-feasance within this State.

Section 12. Jurisdiction of Commission. In each investigation the jurisdiction of the Commission will be established by the terms of the specific resolution adopted by either House of the General Assembly or the Commission itself. Nothing in this Act shall prevent a legislative member of any other State Commission from introducing a resolution in the General Assembly which concerns a matter arising from the activities of his own commission, but which cannot be adequately investigated by his own commission's staff.

Section 13. Hearings -- Oaths -- Witness' right to counsel -- Television, film or broadcast -- Opportunity to answer accusations. The

Commission has the power to conduct public or private hearings to accomplish the several purposes and exercise the powers of the Commission, and in that connection to designate a subcommittee of the Commission, to preside over such hearings. Any Commissioner, the Executive Director, or Commission Counsel may administer oaths and affirmations, examine witnesses and receive evidence. A witness at any public or private hearing shall have the right to have counsel present of his own choice, for the purpose of advising him of his constitutional rights. No hearing shall be televised, filmed or broadcast by radio; nor shall any mechanical, photographic or electronic record of the proceedings at any hearing be televised or screened, or broadcast by radio, except upon the written approval of the Commission.

A person accused of an irregularity at a public hearing, who desires to answer the accusation, shall be given the opportunity to do so at the earliest convenience of the Commission or the subcommittee holding the hearing, as the case may be, but not later than 90 days thereafter.

Section 14. Subpoenas. The Commission may require by subpoena the attendance and testimony of witnesses and the production of documentary evidence relating to any matter under investigation or hearing. The Chairman or the Executive Director may sign subpoenas which may be served by any Commissioner, the Executive Director, or any agent or public official authorized by the Commission, or by any person lawfully authorized to serve a subpoena under the laws of the State of Illinois. The attendance of witnesses, and the production of documentary evidence, may be required from any location in the State, at any designated place of hearing within the State, and before the Commission as a whole, before a duly

constituted subcommittee of the Commission or before the Executive Director or the Chief Investigator of the Commission or the Commission Counsel. Witnesses summoned before the Commission, or a subcommittee of the Commission, the Executive Director, the Chief Investigator or the Commission Counsel shall be paid the same fees and mileage expenses that are paid in the Circuit Courts of the State and witnesses whose depositions are taken and the persons taking those depositions are each entitled to the same fees as are paid for like services in actions in the Circuit Courts of the State. Fees and mileage shall be paid when the witness is discharged from further attendance. In case of disobedience to a subpoena, the Commission may petition any Circuit Court of the State for an order requiring the attendance and testimony of witnesses or the production of documentary evidence or both. A copy of such petition shall be served by personal service or by registered or certified mail upon the person who has failed to obey that subpoena, and such person shall be advised in writing that a hearing upon the petition will be requested in a court room to be designated in that notice before such judge as may be hearing motions or extraordinary remedies at a specified time, on a specified date, not less than three nor more than five days after the deposit of the copy of the written notice and petition in the U.S. mails addressed to the person at his last known address or after the personal service of the copy of that notice and petition upon such person. The court, upon the filing of such a petition, may order the person refusing to obey the subpoena to appear at a designated place pursuant to any investigation or hearing, or to there produce documentary evidence, if so ordered, or to give evidence relating to the subject matter of that investigation or hearing. Any failure to obey such order of the

Circuit Court may be punished by that court as a civil and/or criminal contempt upon itself.

Section 15. Refusal to testify or produce evidence -- Self-incrimination -- Compelling testimony and production of evidence. In any examination by or hearing before the Commission, if a person refuses to answer a question or produce evidence of any other kind on the ground that he may be incriminated thereby, and if the Chairman or the Executive Director, in writing, requests a Circuit Court of the State to order that person to answer the question or produce the evidence, the court shall so order unless it finds that to do so would be contrary to the public interest, and that person shall comply with the order. After complying, and if, but for this Section, he would have been privileged to withhold the answer given or the evidence produced by him, that person shall not be prosecuted for or on account of any transaction, matter or thing concerned which, in accordance with the order, he gave answer or produced evidence. He may, nevertheless, be prosecuted or subjected to penalty or forfeiture for any perjury or contempt committed in answering, or failing to answer, or in producing or failing to produce, evidence in accordance with the order. The court shall not order any such person to testify or produce evidence if it reasonably appears to the court that such testimony or evidence, documentary or otherwise, would subject such witness to an indictment, information or prosecution (except for perjury committed in the giving of such testimony or the producing of such evidence) under the laws of another State or of the United States.

Section 16. Rules and Regulations. The Commission may from time to time make, amend and rescind such rules and regulations as may be

necessary to carry out the provisions of this Act, including rules and regulations for calling and holding meetings of the Commission. A copy of all rules and regulations and amendments or rescissions thereof shall be filed with the Secretary of State within a reasonable time after their adoption.

Section 17. Severability of invalid provisions. If any provision of this Act or the application thereof to any person or circumstance is invalid, such invalidity shall not affect other provisions or applications of the Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are declared to be severable.

Section 18. Case law concerning Crime Investigating Commission -- Applicability -- Short title. All previous case law concerning the former activities of the Illinois Crime Investigating Commission developed by State and Federal courts is applicable in relevant provisions to the Illinois Legislative Investigating Commission.

Section 19. Short Title. This Act shall be known and may be cited as the "Illinois Legislative Investigating Commission Act."

Section 20. Repealer. "An Act creating a commission to investigate crime, enumerating the powers and duties of such commission and making an appropriation therefor," approved June 20, 1963, as amended, is repealed.

Chapter 8

RULES OF PROCEDURE

ILLINOIS LEGISLATIVE
INVESTIGATING COMMISSION
(As amended to December 14, 1972)

Rule 1. Investigations. No major investigation shall be initiated except those authorized by the Illinois Legislative Investigating Commission Act, Ill. Rev. Stat. ch. 63 §308 et seq. (1971). However, preliminary inquiries may be initiated by the Commission staff with the approval of either Co-Chairman of the Commission.

Rule 2. Subpoenas. Subpoenas for attendance of witnesses and the production of memoranda, documents and records shall be issued by the Executive Director of the Commission or by either Co-Chairman. Said subpoenas may be issued for the questioning of prospective witnesses by the Executive Director, or a Co-Chairman, either in private or before the full Commission, or any subcommittee thereof.

Rule 3. Meetings. (a) Call by Chairmen. Either Co-Chairman shall have the authority to call meetings of the Commission. A Co-Chairman shall not schedule any hearings or series of hearings outside the State of Illinois without giving at least 48 hours notice thereof to the members of the Commission.

(b) Call by Commission Membership. Should a majority of the membership of the Commission request the Co-Chairmen in writing to call a meeting of the Commission, then in the event the Co-Chairmen should fail, neglect, or refuse to call such meeting within 10 days thereafter, such majority

of the Commission may call such meeting by filing a written notice thereof with the Executive Director, who shall promptly notify in writing each member of the Commission.

Rule 4. Quorum. Any seven members of the Commission shall constitute a quorum for the purpose of taking testimony under oath in any given case or subject matter before the whole Commission. A Co-Chairman may, however, appoint subcommittees for the purpose of taking testimony. The membership of each subcommittee so appointed by a Co-Chairman shall consist of not less than three members of the Commission. Such subcommittee may include the Co-Chairman making the appointments. A minimum of two members of the Commission must be present when any evidence is taken by any subcommittee.

Rule 5. Witnesses. (a) Testimony Under Oath. All witnesses at public or executive hearings who testify to matters of fact shall be sworn.

(b) Right to Counsel. Counsel retained by any witness and accompanying such witness shall be permitted to be present during the testimony of such witness at any public or executive hearings, and to advise such witness, while he is testifying, of his legal rights. Provided, however, that no attorney who is employed by a governmental agency may appear on behalf of any governmental officer, official, or employee who is called to testify. This rule shall not be construed to excuse a witness from testifying in the event his counsel is ejected for contumacy or disorderly conduct; nor shall this rule be construed as authorizing counsel to suggest answers to the witness, reply for the witness, or otherwise interject himself as a surrogate witness. The failure of any witness to secure counsel shall

not excuse such witness from attendance in response to a subpoena.

(c) Interrogation. Interrogation of witnesses at Commission hearings shall be conducted by Commission members, by the Executive Director, or by the Chief Counsel of the Commission.

(d) Submission of Questions; Cross Examination. No person who is the subject of interrogation at public hearings may submit to the Commission questions in writing for the cross examination of other witnesses called by the Commission. With the consent of a majority of the members of the subcommittee present and voting, these questions shall be put to the witness by any member of the subcommittee, by the Executive Director, or by the Chief Counsel of the Commission.

(e) Request to Appear. Any person whose name is mentioned or who is specifically identified, and who believes that testimony or other evidence presented at a public hearing, or comment made by a member of the Commission or its staff, tends to defame him or otherwise adversely affect his reputation may: (1) request to appear personally before the subcommittee to testify on his own behalf: or, in the alternative (2) file a sworn statement of facts relevant to the testimony or other evidence or comment of which he complains. Such request and such statement shall be submitted to the Commission for its consideration and action.

Rule 6. Prepared Statements. Any witness desiring to read a prepared or written statement in public or executive hearings shall file a copy of such statement with the Chief Counsel or any Co-Chairman of the Commission 24 hours in advance

of the hearings at which the statement is to be presented. The Commission shall determine whether such statement may be read or placed in the record of the hearing.

Rule 7. Preservation of Testimony. An accurate stenographic record shall be kept of the testimony of all witnesses appearing at public and executive hearings. The record of his own testimony whether in public or executive session shall be made available for inspection by the witness or his counsel under supervision. A copy of any testimony given in public session or part of the testimony given by the witness in executive session and subsequently quoted or made part of the record in a public session shall be made available to any witness at his own expense if he so requests.

Rule 8. Secrecy of proceedings. All testimony taken in executive session of the Illinois Legislative Investigating Commission and all statements or comments made by Commission members or others in attendance at executive session shall be kept secret and will not be released for public information without the approval of a majority of the Commission. All other testimony, evidence or data, except that which is adduced in the course of a public hearing, which constitute products of the investigative efforts of the Commission or its staff, including all memoranda, photographs, recording tapes, films, records, and files, shall be kept secret and will not be released for public information without the approval of a majority of the Commission. This section shall not apply to any documents or files which are part of the public domain, such as transcripts of public hearings, published materials, and materials which have previously been released for public inspection.

Rule 9. Staff Appointments. All staff members shall be confirmed by a majority of the Commission. After confirmation, the Co-Chairmen shall certify staff appointments to the State Comptroller in writing.

Rule 10. Proceedings to Grant Immunity.
(a) A request to grant a witness immunity pursuant to Section 15 of the Illinois Legislative Investigating Commission Act shall be made only after the refusal of the witness to testify upon constitutional grounds before a meeting of the Commission followed by written authorization signed by a majority of the Commission.

(b) A request to grant a witness immunity under Section 15 of the Illinois Legislative Investigating Commission Act shall be made by a written petition made in the name of the Commission and its Executive Director and addressed to an appropriate circuit court of this State.

(c) Written notice of the presentation of an immunity petition shall be given at least seven days prior thereto to the Attorney General of the United States or his authorized representative, the Attorney General of the State of Illinois, and to the State's Attorney of the county in which the petition will be presented, and to such other prosecutive officers as the Commission shall direct. In the event written objection to the petition is made by a person entitled to notice thereof, at or before the presentation of the petition, the Chief Counsel of the Commission shall request a continuance of the hearing on the petition and the Commission shall promptly meet and consider its authorization granted pursuant to passage (a) hereof. In the event a majority of the Commission agrees with the objections to the grant of immunity

the petition shall be withdrawn. In the event a majority of the Commission disagree with the objections, the Chief Counsel for the Commission shall proceed with the presentation of the petition.

Rule 11. Transcripts of Meetings. An accurate, verbatim, stenographic record shall be kept of all meetings of the Illinois Legislative Investigating Commission. Immediately following each meeting, the stenographic record shall be transcribed and the transcript of all such meetings shall be considered to be the official record of the meeting. Minutes shall be prepared from the transcripts by the Chief Counsel of the Commission and a copy thereof shall be presented to each Commission member at the next scheduled meeting.

END