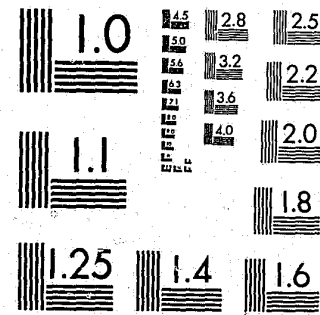


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**REPORT ON THE NATIONAL
DISTRICT ATTORNEYS ASSOCIATION
ECONOMIC CRIME PROJECT:
FIFTH GRANT PERIOD**

AUGUST 1980



Battelle

Human Affairs Research Centers

4000 N.E. 41st Street • Seattle, Washington 98105

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

SEPTEMBER, 1978 TO APRIL, 1980

Submitted to the

NATIONAL DISTRICT ATTORNEYS ASSOCIATION
ECONOMIC CRIME PROJECT

By

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This project is supported by Grant No. 78-DF-AX-0170; awarded by the Law Enforcement Assistance Administration, United States Department of Justice. Points of view or opinions stated in this report are those of the authors and do not necessarily reflect the official position or policies of the National District Attorneys Association or the United States Department of Justice.

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

EXECUTIVE SUMMARY

I. INTRODUCTION, HISTORY, OBJECTIVES

A. Background

Economic crime is a blight in America. Nobody knows the cost of economic crime to the American public, but a frequently quoted figure in a 1974 booklet by the U.S. Chamber of Commerce puts the figure at a minimum of \$40 billion a year. According to a 1977 LEAA-funded study, non-violent crimes against business firms alone cost \$30-\$40 billion per year.

But the problem is not simply one of economic loss. As one official of the U.S. Department of Justice stated, such efforts are important because:

- While the government can survive wars, domestic crises, and natural disasters, it cannot survive any sustained public impression that the government itself is corrupt.
- The government cannot turn back the clock of time and withdraw its commitment across a broad range of social issues concerning public health, safety, and well-being, but if the public perceives the programs to address these issues as "corrupt" (regardless of any low ratio of wasted funds to program costs) it will not support them, and people will suffer.
- People suffer as much from victimization by a fraudulent scheme as they do from being burglarized to an equivalent degree of monetary loss.
- It is important that a society and government which is founded on principles of equality, due process, and a rule of law, not men, establish that the rich and powerful are subject to the same laws as the impoverished and powerless.*

* Remarks of Assistant Attorney General Philip Heymann reported inter alia in Battelle Law and Justice Study Center, "Report: National Strategy Conference, National District Attorneys' Association Economic Crime Project, July 19, 1979." (Report dated August 31, 1979), at pp. 2-3.

B. History

In 1973, local prosecutors and staff of the National District Attorneys Association (NDAA) met in Columbus, Ohio, under the joint auspices of NDAA and the Academy for Contemporary Problems. At this meeting, which was organized and conducted by the Battelle Memorial Institute, the participants considered how local prosecutors could best respond to the white-collar crime challenge. As a result of these planning efforts, the Law Enforcement Assistance Administration (LEAA) funded the NDAA Economic Crime Project. Originally consisting of 15 LEAA-supported local economic crime units and an NDAA project staff, the Economic Crime Project (ECP) has since grown to include locally-supported Economic Crime Units in the offices of 66 prosecutors throughout the nation and an ECP Project Center in NDAA's Chicago office. LEAA provided grant support of \$1,984,958* since the Fall of 1978, when the Project began a new National Strategy initiative to foster federal, state, and local cooperation in the battle to contain white-collar crime. Earlier project reports and evaluations describe the history and impact of the Project to the beginning of this initiative; the purpose of this report is to describe and analyze Project efforts, lessons learned, problems encountered, and results obtained during the period from September, 1978, to April, 1980 (hereinafter referred to as the "current grant period").

Chapter One of this report provides a brief history of prior ECP efforts, summarizes the development of the current National Strategy initiative, and describes the goals and objectives of the present grant period. The federal government was becoming increasingly concerned about white-collar crime, as evidenced for example, in legislation creating Inspectors General offices in 14 federal departments and agencies. The U.S. Department of Justice had designated white-collar crime as one of its three major priorities. So, too, on the state level the National Association of Attorneys General (NAAG) and individual Attorneys General had been placing increasing emphasis on white-collar crime. The NDAA considered it essential to examine white-collar crime enforcement efforts on the state and federal level, and begin a dialogue to explore joint efforts to launch a National Strategy to combat white-collar crime. It contracted with the Battelle Law and Justice Study Center to conduct an NDAA Symposium on Development of a National Strategy for White-Collar Crime Enforcement in July, 1978, which brought together experts from federal, state, and local government, as well as from private and research sectors.

* LEAA Grant #78-DF-AX-0170.

C. Objectives

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

- Broadening the scope and character of economic crime violations to be dealt with by local prosecutors.
- Maximizing the usefulness of support services, through improved communication and liaison between prosecutors and investigative agencies or other agencies which refer cases for investigation/prosecution.
- Tapping new resources for investigative support.
- Executing prosecutive tasks in the field of white-collar crime enforcement so as to improve the overall effectiveness of criminal justice systems in this area, e.g., implementing prosecutive programs in a manner which will assist the improvement and effectiveness of other criminal justice system components.

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

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

- Continue to deliver expert assistance in the area of economic crime prosecution throughout the country.

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

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

More specific objectives were to:

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

- Increase interaction between local prosecutors and federal agencies.
- Develop written agreements of cooperation between local prosecutors and federal agencies.
- Establish five local-level "pilot programs," subsequently called "Lead Units."

3. National Strategy Approaches. Because the National Strategy initiative was a thrust into a new and relatively unexplored area, the NDAA grant application could provide but the sketchiest of directions for charting the course of this effort. Early National Strategy efforts explored a number of avenues knowing that some would lead to dead ends but unable to determine in advance which would do so. Effort was also made to be alert to targets of opportunity.

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

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

National Strategy goals and approaches were further refined at a second National Strategy Conference on July 19, 1979,

co-hosted by the NDAA and the FBI and held at the FBI's Washington headquarters, to inform those attending of National Strategy efforts to date, and assess these efforts to plan future efforts. While no specific goals for the remainder of the grant period were established at this meeting, there was general consensus that enough progress had been made to justify changing National Strategy emphasis from planning, meetings, and discussions to action initiatives.

II. THE PROGRAM COMPONENT

Chapter Two describes Program Component efforts in the current grant period. The Program Component was to continue Project operations began in prior years. The real impact of the Program Component is the result of the individual efforts of the Economic Crime Units in 68 jurisdictions across the country, which are located in 32 states and serve approximately 40% of the nation's population. Much of the national-level effort has been conducted by Task Forces made up of the district attorneys, Economic Crime Unit chiefs, and associate members from federal agencies, state attorneys general offices, the National Association of Attorneys General, other state agencies, and the private sector. These Task Forces have produced a series of manuals, provided technical assistance to individual units, and served as an effective vehicle in launching National Strategy initiatives. The national-level staff of the Project Center, in NDAA's Chicago office, arranges and conducts the Unit Chief meetings; sees to the publication and distribution of the Task Force Manuals, Economic Crime Digest, and other Project publications; performs clearinghouse and technical assistance functions; maintains the Economic Crime Project Reporting System, and generally assists the Economic Crime Units to keep in touch with each other.

A. The Economic Crime Units

The individual Units have achieved impressive results. Partial and incomplete statistics from Project inception in 1973 to the start of the present grant period, in September, 1978, indicate that those units which reported obtained some \$11,206,296 in court-ordered fines and restitution and \$30,157,520 in voluntary restitution and settlements. Data from 45 of these units, for just the first ten months' operation of the Economic Crime Project Reporting System (February through November, 1979) indicate that these units alone recovered \$13,566,593 in restitutions, fines, and penalties in this period. They obtained convictions in 1,036 cases, more than half of this at the felony level, and sent 333 persons to prison or jail.

As one might expect in elected officials' offices in 68 different jurisdictions, these units vary considerably in their size, nature, tone, and emphasis. Most of the units are

relatively small, although some have ten or more attorneys and an even larger number of investigators. Most units encompass only one jurisdiction (usually a county, as most prosecutors are elected on a county-wide basis), although one is a cooperative effort of five district attorneys' offices and another unit encompasses two counties.

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

Investigations of matters which are being explored for criminal prosecution (e.g., consumer fraud as opposed to consumer complaints) may come from citizen complaints, police officers, or referrals from other agencies. One of the major efforts of the National Strategy initiative is to encourage the referral of matters between units and federal or state agencies. When another agency refers a case to the unit, the referring agency may have conducted a rather thorough investigation resulting in a "package" containing investigative reports, lists of witnesses and what they are likely to say, documentary evidence, and other necessary materials. Unit attorneys prefer that investigators from other agencies approach them early, so that the prosecutor can determine if it is worth prosecuting, guide the investigation, identify good leads and avenues of approach, and ensure that needed evidence is not lost or overlooked. Many agencies provide at least some assistance after the matter is referred to the unit.

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

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

Economic crime is one category of crime most likely to cross jurisdictional lines. "Boiler room" securities investment operations in New York or Boston entice victims in far-distant states. Other operations in Los Angeles and Reno may send phony bills to large companies, in hopes that they will be routinely processed and paid by the company. One of the strengths of the Project is that it provides a mechanism for Unit Chiefs to assist each other in such cases. One of the most frequently cited benefits of the Unit Chief meetings is that they permit Unit Chiefs to establish personal contact with their counterparts in other jurisdictions, to share notes on common problems, and learn from each other's experience. More significantly, the Project mechanism permits prosecution of cases which would otherwise be dropped. Substantial time is spent in roundtable discussions at Unit Chief meetings tracing the activities of con men known to several of the units. Unit Chiefs are generous in pointing out at these meetings how helpful another unit has been in a pending case, and the point is not lost on other Unit Chiefs who may have hesitated to call their colleagues in other jurisdictions.

B. The Task Forces

In the fourth grant year, Task Forces were formed in the areas of antitrust, auto repair fraud, and business opportunity fraud. Each published a manual, and the Business Opportunity Task Force also launched a business opportunities clearinghouse to exchange information on these schemes nationwide.

Because of the success of these Task Forces, three new Task Forces were added in the current grant period, in insurance fraud, official fraud and corruption, and complex crimes training and litigation. The three original Task Forces undertook to revise and update their earlier manuals, and the two new ones also published manuals. The Antitrust Task Force produced a more basic manual which, like the first, was published by the Bureau of National Affairs under an arrangement which makes many more copies available at no Project expense. The Auto Repair Task Force's manual was

rewritten to reflect changes in thinking in light of new experience. New sections were added on legislation, legal issues, and "chop shops," which disassemble stolen cars to sell unmarked parts on the black market. The Business Opportunity Fraud Task Force publishes a manual on recent state statutes and Federal Trade Commission regulations. The latter require business opportunities and franchise operations to disclose and document relevant facts to potential investors, including claims of potential earnings. Statutes such as the California Seller-Assisted Marketing Plan (SAMP) law provide felony penalties for failure to register or disclose pertinent information. Other chapters of this manual outline strategies units can use in states which do not have such legislation, and describe the Business Opportunities Clearinghouse set up as part of the ECP. The insurance fraud manual has chapters on arson-for-profit, property damage or loss, fraud by insurance companies and agents, and fraudulent personal injury claims. The Official Corruption and Procurement Fraud Task Force's manual has chapters on procurement and contract frauds, problems arising in government regulation of private commerce, misappropriation of public property and services, corruption in government finance and administration, election fraud, conflicts of interest, corruption in the criminal justice system, remedies and alternatives to prosecution, and press relations.

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

The Task Forces have also promoted National Strategy Initiatives. The Antitrust Task Force has worked actively with the Antitrust Division of the U.S. Department of Justice, the National Association of Attorneys General, and several state attorneys general offices. The arson-for-profit focus of the Insurance Fraud Task Force has brought it into closer working relations with state and federal agencies and national organizations also concerned with this problem. The Auto Repair Task Force (since disbanded) had been promoting National Strategy initiatives by cooperating with the U.S. Department of

Transportation in a study to assess the amount of auto repair fraud, and with the National Highway Traffic Safety Administration and National Auto Dealers' Association in the development of their AUTOCAP program for mediation of new car sales and warranty problems. Associate membership on the Task Forces has proven to be a useful way to involve federal and state agencies and national organizations in the work of the Economic Crime Project, and thus to promote National Strategy objectives. Representatives of NAAG are associate members of each of the Task Forces. As mentioned above, federal and state agencies and national associations have been active in the work of the Antitrust and Insurance Fraud Task Forces.

C. The Unit Chief Conferences

Five Unit Chief meetings were held during this grant period. Unit representatives are obligated to attend one such meeting a year at their own office's expense as a condition of membership. The conferences generally last three days, beginning with a roundtable discussion (open to law enforcement personnel only) of pending investigations and cases. The first afternoon and the second day are devoted to presentations, panel discussions, training sessions, and workshops. They conclude with a second roundtable on the morning of the third day.

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

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

Presentations and workshops have included:

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

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

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

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

D. The Economic Crime Digest

The Economic Crime Project publishes an Economic Crime Digest, which is sent not only to economic crime units but to other law enforcement agencies, prosecutors' offices, law libraries, and other interested persons as well. About 2,500 copies of each issue are distributed. This Digest contains Project and white-collar crime news and short descriptions of some 60 recent cases handled by the units. A new indexing system was devised in the current grant period, which classifies these case notes by a system adapted from the list of economic crime categories used in the Economic Crime Project Reporting System.

In the second and subsequent issues in the current grant period, the format was modified to include more articles written by Unit Chiefs or reprinted from other white-collar crime newsletters and publications. About two-thirds of the two most recent issues have been devoted to articles.

Persons interviewed during the course of Battelle field visits to the six lead Units cited the Digest as one of the most useful of the Project services. Benefits cited were that

it kept unit staff current on trends in economic crime and developments in other units. The Digest's case notes, however, may be less useful in specific cases. An attorney from one of the larger, more experienced, and more sophisticated units added that general information on a prosecution on the other coast was not helpful to him; he would like more detailed information on how to prove difficult cases, spelling out steps to take and evidence needed. Several persons commented favorably on the format shift to longer articles describing cases in more detail.

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

E. Other Publications

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

The Project has also prepared and distributed a directory of the Economic Crime Units. As stated in a staff memorandum from the Office of Inspector General of the U.S. Department of Housing and Urban Development to field units, "This directory provides considerable detail including the name, address, and telephone number of each Unit Chief, as well as the organization, experience, and/or interest of the particular unit." NDAA arranged for the underwriting by a Chicago bank of the costs (estimated at \$8,000 to \$10,000) of printing a

compilation of common schemes and ways to avoid them, for distribution to the public.

F. Clearinghouse, Training, and Technical Assistance Activities

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

The Project regularly circulates confidential alerts about possible frauds or pending investigations to economic crime units. Because this is sensitive information about pending investigations, these alerts have not been reviewed by Battelle staff. Persons interviewed in Lead Units report that these confidential alerts are one of the most useful of the Project's services. Response was less uniform, however, to the more general memos sent to the units. Some 184 of these consecutively numbered memos were issued in 1979. Topics range from announcements of personnel changes to requests to substantiate donations of matching funds, to announcements and agendas of upcoming Unit Chief meetings, to descriptive or background material on particular subjects, to progress updates on significant National Strategy initiatives. While many of these memos were viewed as useful, the sheer number of memos was viewed by some as overwhelming. Since the initial field visits, the Project has endeavored to reduce the number of memos and make them more brief.

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

G. Prosecutorial and Public Education

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

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

Project attorneys and Unit Chiefs make numerous appearances before professional and public groups. This included Project testimony before the Subcommittee on Crime of the U.S. House Committee of the Judiciary. The Project's fifth-quarter report lists meetings and presentations with 17 agencies and organizations.

The Project's six public-awareness brochures and its plans to publish a consumers' book on common schemes with the financial support of a Chicago bank have already been mentioned. In addition, the staff has prepared a number of press releases and held news conferences at each of its Unit Chiefs' meetings. Project staff have been interviewed in connection with articles appearing in Businessweek, Police Magazine, NBC's "60 Minutes," the Los Angeles Times news service, and other national media.

III. THE WORK OF THE UNITS:
THE ECONOMIC CRIME PROJECT REPORTING SYSTEM

A. Overview

Chapter Three seeks to describe quantitatively the efforts of the individual economic crime units in investigating and prosecuting economic crimes. Data were derived from monthly, voluntary self-reporting by the individual economic crime units under the Economic Crime Reporting System, a data system designed by Battelle and implemented in cooperation with the ECP Project Center. Data in this report are from the ten-month

period from February through November, 1979, and are based on complete and usable monthly reports from 45 (68.2%) of the eligible units. This group of 45 units was compared to the 72 original units. No large or systematic (as opposed to random) differences were found, except that twice as many of the units with complete data reported that they engaged in civil investigations and litigation. But civil litigation constituted only 7.4% of these units' caseloads. Nevertheless, because the analyses are based on data from this non-random portion of the Project units' activities, which in turn reflect only a part of federal and local prosecutors' efforts to contain white-collar crime, they must be viewed as exploratory rather than definitive.

Projections from the data from the 45 units have been used to estimate the overall impact of unit efforts, multiplying the results by a factor of $(68/45 =) 1.51$.^{*} It should be pointed out that this method of estimating the overall impact of unit efforts is not as accurate or as reliable as actually analyzing data from all the units. The approach necessarily assumes that the non-reporting units have accomplished the same level of effort as the average of the reporting units. For some non-reporting units, the method results in an overestimate, while for others it yields an underestimate. The problem is compounded when one considers that complete reporting may itself reflect significant differences between the two groups of units. Does complete reporting indicate that units have more to report or are better at their job? Or are the aggressive units with larger caseloads too busy to devote the resources to reporting? However, unless there is some obvious factor which makes the reporting units significantly different from the non-reporting units, the multiplier method of estimation should result in a relatively accurate estimate of overall unit activity. Although no data were available on the relative caseload differences between reporting and non-reporting units, the data did show that reporting and non-reporting units were similar in terms of other important unit characteristics, i.e., attorney and investigative staff size; length of time in operation; scope of jurisdiction; unit staff estimates of the proportion of time devoted to complaint intake, complaint mediation, criminal and civil investigations, prosecution, and civil litigation. On the basis of these similarities, it can be assumed that the activity level of non-reporting units was not significantly different than that of reporting units.

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

B. Complaints, Inquiries, and Complaint Resolution

Most of the economic crime units handle complaints and inquiries from the public, either on a walk-in basis or by referral from other agencies. (This was true of 40 of the 45 units for which we have complete data.) The 45 units received 233,574 complaints and inquiries in the ten-month period examined. Projections from the 45 fully reporting units imply that this figure may approach a third of a million. A large number of complaints and inquiries, perhaps as many as half, may be settled at this stage, by referral to a more appropriate agency or by informing the complainant that the matter is not appropriate for this office. Because a large volume of referrals is involved, and because of the informal nature of many such referrals, it was decided not to attempt to report the number and nature of referrals at this stage. Thus, the data on complaints and inquiries are more a measure of public awareness and acceptance of the unit than a solid indicator of unit assistance to complainants.

More tangible assistance is offered to complainants by unit complaint resolution efforts. Here, a unit may obtain cancellation of an onerous contract signed under duress during a high-pressure sales pitch, or may obtain restitution for the complainant. The unit may refer the matter to another agency or may itself launch an investigation. In the ten-month period encompassed, the 45 units undertook to resolve 21,519 complaints. Restitution was obtained in 4,063 of these. If LEAA's support for the Economic Crime Project is considered an investment in white-collar crime enforcement, ten months' work for the 45 units in just this one aspect of project operations has returned over \$3.44 million; the two-year LEAA investment in this project was \$1,984,958. Projecting from this data, the amount recovered by all of the Project units may approach \$5 million.

C. Investigations

The 45 units undertook 9,459 investigations, 5,294 of which were closed during the ten month period for which the data has been analyzed. Some 561 of these matters were referred to other agencies and restitution was obtained in 630. This restitution amounted to \$1,966,466. Again, projecting from these data, the amount recovered by all the units may have totalled as much as \$3 million. Other forms of relief were obtained in 209 instances, and 2,293 cases were filed following investigation, about two-thirds of which were felonies.

D. Cases

The 45 units filed a total of 3,412 cases, including 2,215 felonies and 269 civil actions. They closed 1,548 cases, including 1,145 felonies and 114 civil matters. This involved 245 trials (115 jury trials) and 896 guilty pleas. The 45 units obtained convictions in 1,036 cases, more than half of

which were at the felony level. Of these, 333 cases resulted in sentences of incarceration. These units obtained \$8.16 million in restitution, fines, and penalties at the litigation stage alone. Combining this figure with the restitutions obtained at the complaint mediation stage and following investigation, the 45 units obtained \$13,566,593 in agreed and ordered restitutions, fines, and penalties.* If this is representative of the experience of all of the units, over the 18-month grant period the total financial impact of Project efforts might be estimated to be \$36.8 million.

E. Subject-Matter

A broad spectrum of offenses falls under the rubric of "economic crime," ranging from employee embezzlement of small amounts for "grocery money" to elaborate schemes for sale of "deferred delivery contracts" for non-existent oil or gold, which may victimize hundreds or thousands of relatively sophisticated investors on a national scale. Units may handle scores of relatively minor welfare recipient fraud cases in a fairly routine manner with little drain on resources, and devote a substantial amount of time and energy on just one particularly complex and difficult arson-for-profit case. Trends may emerge over time as one particular form of scheme becomes less fruitful because of consumer awareness, government regulation or vigorous prosecution, and con-artists move on into other ventures. In order to gain a clearer perspective on unit activities, the ECPRS was designed to gather data on the subject-matter of investigations and cases handled by the units. Investigations and cases were classified into eleven (11) broad, generic subject-matter categories, and data were analyzed to examine the degree to which each of these subject-matter areas is represented at each stage of investigation and case processing (e.g., corruption cases accounting for 25.7% of the investigations opened, and 37.7% of the cases filed), as an indicator of the units' handling of matters involving these subject-matter areas. As data is gathered over a longer period it will be possible to look for long-term trends.

At the investigation stage, only 43% of the matters pending on January 31, 1979, or opened between February 1 and November 31, 1979, involving investment matters were closed, while this was true of 66% of the finance-related investigations. The latter accounted for a relatively higher percentage of the restitutions but did not contribute disproportionately to case filings, perhaps because of the large number of bad-check cases in this category. Similarly, sales and repair problems

* Data is not available on actual collections or payments.

resulted in many restitutions, but few case filings. Corruption and theft investigations, on the other hand, resulted in many case filings and few restitutions.

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

Jury trials were used most frequently in insurance and investment cases, and non-jury trials in cases involving personal and professional services and fraud against the government. Virtually all the computer-related and health and medical service cases resulted in guilty pleas, as did almost 80% of the finance and credit (including bad-check) cases. About one third of the sales and repair cases were dropped or dismissed.

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

Fraud against the government matters, which consist largely of welfare fraud matters, account for a very slightly higher percentage of case filings than of investigations opened. The reverse was true in matters involving sales and repairs, and the percentage difference was larger.

A preliminary analysis of partial data on differences in subject-matter between the investigation and case stages (with respect to individual matters) confirms that these are due in part to prosecutors' strategic decisions to change the subject-matter category, perhaps as new facts emerge in the course of an investigation. This occurred most frequently with respect to matters eventually filed as bad-check or home-improvement cases. Such changes were relatively infrequent in corruption, theft, and abuse of trust cases.

IV. THE NATIONAL STRATEGY

Chapter Four opens with a brief history of the Project's National Strategy efforts, so that others interested in

undertaking similar efforts to foster federal, state, and local interagency cooperation to combat white-collar crime can better understand the strategies undertaken, the results obtained, the problems encountered, and the steps undertaken to resolve these problems. Economic Crime Project staff worked with several federal agencies to establish coordination mechanisms and plan joint efforts, as they were simultaneously encouraging member units to expand their individual access to broader horizons of resources by increased cooperative efforts with state and federal agencies. Six Lead Units experimented with specific strategies along these lines, to develop a cafeteria-line of experience from which their colleagues in other units could select strategies appropriate for the unique needs and circumstances of their own jurisdictions. After 15 months' operation, the number of Lead Units expanded to 12 and each of the six original Lead Units assumed responsibility for providing advice, guidance, and support to one of the new ones.

A. Planning, Approach

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

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

The federal agencies were provided directories of the ECP units, and several of them sent out memos encouraging field staff to work with these units.

B. Efforts Undertaken

1. Federal Inspectors-General. One early goal of the National Strategy effort was to establish a closer working relationship with the recently-established offices of Inspector General in the Departments of Agriculture, Housing and Urban Development, Energy and Health, and Education and Welfare (now

Health and Human Services), and to develop specific programs and mechanisms for the resolution of specific problems. The approach to be undertaken was to demonstrate that the National Strategy effort would be of mutual benefit to federal and local government, not merely a device to get the federal government to assist with local problems.

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

The ECP has also established liaison with the Executive Group to Combat Fraud and Waste in Government, consisting of the federal-level Inspectors General and representatives from the Office of Management and Budget (OMB), Office of Program Management (OPM), the FBI, IRS, and the Postal Inspection Service. The Executive Group operates under the auspices of and receives staff support from the U.S. Department of Justice.

2. Federal Investigative Agencies. The Project made special efforts to develop working relationships with the Federal Bureau of Investigation and the U.S. Postal Inspection Service. Because the Bureau's primary mission is to respond to the law enforcement needs of the U.S. Department of Justice (of which it is a part) and other federal agencies, it was not envisioned that major initiatives would be undertaken in substantive areas with the Bureau. The Bureau's training programs were recognized as being excellent, and the Bureau has been responsive to the training and technical assistance needs of state and local prosecutors and law enforcement officials. Under the National Strategy initiative, the Bureau and the ECP expanded the FBI computer training course to include a session jointly attended by ECP unit representatives and assistant United States Attorneys. The Bureau also hosted the National Strategy Conferences in 1979 and 1980.

The U.S. Postal Inspection Service extended cooperation to the Project before the National Strategy initiative was begun.

Local prosecutors had reported to Project staff that they had found the Postal Inspection Service to be very cooperative in mutual enforcement activities.

In the current grant period the Project began the circulation to units of the Postal Inspection Service's regular bulletin of current schemes and pending investigations. In view of the sound working relationship between the Postal Inspection Service and local ECP units, there appeared to be no pressing need to develop a more specific program in this area.

3. Other Federal Agencies. The Project also began to work with the Federal Trade Commission, largely through the efforts of the Business Opportunity Fraud Clearinghouse. Clearinghouse staff offered comments and suggestions on proposed FTC disclosure regulations regarding business opportunities and solicited the input of the other ECP units.

The U.S. Department of Transportation was not one of the federal agencies specifically envisioned as being within the ambit of National Strategy efforts, but the opportunity presented itself and the ECP had the flexibility to take advantage of this opportunity to work with the National Highway Traffic and Safety Administration (NHTSA) and DOT in implementing "Auto-gap" programs for the mediation of new car purchase and warranty complaints, developed with the cooperation of the National Auto Dealers Association.

4. Attorneys General. The Project also undertook to increase cooperation between state and local prosecutors, through the auspices of the National Association of Attorneys General and Attorneys General in individual states. In the past, there has not been a history of cooperation between NDAA and its counterpart professional organization for Attorneys General, the National Association of Attorneys General (NAAG). It became clear during the earliest planning of the National Strategy effort that, if this were to be a truly national effort, involvement of NAAG and the Attorneys General would be important to its success.

Prosecutorial cooperation between the Attorneys General and local prosecutors had increased during the first nine months of the National Strategy initiative, in part through the participation of Attorneys General at the Antitrust Task Force and other Task Force meetings on an "associate" basis. The two organizations agreed to designate personnel to serve between NAAG and NDAA and the Executive Directors of each organization (NDAA and NAAG) attended the other organization's Board meetings. The Board of NAAG authorized sending copies of NAAG's antitrust newsletter and other relevant newsletters to local prosecutors, which it had declined to do before this National Strategy initiative was launched. This cooperation

spread to the "working level," as well. NAAG members began to frequently use the national-scope Business Opportunity Clearinghouse, and NDAA members participated in a number of NAAG antitrust seminars.

5. The National Organization of Bar Counsel. The National Strategy effort reached out to and involved the National Organization of Bar Counsel (NOBC), the professional association of state bar officials responsible for the disciplining and disbarment of attorneys. If one takes a comprehensive view of the range of preventative measures, sanctions, and deterrent measures which can be applied in the war on white-collar crime, it becomes more apparent that lawyer discipline may become an important tool in the arsenal of available weapons. Further, patterns of cooperation with respect to lawyer discipline may offer useful models for later efforts with respect to other professionals, such as doctors and other health care service providers. Assistance was obtained from NOBC on specific cases where attorneys were allegedly involved in economic crimes. As a result of Project efforts, NOBC passed a seven-part resolution at its annual meeting in August, 1979, which outlined specific plans for cooperation with the Project.

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

The goals of these Lead Units were to: (1) develop their own ongoing liaison mechanisms with federal, state, and local agencies; (2) seek to increase the number of incidents of interagency cooperation by 40% in a 12-month period and up to 200% in an 18-month period; and (3) seek to have two cooperative enforcement actions underway within 12 months and complete those two actions, as well as initiate four additional actions within 18 months of being designated as Lead Units. But the purpose of the Lead Unit initiative was more to extract lessons as to the feasibility of specific strategies attempted and learn from the problems thus encountered than it was to prove that quantifiable results would follow from specific strategies.

The Lead Units were selected to reflect the geographical and demographical diversity of the Project units, and willingness to undertake this effort was perhaps the most important selection criterion. Thus, the experiences of these units were not considered to be "representative" of the results which would follow if the same initiatives were undertaken by

each Project unit. Some units were selected because they had already demonstrated a considerable degree of effort in working with federal and state agencies, and it was considered important to document and analyze this experience in order to extract ideas as to viable strategies for other jurisdictions. Other Lead Units were selected because this would be a new effort, and thus their experiences would offer insight into the problems to be encountered in beginning National Strategy initiatives in other jurisdictions. Three of the six units were in jurisdictions housing the first of the Economic Crime Enforcement Units to be established in U.S. Attorneys' offices under a new Department of Justice initiative. Two of these, and an additional Lead Unit, were in cities which also served as regional offices for many of the federal departments and agencies expected to be important to the National Strategy initiative.

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

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

At the outset, a strategy was devised to pass on to the units the lessons and benefits of the National Strategy initiative. As National Strategy initiatives and strategies were developed, they were to be passed on to ECP Units through the Project's Program Division. For example, at the quarterly Unit Chiefs' meetings, presentations and workshops were conducted on the National Strategy concerns and efforts to preserve the integrity of government programs. The six Lead Units described earlier were seen as key to this process, as were the ECP Task Forces.

The Task Forces proved to be effective vehicles for translating National Strategy initiatives into local action.

They focused efforts on national priority areas and involved federal, state, and local cooperation. They also provided assistance and models to other units in implementing National Strategy initiatives. Further, the Project encouraged representatives of state and federal agencies interested in the subject matter to become associate members of the Task Forces.

7. The Second National Strategy Conference. National Strategy efforts in the first nine months culminated in the Second National Strategy Conference, in July 1979. Some 36 officials attended, representing a broad range of federal agencies, NAAG and criminal justice experts. Presentations concerning efforts to date were followed by a planning session, at which it was concluded that planning efforts should continue, but that the time had come to translate this initiative into specific, operational programs. Since that time, Project efforts were refocused on developing specific programs with a narrower range of agencies and working through Lead Units in implementing initiatives on the local level. The program component became more active in the National Strategy. The Lead Units took a more active role, by forming their own Task Force, meeting with officials in Washington, serving as liaison to federal agencies, and undertaking regional efforts. The number of Lead Units was expanded to twelve.

8. The Federal Executive Working Group. Perhaps the initiative with the most long-range potential was the Project's role in the formation of the Executive Working Group for Federal-State-Local Prosecutorial Relations, which arose out of a Memorandum of Understanding between LEAA and Department of Justice to coordinate efforts in white-collar crime, organized crime, and arson. Because prior National Strategy efforts had led to markedly increased cooperation between NDAA and NAAG, one topic of discussion at the Second National Strategy Conference in July, 1979, was the possibility of expanding the LEAA-Justice effort to include these and other organizations.

C. Results Obtained

1. Federal Agencies. The second section of Chapter Four describes the results of National Strategy efforts involving several federal agencies, including the Criminal and Antitrust Divisions of the Department of Justice, the Department of Agriculture, the Department of Housing and Urban Development, the Department of Energy, the Department of Health and Human Services, the Federal Bureau of Investigation, and the Postal Inspection Service. Liaison has been designated between the Project and each of these agencies.

2. U.S. Department of Justice. Cooperation with the Criminal Division focused on the Office of Economic Crime Enforcement and the Economic Crime Enforcement Units established or soon to be established in about 30 United States

Attorneys' offices around the country. Specific initiatives have not yet begun with these units, because their first efforts have been devoted to assessing problems of federal coordination and establishing national priorities. These efforts are expected to expand to establish regional-level priorities, in part in consultation with Project units.

The bi-monthly Bulletin circulated by this office describing the work of the Economic Crime Enforcement Units is routinely sent to Project units, as are the fraud bulletins published by the Offices of Inspector General for the Departments of Agriculture and Housing and Urban Development. Other specific initiatives undertaken with these agencies are described in detail in Chapter Four.

3. Lead Units. Chapter Four of this report describes some of the more interesting results of efforts by the Lead Units, mentioned earlier. Four of these participate in monthly or quarterly, statewide or local, economic crime meetings involving a range of federal, state, and local officials; two of these were begun by Lead Unit efforts. These meetings have proved to be useful forums for the exchange of ideas and information and, more importantly, have provided participants the opportunity to meet informally on a person-to-person basis and develop working relationships. Units have also fostered interagency contact by hosting training sessions by the FBI, the IRS, or by the Project consultants on investigative accounting. Specific initiatives are also discussed in Chapter Four. Perhaps the most significant of these is an idea which originated in the Philadelphia unit and quickly adopted by a number of others, which involved the ECP unit providing information on possible tax violations to federal authorities.

V. THE NATIONAL STRATEGY SURVEYS OF UNIT INTERACTIONS

Chapter Five describes the results of the 1st and 2nd National Strategy Questionnaire administered in the last half of 1978 and 1979. The first section of the chapter describes the responses of the Lead Units to the questionnaire, and the second section describes the responses of all the reporting units. Units were surveyed as to their interactions with federal and state agencies and national organizations in the last half of 1978 and again in the last half of 1979, to gain a rough measure of the amount of increase or decrease of such interaction. Units were asked about referrals from other agencies, the amount of pre-referral investigation and post-referral involvement, referrals to other agencies, continued unit involvement after these referrals, other case-specific cooperation, exchanges of experts, coordination of prosecutions, joint training, and written agreements with other agencies.

A. The Lead Units

Referrals to Lead Units from federal and state agencies and national organizations were reported to be over 300% higher in the second, 1979 survey. While the percentage of referrals rose for federal agencies, the bulk of the referrals continued to be from state agencies. Because two units provided no information on referrals to other agencies and because the number of such referrals was small, no conclusions could be drawn as to such referrals. While the number of coordinated prosecutions rose slightly, the number was too small to indicate a significant trend. This was true of the use of experts, as well. Reported joint training continued to be high. While there was only one reported written agreement (with the FBI) in 1978, in 1979 there were additional agreements with the U.S. Internal Revenue Service, U.S. Secret Service, and a state tax agency.

Battelle staff developed three indices of interaction: with respect to (1) case-specific cooperation, (2) personnel exchange and joint training, and (3) general cooperative arrangements. On the first index, case-specific cooperation, units showed overall increases, but the portion attributable to interaction with federal agencies dropped slightly. All units but one showed increases on the second index, but the increases were not as large as the increases on the first index. Units showed decreases, as well as increases, in the level of interaction with federal agencies. There were increases on the third index (general cooperation), with most of this attributable to written agreements between units and federal-level agencies.

When unit index scores were categorized as being high, medium, or low, Lead Units' ratings on case-specific cooperation uniformly increased, with much of this attributable to federal-level interaction. More dramatic increases were noted with respect to personnel exchange, and joint training rose more dramatically due more to state interactions. Only half the units' ratings increased with respect to general cooperation.

B. All Reporting Units

The pattern of responses of all the reporting units was not as dramatic as that of the Lead Units described above, but generally mirrored their directions. A rough measure of overall change in the level of cooperative and interactive activities showed a net 16.4% increase between 1978 and 1979. A serious drawback of this computational method is that it gives equal weight to all the elements entering into its computation. Thus less important factors, such as sharing of experts, have an impact equal to those of more important factors such as coordination of prosecution. On the weighted indices of interaction, there were significantly more units in

the high category for case-specific cooperation and general cooperative agreements. The increase in case-specific cooperation was primarily due to an increase in the level of interaction with state rather than federal agencies.

The material presented in Chapter Five provides the first opportunity to look at changes in the pattern and quantity of cooperative interactions across two years of the National Strategy effort. It should be remembered, however, that such comparisons are only preliminary, and any conclusions should be tempered with the realization that the analyses do not provide factual evidence of the significance of changes reflected. Interpretations based on these initial year-to-year comparisons should be, at best, tentative.

VI. CONCLUSIONS

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

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

The key to agency interaction proved to be establishing "credibility" through person-to-person interaction leading to demonstrated results. Thus, the involvement of federal officials in Unit Chief Conferences and Task Force efforts and the visit of Lead Unit Chiefs to Washington, D.C. to meet with operational managers of federal enforcement efforts were important in translating National Strategy initiatives into local-level efforts.

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

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

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

CHAPTER ONE

HISTORY, OBJECTIVES, AND STRATEGIES

I. A BRIEF PROJECT HISTORY

A. Introduction

Economic crime is a blight in America. Nobody knows the cost of economic crime to the American public, but a frequently quoted figure in a 1974 booklet by the U.S. Chamber of Commerce puts the figure at a minimum of \$40 billion a year.¹ According to a 1977 report of an LEAA-funded study by the American Management Association's Crime Against Business Project, non-violent crimes against business firms alone cost \$30-\$40 billion per year.²

But the problem is not simply one of economic loss. As Mr. Phillip Heymann, Assistant Attorney General, Criminal Division, U.S. Department of Justice, summed up at a July, 1979, conference on developing a national strategy to combat white-collar crime, white-collar crime enforcement efforts involve pitting meager government resources against the politically and economically powerful. But such efforts are important because:

- While the government can survive wars, domestic crises, and natural disasters, it cannot survive any sustained public impression that the government itself is corrupt.
- The government cannot turn back the clock of time and withdraw its commitment across a broad range of social issues concerning public health, safety, and well-being, but if the public perceives the programs to address these issues as "corrupt" (regardless of any low ratio of wasted funds to program costs) it will not support them, and people will suffer.

- People suffer as much from victimization by a fraudulent scheme as they do from being burglarized to an equivalent degree of monetary loss.
- It is important that a society and government which is founded on principles of equality, due process, and a rule of law, not men, establish that the rich and powerful are subject to the same laws as the impoverished and powerless.³

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

At its inception, the general objective of the Economic Crime Project was to enhance the capabilities of local prosecutors to act against economic crime and related abuses. But it had become clear that the efforts of local prosecutors--even when unified into an effort of national scope--were not sufficient to stem the tide of economic crime.

Simultaneously, there was an increasing awareness on the federal level that fraud, waste, and abuse in government were high-priority problems. So, too, on the state level the National Association of Attorneys General (NAAG) and individual Attorneys General had been placing increasing emphasis on white-collar crime. The NDAA considered it essential to examine white-collar crime enforcement efforts on the state and federal level, and begin a dialogue to explore joint efforts to launch a National Strategy to combat white-collar crime. It entered into a contract with the Battelle Law and Justice Study Center to conduct an NDAA Symposium on Development of a National Strategy for White-Collar Crime Enforcement in July, 1978, which brought together experts from federal, state, and local government, as well as from the private and research sectors.*

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

The next section of this chapter provides a brief description of the Economic Crime Project and its accomplishments in its first four grant periods. This is followed by a section describing the genesis and development of the Project's National Strategy initiative to coordinate federal, state, and local white-collar crime enforcement efforts. The concluding section of this chapter describes the goals and objectives of the Project in the present grant period. It describes how the goals and objectives of the

*Symposium proceedings and the Economic Crime Project activities are discussed in detail in A National Strategy for Containing White-Collar Crime, edited by Herbert Edelhertz and Charles H. Rogovin, scheduled for publication by Lexington Books in September, 1980.

fledgling National Strategy initiative have changed as the initiative has developed.

The second chapter describes the activities of the Program Component of the Project in the present grant period. Data on unit operations from the revised Economic Crime Project Reporting System is the subject of Chapter Three.

The fourth chapter describes in detail the National Strategy initiative, the problems encountered, changes in direction and focus in light of experience, and accomplishments to date. A major portion of the chapter discusses the six pilot Lead Units, which have served to test the feasibility of initiating National Strategy efforts on the local level. The experiences of these Lead Units collectively constitute a cafeteria-line of experience, from which other interested agencies can draw in developing National Strategy initiatives tailored to the needs, problems, and conditions of their own jurisdictions. These experiences will be highlighted in a forthcoming Battelle report outlining from a practical, practitioner-oriented perspective steps which can be taken to foster closer working relationships between federal, state, and local agencies in combatting the menace of white-collar crime.

The fifth chapter describes the results of two surveys, one year apart, on units' interactions with federal and state agencies. The first part describes and analyzes responses of the Lead Units, and the second contains the analysis of all responses received from the Project units.

The sixth chapter draws conclusions from the Project's experience to date and suggests future steps to be taken.

B. A Brief History of the Economic Crime Project

The National District Attorneys Association and its Economic Crime Project have played a vital role in facilitating and supporting effective white-collar crime control. In 1973 with the support of the Law Enforcement Assistance Administration (LEAA), a core group of prosecutors' offices

began their effort to improve local prosecutive capability to deal with white-collar crime. The program expanded to include an outer ring of additional district attorneys' offices. Finally, as envisioned, the Project evolved into a network of 68 local district attorneys' offices, working to improve the overall capacity of the criminal justice system, on all levels, to prevent, detect, and prosecute economic crime.

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

- Infusion of resources.
- Development and dissemination of training materials.
- Provision of liaison networks among local prosecutors and between local and federal offices concerned with prosecuting economic crime.
- Commissioning research and evaluative efforts;
- Cooperative prosecutive activity with respect to offenses committed in more than one of the Project's participating jurisdictions.
- Preparation and distribution of a bi-monthly Economic Crime Digest and a bound volume entitled, The Prosecutor's Manual on Economic Crime, to enhance prosecutive expertise.
- Development of a prosecutor's manual on antitrust enforcement.
- Technical assistance, such as investigative accounting, to local prosecutors' offices;
- Participation in and direction of the activities of the Project's Task Forces on Auto Repair, Antitrust, and Business Opportunity Fraud.
- Public education programs that have included distribution of pamphlets on charity frauds, merchandising frauds, and business opportunity frauds.
- Quarterly meetings of the district attorneys' offices' Unit Chiefs to compare information, coordinate efforts, share and expand expertise, and attend workshops on particular problem areas.

This review of prior Project history is based on Project plans, evaluation documents, Project publications, and interviews with Project staff. This is not an evaluation or assessment of the Project's performance. It does not involve extensive data-gathering, close examination of the Project data, or any measure of the Economic Crime Project's national impact. The first part of this review describes briefly the goals, strategies, and accomplishments of the first three funding years of this Project. This provides the background for the more specific description of Project activities during the fourth and current (fifth) grant periods.

1. Background: Goals and Accomplishments. It is important, at this juncture, to review prior grant periods, to place in perspective the current activities which are the subject of this report.

a. The first grant period. The idea for an Economic Crime Project was first discussed at a meeting of the National District Attorneys Association in Columbus, Ohio, in May of 1973. The idea received swift endorsement from the Law Enforcement Assistance Administration by means of a Discretionary Grant which began July 1, 1973.

To paraphrase Mr. Robert Sussman, a recent Project Director, the Project's goals were: "to bring each DA's office up to the proper level" of activity and professionalism in prosecution of economic crime; to proselytize; to educate judges and the public as to the significance of the problem; and to help train prosecutors to prosecute economic crime, individually or in cooperation with others.

More specifically, the goals at the outset were to heighten prosecutors' awareness of the dimensions of the economic crime problem, increase the number and the quality of prosecutions in this area, and to "sensitize" other government agencies and the public at large. The strategy employed was to fund economic crime units in 15 prosecutors' offices throughout the country,

and a central Economic Crime Project office (the Project Center) in Washington. The Center's mission was to serve as a clearinghouse between the 15 units, coordinate their activities (for example, in building cases regionally or nationally where the crimes involved crossed jurisdictional boundaries), and provide a reservoir of expertise in this area. Several strategies were employed, including: offering technical assistance to the units, both in establishing and running the office and in developing particular cases; publishing a manual on prosecution of economic crime; conducting seminars with local, state, and federal law enforcement officials; engaging in a public education campaign, directly and through its support of the efforts of the 15 individual units, convening key quarterly Unit Chief meetings that would give prosecutors a chance to get to know each other and the staff of the central office, to compare notes, to coordinate efforts, and to attend workshops and seminars on particular problem areas; and circulating a monthly newsletter entitled the Economic Crime Digest, both to enhance coordination and to improve the prosecutors' expertise.

The quarterly conferences were viewed as the strongest part of the Project, especially the roundtable discussions which opened and closed the later conferences. The format for these roundtables remains much the same today; each Unit Chief presents a current case or cases, and each is discussed at length. The Project also distributed Economic Crime: The Prosecutor's Hornbook, an 83-page precursor to the Project's current Manual. The Project also cooperated with the Chamber of Commerce of the United States in preparing and distributing a Handbook on White-Collar Crime, intended for citizens and businesses. Moreover, a Uniform Economic Crime Reporting System, for management and research, was developed and implemented during the first two grant periods of the Project.

b. The second grant period. Perhaps the most significant development in the second grant period of the

Project was the "affiliated office" program. Because of its initial success and because of the publicity generated through The Prosecutor and NDAA meetings, other prosecutors wished to join the Project. During the first grant period, a number of the units began to assist informally nearby prosecutors' offices to develop economic crime units of their own. This program was formalized during the second grant period of the Project, with each of the 15 units "adopting" a nearby prosecutor's office. Affiliated offices were required to:

- Express a commitment to prosecution of economic crime, sufficient to justify expenditure of Project funds to assist the office.
- Establish an economic crime unit with at least one person.
- Furnish timely reports to the Center and the evaluator.
- Make a continuing effort to communicate with the central office and other units, including information exchange and coordination of investigations.
- Finance attendance of one unit staff member to at least one of the quarterly conferences.
- Be willing to apply to their State Planning Agency to fund their units, or to provide for the unit out of their own budgets.
- Continue to perform to these standards.

The commitment of the "adopter" offices was to make a quarterly two-to-three-day visit to the "adoptee," provide all needed advice and assistance, and to bring the "adoptee" office up to the level of the "adopter."

Other goals for the second grant period included:

- A modest increase in support to the original 15 units.
- Improvement and broadening of the communication between the units and the central office, and between the units themselves.
- Expansion of the Project's resources for written communication.

- Increased coordination between the Project and federal agencies (a process already begun in the first year).
- Expansion of the UECRS.
- Formalization and expansion of the public education program.
- Establishment of a "cadre of experts" for all units to draw upon.
- Vesting of administrative tasks in the NDAA Chicago office.

The associated-office concept resulted in 26 new offices joining the Project by the end of the year, bringing the total number of affiliated offices to 41. The number at the beginning of the current grant period stood at approximately 66. The process was not, however, without problems. Initially, geographic proximity was the controlling factor in designation of "sister sites," but it became clear that office size, nature of the community, and other factors determined which office could best aid a new affiliate. Some associate units mentioned that they rarely saw anyone from their "sister" office. Similarly, affiliation often precluded contact for assistance with other offices. Also, in some instances, the "adoptee" had a more experienced economic crime unit than did the "host." These problems were remedied by encouraging offices to freely contact each other and base affiliations on office similarity.

While the Project made much progress in this period, the evaluation of the Project in the second grant period made a number of suggestions for improving the efficiency and effectiveness of the programs. In view of the limited resources available in the Center, the evaluation report expressed reservations about the Project's expansion unless a firm base for dealing with additional participants could be structured and supported.

c. The third grant period. There were few changes in the objectives or major thrusts of the Project in the third grant period. The evaluation report for this third period, prepared by a different evaluator, contained two significant recommendations. First, the evaluators recommended that the UECRS be converted into a simplified system for management and impact assessment only and that research data-gathering be vested in a different agency, such as the FBI. Second, recommendations were made to focus on "proactive" investigations and changes in the economic crime scene in each unit's community. Detailed data collection had been largely eliminated in the third and fourth grant periods.

2. The Fourth Grant Period. The goals of the Project in the fourth grant period, increasing the number and quality of economic crime prosecutions nationally, and heightening public awareness of the problem of economic crime remained the same as at the inception of the Project. These became the goals of the Program Component of the Project in this, the fifth grant period. Strategies employed may be divided into four general categories: clearinghouse, coordination, expertise, and public education.

The clearinghouse function involves general information exchange: Who knows about this defendant? Who has had success with this type of case? Who is helpful in organizing an office? It includes inquiries from non-participating prosecutors, other agencies, and the general public. Aside from answering inquiries, this function also included presentations at NDAA conferences, a page in the monthly Prosecutor magazine, the quarterly conferences, and other publications, such as the bi-monthly Digest.

The coordination function involves coordinating prosecutors (including joint programs against a common defendant or scheme, or general assistance offered to solve common problems) in local, state, and federal agencies (e.g., city consumer

offices, state securities regulators, or federal agencies, such as the Postal Service). Collaboration between prosecutors occurred at quarterly conferences, which encouraged collaboration on an ongoing basis. Initially the Project office served as an intermediary, but this has become less common as the prosecutors have become acquainted.

Coordination of prosecutions still occurred on an ad hoc basis in response to cases listed in the Digest, presentations at quarterly roundtable discussions, and phone calls to other prosecutors or the central office. However, this process was enhanced by the creation of Task Forces in the fourth grant period to focus on auto repair, antitrust (bid-rigging), and business opportunities.

Coordination resulted in the development and use of a reservoir of expertise evolved through the Manual, quarterly conferences, workshops and conferences, the Digest, the "grapevine" arising from meetings or contact between prosecutors, and the hiring of an investigative accountant.

Public education involved publication of a series of six consumer-education pamphlets to be distributed by the units and appearances by Project staff and Unit Chiefs at numerous public meetings. Highlights of these activities are presented in more detail below.

a. Quarterly conferences. These continued to be one of the program's main strengths. They were held on a regular basis. Attendance in the fourth grant period averaged about 50 to 55 per conference. The roundtables which opened and closed the conference offered prosecutors an opportunity to discuss cases presented by the Unit Chiefs. In preparation for these roundtables the Project staff reviewed and selected cases from reports sent in by the individual units, and included these reports in the written material given to each participant.

b. The Manual. At its July, 1977, quarterly conference, the Project distributed copies of its new manual, The Prosecutor's Manual on Economic Crime. This 209-page,

loose-leaf volume was a considerable expansion and update of the earlier Prosecutor's Hornbook. Included were expanded sections on: examples of schemes, defenses, case law, and investigative strategies. The Manual also had new sections on statutory and case law (theft offenses, unfair and deceptive practice acts, blue sky laws, antitrust laws, and bribery laws), organization and management of the office, sentencing, model statutes, and a 32-page resource directory of federal, state, and local agencies which could be helpful to prosecutors in prosecution of economic crimes. The Manual was a useful product, and the Resource Directory has been found particularly helpful in the field. Seven thousand copies of the Manual were printed and distributed by the end of the fourth grant period, and the office continued to get frequent requests for it. There were no efforts to update the Manual in the fourth grant period, but revision is clearly anticipated since the loose-leaf format was planned with this in mind.

c. The Digest. In the fourth grant period the Digest was an expanded version of the bi-monthly newsletter begun in the early days of the Project. This Digest was assembled from material sent in by the participating units. In addition to Project news and announcements, news from the units, and descriptions of prosecutions and sentencings, each issue contained a "feature article." The last issue in the fourth grant period contained "notes on bankruptcy law." An earlier issue contained a "manual on antitrust law for public purchasing agents."

d. Task forces. One innovation in the fourth grant period was the formation of task forces in the areas of auto repair, antitrust ("bids and rigging"), and business opportunities. These task forces were an outgrowth of earlier efforts to launch coordinated investigations and prosecutions. Analysis of the individual unit reports in the Project's second annual report reveals that, of the 41 offices which then participated in the Project, all but five had participated in

coordinated investigations. Of these five, two were new to the Project. There were seven coordinated investigations reported in the second year, and 12 the following year. The Project Director stated that one case involved 15 offices. He estimated that, of the phone calls between prosecutors, 30% concerned cooperation on a case, 10% concerned obtaining information on a defendant the other district attorney had prosecuted earlier, and 60% concerned obtaining general information on how to "work" a particular type of case. Typically, coordinated investigations and prosecutions arise from discussions at the roundtable part of the quarterly conference.

Of the Task Forces, the Business Opportunities Task Force was perhaps the most active. The Denver office prepared and circulated a newsletter on current cases which involve business opportunities frauds. Their procedure, which continues at this writing, involves four volunteers screening and responding to suspicious newspaper advertisements. Five prosecutors have attempted to get newspapers to adopt standards for the acceptance of want ads. The Denver Post, Seattle P.I., and a Cleveland paper agreed. The Los Angeles Times refused.

The Auto Repair Task Force involved the Wisconsin, Houston, Omaha, Philadelphia, and Brooklyn offices. Their primary aim had been to encourage developing cases on a limited budget. The best way to do this is to get a "watchdog committee" within the auto repair industry to aid the office to set up the car, and to send it randomly to shops.

The other serious problem that Auto Repair Task Force members faced was in dealing with citizen complaints. One office has worked with the New Car Dealer's Association, which has resulted in the formation of an arbitration panel, consisting of a chairman, two members from the industry, a law professor, and a consumer group representative. Members of the Association agree to be bound by the arbitration, on pain of being dropped from membership.

The Task Force also met in Washington with officials from the Department of Transportation (DOT). It cooperated with the Department in setting up auto repair diagnostic clinics. DOT officials found that 33 cents of every auto repair dollar goes for fraudulent or unnecessary repairs.

The Bids and Rigging Task Force was concerned with non-competitive bids, price-rigging, price fixing, and other similar antitrust violations. It was renamed the Antitrust Task Force in the fifth grant period. Mr. Sussman, who was the Project Director in the fourth grant period, believes that few prosecutors have had experience in this area. The San Diego unit had done the most work in this area. One of its prosecutors had not only specialized in this field, but had also prepared a manual to guide such prosecutive activities. This manual be published and distributed by the Project in the fifth grant year. The Project also commissioned a study by the University of Michigan to explore the potential of computer analyses to determine patterns of bid-rigging in public contracts. This study was carried out in conjunction with the Flint unit, and was also completed in the fifth grant year. The Task Force also included the offices in San Francisco, Carmel (joined in December), Flint, Baltimore, Miami, and Sacramento.

e. Inquiries. Much of the Project's time in the fourth grant period was involved in answering an estimated seven to eight inquiries from the field each day. One Project center attorney spent almost half his time with such calls, for a time receiving as many as 20 each day and averaging about 60 each week.

f. Consultations. To enhance coordination efforts, Project Directors traveled to meet with prosecutors and with other agencies during the fourth grant period. These trips included one to Manhattan to meet with 10 prosecutors and another to Brownsville, Texas, to meet with prosecutors and state securities administrators.

Investigative accountant Robert Milne, a former FBI agent, also traveled extensively on behalf of the Project in the fourth grant period. Rather than doing investigations, his role was to analyze and review data already gathered. There were great demands on the Project for such services, a situation which has continued into the present grant period. Just after he joined the Project, Mr. Milne went to Milwaukee to give a seminar to attorneys on Medicaid fraud, for which he developed a six-page handout. These were updated and supplemented with sample forms when he gave a similar seminar to the eight investigators and two Unit Chiefs of the Chicago and Du Page (Wheaton) offices.

g. Public education. The Project prepared and distributed six public information pamphlets on charity frauds, merchandising frauds, business opportunity frauds, frauds against the elderly, auto sales and repair frauds, and home improvement frauds. Six thousand of each were printed and distributed to unit offices in the fourth grant period.

h. Records. Mr. Milne reported that one of the first things he did when he joined the Project in September, 1977, was to bring some order to the unit reports and produce a report covering the period October 15, 1975, to May 31, 1977. (This was completed in December.) Many of the reports for this one-and-one-half-year period were scattered, missing, or incomplete. NDAA clearly recognized the need for tightening its reporting procedures; a major objective for the fifth, current grant period was to design and install a new, more useful, and informative system.

II. CURRENT INITIATIVES

A. Development of a National Strategy

1. The Need for a Coordinated National Strategy. While the Economic Crime Project was vigorously attacking white-collar crime on the local level, the federal government was

also becoming increasingly concerned about this issue. The U.S. Department of Justice announced that the battle against white-collar crime was one of its three major priorities. Then-Attorney General Griffin B. Bell testified before the U.S. Senate:

In the criminal law enforcement area we intend to place particular emphasis on challenging organized crime, white-collar crime, corruption by public officials and narcotics trafficking. I believe we can make a major impact in these areas by effectively coordinating and utilizing our law enforcement resources. (Emphasis supplied.)

. . . I have designated the detection, investigation, and prosecution of white-collar crime as one of our highest priorities. . . . (discussion of Federal efforts). These efforts, plus intensified cooperation with state and local agencies, in discovering fraud in programs supported by the Federal Government will be accelerated.⁴

Attorney-General Benjamin R. Civiletti, while Chief of the Criminal Division of the U.S. Department of Justice, said:

. . . Similarly, it became apparent to me that it is vital for us on the national level to establish closer liaison with organizations representing state and local investigative and prosecutorial agencies, and on a local level between United States Attorneys and local district attorneys, to insure that our efforts compliment rather than duplicate their efforts. Accordingly, I have devoted a significant part of my time as Assistant Attorney General to such coordination which I believe is vital to the effective functioning of the nation's criminal justice systems. As the newly designated Acting Deputy Attorney-General, with primary supervisory responsibility for the Department of Justice's investigative and prosecutive arms, I intend to see that this program is carried forward.⁵

In an earlier statement Attorney-General Civiletti discussed the need for state and local attention to cases (specifically citing white-collar crime matters) in areas of concurrent federal-local jurisdiction, and then went on to say:

Given this multitude of considerations which affect the determination of which prosecutorial level most effectively can handle particular cases and types of cases, two further questions present themselves. First, through what mechanism can the necessary determination be made? Second, what additional steps can be taken to enhance the complimentary performance by each prosecutorial level of its responsibilities?⁶

This federal stress on state and local enforcement in areas of concurrent jurisdiction was not confined to fraud and fraud-related activities. Thus, a spokesman for the Antitrust Division of the U.S. Department of Justice made the point that:

In the future you can expect to see continued emphasis on criminal prosecutions. . . . One change John Shenefeld has made in our price-fixing program is to ask states and the U.S. Attorneys to help the Division by investigating and prosecuting localized matters where the violations are fairly clear-cut and do not require the expenditures of substantial resources. Hopefully, this will result in an attack on price-fixing going forward on an even wider front and permit the Division to concentrate on the more difficult cases.⁷

Several federal agencies had already undertaken steps to increase cooperation with state and local cooperation. For example, the Criminal Division of the U.S. Department of Justice was planning the Office of Economic Crime Enforcement, described in the National Strategy chapter of this report, which includes units in a number of United States Attorneys' offices. The Federal Bureau of Investigation had designated white-collar crime as one of its three highest priorities. As then-Deputy Attorney Benjamin R. Civiletti testified before the Subcommittee on Crime of the House Committee in the Judiciary:

I met for, I think the fifth time--concentrating more and more on white-collar crime--with the National District Attorneys Association yesterday in Hershey, Pa. I met with them a month before. . . . I spent two hours speaking to them on this subject and a few others--that the national strategy as it is developed and implemented . . . will incorporate and include their thoughts, their problems, their concerns. . . .

We have established a working group with them of seven to nine major city district attorneys and I think over the next two to three months during the course of this committee's recommendations and studies and longer, we will begin to implement what I have described here . . . the national program.⁸

Legislation to establish offices of Inspectors-General in several federal agencies was under consideration. These units, as will be described in the National Strategy chapter of this report, are responsible for containment of fraud, waste, and corruption in their operations, procurement, and public benefit programs.

Awareness of the need for national cooperation increased on the local level as well. The major objective of this Project in its first four grant periods had been to improve the capability of local prosecutors to respond to white-collar crime. With increased capability came a parallel growth in understanding of the scope and complexity of the problem. As more and more prosecutors developed such capability and built up their staffs to meet responsibilities in this area, the task itself expanded--a vast body of wrongs which heretofore had not been attended now were the subject of investigation and prosecution. Victims of economic crime (individual citizens, business, and government) had been made aware that they could now take their grievances to responsive agencies in their own communities. Just as important, the enforcement activity made possible by this Project had served to educate the public to the fact that there were potent remedies for wrongs in the area of white-collar crime. Further, it was also reasonable to conclude that many cases which might otherwise have demanded the attention of federal law enforcement agencies had been dealt with close to home, by local prosecutors.

2. Planning for the Present Grant Period. Thus it became apparent to officials at all levels that what was needed was a coordinated, national strategy for the prevention, detection, investigation, and prosecution of white-collar crime. Planning

for such an effort was begun with the U.S. Department of Justice. Preliminary discussions with the Department of Justice personnel indicated strong support for the objectives of this national strategy approach to white-collar crime enforcement. The application for the present Project grant was prepared and submitted to LEAA.

In contemplating the solid record of its accomplishments and its future, the NDAA Economic Crime Committee determined that the Project was now at a crucial juncture--and that every aspect of its operation warranted review in order to determine:

- Whether existing Project objectives were still appropriate in light of Project experience and future challenges.
- What Project activities should be continued, or altered, in light of Project experience and revised Project objectives.
- What Project activities should be discontinued in light of Project experience and revised Project objectives.
- What the Project should be doing that it was not doing.

The Economic Crime Committee therefore ordered that such a review be undertaken. This proposal submitted to LEAA, in addressing the issues of the Project's objectives, accomplishments, and Project approach, reflected observations made in the course of that ongoing review. It likewise reflected the NDAA philosophy that even the most worthwhile and successful activities should be subjected to unsparing and critical review.

3. The National Strategy Symposium. While this application was pending, NDAA convened a Symposium on the Development of a National Strategy for White-Collar Crime Enforcement at the Battelle Law and Justice Study Center's Seattle campus in July, 1978. It had been determined that a successful thrust, by NDAA, toward development of a national white-collar crime containment strategy would require careful

analysis of the objectives of such a strategy and the consideration of the respective roles and activities of agencies and interests. It was felt that any successful strategy on white-collar crime would have to include federal, state, and local levels, whether they were engaged in law enforcement, regulatory, or administrative/programmatic efforts, plus the role of the private sector. Pursuant to its contract, Battelle undertook to identify these relevant issues and to convene a broadly representative conference of experts on white-collar crime and related abuses. Also included were participants who could shed light on the more general issues involved in the development of a national program or strategy in any area. An account of this aspect of the Battelle effort will soon be published.⁹

B. Project Objectives in the Fifth Grant Year

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

This Project objective differed conceptually from that articulated in prior grant applications which stressed the goal of assisting prosecutors to most effectively investigate and prosecute economic crime offenses on the local level. In actual operation of the Economic Crime Project (as will be shown below in discussion of the Project's approach), this difference was not expected to detract from Project emphasis on increasing effectiveness of economic crime prosecutive activities. Rather, it was intended to increase that effectiveness by an order of magnitude through:

- Broadening the scope and character of economic crime violations to be dealt with by local prosecutors.
- Maximizing the usefulness of support services, through improved communication and liaison between prosecutors

and investigative agencies or other agencies which refer cases for investigation/prosecution.

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

The specific operational objectives of this Project, to achieve this primary objective, are divisible into two groups. The first group of objectives are those which relate to the continuum and enhancement of prior Project activities ("Program Component"). These were to:

- Develop a system for collection of data on white-collar crime enforcement activity in Project offices which will provide information on the character of offenses investigated and prosecuted in addition to currently collected undifferentiated statistics on enforcement actions, fines and restitution, and to organize such data in a manner which will make it an available resource for researchers on white-collar crime and for the proposed new office, within the U.S. Department of Justice, for central maintenance of criminal justice statistics.
- Produce and distribute the Project's Economic Crime Digest to approximately 2,500 prosecutors, state attorneys general, state law enforcement planning agencies, federal, state, and local criminal justice and regulatory agencies, the Library of Congress, law schools, and criminal justice researchers.
- Continue Project efforts to educate the public about economic crime through alerting NDAA membership as to currently flourishing economic crime schemes via Project bulletins and information in The Prosecutor, through media contacts, and by making Project staff available to make public presentations on economic crime subjects.
- Schedule and conduct Unit Chiefs' meetings during the grant period.

- Continue current Task Forces to deal with business opportunity and investment frauds, auto repair frauds, price-fixing and bid-rigging (antitrust), and establish two new Task Forces--to deal with insurance fraud and fraud against government.
- Continue the Project center's functions of delivering expert assistance in the area of economic crime prosecution throughout the country.
- Cooperate with the LEAA-sponsored National Center on White-Collar Crime to facilitate training in economic crime investigation through identification of prospective trainees from the offices of local prosecutors and the exchange of training and operational written materials.

(The Program Component was also intended to assist units to develop Medicaid fraud enforcement units and assist in the identification and development of LEAA Incentive Funding Program economic crime projects if the cognizant agencies expressed sufficient interest. This did not occur.)

The second group of specific operational objectives are those which relate to the Project's new program to develop a National Strategy on white-collar crime enforcement. The central core of the new National Strategy initiative was a systematic, organized, and comprehensive effort, in conjunction with federal and state law enforcement authorities, to develop a national strategy against white-collar crime, much of which is subject to concurrent federal-state jurisdictions. This major new program initiative was expected to involve:

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

of duplicative enforcement activity, or of failure of response to particular significant white-collar criminal activity because it is in a "no-man's land" of federal-state-local priorities.

- Developing a body of information on white-collar crime investigation, prosecution, and impact which will make possible improved planning of white-collar crime enforcement efforts, setting of priorities, and models for budget justification--and be a valuable resource for research on white-collar crime.

More specific objectives were to:

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

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

- Significant and documentable improvement in intergovernmental and interagency cooperation and mutual support in the area of white-collar crime enforcement.
- A rising level of consciousness on the part of all such agencies and departments as to the degree of and the disadvantages and problems of duplicative effort;

and of the magnitude of white-collar offenses not responded to because they are inadvertently on no agency's priority list.

- Tentative and mutually developed drafts, in circulation among agencies, setting forth proposed criteria for division of responsibilities which would move greater areas of white-collar crime enforcement to the local prosecutive level and provide for added sources of investigative support to local prosecutors.

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

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

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

Because the National Strategy initiative was a new and unexplored realm, the funding application could provide but the sketchiest of directions for charting the course of this effort. Early National Strategy efforts explored a number of avenues knowing that some would lead to dead ends but unable to determine in advance which would do so. Effort was also

made to be alert to the unexpected opportunity and to exploit it.

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

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

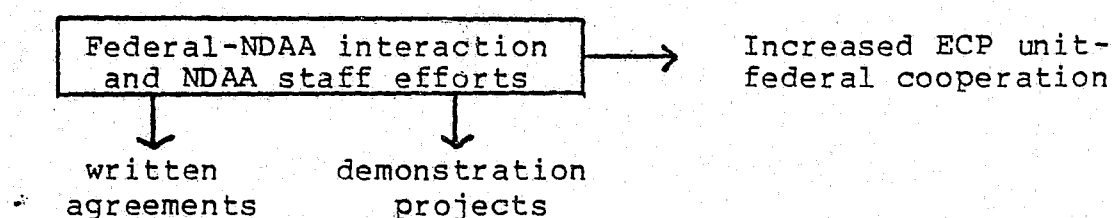


FIGURE 1.1

ORIGINAL GOALS

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

Specific Project efforts to establish liaison between agencies working in the field of white-collar containment were underway. Efforts to establish "credibility" were seen as being more difficult, requiring patient effort and good

preliminary federal-ECP mutual experiences. Several approaches undertaken early in the National Strategy effort included:

- Increased dialogue and interaction leading to increased understanding of each other's positions through such activities as:
 - a Department of Justice presentation at a Metropolitan District Attorney's meeting in Washington, D.C.;
 - National Strategy panel presentations at the Tucson and San Francisco Unit Chiefs' meetings in February and June, 1979; and
 - the initial National Strategy Questionnaire sent to ECP units to obtain background data and views on federal-state-local interaction, which not only would gather information, but would also indirectly "suggest" or "attune respondents to" interaction possibilities.
- Specific efforts resulting in interactions and work products of mutual benefit to federal and local prosecutors, including:
 - a listing of federal resources available to the Department of Justice and/or local ECP units;
 - cooperation on individual cases;
 - NDAA assistance to and cooperation with federal agencies and departments;
 - NDAA clearinghouse efforts to obtain more federal assistance for ECP unit enforcement work;
 - exchange of agency personnel, with possible cross-deputization; and
 - wide publication of successful results of examples of federal-local cooperation which were not generally known.
- Increasing awareness of the ECP and National Strategy efforts through:
 - a 10-page "background description";
 - responses to public inquiries;

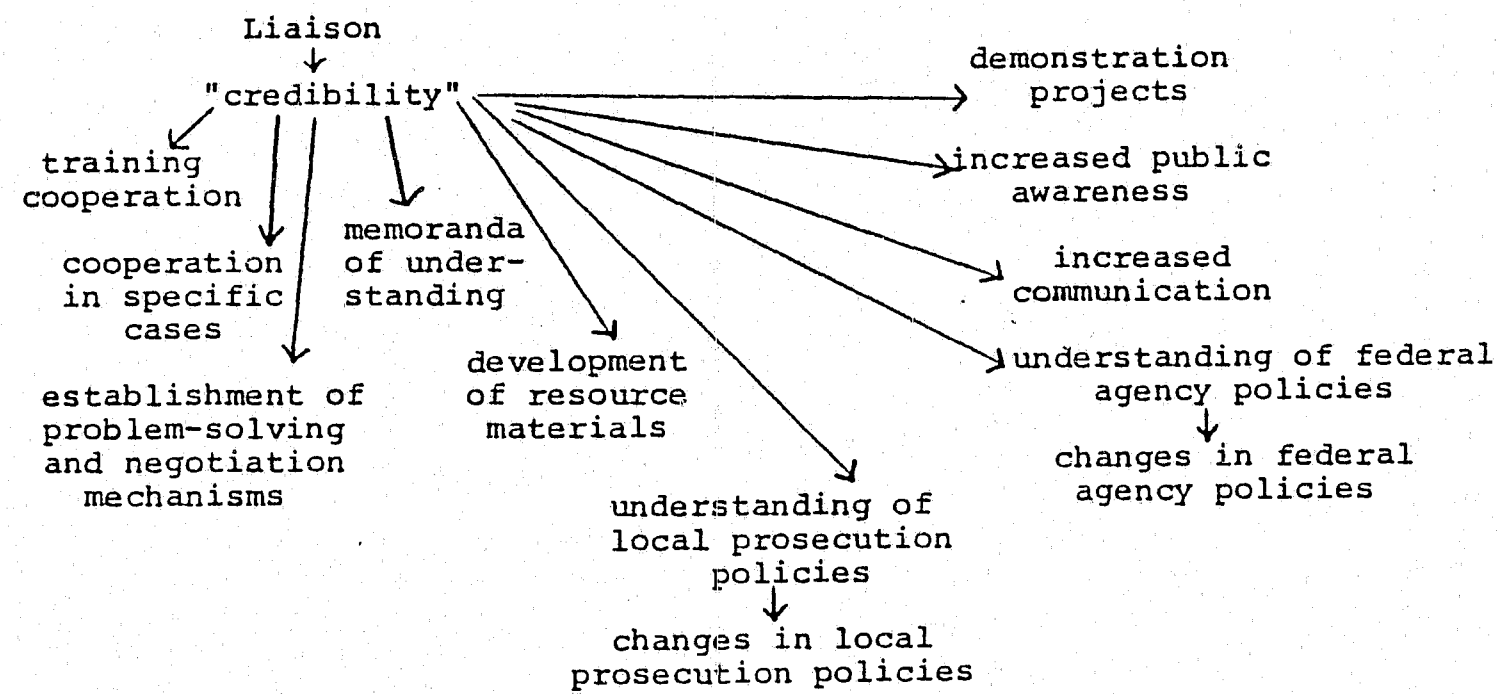


FIGURE 1.2
REFINED GOALS

- National Strategy meetings with federal agencies and other organizations, even where there were no present plans to pursue the development of specific programs; and
- publicity efforts.

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

The just-described goals and approaches were further refined at a second National Strategy Conference in July, 1979, described in detail in Chapter Four of this report.¹⁰ While no specific goals for the remainder of the grant period were established at this meeting, there was general consensus that enough progress had been made to justify changing National Strategy emphasis from planning, meetings, and discussions to action initiatives. The results of these efforts are described in Chapter Four of this report.

CHAPTER TWO

PROGRAM COMPONENT

As mentioned, Project effort in the fifth year was to consist of two functions. The Program Component was to continue Project operations begun in prior years, while the National Strategy Component was to guide and direct this new initiative. This chapter of the report describes the Program Component efforts through March, 1980. The real impact of the Program Component is the result of the individual efforts of the Economic Crime Units in 68 jurisdictions across the country. These are described in the first section of this chapter.

Much of the national-level effort has been conducted by Task Forces. Each is made up of the District Attorneys and Economic Crime Unit Chiefs from five jurisdictions and associate members drawn from other Economic Crime Units, federal agencies, Attorneys-General offices, the National Association of Attorneys General, other state agencies, and the private sector. These Task Forces have produced a series of manuals, provided technical assistance to individual units, and served as an effective vehicle in launching National Strategy initiatives. The Task Forces are discussed in the second section of this chapter.

The national-level, funded staff of the Project are housed in the Project Center, in NDAA's Chicago office. This staff arranges and conducts the Unit Chief meetings; sees to the publication and distribution of the Task Force Manuals, Economic Crime Digest, and other Project publications; performs clearinghouse and technical assistance functions; maintains the Economic Crime Project Reporting System (discussed in detail in Chapter Three of this report), and generally assists the Economic Crime Units to keep in touch with each other. The

work of the Project Center is discussed in the remaining sections of this chapter.

I. THE ECONOMIC CRIME UNITS

The real impact of the Economic Crime Project is through the Economic Crime Units in 68 jurisdictions. These units, in 32 states, encompass some 40% of the population and serve virtually every major population center. Partial and incomplete statistics for the period from Project inception in 1973 to the start of the present grant period in September, 1978 (during which some units reported only sporadically, and others not at all), give some indication of the order of magnitude of this effort: just those units which reported obtained some \$11,206,296 in court-ordered fines and restitution and \$30,157,520 in voluntary restitution and settlements. Data from 45 of the 68 units, encompassing the first ten months' operation of the Economic Crime Project Reporting System (February through November, 1979) indicate that these units alone recovered \$13,566,593 in restitutions, fines, and penalties in this period. They obtained convictions in 1,036 cases, more than half of these at the felony level, and sent 333 persons to prison or jail.

The work of these units will be described in detail in Chapter Three of this report, which describes results of the Economic Crime Project Reporting System instituted in this grant period. This system represents the first significant, comprehensive effort to gather detailed data on the nature and extent of white-collar crime prosecution in the United States. Preliminary results from the Battelle analysis of this data will be used to illustrate the narrative in this report.

As one might expect in elected officials' offices in 68 different and divergent jurisdictions, these units vary considerably in their nature, tone, and emphasis. Most of the units are relatively small, although some have ten or

more attorneys and an even larger number of investigators. Most units encompass only one jurisdiction (usually a county, as most prosecutors are elected on a county-wide basis), although the Metropolitan Denver unit is a cooperative effort of five district attorneys' offices and a Montana unit encompasses two counties.

The functions of a unit can be categorized as including complaint intake, complaint mediation or resolution, investigation and prosecution. At complaint intake, matters may come to the attention of the office through police officers, referrals from other agencies, or citizen "walk-in" or "phone-in" complaints. A significant number of the "walk-ins" or "phone-ins" may be turned down because the matter is clearly beyond the scope of the office's jurisdiction or referred to another agency better equipped to handle the matter. Estimates by unit staff put this at between 5% and 50%; data on this will be presented in our ECPRS report.

Especially in the case of "walk-in" or "phone-in" complaints, the office may attempt to contact the person or business against whom the complaint is made, in order to resolve the matter. In this respect, Economic Crime Units resemble consumer complaint offices at the state, county, or local level. If a matter clearly involves criminal fraud, or if a pattern of complaints against a particular company or industry emerges, the matter may be routed to another part of the unit (or to the general trial unit of the prosecutor's office) for investigation or prosecution.

Investigations of matters which are being explored for criminal prosecution (e.g., consumer fraud as opposed to consumer complaints) may come from citizen complaints, police officers, or referrals from other agencies. One of the major efforts of the National Strategy initiative to be described below involves encouraging the referral of matters between units and federal or state agencies. When another agency refers a case to the unit, the referring agency may have

conducted a rather thorough investigation resulting in a "package" containing investigative reports, lists of witnesses and what they are likely to say, documentary evidence, and other necessary materials. This is more likely to happen if the referring agency has ample and experienced investigative resources, although not all agencies with investigative resources do this. Unit attorneys prefer that investigators from other agencies approach them early, so that the prosecutor can determine if it is worth prosecuting, guide the investigation, identify good leads and avenues of approach, and ensure that needed evidence is not lost or overlooked. Many agencies provide at least some assistance after the matter is referred to the unit, according to returns from our first National Strategy questionnaire on unit interactions with state and federal agencies¹¹. (See Figures 2.1 and 2.2 on the following pages.)

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

Criminal and civil prosecution is the culmination of the investigative process just described. All offices have criminal jurisdiction. Some have civil jurisdiction as well, either alone or concurrently with the Attorney General, under a state consumer protection act, unfair or deceptive trade practices act, securities act, statute similar to California's recently enacted Seller Assisted Market Plan Act (business

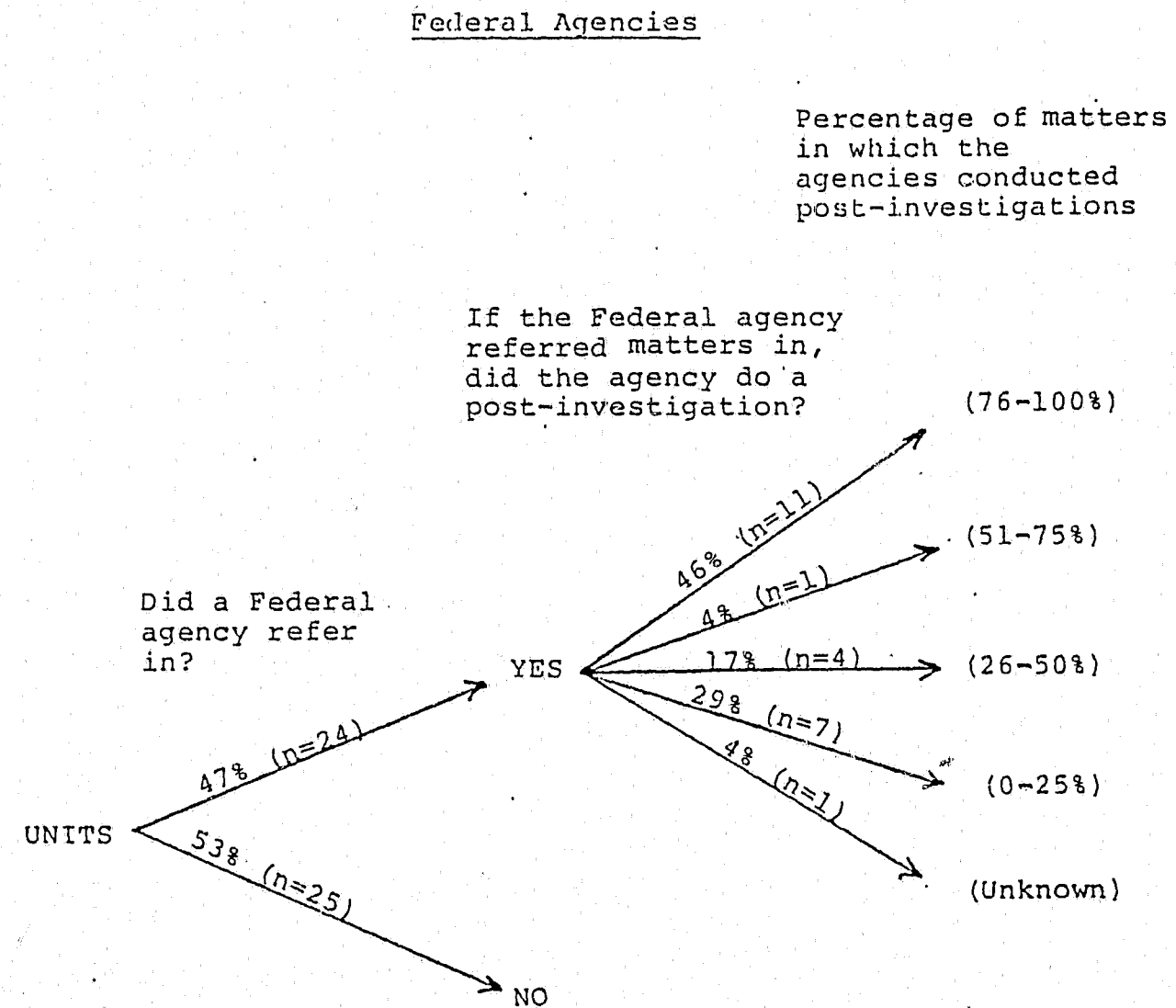


FIGURE 2.1
POST-INVESTIGATION ASSISTANCE FOLLOWING REFERRALS
FROM FEDERAL AGENCIES TO ECONOMIC CRIME UNITS
(N=49 ECONOMIC CRIME UNITS)

State Agencies

Percentage of matters in which the agencies conducted post-investigations

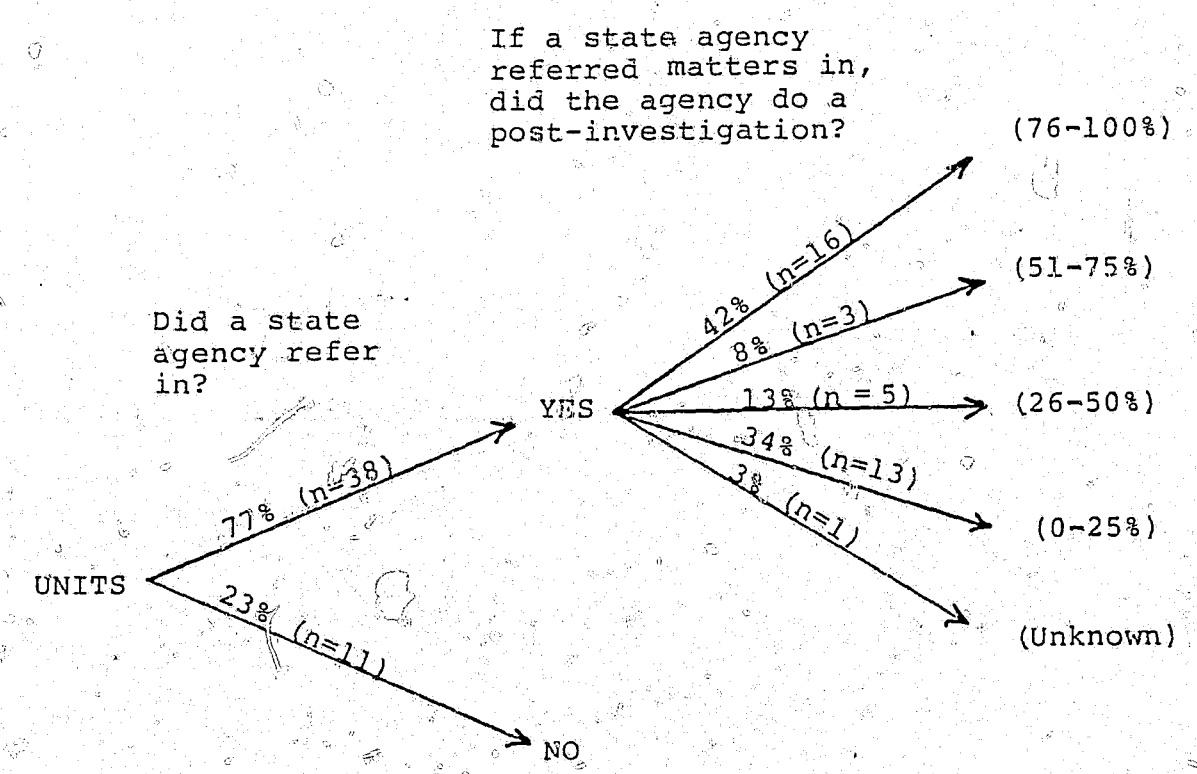


FIGURE 2.2

POST-INVESTIGATION ASSISTANCE FOLLOWING REFERRALS FROM STATE AGENCIES TO ECONOMIC CRIME UNITS (N=49 ECONOMIC CRIME UNITS)

opportunity fraud), or similar statutes. Civil jurisdiction gives the prosecutor a broader range of remedies (temporary restraining orders, injunctions, cease and desist orders, civil fines, penalties, and the like), and require a lower burden of proof than the "reasonable doubt" standard which must be met in a criminal prosecution.

The unit functions discussed above--complaint intake, complaint resolution, investigations, and prosecutions--are represented schematically in Figure 2.3. on the next page. But not all units conduct all of these functions, and others differ dramatically in the emphasis placed on each of these functions. (Data on this will be presented in the ECPRS chapter.) The Metropolitan Denver office, for example, is mainly a consumer complaint office with a large number of citizen complaints. While it conducts proactive investigations and investigates complaints extensively when warranted, and while some Denver County cases are prosecuted by assistant district attorneys detailed to the unit, following investigation many cases are referred to the general trial units of the cognizant district attorneys' offices. The Seattle office, by contrast, has few citizen complaints and has a major focus on investigation and prosecution of economic crime cases too complex or time consuming for the general trial division. Other units, such as the Louisville or Minneapolis offices, have a citizen complaint unit relying on law students or volunteers and an investigative and attorney staff to pursue investigations and prosecutions of such complex economic crimes as arson-for-profit, government corruption, and fraudulent business opportunity investment schemes.

Economic crime, however, is one category of crime most likely to cross jurisdictional lines. "Boiler room" securities investment operations in New York or Boston entice victims in far-distant states. Other operations in Los Angeles and Reno send phony bills to large companies, in hopes that they will be routinely processed and paid by the company. The "Williamson

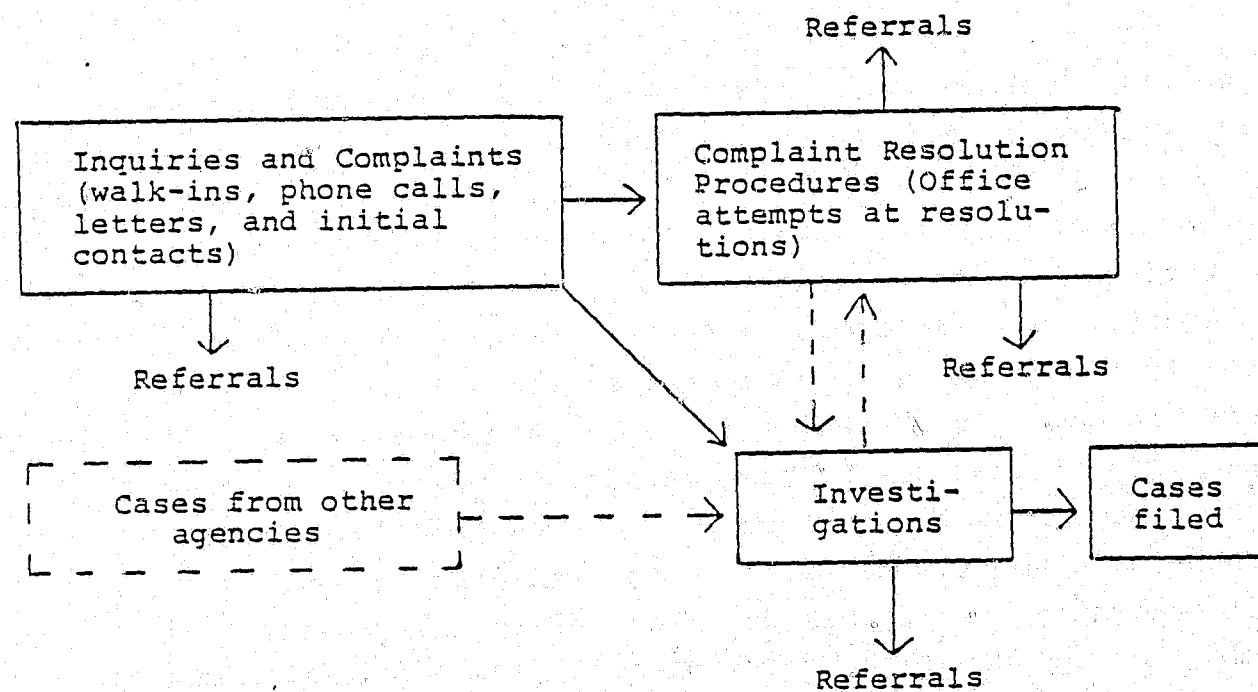


FIGURE 2.3

FLOW CHART OF UNIT ACTIVITIES

Gang" travels around the country victimizing citizens with home repair frauds, staging phony accidents which raise insurance rates, and engaging in other scams despite the efforts of a multi-state task force consisting of attorneys-general, state police, and economic crime units. Thus, while interoffice cooperation is helpful with respect to street crimes, the case is much more compelling with respect to economic crime.

One of the strengths of the Project is that it provides a mechanism for Unit Chiefs to assist each other. One of the most frequently cited benefits of Unit Chief meetings, for example, is that they permit Unit Chiefs to establish personal contact with their counterparts in other jurisdictions. This mechanism provides an opportunity for training, sharing notes on common problems, learning from each other's experiences, and developing and launching new ideas. More significantly, the Project mechanism permits prosecution of cases which would otherwise be dropped. This is illustrated by the following examples:

- The Minneapolis unit needed a statement from a witness in Denver. The Denver unit obtained the statement, played a tape recording of it over the phone the same day, and sent written confirmation several days later. The investigator, a former police officer who had obtained similar assistance from the FBI in the past, characterized this as a "beautiful return" and pointed out that such cooperation is "phenomenal between cities. . . ."
- The Louisville office was able to assist the FBI in one case by getting information the Bureau needed from the Dayton economic crime unit.

Substantial time is spent in roundtable discussions at Unit Chief meetings tracing the activities of con men known to several of the units. Unit Chiefs are generous in pointing out at these meetings how helpful another unit has been in a pending case, and the point is not lost on other Unit Chiefs who may have hesitated to call on their counterparts in other jurisdictions.

Unit Chiefs have been increasingly active in many spheres of Project operations. For example, while Unit Chiefs appeared as featured leaders in only two of the scheduled agenda events at the Tucson Unit Chiefs' meeting, subsequent conference programs involved 11, 9, and 16 Unit Chiefs. Unit Chiefs have contributed articles or book reviews to the last three issues of the Economic Crime Digest, which represents a departure from the past. While full membership in the Task Forces to be described in the next part of this report has remained at 6 on each Task Force, 21 units have joined these Task Forces as associate members (from 1 to 8 per Task Force) particularly significant because the expense of associate participation is borne by the individual units. (Compliance with the ECPRS, however, has been a continuing problem. This is discussed in the ECPRS chapter.) The units' active participation in and substantive contributions to the National Strategy effort are also noteworthy in this regard. This is discussed in the National Strategy section of this report.

II. THE TASK FORCES

In the fourth grant period the Economic Crime Project formed three Task Forces to address significant problem areas. These Task Forces met regularly to discuss common problems, share experiences, and work out new approaches in investigating and prosecuting cases in these areas. Each Task Force undertook to write a manual. At the close of the fourth grant period the three Task Forces and the manuals they prepared were:

- Business Opportunity
Business Opportunity Fraud Manual (NDAA)
- Auto Repair
Auto Repair Fraud Manual (NDAA)
- Bids and Rigging (Antitrust)
R. Fellmerth and T. Papageorge, A Treatise on State Antitrust Law and Enforcement: With Models

and Forms (Washington, D.C.: Bureau of National Affairs, 1978).

The Business Opportunity Task Force also launched a business opportunities clearinghouse, which will be described in more detail below.

Because of the success of these Task Forces, NDAA expanded the number of Task Forces to five in the fifth grant period. The two new Task Forces were the Insurance Fraud Task Force (which includes a substantial emphasis on arson-for-profit) and the Official Corruption and Procurement Fraud Task Force.

A. Manuals

The three original Task Forces undertook to revise and update their earlier manuals in light of feedback from Unit Chiefs and of new developments in the field. The Antitrust Task Force was pleased with the first manual, but saw the need for a more basic manual for less sophisticated offices just beginning to be interested in the area. Like the Task Force's first manual, this was printed by the Bureau of National Affairs under an arrangement which makes many more copies available, at no expense to the Project.

The Auto Repair Task Force's manual was rewritten, also to make it more basic. The section on alternatives to criminal prosecution was rewritten to provide new and expanded information on AUTOCAP and similar programs in which car dealers or repair shops agree to mediation or arbitration of disputes for the benefit of consumers. The guidelines for conducting investigation and prosecutions were edited substantially, with many revisions reflecting changes in thinking in light of new experience. A new section on applicable statutes and legal issues was added, as were sections on "chop shops." These operations reflect a growing and more sophisticated involvement of organized crime in auto theft: cars are stolen "on order" and broken down in a matter of hours into parts which can be sold separately for more than

the cost of the car and which do not carry incriminating vehicle identification numbers.

The Business Opportunity Fraud Task Force determined that one of the major problems in prosecuting such frauds was the lack of specific statutory tools in many jurisdictions. The Federal Trade Commission had just promulgated regulations requiring business opportunities and franchise operations to disclose and document relevant facts to potential investors, including claims of potential earnings. California had recently enacted a model Seller-Assisted Marketing Plan (SAMP) law, which provided felony penalties for failure to register or disclose pertinent information. New Hampshire and North Carolina had passed business opportunity legislation in 1977, followed in 1978 by Kentucky. In 1979 similar legislation was introduced in 15 states. Legislation was passed in four states (Connecticut, Florida, Nebraska, and Virginia) and in July, 1979, bills were pending in four states. Thus, the Task Force decided to write a manual on legislation in this area. Chapters of this manual describe the FTC rule and highlight state legislation. Other chapters outline strategies units can use in states without legislation and describe the Business Opportunities clearinghouse run out of the Metropolitan Denver District Attorneys' Consumer Office (described below). Appendices contain copies of legislation, a glossary, resource materials, and a list of people and organizations to contact for assistance.

Members of the two Task Forces, Insurance Fraud and Official Corruption and Procurement Fraud, also prepared manuals for the benefit of prosecutors and investigators. The insurance fraud manual has chapters on arson-for-profit, property damage or loss, fraud by insurance companies and agents, and fraudulent personal injury claims. The bulk of the latter consists of a description of an insurance fraud ring involving doctors and lawyers in the Chicago area, by a lawyer in the ring who was successfully prosecuted by the Chicago

Economic Crime Unit. The manual also has a glossary of insurance industry terms, a selected arson bibliography, and a series of appendices, most of which are related to arson-for-profit. The availability of the Insurance Fraud Manual was recently announced in the Bureau of National Affairs' widely read Criminal Law Reporter.¹²

The Official Corruption and Procurement Fraud Task Force's manual has chapters on procurement and contract frauds, problems arising in government regulation of private commerce, misappropriation of public property and services, corruption in government finance and administration, election fraud, conflicts of interest, corruption in the criminal justice system, remedies and alternatives to prosecution, and press relations.

Thus, the five manuals produced in the present grant period are:

M. Rivera, Antitrust Primer: Basics of Antitrust Law and Investigation (Washington, D.C.: Bureau of National Affairs, 1980).

Auto Repair Fraud Manual: Part II (NDAA)

The Business Opportunity Fraud Manual Part II: Legislation (NDAA)

Insurance Fraud Manual (NDAA)

Official Corruption and Procurement Fraud Manual (NDAA)

B. Clearinghouses

The Business Opportunity Fraud Task Force also began a Business Opportunities Clearinghouse which, as mentioned, is operated by the Denver unit. This Clearinghouse collects and makes available to law enforcement agencies nationally information on individuals and companies suspected of being active in business opportunity frauds. This information is provided by economic crime units and other involved agencies, and stored on 3x5 index cards. Law enforcement and prosecutive

agencies can phone the clearinghouse to determine whether a suspect in that jurisdiction has been active in other jurisdictions.

This Clearinghouse has been important in the development of a National Strategy. Clearinghouse staff have provided advice and comment on the FTC business opportunity disclosure regulations mentioned above, and have exchanged information on a regular basis. The Clearinghouse has also undertaken to inform the Project units as to the content and import of the FTC regulations. Further, it has fostered closer relationships with state and federal agencies (e.g., attorneys general, the U.S. Postal Inspection Service) by providing these agencies with timely, valuable information. Of the 900-odd requests for information received in the first nine months of 1979, over half (62%) were from agencies other than Economic Crime Project units; a significant number were from attorneys general offices. The Clearinghouse's newsletter is distributed to some 270 law enforcement and prosecutorial agencies.

With the fuel crisis, a number of companies have introduced gas-saving and other energy-saving devices which purport to cut gas mileage dramatically or offer significant energy savings. In too many cases, these claims are not substantiated by laboratory tests; in some, the devices offer virtually no energy savings. In response to this problem, the Denver unit has also begun a gas-saving device clearinghouse, which operates in much the same way as the Business Opportunities Clearinghouse. Negotiations are underway with the U.S. Department of Energy for funding of an expanded effort in this area.

C. National Strategy Initiatives

The Antitrust Task Force has worked actively with the U.S. Department of Justice, Antitrust Division, the National Association of Attorneys General, and several attorneys general offices. Mr. James H. Bradner, the Project Attorney in charge

of the National Strategy initiative, stated at the July, 1979, National Strategy Conference, to be described below, that the antitrust initiative was "one of the most valuable efforts we have undertaken, since it put us together with NAAG."¹³ Among the effects of this have been an exchange of liaison personnel between the organizations, cross-invitations to attend the organizations' meetings and training sessions, and a transformation of the mission of ECP Task Forces from bodies charged with producing manuals in their areas into meeting places where dialogues between the different levels of government are facilitated. He pointed out that attorneys general and other relevant agency representatives have been invited to participate at Task Force meetings on an "associated" basis. For example, the Antitrust Task Force meeting held in San Francisco in June, 1979, was attended by representatives from the Antitrust Division of the Department of Justice, two offices of state attorneys general, and a regional association of such offices, as well as other officials.

The arson-for-profit focus of the Insurance Fraud Task Force has brought it into closer working relations with state and federal agencies and national organizations also concerned with this problem. For example, the Task Force meeting, in Minneapolis in the fall of 1979, was attended by representatives of LEAA (which has recently launched an initiative under an interagency agreement with the U.S. Fire Administration), the FBI, the U.S. Treasury's Bureau of Alcohol, Tobacco and Firearms, the Internal Revenue Service, the National Fire Protection Association, the Alliance of American Insurers, and the International Association of Arson Investigators.

The Auto Repair Fraud Task Force (since disbanded, as will be discussed below) had been promoting National Strategy initiatives by cooperating with the U.S. Department of Transportation in a study on the amount of auto repair fraud

and with the National Highway Traffic Safety Administration and National Auto Dealers' Association in the development of AUTOCAP program for mediation, binding on the dealer but not the consumer of new car sales and warranty problems. The Economic Crime Project Director sat as a consumer representative on the national panel which set guidelines for these programs, and several units have initiated programs on the local level.

Associate membership on the Task Forces has proven to be a useful way to involve federal and state agencies and national organizations in the work of the Economic Crime Project, and thus to promote National Strategy objectives. Representatives of NAAG are associate members of each of the Task Forces. As mentioned before, federal and state agencies and national associations have been active on the Antitrust and Insurance Fraud Task Forces.

D. Task Force Reorientation

In the summer of 1979, the Project took the opportunity to review and restructure the Task Forces. It was determined to dissolve the Auto Repair Fraud Task Force, but to keep making the expertise of the individual members available for technical assistance to other units on request. A new Complex Crimes Training and Investigations Task Force was formed, and the first meeting was held in conjunction with the Minneapolis Unit Chief meeting in October, 1979.

The Project leadership also determined that the work of the Task Forces should change, from manual writing to technical assistance and promotion of National Strategy initiatives. The Task Forces met the day before the Minneapolis Unit Chiefs' meeting and again just prior to the Boston Unit Chiefs' meeting in June, 1980, to plan specific strategies to achieve these objectives. The June, 1980, Antitrust Task Force meeting was held in Washington, D.C., and involved officials from the Antitrust Division of the U.S. Department of Justice, as well.

E. Unit Participation

Economic Crime Unit participation in the Task Forces has been a dynamic process, involving more and more of the units. When the Auto Repair Fraud Task Force was disbanded, three of the five members joined other Task Forces as full members, and one joined another on an associate basis. Three other units switched from one Task Force to another as full members. Three other units changed from full members to associate members, one on the same Task Force and two others on different Task Forces. This made room for full participation by six units which had not previously been involved in the Task Forces, thus broadening the base of intensive unit participation in the Project. Thus, the newest Task Force, on complex crime training and investigation, is composed of a balance of three units with prior Task Force experience and two units without such experience. Only two units have ceased Task Force participation altogether.

Associate membership, as mentioned, has also increased unit participation in the Task Forces. Twenty-one units are associate members--particularly significant as an indicator of unit commitment because the expenses of associate membership must be borne by the unit rather than the Project.

III. THE UNIT CHIEF CONFERENCES

Unit Chief meetings are held three or four times a year. Unit representatives are obligated to attend one such meeting a year at their own office's expense as a condition of membership. The conferences generally last three days. One or more Task Force meetings are held the day before or the day after the Unit Chief meeting. The meetings begin with a roundtable discussion (open to law enforcement personnel only) of pending investigations and cases. The first afternoon and the second day are devoted to presentations, panel discussions, training sessions, and workshops. They conclude with a second

CONTINUED

1 of 5

roundtable on the morning of the third day. Meetings held during the current, 18-month grant period include those held at:

- Tucson, Arizona, February 13-15, 1979.
- San Francisco, California, June 21-23, 1979.
- Minneapolis, Minnesota, October 31-November 2, 1979.
- Atlanta, Georgia, February 21-23, 1980.
- Boston, Massachusetts, June 5-7, 1980.

A. Roundtables

A description of the first roundtable discussion at Tucson may serve to give a flavor of the discussion. Following introductory remarks, the Tucson Unit Chief meeting began in the traditional fashion, with a roundtable report and discussion. The ballroom was set up with tables in the form of a large rectangle, with room for all 55 Unit Chief attendees and the 8 guests.

The traditional roundtable format was followed. That is, selected Unit Chiefs were asked to present their case to the roundtable. Each case was described in one to three pages in the roundtable book handed to participants. Following each presentation, Unit Chiefs from other jurisdictions offered comments, advice, or suggestions.

Most of the comments concerned activities that the subject of the case or the investigation being discussed had conducted in other jurisdictions. Thus, following a franchise or business opportunity case, other unit heads advised the group about actions they had brought or were contemplating bringing against the same defendant in other jurisdictions. About three times during the roundtable discussion, Unit Chiefs learned that a putative defendant had been operating or was planning to begin operating in their jurisdictions.

Initially, discussion was slow and attendees seemed hesitant or reluctant to speak. But after the first half hour

of the two-and-one-half to four-hour session, this barrier was passed and the discussion was more free. Generally, there were about one to four comments per case. No case led into a lengthy discussion. Altogether, there were about 20 cases presented.

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

B. Other Conference Activities

Presentations and workshops at the Tucson conference included:

- A presentation on computer crime.
- A presentation on the NDAA Evidence Tracking Project.
- A presentation on procurement.
- A talk by ECP consulting accountant, Robert Milne, on accounting tools.
- A National Strategy panel discussion on cooperation with the U.S. Department of Justice.
- A presentation and film on arson by the Insurance Crime Prevention Institute.
- A presentation on statewide Economic Crime Councils.
- Reports on Task Force activities.

The agenda at the San Francisco Conference included:

- Workshops on business opportunity fraud and the FTC franchise rule, antitrust, insurance fraud and arson, and fraud against the elderly.

- A talk by Prof. Gilbert Geis, on deterring the corporate criminal.
- National Strategy workshops on state, federal, and international cooperation.
- A workshop on sentencing the white-collar crime offender.
- A presentation on white-collar crime against professional athletes and organizations by a representative of the National Football League.

The mobile complaint van of the San Francisco unit was on view during a lunch break. Members of the Business Opportunities Task Force "shopped" a business opportunities and investment fair which opened the second evening of the conference, and observed several apparent violations of California's new Seller Assisted Marketing Plan law.

Sessions at the Minneapolis conference included:

- A presentation and discussion of two "60 Minutes" segments (auto repair fraud and corruption in meat packing), led by a producer of this show.
- Workshops on auto repair fraud; insurance fraud, state and local tax fraud; official corruption; and complex crimes (a basic course for local attendees).
- A presentation on teamwork and techniques in investigation, by Bruce Jones of the Dade County (Florida) Department of Public Safety's Institute on Organized Crime.
- A panel presentation and discussion on federal-local cooperation, which included a presentation by a representative of the Office of Inspector General, U.S. Department of Agriculture.
- A panel presentation and workshops on securities registration and securities fraud, involving representatives of the Securities and Exchange Commission and the securities departments of four states.

The meeting, in Atlanta included:

- An update on recent Supreme Court cases.

- Workshops on particular types of cases, including auto dealer reserve account fraud, the Kingsbridge Fiduciary Trust case (investment fraud), and statutory reform.
- Regional workshops on National Strategy initiatives, conducted by the six Lead Unit Chiefs.
- A presentation on the jurisdiction, services, and procedures of the Federal Bureau of Investigation.
- A presentation on the civil liability and immunity of prosecutors.
- A series of training workshops led by members of the Complex Case Investigation and Trial Techniques Task Force (expert testimony, proof of specific intent, obtaining and presenting documentary evidence, civil litigation and jury selection and opening statements).

C. Unit Chiefs' Views

Unit Chief meetings were frequently cited during our site visits to the six Lead Units as one of the main benefits of the Economic Crime Project to the individual Economic Crime Units. This view was consistent with informal comments of other Unit Chiefs at the Unit Chief meetings and during telephone conversations with Battelle staff. One of the major benefits frequently cited is that Unit Chiefs establish personal contact with their counterparts in other jurisdictions, and thus feel more free to call on them for intelligence information, help in locating a defendant or interviewing a witness, or advice in how to handle a particular type of case or investigation.

Thus, the roundtable discussions have proved to be one of the most valuable contributions that Unit Chief meetings have made to individual economic crime unit operations. Unit Chiefs contemplating a proactive auto repair investigation or disturbed about a plethora of newspaper ads offering instant wealth through diamond investments, vending machine franchises, or worm farms learn how other jurisdictions successfully prosecuted such cases and--more importantly--how other jurisdictions encountered problems and learned from their

mistakes. On several occasions, personally observed by Battelle staff at these sessions, participants learned that individuals being investigated or prosecuted in their jurisdiction were active in other jurisdictions as well--setting up the basis for inter-unit cooperation. Other cases reported on served to precipitate discussions on tactical problems such as how to set up a car for a proactive auto repair investigation, or on legal issues such as procedures to use in obtaining needed financial records.

Participants at Unit Chief meetings were asked to rate the individual sessions. The roundtable discussions were given high ratings at all but the Minneapolis conference. Few of the sessions received ratings which varied by more than one percentage point from the average ratings given the conferences at which the sessions occurred. Aside from this, no trends are apparent in these data. The results are presented in Table 2.1 on the following page.*

The Unit Chief meetings have served in several respects to strengthen the National Strategy initiative. First, the program at each conference has contained one or more sessions informing the units of National Strategy efforts and achievements which are useful to them in their daily

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

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

TABLE 2.1
UNIT CHIEF CONFERENCE PARTICIPANT RATINGS
OF CONFERENCE SESSIONS, COMPARED TO
RATINGS OF INDIVIDUAL CONFERENCES

Conference Session	Participant Rating	Conference Session	Participant Rating
<u>Tucson Conference</u> February, 1979		<u>San Francisco Conference</u> June, 1979	
First Roundtable	+ 1.0	Second Roundtable	+ 1.3
Presentation: Consumer fraud	+ 0.9	First Roundtable	+ 1.3
Second Roundtable	+ 0.5	Sentencing Workshop	+ 0.8
Presentation: Computer-related crimes	+ 0.4	Presentation by: Gilbert Geis, Deterring the Corporate Criminal	+ 0.4
Presentation and film: Arson	0.0	Workshop: Business opportunities	+ 0.3
Task Force Reports: Task Force role in National Strategy	- 0.5	Workshop: Insurance fraud, arson	0.0
Presentation: Revised Economic Crime Reporting System	- 0.7	Presentation: Economic crime by sports agents (NFL)	0.0
Presentation: Evidence-tracking in complex economic crimes	- 1.4	Workshop: Antitrust	- 0.2
		Workshop: National Strategy, state	- 0.3
		Workshop: National Strategy, federal	- 0.5
		Workshop: National Strategy, international	- 0.6
		Workshop: Fraud against elderly	- 2.0

(continued)

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

TABLE 2.1 (continued)

Conference Session	Participant Rating	Conference Session	Participant Rating
<u>Minneapolis Conference</u> October-November, 1979		<u>Atlanta Conference</u> February, 1980	
Task Force Workshop: Official corruption	+ 0.8	Presentation: Civil liability and immunity	+ 1.7
Task Force Workshop: Insurance fraud	+ 0.3	Second Roundtable	+ 1.0
Presentation: Improving Law Enforcement through the Media 60 Minutes	+ 0.2	First Roundtable	+ 0.9
Presentation: Bruce Jones, Investi- gation Teamwork and Techniques	+ 0.3	National Strategy: Regional workshops	+ 0.6
(Task Force Workshops: overall)	(+ 0.1)	Presentation: Recent Supreme Court cases	+ 0.6
Task Force Workshop: Auto repair fraud	0.0	Subject-area Workshops	- 0.2
Presentation and Workshop: Securities	- 0.1	Invention marketing	+ 0.9
First Roundtable	- 0.1	Toxic waste	+ 0.1
Second Roundtable	- 0.4	Auto dealer reserve account fraud	0.0
Workshop: Tax fraud	- 1.6	Statutory reform	- 0.3
Panel presentation: National Strategy	- 2.8	Computer program to trace cash flow, check kiting	- 0.7
		Kingsbridge Trust investment fraud	- 0.8
		Training Workshops	- 0.3
		Civil litigation	+ 0.7
		Jury selection, opening statements	+ 0.6
		Documentary evidence	+ 0.5
		Expert witnesses	- 0.8
		Establishing specific intent	- 1.7
		Presentation: Federal Bureau of Investigation	- 0.9

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

Agencies and organizations that have participated in Unit Chief meetings and the form of participation are indicated in Table 2.2, which follows on the next page.

D. National Strategy Impact

Unit chief meetings have also provided Lead Unit Chiefs to meet, discuss problems, share strategies for fostering interagency cooperation, and plan future initiatives. At these meetings Lead Unit Chiefs, with NDAA staff, have decided to constitute themselves a Task Force, determined criteria for designation of an additional six Lead Units, discussed methods of assisting these additional six Lead Units, and planned a two-day meeting with representatives of federal agencies in Washington, D.C. As an indication of the dedication and interest of the Lead Unit Chiefs, it should be noted that all this has been accomplished at "coffee and roll" breakfast sessions convened an hour before the morning conference sessions began.

A more dramatic instance of use of a Unit Chief meeting to advance a National Strategy initiative occurred at the Minneapolis meeting. There, the Hennepin County Attorney's Citizen Protection/Economic Crime Unit, which hosted the unit,

TABLE 2.2
NATIONAL STRATEGY: PARTICIPATION OF FEDERAL AND
STATE AGENCIES AND NATIONAL ORGANIZATIONS
AT UNIT CHIEF CONFERENCES

Agencies and Organizations Represented	Session/Purpose of Participation
<u>Tucson Conference; February, 1979</u>	
<u>Federal Agencies:</u>	
U.S. Department of Justice, Office of Economic Crime Enforcement	National Strategy panel presentation: Franchise rule
Federal Trade Commission	Attend conference
Federal Bureau of Investigation	Attend conference
<u>State Agencies:</u>	
Arizona Attorney General's office	Attend conference
Arizona Department of Corporation	Attend conference
<u>Other Organizations:</u>	
Insurance Crime Prevention Institute	Presentation (arson), Task Force meeting
National Association of Insurance Commissioners	Task Force meeting
<u>San Francisco Conference; June, 1979</u>	
<u>Federal Agencies:</u>	
Federal Trade Commission	Workshop
U.S. Department of Justice, Antitrust	Workshop, Task Force meeting
Federal Bureau of Investigation	Attend conference
U.S. Department of Agriculture/Inspector-General's office	National Strategy panel
U.S. Department of Justice, Office of Economic Crime Enforcement	National Strategy panel
<u>State Agencies:</u>	
California Attorney General's office	Workshop, Task Force meeting
Florida Attorney General's office	Workshop, Task Force meeting

(continued)

TABLE 2.2 (continued)

Agencies and Organizations Represented	Session/Purpose of Participation
<u>(San Francisco Conference, continued)</u>	
<u>Other Organizations:</u>	
California Bar Association, Office of General Counsel (Bar discipline)	Attend conference
Pennsylvania District Attorneys Association/Economic Crime Council	National Strategy panel
Southeast Regional Antitrust Clearinghouse	Task Force meeting
Battelle National Center on White-Collar Crime	Workshop
<u>Minneapolis Conference; October-November, 1979</u>	
<u>Federal Agencies:</u>	
U.S. Postal Inspection Service	Presentation, workshop, participation in roundtable
U.S. Department of Justice, Criminal Division, Office of International Affairs	Presentation
U.S. Department of Agriculture, Office of Inspector-General	Presentation, participation in roundtable
Securities and Exchange Commission	Presentation
Federal Bureau of Investigation	Task Force meeting (insurance, arson); attend conference
Bureau of Alcohol, Tax and Firearms	Task Force meeting (insurance, arson); attend conference
Internal Revenue Service	Attend conference
<u>State Agencies:</u>	
Minnesota Securities Division	Presentation, workshop, Task Force meeting (Business Opportunity)
California Department of Corporations	Presentation, workshop, Task Force meeting (Business Opportunity)

(continued)

TABLE 2.2 (continued)

Agencies and Organizations Represented	Session/Purpose of Participation
<u>(Minneapolis Conference, continued)</u>	
Oklahoma Securities Commission	Presentation, workshop, Task Force meeting (Business Opportunity)
North Dakota Securities Commission	Presentation, workshop, Task Force meeting (Business Opportunity)
New Jersey Attorney General's office	Workshop
Minnesota Attorney General's office	Workshop (taxation), Task Force meeting (Business Opportunity)
Minnesota Department of Revenue	Workshop (taxation)
Minnesota Fire Commissioner	Task Force meeting (insurance, arson)
Minnesota Bureau of Criminal Apprehension	Attend conference
<u>Other Organizations:</u>	
Alliance of American Insurers	Task Force meeting (insurance, arson)
International Association of Arson Investigators	Task Force meeting (insurance, arson)
National Fire Prevention Association	Task Force meeting (insurance, arson)
National College of District Attorneys	Task Force meeting (insurance, arson)
<u>Atlanta Conference; February, 1979</u> (partial list; attendee data not available)	
<u>Federal Agencies:</u>	
Federal Bureau of Investigation	Presentation
U.S. Postal Inspection Service	Workshop (invention marketing fraud)
U.S. Attorney's Office/Pittsburgh	Workshop (invention marketing fraud)
<u>State Agencies:</u>	
Kentucky Attorney General's office	Workshop (statutory reform)

used the Unit Chief meeting as a forum to convene an organizational meeting of the Minnesota Interagency Economic Crime Group. Some 76 representatives from four federal agency local offices (Internal Revenue Service, Federal Bureau of Investigation, Postal Inspection Service, and Bureau of Alcohol, Tobacco and Firearms), four state agencies (Attorney General, Department of Revenue, Securities Division, and Bureau of Criminal apprehension), five county prosecutors' offices, seven local police departments or sheriffs' offices, two banks or department stores, and four other organizations (including a citizen and a state legislator) attended the Unit Chiefs' meeting where they could exchange notes with colleagues from all over the country. The Unit Chief meeting program included a basic session on complex crime investigation and prosecution for local representatives. That evening, local representatives conducted the organizational meeting, followed by a press conference which included the Minnesota Attorney-General, four county attorneys from the Twin Cities' adjacent counties, and a representative of the United States Attorney's Office. The interagency group is discussed in more detail, below.

IV. THE ECONOMIC CRIME DIGEST

The Economic Crime Project publishes an Economic Crime Digest, which is sent not only to economic crime units but to other law enforcement agencies, prosecutors' offices, law libraries, and other interested persons as well. About 2,500 copies of each issue are distributed. Originally published bi-monthly, this Digest was to be issued quarterly during the current grant period. However, publication has been more sporadic, as indicated in the following:

<u>Volume V</u>	#1	September 1978-January 1979
	2	February-June, 1979
	3	July-September, 1979

<u>Volume VI</u>	#1	October 1979-January 1980
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The first issue followed the format used in prior grant periods, containing four pages of Project and white-collar crime news and short descriptions of some 60 recent cases handled by the units. A new indexing system was devised, which classifies these case notes by a system adapted from the list of economic crime categories used in the Economic Crime Project Reporting System.

In the second and subsequent issues, the format was modified to include more articles written by Unit Chiefs or reprinted from other white-collar crime newsletters and publications. About two-thirds of the last two issues have been devoted to articles.

The second issue of the Digest contained a book review and articles on coupon fraud investigators, complaint resolution mechanisms, using word-processing equipment and clerical staff in evidence management, and why local antitrust enforcement is important. Some 36 case notes were included in this issue.

The articles in the third issue were devoted to hearings on energy conducted by the U.S. House of Representatives, national coordination of prosecutions against the "Terrible Williamson Gang," prosecutorial experience with computers and computer crime (reporting on an LEAA-funded project in this area), and investigative accounting. The latter was prepared by the project's chief investigative accountant, Mr. Robert Milne, from notes used in conducting training sessions in unit offices. (These are described in more detail, below.) Over 300 reprints of this article have been distributed. Battelle's National Center on White-Collar Crime plans to use it in their week-long training course on white-collar crime investigation and prosecution, and has included it in the discussion draft of the desk book of readings to accompany its forthcoming Enforcement Manual on Arson-for-Profit. Descriptions of 23 recent cases were also presented in this issue, as well as a book review.

The latest issue of the Digest had articles on the fraudulent conveyance and control of assets by a special agent of the Office of the Inspector General, General Services Administration, prosecutorial immunity, investigating the Allied Research invention marketing fraud case, and training investigators in computer crime. The latter was reprinted from the FBI Law Enforcement Bulletin. The Digest also had short notes on 29 cases, a description of the FBI's General Appearance File Service, and a questionnaire on expert resources available to ECP units.

Persons interviewed during the course of Battelle field visits to the six lead Units cited the Digest as one of the most useful of the Project services. Benefits cited were that it kept unit staff current on trends in economic crime and developments in other units. The Digest's case notes, however, may be less useful in specific cases. One attorney noted that he read these notes religiously, hoping to encounter news of persons or schemes active in his jurisdiction, but this had not yet occurred. No other interviewee cited any examples of this having occurred, either. (One would speculate that this would more likely result from the confidential alerts circulated only to the units, which describes investigations and targets before this can wisely be made public.) An attorney from one of the larger, more experienced, and more sophisticated units added that general information on a prosecution on the other coast was not helpful to him; he would like more detailed information on how to prove difficult cases, spelling out steps to take and evidence needed.

Several persons commented favorably on the format shift to longer articles describing cases in more detail (e.g., Williamson gang, Allied Research inventor fraud) or presenting training information (e.g., investigative accounting).

The Economic Crime Project surveyed its readership with a questionnaire enclosed with the third issue of this grant period. Eighty-four responses were received from Federal

agencies (12; U.S. Attorneys Office, FBI, FTC, Postal Inspection Service, Interior, HUD, Army, Air Force), state agencies (17; attorney general, securities division, consumer protection, state police, crime control, planning board, Governor's legal staff, state law library), local agencies (12; law enforcement, consumer office, court), prosecutors' offices (21; including economic crime units) universities (7), and other organizations (7; professional and public interest organizations, bank, chamber of commerce). Of those responding, 73.4% indicated they circulate the magazine to different units or divisions within their office. Sixty-nine percent indicated they do not circulate outside their office. Those that do, route it to prosecutive offices (mentioned 8 times), investigative offices (5), enforcement agencies (3), regulatory agencies, teaching offices, monthly economic crime meetings, public defenders, and students (each mentioned once). Ninety percent of the responding recipients file the Digest in their office for convenient staff use.

The Digest is most frequently used as an alert to new frauds (mentioned 46 times), to identify new enforcement techniques (39), to identify people to contact for information (31), to keep current generally (16), as a reference or general overview of the field (12), to track particular offenders (10), or as a training device (5). Other uses are to coordinate federal, state, and local enforcement and to provide intellectual enrichment.

Aspects of the Digest found most useful by respondents included in-depth reports (mentioned 16 times, with the investigative accounting article being mentioned frequently), detailed descriptions of investigative techniques and procedures (14), articles on various schemes (13), information and referral functions (13), novel prosecution techniques (10), case digests (7), articles on legislation (4), information on securities (2), information on sentencing, the classification

of cases into categories of crime, and information on fraud against government programs (each mentioned one time).

The aspects found least helpful included consumer scam information (mentioned 4 times), the "in brief" section (4), statistics (2), sentencing (2), "brag" items of recent successes, legislative information, and reports on civil actions against specialized businesses.

Fourteen respondents requested more training articles. Two of these suggested an article on investigative accounting in computer environments, one requested descriptions of evidence used in court, and one desired sample pleadings in deceptive or unfair trade practices. There were seven requests for more emphasis in specific topic areas, including securities and commodities fraud (2 requests), business opportunities, economic crimes in agricultural areas, real estate and public housing assistance, federal case material, and consumer fraud. Three requested more intelligence information (names of accused or convicted persons; "families" in the fraud field; organized crime infiltration into legitimate business). One person each requested statistical data on criminal activity, a listing of individuals or departments with expertise in particular aspects of investigation or prosecution, a greater emphasis on criminal law matters, and more news. One suggested that the Digest be sent to all judges.

V. OTHER ECONOMIC CRIME PROJECT PUBLICATIONS

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

period. Future prosecutor-education and public awareness publications are planned.

As mentioned earlier, the Project's chief investigative accountant, Mr. Robert F. Milne, a former FBI agent, developed an article for the Digest from the outline he used in conducting training sessions for unit prosecutors and investigators. The feedback about this article from economic crime units to Project staff and to Battelle staff conducting field visits to the Lead Units was uniformly positive. The Project decided to publish this as a 22-page "Special Criminal Justice Improvement Publication," entitled Some Useful Notes Re: Investigative Accounting (September, 1979). Project staff estimates that some 300 copies of this monograph had been distributed by the end of March, 1980. It has also been reprinted in Assets Protection, an industrial security professional journal.

Securities law violations were also an area of high-priority concern to the Project. The reason for that is that securities laws enable a prosecutor to expand the range of options available for prosecution of such scams as pyramid sales schemes, business opportunity frauds, and advance-fee schemes. Failure to register the security and failure to register as a broker are felony offenses in most states whether or not anyone has yet been victimized. In such cases the prosecution does not have to prove that the defendant knew he or she was selling a security, only that the item was voluntarily sold. (Indeed, several cases hold that it is not a defense that the state securities commissioner told the defendant the item was not a security.) Securities fraud is easier to prove than general criminal fraud or mail fraud, because in securities fraud cases it is not necessary to prove that the victim was actually deceived by the conduct alleged. Further securities statutes frequently make available a number of civil remedies such as summary, ex parte cease and desist orders, injunctions, and civil penalties.

The term "securities," despite a popular misconception, is by no means limited to stocks and bonds.¹⁴ It has been held to encompass pyramid schemes such as Glenn Turner's infamous "Koscot" and "Dare to Be Great" schemes, and business opportunity frauds. The Project had devoted an afternoon at the Minneapolis Unit Chief meeting in the fall of 1979 to presentations and workshops on securities violations. In February, 1980, the Project published a 28-page monograph by staff attorney Carol A. Burke, entitled Securities Made Simple. This instructional publication is designed to present an uncomplicated discussion of state securities laws in a question-and-answer format. It contains a sample criminal referral from a securities office to a local prosecutor, which contains a statement of facts, background on state securities laws, a discussion of points and authorities for each of the violations for which prosecution is recommended, and a discussion of evidence available and methods of proving each element of the offense. Some 200 copies of this monograph had been distributed by the end of March, 1980, according to Project staff estimates.

The Project had also noted a resurgence in chain or pyramid schemes such as the "Circle of Gold," "Chain of Gold," or "Circle of Platinum" schemes in which the victims are asked to pay \$1,000 or more to obtain a list of 12 names, add their name to the bottom of the list, and sell the list to others. Victims are told they will become fabulously rich when their name comes to the top of the list. They are not told that the odds of recovering their investment are very slim: for such a chain to go through three cycles, 25 billion individuals would have to sign up.¹⁵ Sales of the lists are frequently conducted at meetings and participants are urged to make their payments in cash to avoid violating mail fraud statutes, although such schemes may also violate state securities statutes, unfair or deceptive trade practices acts, business

opportunities laws, and criminal fraud statutes, as well as anti-pyramid statutes in states that have them.

In response to this growing problem, the Project developed another "Special Criminal Justice Improvement Publication" by staff attorney Michael A. Pollack, entitled Breaking the Chain. This document is a compilation of material in Project files, including a Digest article on legal issues in pyramid schemes, the Arizona anti-pyramid statute, public awareness articles and press releases, newspaper articles about successful papers, a treatise by a statistician on the low odds of profit, correspondence and exhibits prepared by a mathematics professor in connection with the prosecution of a Chain of Gold scheme in Bermuda, a letter stating the U.S. Postal Inspection Service policy regarding such schemes, and court papers in connection with an injunction against such schemes. As with the securities paper, Project staff estimates that some 200 copies of Breaking the Chain have been distributed.

The Project has also made copies of its six public awareness pamphlets available to the units for distribution in their communities. Demand has been such that almost 1,800,000 copies have been distributed in the current grant period.

The Project has also prepared and distributed a directory of the economic crime units. As stated in a staff memorandum from the Office of Inspector General of the U.S. Department of Housing and Urban Development to field units, "This directory provides considerable detail including the name, address and telephone number of each Unit Chief as well as the organization, experience and/or interest of the particular unit."¹⁶ It has also arranged for the underwriting by a Chicago bank of the costs (estimated at \$8,000 to \$10,000) of printing a compilation of common schemes and ways to avoid them, for distribution to the public. The research and writing for this had been begun by the end of the fifth Project quarter.

VI. CLEARINGHOUSE, TRAINING, AND TECHNICAL ASSISTANCE ACTIVITIES

Much of the Project staff's time is devoted to performing or coordinating clearinghouse, training, and technical assistance activities. The Unit Chief meetings, Digest, and other Project publications fall under this rubric, as do the Business Opportunity and Gas Savings Device clearinghouses, and many of the activities related to the National Strategy initiative to be discussed in the next section of this report.

As mentioned earlier, one of the most important of the staff activities is to keep units in touch with each other and informed of each other's activities. Thus, a unit encountering a particular type of problem can phone the Project Center in Chicago for suggestions or for referral to a unit which has encountered this type of problem before. In order to respond to requests for assistance, the staff maintains a series of subject-matter files indexed to correspond to the crime classification codes used in the ECPRS and Digest. Project staff estimates that this occupies one full file drawer. It is from these files that the materials for the monograph Breaking the Chain were obtained. The Project also maintains a resource center of published materials on relevant topics.

Early in the second Project quarter the Project undertook to phone each unit to see how things were going and inquire if the Chicago office could be of any assistance. This served to reestablish contact between the Project units and the Project Center, which had been relatively dormant in the last two quarters of the last Project period and first quarter of the present period, due to staff resignations in the prior period, the move of the Project office to Chicago, and the usual start-up problems in restaffing and beginning new efforts at the start of the present period. Several Unit Chiefs have commented favorably on this gesture.

The Project staff maintained contact logs on which to tally letter, telephone, and personal contacts with units and others for the second quarter of the present period, the results of which are shown in Table 2.3, which follows. As indicated the staff had over 1,000 contacts with units in this period. Partial tallies for July through October reflecting 10 staff months show an average of 74.3 contacts with units per staff month. Unfortunately, the tally system was not continued because of the costs and difficulties of doing so in light of competing demands for staff time.

Persons interviewed in field visits to Lead Units uniformly responded favorably about their contacts with the Chicago office for information or advice. The Project's responses were characterized as friendly and helpful.

The Project regularly circulates confidential alerts about possible frauds or pending investigations to economic crime units. Because this is sensitive information about pending investigations, these alerts have not been reviewed by Battelle staff. Persons interviewed in Lead Units report that these confidential alerts are one of the most useful of the Project's services:

Response was less uniform, however, to the more general memos sent to the units. Some 184 of these consecutively numbered memos were issued in 1979. Topics range from announcements of personnel changes to requests to substantiate donations of matching funds, to announcements and agendas of upcoming Unit Chief meetings, to descriptive or background material on particular subjects, to progress updates on significant National Strategy initiatives. While many of these memos were viewed as useful, the sheer number of memos was overwhelming, several persons interviewed reported. Since the initial field visits, Project has endeavored to reduce the number of memos and make them more brief.

The investigative accounting technical assistance offered by the Project was reported to be one of the most useful of the

TABLE 2.3
ECONOMIC CRIME PROJECT/STAFF CONTACT LOG SUMMARY

Staff Member	MONTH			MEANS OF COMMUNICATION			NATURE OF CONTACT							# OF TOTAL CONTACT	
	Apr. 1979	May 1979	Jun. 1979	Tele- phone	Letter	In- Person	Government				Pvt/ Bus.	Media	Public		Other
							ECU	Fed	Sta	Loc					
Director	172	231	299	331	115	256	169	143	112	116	121	30	3	8	702
Sr. Staff Attorney	63	66	79	144	61	3	153	39	4	8	1	--	3	--	208
Sr. Attorney/ Nat. Strategy	446	288	524	177	701	380	274	299	182	104	117	212	--	70	1,258
Staff Attorney	127	210	124	154	100	207	152	28	51	77	112	2	8	31	461
Writers/ Publicists	539*	86	108	166	502*	65	232	173	33	99	84	80*	20	12	733*
TOTAL	1,347*	881	1,134	972	1,479*	911	980	682	382	404	435	324*	34	121	3,362

*Excludes Law Day Mailing (approximately 1,000 letters).

Avg: 1,121 Contacts/mo. (not including Law Day Mailing).

324 Telephone calls/mo.

493 Letters/mo. (not including Law Day Mailing).

301 Personal contact/mo. (excludes contacts with the 68 participants at Unit Chiefs' Conference).

Project's services. Because of the demand for this, in the present grant period the Project added the service of a second investigative accountant, Robert Keenan, who, like Robert Milne, is a retired FBI agent. It is only because of Project budget limitations that these services are not used more often. These investigative accountants do not become involved in individual cases; the demand would simply be too great. Rather, they provide more general training to unit prosecutors and investigators.

In order to maximize the effectiveness of this service and to promote the National Strategy objective of getting unit staff to work more closely with their local counterparts in state and federal agencies, in the present grant period Project staff have placed increased emphasis on the hosting these training programs by units which will invite prosecutorial and law enforcement agency staff from neighboring jurisdictions and state and federal agencies to attend them as well.

In the first five quarters of the current grant period, the investigative accountants conducted 15 training and technical assistance field visits. In the fifth quarter this involved training for 13 persons from four agencies in Louisville, for 15 persons from six agencies at the Connecticut State Police Academy, and 28 persons from three economic crime units in Minneapolis. In addition, the Project's investigative accountants wrote a job description for an investigative accountant position in the New York State Official Corruption Task Force, conducted technical assistance by phone and mail, assisted in National Strategy liaison and meetings with such agencies as the FBI, and prepared a background paper for the Official Corruption and Procurement Fraud Task Force. The latter consisted of summaries of relevant newspaper articles and other materials.

The Securities Made Simple monograph and securities portion of the Minneapolis Unit Chiefs' meeting are part of a more general effort to encourage and assist prosecutors to use this

remedy. This initiative began when Ms. Carol Burke, a securities expert formerly with the Oklahoma Department of Securities, Division of Investigations and Enforcement, joined the staff. She has provided technical assistance to units by telephone or letter with regard to specific securities problems, general research, other information, and establishing contacts with state securities commissions. As part of the National Strategy initiative she has been involved in joint efforts with the North American Securities administrators' Association (NASAA), laying the groundwork for close collaboration in a major, NASAA-funded public- and prosecutor-education campaign to encourage cooperation between securities administrators, local prosecutors, the police, and attorneys general. (Arrangements were also made to permit unit staff to attend, tuition free, NASAA's annual Enforcement Training Seminar in Washington, D.C., in December, 1979, but lack of travel funds prevented units from taking advantage of this offer.)

Project staff is worked closely with NASAA to develop a two-day seminar to be given in conjunction with the Unit Chief meeting held in Boston in June, 1980. The NASAA Enforcement Committee devoted about half of its budget to this effort, as an expression of their strong interest in working more closely with local prosecutors. They also underwrote the cost (estimated at about \$15,000) of producing a training film at the Boston conference, which will then be distributed nationally. Project staff has reviewed the script and will undertake to write the shooting script and produce the film.

Aside from the training given at Unit Chief conferences (which has been accepted for continuing legal education credit by at least one bar association), the on-site training by the Project's investigative accountants, and the securities training initiative just discussed, the Project has sought to coordinate with other agencies to make their training programs available to ECP unit staff. Several of these programs are

provided by federal agencies; thus, this Program Component training also serves to promote the National Strategy initiative. The National Strategy effort is buttressed, as well, by the interactions and personal contacts established when unit staff attend sessions with their counterparts at state and federal agencies.

The Federal Bureau of Investigation has had Project unit staff at week-long computer crime training courses at its Quantico training facility in the fall of 1978, and summer of 1979. To encourage interaction between units and U.S. Attorneys' offices, and thus give a boost to National Strategy efforts, the 1979 session was attended both by unit staff and by Assistant U.S. Attorneys. At the time of the writing of this report, a similar session was being planned. The FBI also conducted an arson training program in December, 1979, attended by unit attorneys, other prosecutors, law enforcement personnel, and fire marshalls. The Bureau also has a training faculty that travels around the country to give training seminars on a regional or local basis. ECP units have hosted several of these training sessions.

The Internal Revenue Service also gives "short-course" training sessions on a regional or local basis, on financial investigative techniques. As with the FBI, Project units have hosted several of these training seminars.

The Battelle National Center on White-Collar Crime began to give an annual, intensive, week-long course on white-collar crime enforcement strategies and techniques in June, 1978. Unit Chiefs have served on the training faculty, and unit investigators and prosecutors attended courses in 1978 and 1979. Nine unit staff attended the course in June, 1980.

VII. PROSECUTORIAL EDUCATION AND PUBLIC AWARENESS

One of the missions of the Project has been to stress the seriousness of white-collar crime and the need for vigorous

prevention and enforcement. The Project's message has been delivered to prosecutors to encourage them to give white-collar crime enforcement a higher priority than in the past, and to the public to enable it to protect itself better from the white-collar crime menace.

The Project has two full-time writer/publicists, Ms. Mary Ellen Brady and Ms. Nancy Retson, who devote the major part of their time to these tasks. Early in the Project grant period they prepared a concept paper outlining an aggressive public-awareness campaign.

To keep the NDAA membership informed of Project and unit activities and to encourage other prosecutors to begin similar efforts in their own jurisdictions, Project staff and Unit Chiefs have written numerous articles for the association's bi-monthly professional journal, The Prosecutor. These have included a regular column on Project activities in the section of the magazine devoted to NDAA grant activities, short articles for the "association news" section, and longer, feature-length articles.

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

The Project's six public-awareness brochures and its plans to publish a consumers' book on common schemes with the financial support of a Chicago bank have already been mentioned. In addition, the staff has prepared a number of press releases and held news conferences at each of its Unit Chiefs' meetings. Project staff have been interviewed in connection with articles appearing in Businessweek, Police Magazine, NBC's "60 Minutes," the Los Angeles Times news service, and other national media.

Project attorneys and Unit Chiefs make numerous appearances before professional and public groups. This included Project

testimony before the Subcommittee on Crime of the U.S. House Committee of the Judiciary. The Project's fifth-quarter report lists meetings and presentations with 17 agencies and organizations.

CHAPTER THREE

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

I. INTRODUCTION AND OVERVIEW

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

As one would expect with a voluntary, self-reporting system, the data are incomplete in some respects. Some units failed to report for some months, problems exist with some months' data from other units, and still others reported on a delayed basis. In order to use data from the maximum number of units, despite reporting delays, and to allow sufficient time for analysis, data in this report are from the period from February through November, 1979. Of the 72 units in the Economic Crime Project when the ECPRS was established, five have since withdrawn. Another unit, the Washington, D.C., United States Attorney's Office, is a federal-level office differing significantly from the other units. Thus, there are 66 units which could contribute to the ECPRS. The data in this report are based on complete and usable monthly reports from 45

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

(68.2%) of these units for the 10-month period specified earlier. Some data from an additional seven (7) units are in the computerized data base, representing 40 of 77 possible "unit months" of reporting. An additional ten (10) units have submitted incomplete data or data with problems which precluded coding and keypunching, and four (4) have submitted no reports. This sample of 45 units is described and compared to the 72 original units in the fourth section of this report. The data from the 45 units have been subjected to closer analysis, the results of which are presented in subsequent sections of this chapter. Because the analyses below are based on data from this non-random portion of the Project units' activities, which in turn reflect only a part of federal and local prosecutors' efforts to contain white-collar crime, they must be viewed as exploratory rather than definitive.

A. Estimating the Impact of the Units

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

Projections from the data from the 45 units have been used to estimate the overall impact of unit efforts, multiplying the results by a factor of $(68/45 =) 1.51$.^{*} This method of estimating the overall impact of unit efforts is not as accurate or as reliable as data from all the units would be. The approach taken here necessarily assumes that the non-reporting units have accomplished the same level of effort as have the reporting units. However, unless there is some obvious factor which makes the reporting units significantly

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

different from the others this method of estimation should result in a relatively accurate estimate of overall unit impact. The estimates below cover the period from February 1 through November 30, 1979.

Obviously the speculativeness or the reliability of the overestimate of Project impact based on projections from the units providing complete data is a function of the degree to which these 45 units resemble the other units in the Project. The problem is compounded when one considers that complete reporting may itself reflect significant differences between the two groups of units. Does complete reporting indicate that units have more to report or are better at their job? Or are the aggressive units with larger caseloads too busy to devote the resources to reporting? No data are available to answer these questions. Nor are data available on the relative caseloads of the two groups of units. The issue of the similarity or dissimilarity of these groups can be addressed only indirectly, by comparing the units' similarity with respect to those factors thought to be affiliated with unit caseloads; attorney and investigative staff size; length of time the units have been in operation; their scope of jurisdiction (criminal, or civil as well?); and unit staff estimates of the proportion of time devoted to complaint intake, complaint mediations, criminal and civil investigations, prosecution, and civil litigation. This is done in Section IV of this chapter. No large, systematic (as opposed to random) differences were noted with respect to any of these factors, except that almost twice as many fully reporting units engaged in civil investigations (51.1%, compared to 26.1% for the remainder of the units) and civil cases (48.9%, compared to 26.1% for the non-reporting units). But civil litigation comprised only 7.4% of the fully reporting units' litigation caseload. (No data were collected to differentiate civil from criminal investigations.)

B. Complaints and Inquiries; Complaint Resolution

Most of the Economic Crime Units handle complaints and inquiries from the public, either on a walk-in basis or by referral from other agencies. (This was true of 40 of the 45 units for which we have complete data.) At this stage a unit may undertake to mediate or otherwise resolve the dispute, or may begin an investigation. A large number of complaints and inquiries may be settled at this stage, by referral to a more appropriate agency or by informing the complainant that the matter is not appropriate for this office. Field interviews indicate that as many as half the complaints may end this way. This is not inconsistent with estimates made by other prosecutorial intake and consumer assistant units. Referral to another agency may involve significant coordination and follow-up effort, or may consist of a receptionist or intake paralegal advising the complainant to go to the local Legal Aid Society. Because a large volume of referrals is involved, and because of the informal nature of many such referrals, it was decided not to attempt to report the number and nature of referrals at this stage. Thus, the data on complaints and inquiries are more a measure of public awareness and acceptance of the unit than a solid indicator of unit assistance to complainants.

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

Table 3.1 provides an estimate of the units' efforts with regard to inquiries, complaints, and complaint mediation. In the ten-month period encompassed, almost a quarter of a million people (233,574) have had contact with the 40 units for which complete data on complaints and inquiries are available. Projections from the 45 fully reporting units imply that this figure may exceed a third of a million. If LEAA's support

TABLE 3.1

ECONOMIC CRIME UNIT ACTIVITY WITH REGARD TO INQUIRIES,
COMPLAINTS, AND COMPLAINT MEDIATIONS
(40 of 45 Units, February through November, 1979)

	Number Reported from 45 Units for Which Data Are Complete	Projected Upper Limit Estimate for 68 Units from Data for 45 Units ^a
Number of Complaints and Inquiries	233,574	352,956
Number of Complaint Resolutions Begun	21,519	32,518
Number of Restitutions Obtained	4,063	6,140
Amount of Restitution Obtained	\$3,441,129	\$5,199,928

^aColumn 2 x 68/45 or 1.51. As discussed in the text, the units from which data are complete are similar to the remaining 23 units in several respects, but this projection must still be viewed as only an estimate of unit activities.

for the Economic Crime Project is considered an investment in white-collar crime enforcement, ten months' work for the 45 units in just this one aspect of project operations has returned over \$3.44 million; the two-year LEAA investment in this project was \$1,984,958. Projecting from this data, the amount recovered by the 68 units may exceed \$5 million.

More detailed analysis of the complaint intake and complaint resolution activities of the 45 units for which complete data are available is presented in Section V of this chapter, below.

C. Investigations

If a matter brought to the attention of a unit appears to involve criminal activity or to warrant a civil action, the office will begin an investigation. Complaint resolution activities are frequently a valuable tool for identifying matters for investigation.¹⁷ Matters are frequently brought to the units by local police, a pattern which one would expect to become increasingly apparent as more and more police departments form white-collar crime units. Matters are also brought to the units by federal, state, and local regulatory and law enforcement agencies. This is discussed in more detail in the chapter of this report devoted to National Strategy efforts, below.

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

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

The number of voluntary or court-ordered restitutions obtained in connection with case dispositions (described below) is large. The 45 units for which complete data are available obtained just under \$2 million in restitution. Again, projecting from these data, the amount recovered by all the units may have totalled as much as \$3 million.

More detailed analysis of the investigative activities of the 45 units may be found in Section VI, below.

D. Cases

Table 3.3 provides an estimate of the impact of the units' prosecutorial and civil litigation efforts. The 45 units obtained 1,036 convictions, more than half of which were at the felony level. Of these, 333 resulted in incarceration. These units obtained \$8.16 million in restitution, fines, and penalties at the litigation stage alone. Combining this figure with the restitutions obtained at the complaint mediation stage and following investigation, the 45 units obtained \$13,566,593 in restitutions, fines, and penalties.

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

II. DEVELOPMENT AND IMPLEMENTATION OF THE ECPRS

The Economic Crime Project Reporting System represents but one of eight ongoing operations of the Economic Crime Project. The purpose of the ECPRS is to document the significant national effort to combat economic crime being undertaken by the units of the National District Attorneys Association Economic Crime Project. It is also anticipated that, if it can be

TABLE 3.2

ECONOMIC CRIME UNIT INVESTIGATIONS
(February through November, 1979)

	Number Reported from 45 Units for which Data Are Complete	Projected Upper Limit Estimate for 68 Units from Data for 45 Units ^a
Number of Investigations Opened	9,459	14,294
Number of Investigations Closed	5,294	8,000
Number of Referrals to Other Agencies	561	848
Number of Restitutions Obtained	630	952
Amount of Restitution Obtained	\$1,966,446	\$2,971,518
Number of Other Remedial Actions Obtained	209	316
Number of Cases Filed Following Investigation	2,293	3,465
Felony	1,402	2,118
Misdemeanor	641	969
Civil	187	283
Type not specified	63	95

^aColumn 2 x 68/45 or 1.51. As discussed in the text, the units from which data are complete are similar to the remaining 23 units in several respects, but this projection must still be viewed as only an estimate of unit activities.

TABLE 3.3

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

	Number Reported from 45 Units for Which Data Are Complete	Projected Upper Limit Estimate for 68 Units from Data for 45 Units ^a
Number of Cases Filed	3,412	5,156
Felony	2,215	3,347
Misdemeanor	730	1,103
Criminal--type not specified	188	284
Civil	269	406
Number of Cases Closed	1,548	2,339
Felony	1,145	1,730
Misdemeanor	215	325
Criminal--type not specified	74	112
Civil	114	172
Number of Trials	246	372
Jury	115	174
Non-jury	131	198
Number of Guilty Pleas (including pleas during trial)	896	1,353
Felony	455	688
Misdemeanor	441	666
Number of Guilty Verdicts	140	212
Felony	112	169
Misdemeanor	28	42

(continued)

^aColumn 2 x 68/45 or 1.51. As discussed in the text, the units from which data are complete are similar to the remaining 23 units in several respects, but this projection must still be viewed as only an estimate of unit activities.

TABLE 3.3 (continued)

	Number Reported from 45 Units for Which Data Are Complete	Projected Upper Limit Estimate for 68 Units from Data for 45 Units ^a
Number of Civil Judgments	57	86
Number of Injunctions/ Equitable Remedies	53	80
Number of Prison Sentences Imposed	333	503
Number of Probation Sentences Imposed	546	825
Number of Fines, Penalties Imposed	248	375
Number of Restitutions Obtained	703	1,062
Voluntary	140	212
Court-ordered	563	851
Amount of Fines, Penalties, Penalties, Restitutions Obtained	\$8,158,998	\$12,329,153

^aColumn 2 x 68/45 or 1.51. As discussed in the text, the units from which data are complete are similar to the remaining 23 units in several respects, but this projection must still be viewed as only an estimate of unit activities.

continued, the collection of this information will have operational utility for the units. Specifically, the data gathered through the ECPRS are designed to:

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

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

A. First Quarter Developmental Project Activities

During the first quarter of this Project, major Battelle attention was directed toward working with the Project Director and staff of the Economic Crime Project in the development of the ECPRS. The early stages of this task objective were accomplished in the first quarter: planning and design; drafting a description of the system, instructions, and forms for unit reporting; distribution of these materials to six Economic Crime Project units; and conducting site visits to those units to gain input on the reporting system.

1. Planning, Designing, and Drafting the Reporting System Materials. On November 7-8, 1978, Battelle staff met with the Economic Crime Project Director in a planning session at Battelle's Seattle campus. This meeting succeeded in outlining

the nature and extent of the data to be collected through the ECPRS. The general structure of the ECPRS was also established at this time. It was decided the the ECPRS would collect information concerning four aspects of economic crime-related prosecutorial activity: inquiries and complaints received by the unit, in-office complaint resolution procedures, investigations conducted by the unit, and cases filed in court. Furthermore, it was decided that the units would provide data monthly on either two or three forms; the number of forms actually used was to be determined by the Unit Chiefs.

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

2. Pretest Site Visits. Six Economic Crime Project Units throughout the United States were selected as pretest sites and received ECPRS materials (Description, Instructions, and Forms). These units were visited by Project staff in order to gain input from a sample of those who would be using the system. The intent of the visits was to assess problems with the reporting materials, to determine the utility of the system, and to anticipate problems that might be encountered in implementing the system. Project staff met with Unit Chiefs and other members of the units in San Francisco, Denver, Phoenix, Baltimore, Rockville, and Miami.

a. Use of the forms. During the site visits, several suggestions were made to simplify the forms and, thus, ease data collection. For example, in reporting investigations and cases, it was concluded that units should make entries on the forms when opening and closing investigations and cases. The addition of a column in forms S-2, S-3, and S-4 enabled units to indicate which type of entry was made. This proved to be

both a valuable and helpful recommendation. Minor changes in the List of Economic Crime Codes, used in reporting investigations and cases, were also made.

b. Clarity of instructions. Few comments were made concerning the instructions for use of the forms. Several people, however, indicated that the instructions concerning the type of trial and case outcome (used when reporting the disposition of a case) were somewhat unclear. Appropriate revisions were made.

c. Scope of the forms. The prosecutors interviewed found several types of activity difficult to report on the forms first proposed. Most notable was the difficulty of reporting various civil proceedings and outcomes of civil actions. The forms were eventually revised in the second quarter of the Project (see below) to permit more comprehensive reporting in civil and criminal cases. Other problems were easily remedied.

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

B. Second Quarter Developmental Project Activities

During the second quarter of the Project, attention was directed to further revision of the data collection forms and instructions. In addition, the data management procedures were devised and implemented. The Economic Crime Units were asked to begin reporting data. Finally, a survey of all units was conducted to obtain needed background information. These activities are more fully described below.

1. Revision and Distribution of the Reporting System.

During January, 1979, the reporting forms drafted during the first quarter of the Project were revised pursuant to the input received from the six units visited in December, 1978. The system design remained substantially unchanged; however, it was decided to link investigations with cases. Therefore, under the revised system, units were asked to use the same identifying number when reporting a case that was used to identify the investigation leading to the case. Revisions in the reporting forms involved the addition of several categories on Forms S-2 and S-4 to permit more complete reporting of civil litigation and format changes designed to make the forms clearer and easier to use. The Instructions and Description were revised accordingly, and the lists of agency codes and economic crime codes were modified slightly.

On February 14, 1979, the system was introduced to Unit Chiefs at the NDAA ECP Unit Chiefs' meeting in Tucson, Arizona. The nature of the system and mechanics involved in reporting were described, and the revised reporting forms, Description, and Instructions (see Appendices A, B, and C) were distributed. The process of developing the system, and its review in six units, were also described. Units were instructed to use the new system to report their February statistics; they were also asked to inventory their open cases and investigations and to report the cases and investigations pending as of January 31, 1979. The tenth of each month was set as the date on which the preceding month's forms should be

returned to the ECP. Those units that were not represented at the Tucson meeting received a packet of reporting system materials (Instructions, Description, and forms) from the ECP by mail.

The conference evaluation forms completed by those attending the Tucson meeting indicated that the majority present reacted favorably to the presentation concerning the ECPRS and that only a few people expressed concern about the work involved and the difficulty of implementing the new system.

2. Data Management Procedures. Additionally, during the second quarter, procedures for internal data processing at Battelle were developed. It was decided that all reporting forms would be mailed by the Economic Crime Units to the ECP in Chicago. The ECP was then to forward the forms to Battelle. It was agreed that the following procedures would be implemented for processing the forms upon their receipt at Battelle:

- a. The forms would be logged in and edited for accuracy. When necessary, units would be telephoned to clarify and correct any apparent errors or omissions in the forms.
- b. In order to protect the confidentiality and privacy of those participating in the Project, all unit case and investigation identifying numbers were to be replaced with new numbers prior to keypunching and data processing. A log of each unit's case or investigation identifying number and the corresponding number assigned by Battelle was to be maintained until the case or investigation was fully closed, or until the close of the Project (whichever occurred first).
- c. All forms were then to be keypunched and entered on a computer file.

3. Reporting by Units During the Second Quarter. Units were instructed to begin using the revised reporting system to

report their February statistics. March 10, 1979, was set as the date on which the reporting forms for pending matters and for February activities should be completed. Between March 10, 1979, and March 31, 1979, the close of the Project's second quarter, reporting forms were received from 18 of the 70 units participating in the Project. Given the drastic changes in reporting required by the revised system, the need to supply information on backlogs of pending cases and investigations, and the increased information requested by the system, the tardy reporting by most units was not surprising. Units experienced an increased reporting burden and had to become familiar with a new data collection system. Nevertheless, the fact that only one-fourth of the member units reported in the first month prompted the ECP to initiate telephone contacts with non-complying units in order to facilitate and encourage reporting.

4. Survey of the Units. Finally, during the second quarter, the ECP conducted a survey of all units to collect background information concerning member units. This information was intended to provide the ECP with a profile of its members and to permit more meaningful analyses of the data collected through the ECPRS. The survey, distributed at the first round table discussion of the Tucson Unit Chiefs' meeting, requested the following information: the length of time the unit had been in operation; number of years the unit had been a member of the ECP; the number of prosecutors and investigators in the unit; the unit's annual budget; jurisdiction (civil/criminal); the percentage of time which the unit spent on civil and criminal matters; and whether the unit engaged in complaint handling, informal complaint mediation, criminal investigations, criminal litigation, civil investigations, or civil litigation.

C. Current Status of the ECPRS

As past Battelle and NDAA Economic Crime Project progress reports have documented, the ease with which the units have been able to meet the reporting requirements imposed by the system, as well as their willingness to meet these, have varied considerably. Therefore, throughout the operation of the ECPRS, the level of unit reporting has varied. Thus, there has been complete reporting from some units, but only partial reporting from others. Battelle quarterly reports discuss reporting problems in more detail, but two aspects of the general problem are noteworthy at this time. First, the lag between the end of a reporting period (any given month) and the time at which units were able to complete and file their reporting forms varied from a few days to several months. Variation within and among units may have been a function of staffing problems, heavy workloads, or vacation and holiday schedules. This variation may also have been due to different internal case management record keeping systems. At any rate, assessing unit compliance with ECPRS requirements has been difficult. Many months must pass before it could be known, with certainty, that a unit was truly unable to report or was simply reporting late for any of a number of (legitimate) reasons--or was simply failing to comply.

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

III. DATA OBTAINED BY THE ECPRS

A. Overview

As described above, the approach taken to the design of the data collection forms was to gather the minimum amount of information which could be analyzed to produce the maximum amount of understanding of economic crime as reflected by the unit's activities. Wherever possible, analytic labor was substituted for unit reporting labor by, for example, using a computer to track, total, and organize the information supplied by the units. Thus, the reporting efforts required of each unit were minimized. The system was not intended nor designed to be comprehensive at all levels, but rather to obtain selected, nationally significant measures of Project activities. This has required a substantial joint planning effort by the NDAA's Economic Crime Project staff and the Battelle Law and Justice Study Center staff.

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

Very simply, units were asked for a few basic details about their investigations as well as their criminal and civil litigation. They were also asked to provide some more general information about their handling of complaints and referrals. The ECPRS is compatible with, but less detailed than,

individual unit data systems designed to meet units' management, case tracking, and budget justifications needs.

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

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

B. Inquiries and Complaints

For inquiries and complaints, data were collected on all "walk-ins," mail and phone contacts with the office to seek information or to report an activity, whether or not the report

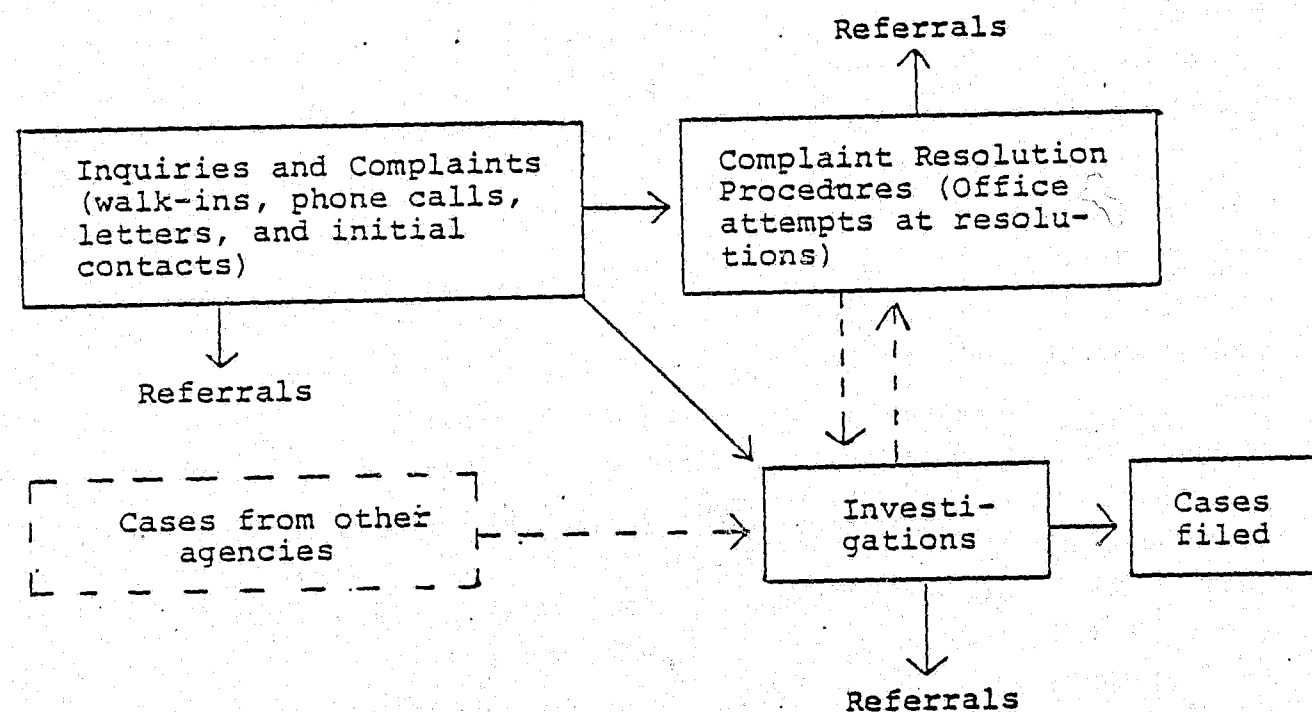


FIGURE 3.1
FLOW CHART OF UNIT ACTIVITIES

alleges a white-collar crime or consumer complaint. These are most often first encountered by the unit receptionist, an investigator, a volunteer or a paralegal. Because of the relatively large volume of inquiries and complaints encountered, and since a significant portion of these are frequently inappropriate for office action, no information was requested on the subject matter of these initial contacts, nor was information requested to differentiate inquiries from complaints. This is a frequently vague distinction, and some units defer making this distinction until after contact with the party complained of or other further inquiry.

Only one item of information was requested with regarding complaints and inquiries, that being:

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

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

C. Complaint Resolution Procedures

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

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

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

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

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

D. Investigations

For purposes of the ECPRS, eligible "investigations" were limited to those where criminal or civil litigation was contemplated. This included investigations ending with the decision not to file a criminal or civil case. But work undertaken in order to gather further information to

aid in the in-office resolution of a matter which was not aimed at criminal or civil litigation was not to be reported as an investigation.

Occasionally, a unit may receive a "package" from another agency, containing a file, notes of investigation, and evidence with a request for prosecution. Almost invariably, the unit will review the matter closely before deciding whether to actually file, even if only to frame an appropriate response to the referring agency. This process not infrequently involves further investigation or field work. This review process was to be counted as an investigation, whether or not field work was involved. Units, however, reported a number of cases (about 67.2% of all cases filed) without reporting a prior investigation.

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

The following data were obtained on investigations:

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

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

E. Cases

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

Case data were limited to the following:

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

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

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

It was originally hoped that all units would report according to the ECPRS study protocol. As can be expected in

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

Non-response or non-participation bias occurs when a group of individuals or a given data source (here, the Economic Crime Units) has failed to participate in a data collection activity. The only way to truly handle non-response bias is to limit statistical inference to the population represented by the participating subjects, here, the 45 units which have reported completely. A second source of bias, as equally troublesome as non-response bias, is item-selection bias. This occurs when data collection forms are not filled out completely or correctly. Both non-participation and item-selection bias have been evaluated with regards to the ECPRS data; non-participation bias is the most serious concern.

Of the 72 Economic Crime Units which were to have participated in the study, five have since withdrawn or been terminated from the project. A sixth, the Washington, D.C., office, was excluded because it is a federal rather than local agency. This left 66 units as active participants. Of these, only 45 reported fully and accurately during the present reporting period for the study (February through November, 1979). In order to include as many units with complete data as possible in these analyses, this reporting period was deemed to be most acceptable. This allowed time for those units experiencing difficulty in reporting promptly to submit their reports, thus minimizing the likelihood of erroneously classifying a unit as reporting partially and, as a result, minimizing the extent to which non-participation bias would

enter the analyses. In short, 63% (45 out of 72 units) reported fully and accurately during this period of the study. If the six original units which withdrew or were removed from the study are eliminated from the eligibles list, 68% of the units (45 out of 66) can be considered to have complete data. Our comparison of the units with full reporting and the other units is based on the 68 units in the Project at the time this analysis was done. According to various criteria, it is quite clear that there are relatively few differences between the 45 units with complete data and the 23 (total = 68) that were necessarily excluded from these analyses because of partial data. The tables presented below describe and contrast the complete and partial reporting units with regard to their jurisdictional authority, the activities in which they engage, their size, and the length of time they have been in operation. These background data on the units were provided by the Unit Chiefs or other members of the units' staffs.

In Table 3.4, it can be observed that all the Economic Crime Project units have criminal jurisdiction with just over half (51.5%) of the units having jurisdiction over both civil and criminal matters. Of the units with complete data, 40% have only criminal jurisdiction, and 60% have criminal and civil jurisdiction. For the other units, the comparable figures are 49% and 51%. Thus, on the basis of jurisdiction, the two groups of partial units differ slightly.

Civil jurisdiction arises in two contexts. First, prosecutors in many states, by statute, also serve as the attorney for county government. Second, specific consumer protection and business opportunity fraud statutes give civil enforcement powers to local prosecutors as well as (or in lieu of) the State Attorney General.

Table 3.5 reveals that the majority of units receive consumer complaints, undertake criminal investigations, and litigate criminal cases, regardless of how satisfactorily they met the ECPRS reporting requirements. It is also evident from

TABLE 3.4

SCOPE OF JURISDICTION OF ECONOMIC CRIME PROJECT UNITS
(68 Units)

Reporting Status of ECP Unit	Criminal Jurisdiction Only	Criminal and Civil Jurisdiction	Row Total
Complete Reporting	18 40.0%	27 60.0%	45
Partial Reporting	15 49.0%	8 51.0%	23
Column Total	33 48.5%	35 51.5%	68

TABLE 3.5
 ACTIVITIES IN WHICH ECONOMIC CRIME
 PROJECT UNITS ENGAGE
 (68 Units)

Reporting Status of ECP Unit	ACTIVITY						Total
	Receives Consumer Complaints	Handles In-Office Mediation of Complaints	Conducts Criminal Investigations	Litigates Criminal Cases	Conducts Civil Investigations	Litigates Civil Cases	
Complete Reporting	37 82.2%	22 48.9%	44 97.8%	44 97.8%	23 51.1%	22 48.9%	45
Partial Reporting	19 82.6%	12 52.2%	23 100%	23 100%	6 26.1%	6 26.1%	23
Total	56 82.4%	34 50.0%	67 98.5%	67 98.5%	29 42.5%	28 41.2%	68

this table, however, that the 45 fully reporting units differ substantially from the remainder of the Project units with respect to the conduct of civil investigations and litigation of civil cases. Of the units from which complete data are available, 51.1% conduct civil investigations, while only 26.1% of the other units do so. Similarly, 48.9% of 45 units included in the subsequent analyses and 26.1% of the partial units litigate civil cases. These differences are to be expected, however, as the units with civil jurisdiction are more commonly found among the units on which data in this report are based (see Table 3.4). (Note, however, that more units in either group have civil jurisdiction than actually exercise this jurisdiction by undertaking civil investigations or litigation.) It is unlikely that the observed differences would substantially alter the results of the data analyses which are presented here, especially since civil litigation constituted a small proportion of the units' litigation activities.

Tables 3.6 and 3.7 describe the Economic Crime Project units in terms of the sizes of their prosecutive and investigative staffs, respectively. In Table 3.6, it can be seen that units which reported completely and those which did not differ somewhat according to the number of prosecutors who were on their staffs. Most obvious are differences in the number of units which have six or more prosecutors. Results presented in Table 3.6 also indicate that most ECP units are fairly small; 47% of all the units have no more than two prosecutors (attorneys) on their staffs, and 72% have no more than five staff prosecutors.

Table 3.7 presents a comparison of units according to investigative and prosecutive staff size. Here the difference between units that reported completely and those which did not is somewhat larger than expected. In particular, units that had an investigative staff which was larger than the prosecutive staff filed more complete data. This is consistent

TABLE 3.6
 SIZE OF ECONOMIC CRIME PROJECT UNITS'
 PROSECUTORIAL STAFF
 (68 Units)

Reporting Status of ECP Unit	Number of Prosecutors				Row Total
	0-2	3-5	6-9	10+	
Complete Reporting	20 44.4%	12 26.7%	11 24.5%	2 4.4%	45
Partial Reporting	12 52.1%	5 21.7%	2 8.8%	4 17.4%	23
Column Total	32 47.0%	17 25.0%	13 19.2%	6 8.8%	68

TABLE 3.7
 SIZE OF ECONOMIC CRIME PROJECT UNITS' INVESTIGATIVE
 AND PROSECUTIVE STAFF
 (68 Units)

Reporting Status of ECP Unit	Size of Staff		Row Total
	Investigative Staff Equal to or <u>Smaller</u> than Prosecutive Staff	Investigative Staff <u>Larger</u> than Prosecutive Staff	
Complete Reporting	18 40.0%	27 60.0%	45
Partial Reporting	13 56.5%	10 43.5%	23
Column Total	31 45.6%	37 54.4%	68

with the fact that 54% of the units have more investigators than prosecutors on their staffs.

Table 3.8 describes the ECP units in terms of the length of time they have been in operation. Most (51%) of the units with both complete and partial reporting have been in operation for two to seven years. The only major discrepancy between units with complete and partial reporting occurs for those units which have been in operation for less than two years. It appears that relatively new units encountered difficulties in the reporting process, as might have been expected. It also appears that units in operation for ten to eleven years experienced reporting problems. It is unclear why these differences exist.

In summary, the 45 Economic Crime Project units which have provided complete data and, thus, will be subjected to data analyses, do not appear to be substantially different from the 23 units which reported partial data. All units included in the ECPRS have a number of distinguishing characteristics including size of the unit staff, duration of operation, type of activities, and type of jurisdictional authority. Along these dimensions, however, units with complete data and those with partial data are quite similar. It should be noted, however, that these dimensions do not include the size or nature of the units' investigative or litigation caseload, and thus the total impact of the Economic Crime Project can only be inferred.

V. COMPLAINTS, INQUIRIES, AND COMPLAINT RESOLUTION PROCEDURES

A. Introduction

This section describes the 45 units' receipt of complaints and inquiries from the public and their attempts to resolve consumer-type complaints by mediation or other intervention. Given the nature of the data obtained on complaints and

TABLE 3.8

DURATION OF ECONOMIC CRIME PROJECT
UNITS' OPERATION

Reporting Status of ECP Unit	Length of Time in Operation							Total
	Less Than 2 Years	2-3 Years	4-5 Years	6-7 Years	8-9 Years	10-11 Years	20 Years or More	
Complete Reporting	3 6.7%	9 20.0%	14 31.1%	11 24.4%	4 8.9%	2 4.4%	2 4.4%	45 100%
Partial Reporting	4 17.4%	5 21.7%	6 26.1%	4 17.4%	1 4.3%	2 8.7%	1 4.3%	23 100%
Total	7 10.3%	14 20.6	20 29.4%	15 22.1%	5 7.4%	4 5.9%	3 4.4%	68 100%

inquiries, it is unnecessary to do more than present simple frequency distributions and the appropriate descriptive statistics. The types of statistics presented also vary according to whether or not the distributions are distorted by the presence of outliers (e.g., extreme values, as where one or two units have several times as many cases as any of the others). For example, in some cases, a statistical mean (i.e., average) is misleading due to the shape of the distribution. When this occurs, much like reporting income levels, it is more appropriate to report the median (i.e., midpoint among the units on the variable under discussion) rather than the mean.

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

For various reasons, four of the 45 units reporting complete data had virtually no contact with the public and did not file a report on the receipt of monthly complaints and inquiries, nor did they provide data on office complaint resolution procedures. A fifth unit, known to have contact with the public, was unable to provide data on the level of contact with the public for the entire ten-month reporting period. The Unit Chief (and only prosecutor on the staff) was away from the office for an extended period, severely curtailing contact with the public during that time. Thus, the information available on unit contact with the public is based on 40 of the 45 units for a total of 400-unit-months' worth of data.

TABLE 3.9
COMPLAINTS AND INQUIRIES: INITIAL CONTACTS WITH
THE PUBLIC PER MONTH (N = 40 Units)

Month	Total Number of Initial Contacts	Range	Mean Number of Initial Contacts	Standard Deviation	Median Number of Initial Contacts
February	22,397	1-4,186	359.1	979.4	125.5
March	25,274	0-4,223	631.9	1,071.1	133.5
April	23,636	1-4,577	590.9	1,002.7	155.5
May	23,913	3-4,168	597.8	946.8	149.5
June	21,220	1-3,966	530.5	834.6	151.5
July	22,693	1-4,505	567.3	910.0	162.5
August	23,762	2-4,505	594.1	932.9	153.5
September	19,658	2-4,283	491.2	802.9	126.5
October	22,125	4-4,173	553.1	854.2	155.5
November	18,896	1-3,893	472.4	762.3	142.5

Descriptive Statistics for All Units (N = 40)

Sum (Total) = 223,574
Range = 0-4,577
Mean (Average) = 558.9
Standard Deviation = 905.1
Median = 155.5

B. Complaints and Inquiries

Table 3.9 presents the average number of complaints and inquiries received by the 40 units per month, as well as the total number of complaints and inquiries received during the month. Other descriptive statistics are included in this table, as well. As indicated in this table, the units handled a total of 223,574 complaints and inquiries from the public with an overall average rate of 559 (S.D. = 905.13) complaints per month. The median, that is the figure which divides the distribution at the fiftieth percentile, is 155.5 complaints per month.

The level of contact between prosecutive units and the public varies slightly from month to month. Furthermore, the average level of contact between the public and the units varied markedly from unit to unit. The average number of complaints and inquiries received by a unit ranged from a low of fewer than five per month to a high of over 4,000 per month. Differences between units are not surprising because, for example, some units actively encourage the public to file complaints. The variability in number of complaints received per unit should, however, be kept in mind when interpreting Table 3.9, which combines the reports of all 40 units supplying information on this activity.

Given the wide variation in the number of complaints and inquiries received by individual units, it will be helpful to examine some of the background characteristics of units to better understand some of the factors that contribute to this variation. The level of contact with the public varied with the size of a unit's prosecutive and investigative staff and with the scope of a unit's jurisdiction (the percentage of time devoted to criminal and/or civil matters); these variations do not, however, appear to be systematic. Yet, as might be expected, the level of contact with the public was much greater for units that routinely handled complaints and inquiries than for units with no routine complaint intake procedures. (The 35 units that routinely received complaints and inquiries from the

public had an average of 612 initial contacts with the public per month; the 5 units without routine complaint handling procedures had an average of 187 initial complaints with the public per month.) Similarly, units that routinely undertook civil investigations and civil litigation generally had far more contact with the public (an average of 850 contacts a month, contrasted to 170 a month) than units that did not routinely become involved in civil matters.

The level of contact with the public, then, varied sharply from unit to unit. As might be expected, those units with formal complaint intake activities typically had more contact with the public than those with no such procedures. Units that engaged in civil investigative and litigative activities generally had more contact with the public than did those units that do not conduct civil investigations or litigation. As mentioned earlier, a unit may have civil jurisdiction as attorney for the county, or under specific consumer protection statutes, or both. Units with the latter enforcement powers may be more likely to mediate consumer complaints and conduct civil investigations and litigation as part of these enforcement powers. On the whole, the above data indicate that the 40 units reporting on contact with the public have served a vast number of individuals by receiving and handling complaints, inquiries, and other initial contacts with the public.

C. Office Complaint Resolution Procedures

The 40 units reporting on contact with the public also reported on the extent of their in-office complaint resolution procedures. As discussed previously, units supplied four types of data concerning office complaint resolution procedures each month: the number of times resolution procedures were initiated each month, the number of times voluntary restitution was obtained as a resolution, the amount of restitution

obtained, and the number of referrals made to other agencies following attempts at complaint resolution.

As with the number of complaints and inquiries received each month, activities associated with and results of complaint resolution procedures varied somewhat from month to month and varied dramatically from unit to unit. Table 3.10 presents the average and total number of complaint resolution procedures initiated by the 40 participant units each month. As this table indicates, a total of 21,519 complaint resolution procedures was initiated by these units between February and November, 1979. On average, units initiated complaint resolution procedures 54 times per month, with a median of 15.5 procedures.

Eight of the 40 participant units never reported initiating complaint resolution procedures. Units that did report initiating such procedures reported figures ranging from an average of less than one procedure initiated by a unit per month to just over 300 procedures by one unit per month. Four unit characteristics appear to be associated with a high incidence of complaint resolutions: routine handling of complaints and inquiries, complaint mediation, civil investigations, and civil cases. Table 3.11 presents the average number of resolution procedures initiated per month in terms of these unit characteristics.

The links between the handling of complaints and inquiries and the undertaking of complaint mediation, on the one hand, and a high incidence of complaint resolution, on the other hand, are to be expected. But the correlation is not as high as one might expect; a significant number of units which report that they do not handle complaints and inquiries or undertake complaint mediation also undertook complaint resolution procedures. As will be discussed below, these units obtained restitution and referred consumer complaints to other agencies. The fact that units undertaking civil investigations

TABLE 3.10

NUMBER OF IN-OFFICE COMPLAINT RESOLUTION PROCEDURES INITIATED PER MONTH (N = 40)

Month	Total Number of Resolutions Begun	Range	Mean Number of Resolutions Begun	Standard Deviation	Median Number of Resolutions Begun
February	2,201	0-352	55.0	87.1	13.5
March	2,200	0-338	55.0	84.3	13.5
April	2,012	0-323	50.3	75.1	14.5
May	2,274	0-337	56.9	83.6	13.5
June	2,226	0-351	55.7	83.0	13.5
July	2,222	0-300	55.6	80.1	21.0
August	2,703	0-329	51.8	77.5	18.5
September	2,001	0-251	50.0	70.6	15.5
October	2,469	0-360	61.7	85.6	21.5
November	1,841	0-201	46.0	62.9	15.5

Descriptive Statistics for All Units (N = 40)

Sum (Total) = 21,519
 Range = 0-360
 Mean (Average) = 53.8
 Standard Deviation = 78.5
 Median = 15.5

TABLE 3.11

UNIT CHARACTERISTICS AND INITIATION OF COMPLAINT
RESOLUTION PROCEDURES (40 Units)

Unit Characteristic: Routine Unit Activity	Number of Units	Average Number of Complaint Resolution Procedures Initiated Per Month
Receives complaints and inquiries	35	59
Does not receive complaints and inquiries	5	20
-----	-----	-----
Mediates complaints	22	69
Does not mediate complaints	18	36
-----	-----	-----
Undertakes civil investigations	23	76
Does not undertake civil investigations	17	24
-----	-----	-----
Litigates civil matters	22	78
Does not litigate civil matters	18	23

and civil litigation also reported that a higher incidence of complaint resolution procedures may reflect these units' exercise of powers under consumer protection statutes giving them civil jurisdiction.

As a result of complaint resolution procedures, these units obtained voluntary restitutions on 4,063 occasions, for a reported total dollar recovery of \$3,441,129. Some units obtained no restitution, while others were more successful in gaining restitution. The average number of instances per month for which restitution was obtained varied from none to 94. The average amount obtained per unit per month was \$8,602.82, with a standard deviation of \$29,118.65. The median dollar amount of each month was \$706.50. The range per unit per month was from less than \$10.00 to more than \$360,000. One unit obtained an average of \$105,690 each month in voluntary restitutions. Tables 3.12 and 3.13 describe the frequency of voluntary restitutions and amounts of restitution obtained per month.

Variation in the amount of restitution did not appear to be associated with any particular unit characteristics. The same four unit characteristics associated with a high number of complaint resolutions, not surprisingly, were also associated with a high number of restitutions obtained. That is, units that routinely received consumer complaints, mediated consumer complaints, and handled civil investigations and litigation more frequently obtained restitution than units that did not.* When the amount of restitution obtained per month was compared to these unit characteristics, however, a different result emerged. There was no systematic difference between

*The 23 units that routinely undertook civil investigations obtained an average of 16 restitutions per month, while the 17 units that did not handle civil investigations obtained an average of only 3 restitutions per month. Likewise, the 22 units that litigated civil matters obtained an average of 16 restitutions per month in contrast to the average of 3 obtained by units that do not become involved in civil litigation.

TABLE 3.12

NUMBER OF VOLUNTARY RESTITUTIONS PER MONTH RESULTING
FROM IN-OFFICE COMPLAINT MEDIATION PROCEDURES
(N = 40 units)

Month	Total Number of Restitutions Received	Range	Mean Number of Restitutions Received	Standard Deviation	Median Number of Restitutions Received
February	541	0-214	11.3	34.6	1.3
March	462	0-185	11.6	31.4	1.8
April	348	0-92	8.7	17.3	1.8
May	458	0-120	11.5	25.8	3.5
June	482	0-156	12.1	28.9	2.3
July	582	0-260	14.6	43.3	2.5
August	386	0-131	9.7	22.6	2.8
September	386	0-90	9.7	22.6	2.2
October	262	0-50	6.6	10.9	2.3
November	316	0-63	7.9	13.9	2.0

Descriptive Statistics for All Units (N = 40)

Sum (Total) = 4,063
Range = 0-260
Mean (Average) = 10.2
Standard Deviation = 26.2
Median = 2.1

TABLE 3.13

AMOUNT RECEIVED PER MONTH THROUGH VOLUNTARY RESTITUTIONS
RESULTING FROM IN-OFFICE COMPLAINT MEDIATION
PROCEDURES (N = 40 Units)

Month	Total Amount of Initial Paid (\$)	Range (\$)	Mean Amount of Restitution Paid (\$)	Standard Deviation (\$)	Median Amount of Restitution Paid (\$)
February	168,545	35.00- 36,853.00	7,328.04	9,374.56	4,175.00
March	618,096	18.00-361,743.00	23,772.92	73,995.89	1,002.00
April	532,251	24.00-271,965.00	21,290.04	56,180.24	5,862.00
May	359,853	112.00- 57,000.00	13,840.50	18,441.56	5,054.00
June	194,702	33.00- 89,093.00	7,488.54	17,469.97	2,079.00
July	196,618	25.00- 45,133.00	8,192.42	13,049.90	2,210.50
August	309,991	40.00- 52,382.00	12,399.64	13,434.31	7,947.00
September	469,762	259.00-200,147.00	18,790.48	40,875.95	3,973.00
October	174,432	6.00- 22,810.00	6,708.92	6,495.04	4,908.50
November	416,879	80.00-144,500.00	17,369.96	36,959.73	3,198.50

Descriptive Statistics for All Units (N = 40)

Sum (Total) = \$3,441,129.00
Range = \$6.00-\$361,743.00
Mean (Average) = \$13,764.52
Standard Deviation = \$35,879.56
Median = \$3,896.50

units which received consumer complaints and those which did not, and units which mediated consumer complaints, undertook civil investigations, or handled civil litigation obtained less restitution than did the units which did not perform these functions. This apparently anomolous result may be due to the wide variation in amount of restitution obtained as a result of any one suspect, activity, or scheme. One restitution involving a very large amount of money can substantially alter the total and average amount of restitution for a unit or group of units.

Following the initiation of complaint resolution procedures, units may refer the matter to another agency. Between February and November, the reporting ECP units referred a total of 15,121 matters to other agencies. On average, units referred 37.8 matters, with a standard deviation of 108.2. The median number of referrals was 7.1. The range for referrals was between 1 and 880. Table 3.14 summarizes the referrals made each month for all 40 units.

Some units made no referrals to other agencies, while one unit reported making an average of 391 referrals each month. Thus, the variation among units is perhaps even greater with respect to agency referrals than to other aspects of complaint resolution procedures, discussed below.

Referrals were more frequently made by units that routinely receive complaints, mediate complaints, investigate civil matters, and handle civil litigation than by units that do not routinely engage in these activities. This is consistent with findings just discussed, that units undertaking these functions more frequently begin complaint-resolution procedures and obtain voluntary restitutions. Table 3.15 illustrates the differences between units on the basis of these activities. Units which prosecute criminal cases (but not units which undertake criminal investigations) were also more likely to refer complaints to other agencies. No difference was found between units which do or do not prosecute criminal cases with

TABLE 3.14

REFERRALS PER MONTH TO OTHER AGENCIES FOLLOWING
COMPLAINT RESOLUTION PROCEDURES
(N = 40 Units)

Month	Total Number of Referrals Made	Range	Mean Number of Referrals Made	Standard Deviation	Median Number of Referrals Made
February	829	1-329	28.6	63.0	9.3
March	1,179	1-412	42.1	89.2	12.5
April	1,159	1-399	38.6	85.0	9.5
May	1,148	1-306	34.8	67.9	9.3
June	1,843	1-731	59.5	144.4	7.8
July	2,049	1-830	64.0	164.4	11.0
August	1,081	1-381	33.8	75.3	11.8
September	1,822	1-712	55.2	137.6	13.0
October	2,242	1-880	67.9	165.8	10.3
November	1,769	1-705	52.0	141.0	9.5

Descriptive Statistics for All Units (N = 40)

Sum (Total) = 15,121
Range = 1-880
Mean (Average) = 37.8
Standard Deviation = 108.2
Median = 7.1

TABLE 3.15
UNIT CHARACTERISTICS AND REFERRALS TO
OTHER AGENCIES (40 Units)

Unit Characteristic: Routine Office Activity	Number of Units	Average Number of Referrals Per Month
Receives complaints and inquiries	35	42
Does not receive complaints and inquiries	5	11
-----	-----	-----
Mediates complaints	22	58
Does not mediate complaints	18	13
-----	-----	-----
Undertakes civil investigations	23	57
Does not undertake civil investigations	17	12
-----	-----	-----
Litigates civil matters	18	59
Does not litigate civil matters	18	12

respect to the number of complaint resolutions begun or the number or amount of restitution.

In summary, the Economic Crime Project units initiated over 21,000 in-office complaint resolution procedures between February, 1979, and November, 1979. As a result of in-office resolution procedures, these units obtained over \$3 million dollars in voluntary restitutions, and referred over 15,000 matters to other agencies. The volume of in-office resolution-related activities varied somewhat from month to month, but the monthly variations were not extreme enough to note seasonal trends during this initial phase of ECPRS operation. Differences among units, however, were pronounced: individual units differed dramatically in the extent to which they engaged in in-office resolution activities during the 10-month period of study. Furthermore, differences in activity level could be noted on the basis of several classes of units.

Thus, units that routinely handled complaint intake, complaint mediation, civil investigations, and civil litigation were more frequently involved in undertaking complaint resolution procedures, obtaining restitution, and referring matters to other agencies than were units that did not routinely handle complaint intake and mediation or civil matters. However, neither the size of units' staff nor the scope of units' jurisdiction appeared to be associated with the level of complaint resolution activity. Table 3.16 is a tabular summary of the relationship of unit characteristics to complaints, inquiries, and complaint resolution procedures.

VI. INVESTIGATIONS

As discussed above, the investigations to be reported under the ECPRS were limited to those undertaken in contemplation of possible criminal or civil litigation. This included investigations ending with the decision not to file a criminal or civil case. On the other hand, work undertaken in order to

TABLE 3.16
COMPLAINTS, INQUIRIES, AND COMPLAINT RESOLUTION PROCEDURES
RELATED TO ECONOMIC CRIME UNIT CHARACTERISTICS (N = 40)

COMPLAINTS AND INQUIRIES, AND COMPLAINT RESOLUTION PROCEDURES	UNIT CHARACTERISTICS							
	OFFICE SIZE	SCOPE OF JURISDICTION	RECEIVES CONSUMER COMPLAINTS	MEDIATES CONSUMER COMPLAINTS	UNDERTAKES CRIMINAL INVESTIGATIONS	PROSECUTES CRIMINAL CASES	UNDERTAKES CIVIL INVESTIGATIONS	HANDLES CIVIL LITIGATION
NUMBER OF COMPLAINTS AND INQUIRIES	NSD	57% at offices with 1-50% civil	NSD	NSD	ALL	>if did	>if did	>if did
NUMBER OF COMPLAINT RESOLUTIONS BEGUN	NSD	63% at offices with 1-50% civil	>if did	>if did	ALL	ALL	>if did	>if did
NUMBER OF VOLUNTARY RESTITUTIONS	NSD	55% at offices with 1-50% civil	>if did	>if did	ALL	ALL	>if did	>if did
AMOUNT OF RESTITUTION IN DOLLARS	NSD	38% at offices with 1-50% civil	NSD	<if did	ALL	ALL	<if did	<if did
NUMBER OF REFERRALS TO OTHER AGENCIES	NSD	47% at offices with 1-50% civil	>if did	>if did	ALL	>if did	>if did	>if did

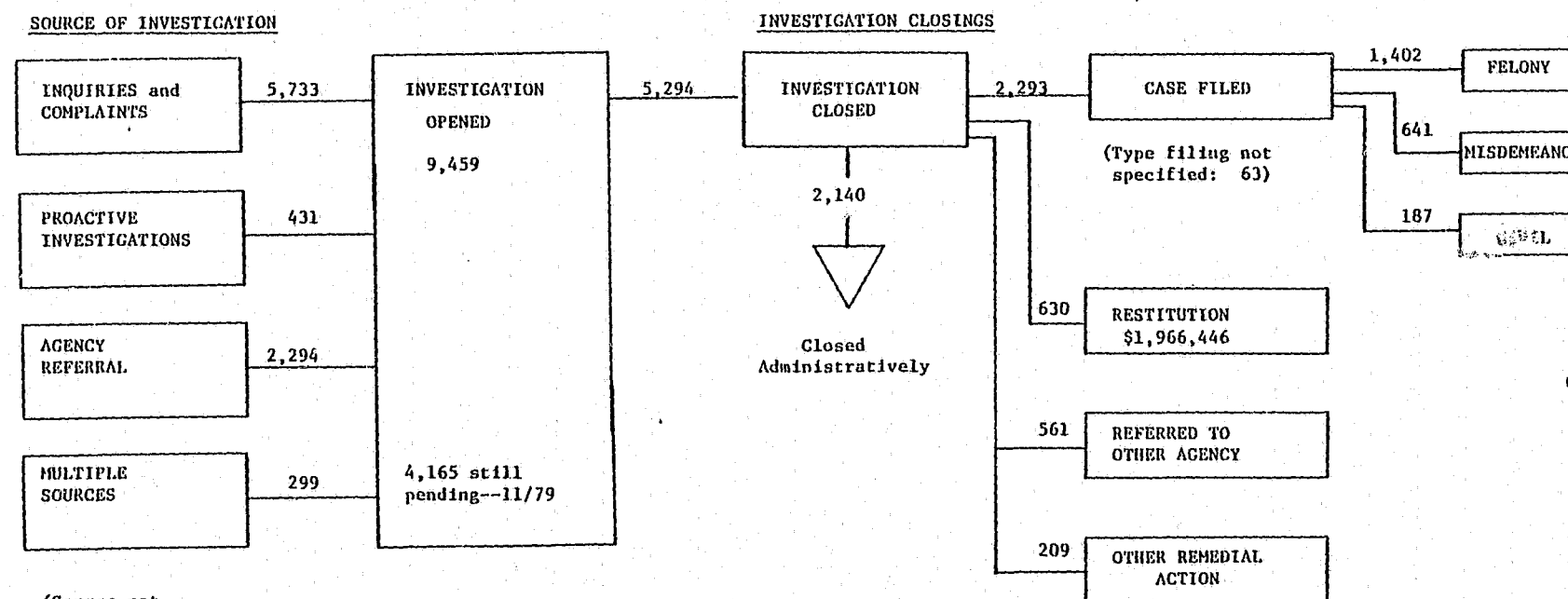
> = greater
< = less
NSD = no systematic difference
ALL = all units did both

gather further information to aid in the mediation or other in-office resolution of complaints was to be excluded.

As explained in the introductory section to this chapter, the 45 units for which complete data are available handled 9,459 investigations in the 10-month period between February and November, 1979. Of these, 2,204 were pending when the ECPRS was instituted in February, 1979. The remaining 7,255 were filed between February and November.

The manner in which units handled the investigations is graphically summarized in Figure 3.2. In examining this figure, it is important to take the "multiple problem" into account. This problem has been encountered throughout the analyses of the ECPRS data relating to investigations and cases. For example, with regards to the source of investigations, it can be seen in Figure 3.2 that 299 investigations had multiple sources. This means that the source could have been some combination of inquiries and complaints, proactive investigations, and agency referrals. Similarly, investigations could have closed at one or more times, each, perhaps, reflecting the closing of a different aspect of the investigation or with respect to different targets. For example, an investigation involving several targets can be closed with respect to some when restitution is obtained, and closed a second time with respect to the remaining targets when criminal charges are filed. According to Figure 3.2, 5,294 investigations were closed; however, if the various types of closings are added, it appears that 5,833 investigation closings were reported. The difference of 539 is attributable to the fact that multiple closings of an investigation occur, and are reported to the ECPRS at different times.

Below, a descriptive account of the investigative activities of the 45 units with complete data is presented. In particular, attention is directed to the subject matter of the investigations, the number of individuals and businesses or



(Source not indicated: 702)

FIGURE 3.2

FLOW CHART: UNIT INVESTIGATIVE ACTIVITIES
(45 Units, February through November, 1979)

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

institutions under investigation, the number of victims involved, the source of investigation, and the closing or disposition of the matter. As appropriate, these results will be accompanied by more extensive analyses of the data through a tabular approach.

A. Number of Investigations Opened

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

As indicated in Figure 3.17, 9,459 investigations were pending at the time data collection began in February, 1979. A breakdown of the number of cases pending at that time and opened in each subsequent month is presented in Table 3.17. In this table it can be observed that there was a high number of pending investigations. In the months which followed, there was relatively little variation in the number of investigations opened each month. This lack of variation is indicated by the fact that the mean and median number of investigations opened per month for all units are similar.

As expected, there was considerable variation among units with regard to investigative procedures. Some units opened and closed far more investigations than other units. For example, the number of investigations closed per unit in the 10-month

TABLE 3.17

INVESTIGATIONS PENDING ON JANUARY 31, 1979, AND OPENED
BETWEEN FEBRUARY 1 AND NOVEMBER 30, 1979
(N = 45 Units)

Month	Total Number of Investigations Opened	Range	Mean Number of Investigations Opened	Standard Deviation	Median Number of Investigations Opened
Pending prior to February	2,204	--	--	--	--
February	814	1-265	21.4	44.6	10.0
March	827	1-126	18.8	26.1	10.3
April	688	1-89	15.3	17.9	8.8
May	678	1-99	15.4	17.3	10.0
June	638	1-70	15.2	16.1	10.5
July	697	1-95	15.8	18.1	9.7
August	701	1-64	17.5	17.0	11.8
September	644	1-56	15.7	13.5	11.3
October	758	1-75	17.6	16.6	12.3
November	810	1-163	19.8	27.7	12.8

Descriptive Statistics for All Units (N = 45)

Sum (Total) = 9,459
Range = 1-265
Mean (Average) = 20.3
Standard Deviation = 28.7
Median = 11.0

reporting period (excluding multiples, N = 5,505) ranged from 5 to 656.

B. Subject Matter of Investigations

For purposes of the data collection effort, a standard list of economic crime codes was used, which classified economic crimes into major subject-matter categories and specific subject-matters within each of these categories. This list is provided in Table 3.18. All units were requested to report the subject matter of investigations according to these pre-established codes. When multiple allegations were being investigated, units were to record only the most serious matter. Table 3.19 presents the percent of the total and the ranking of the specific subject-matter subcategories which were most frequently reported (N = 9,459). Here it can be seen that larceny, deceptive trade practices, bad checks, home improvement, and embezzlement were most frequently the subject of investigations. These accounted for 69% of all investigations. On the other hand, investigations resulting from Ponzi schemes, commodities, precious metals, jewelry and gems, bankruptcy, inheritance frauds, debt consolidation, usury, installment procedures, computer abuse and fraud, life insurance, bribery of government employees, commercial bribery, conflict-of-interest, misuse of confidential information, regulatory violations, income tax revenue violations, sales and use tax revenue violations, Medicaid, theft of utility services, energy, weights and measures, coupon redemption frauds, mobile home, title law, rental location, medical treatments, medical supplies and devices, nursing homes, general health care services, health and safety standards, appliance repair fraud, career/employment opportunity school/training frauds, and attorney's professional services each accounted for much less than 1% of the investigations, and collectively, were responsible for only 9% of all investigations. While the percentage for each of these categories of investigations

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TABLE 3.18

ECONOMIC CRIME PROJECT REPORTING SYSTEM

LIST OF ECONOMIC CRIME CODES

<p><u>Investments</u></p> <p>1.1. Advanced fee schemes 1.2. Business opportunity schemes (including franchises, vending machines, chain referral, and pyramid schemes) 1.3. Ponzi schemes 1.4. Securities 1.5. Commodities 1.6. Precious metals, jewelry, and gems 1.7. Other investment schemes--general</p> <p><u>Financing, Credit, and Banking</u></p> <p>2.1. Bad checks, check kiting 2.2. Bankruptcy 2.3. Inheritance frauds 2.4. Credit cards 2.5. Debt collection 2.6. Debt consolidation 2.7. Usury 2.8. Loans (including mortgages) 2.9. Installment purchases</p> <p><u>Computer Related</u></p> <p>3.1. Electronic Funds Transfer System (EFTS) 3.2. Computer abuse and fraud</p> <p><u>Insurance</u></p> <p>4.1. Arson-for-profit 4.2. Life 4.3. Accident/casualty 4.4. Other insurance fraud</p> <p><u>Corruption, Abuse of Trust, and Theft (see also 6.7.--Theft of utility services, energy)</u></p> <p>5.1. Bribery of government employees (including kickbacks) 5.2. Commercial bribery (including kickbacks) 5.3. Conflict-of-interest 5.4. Misuse of confidential information, trade secret theft 5.5. Embezzlement 5.6. Larceny (including by false pretenses and by trick) 5.7. Misappropriation of funds 5.8. Forgery</p> <p><u>Fraud Against Government, Public Agencies, Utilities</u></p> <p>6.1. Licensing violations 6.2. Regulatory violations 6.3. Revenue violations: income tax 6.4. Revenue violations: sales and use tax 6.5. Welfare 6.6. Medicaid 6.7. Theft of utility services, energy 6.8. Procurement fraud</p>	<p><u>Trade Practices (see also 2.9.--Installment purchases)</u></p> <p>7.1. Advertising: bait-and-switch 7.2. Advertising: general 7.3. Weight and measures 7.4. Antitrust and restraint of trade, price-fixing 7.5. Deceptive trade practices - general (including misdescription of goods/services, pricing, packaging, and warranty frauds) 7.6. Coupon redemption frauds 7.7. Other trade-related frauds</p> <p><u>Housing, Land, Real Estate, and Construction</u></p> <p>8.1. Home improvement 8.2. Construction 8.3. Landlord-tenant 8.4. Mobile home 8.5. Real estate/land 8.6. Title law 8.7. Rental locator</p> <p><u>Health and Medical Care (see also 5.6--Medicaid)</u></p> <p>9.1. Medical treatments by professionals (services--doctors, dentists, nurses) 9.2. Medical supplies and devices (products--hearing aids, drugs, cosmetics) 9.3. Nursing homes 9.4. General health care services (laboratory, hospital care) 9.5. Health and safety standards (including buildings, institutions, environment)</p> <p><u>Sales and Repairs (see also 7.1 and 7.2--Advertising)</u></p> <p>10.1. Appliance repair fraud 10.2. Automobile sales (including automotive parts) 10.3. Automobile repairs 10.4. Other products: sales 10.5. Other products: repairs</p> <p><u>Personal and Professional Services (see also 1.2--Business opportunity schemes; 9.1--Medical professional services)</u></p> <p>11.1. School/training frauds: career/employment opportunity 11.2. School/training frauds: personal improvement or benefit 11.3. Personal improvement schemes--general (including club memberships) 11.4. Contest frauds 11.5. Travel and vacations 11.6. Transportation 11.7. Charity frauds 11.8. Attorneys' professional services</p> <p><u>Other</u></p> <p>999. "Other"--use this category only if NO other category applies and if the nature of the investigation/case is explained under "Comments."</p>
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TABLE 3.19

SPECIFIC SUBJECT-MATTER SUBCATEGORIES OF INVESTIGATIONS OPENED (Percent of Total and Ranking) (N = 9,459) (45 Units, February through November, 1979)

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

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

By major category, the subject matter of investigations can be ranked as indicated in Table 3.20. Here it can be seen that most investigations (24.9%) were connected with corruption, abuse of trust, and theft. Larceny and embezzlement are the major contributors to this category, accounting for 17% of all investigations. Another 26.6% of all investigations occurred in relationship to trade practices (including 9% attributable to deceptive business practices), housing, land, real estate, and construction (including the 8% involving home improvements). Thus, three major economic crime categories accounted for slightly over 50% of all investigative activity.

C. Number and Type of Target Under Investigation.

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

TABLE 3.20

MAJOR SUBJECT-MATTER CATEGORY OF INVESTIGATIONS OPENED
(Number and Percent Distribution)
(45 Units, February through November, 1979)

Economic Crime Category	Number	Percent Unadjusted (N = 9,459)	Percent Adjusted (N = 9,123)
Corruption, Abuse of Trust, and Theft	2,351	24.9%	25.7%
Trade Practices	1,262	13.3%	13.8%
Housing, Land, Real Estate, and Construction	1,255	13.3%	13.8%
Sales and Repairs	1,083	11.4%	11.9%
Financing, Credit, and Banking	988	10.4%	10.8%
Fraud Against Government, Public Agencies, Utilities	710	7.5%	7.8%
Investments	552	5.8%	6.1%
Other (unlisted)	348	3.8%	3.8%
Insurance	308	3.3%	3.4%
Personal and Professional Services	173	1.8%	1.9%
Health and Medical Care	83	0.9%	1.0%
Computer related	10	0.1%	0.1%
Unknown	336	3.5%	N/A

N/A = not applicable.

figure for the number of targets involved. As a result, the units were asked to estimate the number. In spite of these difficulties, it is conservatively estimated that over 8,700 individuals were the targets of investigations. In several instances, the number of targets under investigation exceeded 100, while in several others between 50 and 100 people were designated as targets. Based on this data, it is estimated that over 60% of all investigations involved one or more individuals as targets.

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

Some investigations involved both individuals and businesses or institutions as targets. Further tabular analyses of the data were undertaken to gain a better understanding of the number of investigations involving multiple numbers and multiple types of targets. Table 3.21 is a restructured table shedding the necessary light on the multiples problem. Note that for 371 investigations, or 3.9%, data on the number and type of targets under investigation were missing or incomplete. Based on this table, the following conclusions about targets of investigations are tenable:

- 55.0% of all investigations involved one or more individuals as targets, without involving businesses or institutions.

TABLE 3.21
SINGLE AND MULTIPLE TARGETS OF INVESTIGATION
(N = 9,088)
(45 Units, February through November, 1979)

Number of Individuals	Number of Businesses or Institutions		
	None	1 or More	Total
None	N/A	3,135 ^a 100.0% 76.7% 34.5%	3,135 (34/5%)
1 or More	5,002 83.9% 100.0% 55.0%	951 16.1% 23.3% 10.5%	5,963 (65.5%)
Total	5,002 (56.8%)	4,086 (43.2%)	9,088 (100.0%)

371 Missing Observations

N/A = not applicable.

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

- 34.5% of all investigations only involved businesses or institutions.
- 10.5% of all investigations involved both individuals and businesses or institutions.
- Of those investigations involving one or more individuals, 83.9% did not involve businesses or institutions.
- Of those investigations involving one or more individuals, 16.1% also involved one or more businesses.
- Of those investigations involving one or more businesses or institutions, 76.7% did not involve individuals.
- Of those investigations involving one or more businesses or institutions, 23.3% also involved one or more individuals.
- 34.5% of all investigations did not involve individuals.
- 65.5% of all investigations involved one or more individuals.
- 56.8% of all investigations did not involve businesses or institutions.
- 43.2% of all investigations involved businesses or institutions.

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

D. Number and Type of Victims of Economic Crime Investigations

Individuals, businesses, and government agencies may find themselves the victims of white-collar crime. Indeed, the victims may not even realize that they have been victimized.

This is one important respect in which white-collar crime is different from, and more difficult to prosecute than, "street" crime. Even when a person, business, or agency has been victimized, there may be a reluctance to report the crime for fear of shame, embarrassment about being "duped," loss of business reputation, or government scandal. For purposes of the ECPRS, three types of victims were identified: individuals, businesses or institutions, and government. As will be discussed below, some crimes have individual, business, and government victims. Before proceeding with the more elaborate analyses, it is first necessary to look at various bivariate relationships between type of victims. Throughout the following discussion it is important to keep in mind that some investigations will in fact be double-counted. In the analyses, progression is made from univariate, to bivariate, to trivariate relationships.

A large number (68.9 to 73.4%) involved one or more individual victims. Some 64 to 68% involved only individual victims, while the remainder involved businesses or institutions, or government agencies, or both. In at least three instances, over 100 individuals were considered to be the victims of a single economic crime. This fact, although surprising, is not startling. Moreover, it is conservatively estimated (i.e., taking the 50 to 100 victim category as equal to 50, the over-100 category as equal to 100, and the one-or-more category as equal to one) that well over 14,000 individuals were the victims of economic crimes reported as being under investigation.

Businesses or institutions were also frequently the victim of economic crime. The available data suggest that one or more businesses were the only victims in about 23 to 27% of the economic crime investigations reported to the ECPRS, while an additional 4.2 to 4.6% involved individuals, government agencies, or both, as well. As in the case of individuals,

there were instances where 50 to 100 businesses were the victims of a single crime. It is very conservatively estimated that over 3,700 businesses were the identifiable victims of economic crimes investigated by the 45 units reporting to the ECPRS.

Finally, government agencies were the least likely victim of economic crime as far as investigations reported to the ECPRS were concerned. The data indicate the government to be a victim in about 11.1 to 15.3% of all economic crimes investigated by the 45 units (being the only type of victim in 10 to 14% of the investigations). In one instance, it was reported that an investigation had 50 government victims. From the available data it is estimated that there are over 1,000 government victims associated with a variety of economic crimes.

At this point, it is appropriate to give further consideration to those investigations which involve two or more different types of victims. Table 3.22, a summary table, indicates the percentage of investigations which involve one or more types of victims (all possible combinations). Due to minor inconsistencies in the reporting of these data, the exact percentages cannot be calculated, although the range of possible values is accurate. Here it can be seen that, of the multiples, those investigations involving individuals and businesses as victims were most prevalent, followed by individual and government, and business and government. Only six investigations reportedly involved individual, business, and government victims. Thus, of all investigations, only about 5% involved more than one type of victim.

Closer examination of the data reveals that the magnitude of some investigations involving multiple victims can be enormous. For example, one investigation involved over 100 individual and 3 business or institution victims, another included 21 to 25 individual and 2 government victims, and still another included 6 to 10 business and over 11 government victims. One of the most varied investigations involved 5

TABLE 3.22
VICTIMS OF ECONOMIC CRIME REPORTED AT THE
TIME OF INVESTIGATION

Type of Victim	Percent of Total Investigations ^a
Individual Only	64.0-68.0%
Business or Institutions Only	23.0-27.0%
Government Only	10.0-14.0%
Individual and Business or Institutions	3.7-4.0%
Individual and Government	0.6-0.7%
Business or Institutions and Government	0.5-0.6%
Individual, Business or Institutions, and Government	0.6-0.7%

^aGiven the estimation procedures, these percentages do not total 100.0.

CONTINUED

2 OF 5

individual, 6 to 10 business, and over 11 government victims. Clearly, these economic crimes had a rather substantial scope and unmistakably involved considerable effort to process. Such large investigations could easily consume all the resources of any ECP unit.

E. Source of Investigation

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

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

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

It was found that 5,967 investigations resulted from inquiries or complaints (including 234 involving another source as well), 553 from proactive investigations (including 102 involving a second source), and 2,543 from agency referrals (249 of which involved an additional source). These differences are summarized in Table 3.23. (Note that for 702 investigations, the ECP units failed to report data on the source of investigation.)

The referral of matters for investigation is an important issue warranting further attention, especially in view of the Economic Crime Project's focus on development of a National Strategy for coordination of federal, state, and local enforcement efforts. In particular, data were reported by the ECP units as to the types of agencies which referred cases for investigation. These agencies, and the percent of investigations begun by referral which they referred to the 45 units, are detailed in Table 3.24. On the basis of this table, it is evident that local investigative, police, and law enforcement agencies have primary responsibility (46.0%) for referrals which result in investigations. State regulatory agencies have the second highest referral rate (15.7%). In short, relatively few agencies are responsible for investigative referrals to ECP units.

F. Closing/Disposition of Investigations

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

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

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

TABLE 3.23

SOURCE OF INVESTIGATIONS
(N = 9,459)
(45 Units, February through November, 1979)

Source	Excluding Multiple Source Investigations	Multiple Sources Allocated Among Source Categories
Inquiry or Complaint	5,733	5,967
Proactive Investigation	431	533
Agency Referral	2,294	2,543
Multiple Source	299	N/A

702 Investigations: Source Unknown

N/A = not applicable.

TABLE 3.24

AGENCIES MAKING REFERRALS RESULTING IN
INVESTIGATIONS (N = 2,543)
(45 Units, February through November, 1979)

Referring Agency	Total Referrals	
	Number	Percent
<u>Consumer Protection Agencies</u>		
1. State Agencies	14	0.5
2. Local Agencies	41	1.6
3. Non-government/Business/ Consumer groups	32	1.3
<u>Regulatory Agencies</u>		
4. Federal Agencies	21	0.8
5. State Agencies	400	15.7
6. Local Agencies	131	5.1
<u>Investigative/Police/Law Enforcement Agencies</u>		
7. Federal Agencies	15	.6
8. State Agencies	120	4.7
9. Local Agencies	1170	46.0
<u>Attorneys/Prosecutors</u>		
10. United States Attorneys (Federal)	3	.1
11. State Attorney General Consumer Protection/Fraud Units	52	2.1
12. State Attorney General (other than Consumer Protection/Fraud Units)	49	1.9
13. Local/Municipal Government Attorney's Office (for example, Corporation Counsel, New York City)	210	8.3
14. Legal Services or Private Attorneys	45	1.8
15. Small Claims Court	1	.0
16. Trade Associations	22	.9
17. Other	55	2.2
18. Other Local District Attorneys/ Prosecutors' Offices	47	1.9
19. NDAA Economic Crime Project Center, Chicago	7	.3
<u>Agency Not Specified</u>	108	4.2

and "no action" with respect to others. In a subsequent month, another aspect of the investigation could be closed with the filing of criminal charges against the remaining targets, and reported to the ECPRS as a second closing in the same investigation. The results presented below do not explicitly document the various combinations of multiple closings, although the number of multiple closings can be estimated (N = 265 or 4.8%).

Table 3.25 shows the distribution of outcomes obtained in closed investigations. As indicated here, closings primarily take one of two extremes, either they are closed administratively (38.9%) or they are filed as felonies, misdemeanors, or civil cases (40.5%). A relatively small percentage of investigations are closed through remedial action, restitution, or referral, although cumulatively these account for the disposition of approximately 25% of all investigations.

A total of 630 investigations were closed involving the payment of restitution. The total dollar value of the restitution received was \$1,966,446. The average amount of restitution paid was \$3,200.48, with a standard deviation of \$18,680.95. Restitution ranged from a low of \$3.00 to a high of \$286,743. The median restitution was \$224.68. Units were instructed to record the amount of restitution only where the person or organization being investigated agreed to (1) pay money to victims, (2) replace something of value, or (3) perform a service for which the victim already paid (e.g., a satisfactory car or appliance repair). In the latter two instances, units were advised to record the price or the present market value of the item replaced or service performed. Restitution, however, was not to include either "symbolic restitution" through community service or situations in which the person or organization agreed to cancel a future obligation (e.g., payments on a lifetime dance studio contract). In 15 investigations the amount of restitution was not reported.

TABLE 3.25
TYPE AND PERCENT DISTRIBUTION OF INVESTIGATION
CLOSINGS (N = 5,505)
(45 Units, February through November, 1979)

Type of Closing	Number ^a	Percent ^b
Closed Administratively	2,140	38.9
Remedial Action	209	3.8
Restitution	630	11.4
Referral	561	10.2
Case Filed	2,230	40.5
TOTAL	5,770	104.8

^aNumber of investigation closings exceeds 5,505 because of multiple closings.

^bPercent of investigation closings exceeds 100.0 because of multiple closings.

ECP units also referred 561 matters to other agencies. Table 3.26 characterizes the types of agencies to which the ECP units referred investigations. As can be observed in this table, most (17.3%) investigations were referred to small claims court, followed by referrals to local investigative, police, and law enforcement agencies, and then to legal services or private attorneys. These three agencies received almost half of all referrals from the ECP units. As noted in Table 3.26, the ECP units failed to identify to what agency 7.3% of all investigations were referred.

Cases were filed as a result of 2,230 investigations and involved 2,293 separate case filings. Units were instructed to indicate whether civil charges (including filings for administrative hearings if the office had jurisdiction to begin administrative hearings), felony charges, or misdemeanor charges were filed. A felony was defined as any crime punishable by a sentence of one year or more, whereas "misdemeanors" were limited to crimes punishable by a sentence of one year or less. In most states, misdemeanors are punishable by a sentence of no more than one year. In a few states, some misdemeanors are punishable by more than one year (e.g., "high misdemeanors" in New Jersey). Consequently, units were asked to distinguish felonies and misdemeanors on the basis of maximum statutory sentence, rather than the sentence the unit requested.

The data reveals that between February, 1979, and November, 1979, 1,402 investigations resulted in the filing of felony charges, 641 resulted in misdemeanor cases, and 187 led to civil litigation. A very small percentage (.69%) of these were multiple filings. These data also confirm that the ECP units failed to identify the manner in which 3.4% of the investigations were filed. The numbers and types of cases filed are presented in Table 3.27.

TABLE 3.26

ECP UNIT REFERRALS OF INVESTIGATIONS TO OTHER AGENCIES
(Number and Percent Distribution) (N = 561)
(45 Units, February through November, 1979)

Agency Referred To	Total Referrals	
	Number	Percent
<u>Consumer Protection Agencies</u>		
1. State Agencies	5	0.8
2. Local Agencies	9	1.6
3. Non-government/Business/ Consumer groups	1	.1
<u>Regulatory Agencies</u>		
4. Federal Agencies	15	2.7
5. State Agencies	38	6.9
6. Local Agencies	8	1.4
<u>Investigative/Police/Law Enforcement Agencies</u>		
7. Federal Agencies	33	5.9
8. State Agencies	26	4.6
9. Local Agencies	95	16.9
<u>Attorneys/Prosecutors</u>		
10. United States Attorneys (Federal)	9	1.6
11. State Attorney General Consumer Protection/Fraud Units	40	7.1
12. State Attorney General (other than Consumer Protection/Fraud Units)	12	2.1
13. Local/Municipal Government Attorney's Office (for example, Corporation Counsel, New York City)	40	7.2
14. Legal Services or Private Attorneys	52	9.4
15. Small Claims Court	97	17.3
16. Trade Associations	4	.7
17. Other	18	3.2
18. Other Local District Attorneys/ Prosecutors' Offices	18	3.2
19. NDAA Economic Crime Project Center, Chicago	0	0
<u>Agency Not Specified</u>	41	7.3

TABLE 3.27
 TYPE OF CASE FILING FOLLOWING AN INVESTIGATION
 (N = 2,293)
 (45 Units, February through November, 1979)

Type of Filing	Number	Percent
Civil	186	8.1
Misdemeanor	627	27.4
Felony	1,387	60.5
Civil and Felony	1	.0
Misdemeanor and Felony	14	.6
Filing Unknown	78	3.4

G. Further Analyses of the Subject Matter of Economic Crime

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

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

In the tables which follow, the number of investigations (N) will vary from tabulation to tabulation. This occurs because only observations (investigations) with complete data on both variables of interest are tabulated. If an observation lacks data on one or both variables being tabulated, the entire

observation is deleted from the analyses. This is not a major problem in this study as the percentage of observations which are deleted remains very small. Other notes necessary to assist with the interpretation of each table have been included on the appropriate tables.

In Table 3.28, an attempt is made to identify what types of targets are most often associated with what types of economic crimes. Table 3.29 facilitates this endeavor in that each economic crime is ranked according to the target of investigation. In both of these tables it can be seen that individuals are most likely to be victims in cases which involve corruption and theft, followed by finance and credit, housing, land, and real estate, fraud of government and utilities, and fifth, trade practices. The types of crimes businesses or institutions are most likely to be victims of are somewhat different, as expected. Crime associated with trade practices is first, followed by sales and repairs, housing, land, and real estate, corruption and theft, and investments.

Tables 3.30 and 3.31 identify in which crimes individuals, businesses and institutions, and the government are most likely to be found as the victims. As expected, there are some differences, although with regards to several of the crimes (e.g., theft and corruption) each of the types of victims are ranked equally as high. In some cases, the type of victim involved is limited to a single crime category (e.g., business and corruption, government and fraud). On the other hand, individuals are often the victims of a wide array of crimes.

Table 3.32 indicates the source of an investigation for each of the economic crimes. Two percentages are presented in each cell of this table, and each has a distinctively different interpretation. Of these percentages, the column percent figure (the first listed) is, perhaps, the most interesting. For example, examining the first column it can be seen that 69.9% of all investigations dealing with investments are the result of complaints and inquiries, 8.9% from proactive

TABLE 3.28

SUBJECT OF INVESTIGATION TABULATED BY TYPE OF
TARGET OF INVESTIGATION (N = 9,297)
(45 Units, February through November, 1979)
(Column Percentages Indicated in Parentheses)

Subject of Investigation	Target of Investigation		
	One or More Individual Targets	One or More Business or Institution Targets	Row Total
Investments	300 (4.9%)	361 (8.7%)	554 (6.0%)
Finance, Credit	861 (14.0%)	185 (4.5%)	1,004 (10.8%)
Computer Related	11 (.2%)	1 (.0%)	11 (.1%)
Insurance	268 (4.4%)	68 (1.6%)	313 (3.4%)
Corruption, Theft	2,229 (36.5%)	410 (9.9%)	2,425 (26.1%)
Fraud of Government, Utilities	646 (10.5%)	94 (2.3%)	711 (7.6%)
Trade Practices	326 (5.3%)	1,108 (26.7%)	1,283 (13.8%)

(continued)

TABLE 3.28 (continued)

Subject of Investigation	Target of Investigation		
	One or More Individual Targets	One or More Business or Institution Targets	Row Total
House, Land, Real Estate	802 (13.1%)	718 (17.3%)	1,264 (13.6%)
Health, Medical Care	43 (.7%)	49 (1.2%)	84 (.9%)
Sales and Repairs	314 (5.1%)	872 (21.0%)	1,089 (11.7%)
Personal, Professional Services	78 (1.3%)	111 (2.7%)	172 (1.9%)
Other, Unknown	251 (4.1%)	167 (4.0%)	387 (4.2%)
COLUMN TOTAL	6129 65.9	4144 44.6	9297 100.0

375 Missing Observations

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

TABLE 3.29

SUBJECT OF INVESTIGATION RANKED ACCORDING TO
TYPE OF TARGET OF INVESTIGATION
(N = 45, February through November, 1979)

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

TABLE 3.30

SUBJECT OF INVESTIGATION TABULATED BY VICTIM
OF INVESTIGATION (N = 9,195)
(45 Units, February through November, 1979)
(Column Percentages Indicated in Parentheses)

Subject of Investigation	Victim of Investigation			
	One or More Individual Victims	One or More Business or Institution Victims	One or More Government Victims	Row Total
Investments	499 (8.0%)	55 (2.2%)	10 (1.0%)	538 (5.9%)
Finance, Credit	408 (6.6%)	627 (25.5%)	18 (1.7%)	1,001 (10.9%)
Computer Related	2 (0.0%)	8 (.3%)	3 (.3%)	11 (.1%)
Insurance	149 (2.4%)	153 (6.2%)	12 (1.2%)	301 (3.3%)
Corruption, Theft	1,177 (18.9%)	1,141 (46.5%)	242 (24.1%)	2,405 (26.2%)
Fraud of Government, Utilities	135 (2.2%)	60 (2.4%)	539 (53.6%)	713 (7.8%)
Trade Practices	1,168 (18.8%)	197 (8.0%)	19 (1.9%)	1,261 (13.7%)

(continued)

TABLE 3.30 (continued)

Subject of Investigation	Victim of Investigation			
	One or More Individual Victims	One or More Business or Institution Victims	One or More Government Victims	Row Total
House, Land, Real Estate	1,189 (19.1%)	75 (3.1%)	14 (1.4%)	1,246 (13.6%)
Health, Medical Care	65 (1.0%)	14 (.6%)	18 (1.8%)	83 (.9%)
Sales and Repairs	1,027 (16.5%)	45 (1.8%)	13 (1.3%)	1,074 (11.7%)
Personal, Professional Services	150 (2.4%)	17 (.7%)	5 (.5%)	167 (1.8%)
Other, Unknown	247 (4.0%)	64 (2.6%)	113 (11.2%)	395 (4.3%)
COLUMN TOTAL	6,216 (67.6%)	2,456 (26.7%)	1,006 (10.9%)	9,195 (100%)

477 Missing Observations

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

TABLE 3.31

SUBJECT OF INVESTIGATION RANKED ACCORDING TO VICTIM
(45 Units, February through November, 1979)

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

TABLE 3.32

SOURCE OF INVESTIGATION TABULATED BY SUBJECT OF INVESTIGATION^a
(N = 8,907)
(45 Units, February through November, 1979)

SOURCE OF INVESTIGATION	SUBJECT OF INVESTIGATION												ROW TOTAL
	INVESTMENTS	FINANCE, CREDIT	COMPUTER RELATED	INSURANCE	CORRUPTION, THEFT	FRAUD OF GOVERNMENT UTILITIES	TRADE PRACTICES	HOUSE, LAND, REAL ESTATE	HEALTH, MEDICAL CARE	SALES AND REPAIR	PERSONAL PROFESSIONAL SERVICES	OTHER, UNKNOWN	
INQUIRY/COMPLAINT	370 (6.4% (69.9%)	569 (9.8% (57.5%)	5 (.0% (55.6%)	151 (2.6% (49.7%)	1,415 (24.3% (60.5%)	165 (2.8% (24.2%)	856 (14.7% (71.8%)	976 (16.8% (80.3%)	35 (.6% (43.2%)	959 (16.5% (91.4%)	144 (2.5% (84.2%)	180 (3.1% (52.0%)	5,825 (65.4%)
PROACTIVE INVESTIGATION	47 (10.9% (8.9%)	20 (4.6% (2.0%)	0 (0.0% (0.0%)	9 (2.1% (3.0%)	64 (14.8% (2.7%)	17 (3.9% (2.5%)	121 (27.9% (10.2%)	53 (12.2% (4.4%)	12 (2.8% (14.8%)	34 (7.9% (3.2%)	6 (1.4% (3.5%)	50 (11.5% (14.5%)	433 (4.9%)
AGENCY REFERRAL	98 (4.2% (18.5%)	311 (13.3% (31.4%)	3 (.1% (33.3%)	128 (5.5% (42.1%)	791 (33.8% (33.8%)	460 (19.6% (67.5%)	193 (8.2% (16.2%)	165 (7.0% (13.6%)	29 (1.2% (35.8%)	38 (1.6% (3.6%)	17 (.7% (9.9%)	108 (4.6% (31.2%)	2,341 (26.3%)
MULTIPLE SOURCES	14 (4.5% (2.6%)	90 (29.2% (9.1%)	1 (.3% (.1%)	16 (5.2% (5.3%)	70 (22.7% (3.0%)	39 (12.7% (5.7%)	22 (7.1% (1.8%)	21 (6.8% (1.7%)	5 (1.6% (6.2%)	18 (5.8% (1.7%)	4 (1.3% (2.3%)	8 (2.6% (2.3%)	308 (3.4%)
COLUMN TOTAL	529 (5.9%)	990 (11.1%)	9 (.1%)	304 (3.4%)	2,340 (26.3%)	681 (7.7%)	1,192 (13.4%)	1,215 (13.6%)	81 (.9%)	1,049 (11.8%)	171 (1.9%)	346 (3.9%)	8,907 (100.0%)

153

765 Missing Observations

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

^aColumn percentages, then row percentages indicated in parentheses; thus, 6.4% of inquiries and complaints involved investments, while 69.9% of investment matters began by inquiries and complaints.

investigations, 18.5% from agency referrals, and 2.6% from multiple sources. For all crimes, the source of investigation is most likely to be a complaint or inquiry (65.4%) but fraud of government investigations most frequently result from referrals (67.5%) and only 24.2% of these investigations arose from complaints or inquiries. Other investigations are equally as likely to be a result of two sources, although not multiple sources. For example, insurance-related investigations result from inquiries and complaints 49.7% of the time and from agency referrals 42.1% of the time.

The row percentages reveal what proportion of each source of investigation is attributable to which crimes. Proactive investigations, when serving as the source of an investigation, most frequently involve trade practice violations (27.9%). The most common subject-matter of agency referrals is corruption and theft (24.3%). Inquiries and complaints most frequently involve crimes related to corruption and theft (24.3%). Multiple sources are frequently the source of investigation for finance and credit crimes (29.2%). In short, by examining the column percentages it is possible to identify the sources for the investigation of each crime.

Table 3.33 is a tabular presentation of the status of all investigations as of the end of November, 1979. As noted in the table, investigations could have closed administratively, by remedial action, through restitution, through referral to another agency, or by a case being filed. The table also indicates whether the investigation is pending. In this table it can be observed that, of the investigations closed administratively, 26.5% have involved corruption or theft, 16.5% sales and repair, 13.1% housing, land, or real estate, and 11.4% trade practices. Of the investigations closed through remedial action, 25.4% involved housing, land, or real estate, 21.1% trade practices, 20.1% sales and repairs, 6.7% corruption and theft, and 6.7% finance and credit. Of the

TABLE 3.33
SUBJECT OF INVESTIGATION TABULATED BY STATUS
AND DISPOSITION OF INVESTIGATION
(N = 9,672)
(45 Units, February through November, 1979)

SUBJECT OF INVESTIGATION	STATUS OF INVESTIGATION ^a						ROW TOTAL	
	CLOSED					PENDING		
	CLOSED ADMINIS- TRATIVELY	REMEDIAL ACTION	RESTITUTION	REFERRED	CLOSED, CASE FILED	PENDING		
INVESTMENTS	111 (5.2%)	8 (3.8%)	17 (2.7%)	42 (7.5%)	76 (3.3%)	315 (7.6%)	561 (5.8%)	
FINANCE, CREDIT	142 (6.6%)	14 (6.7%)	165 (26.2%)	80 (14.3%)	272 (11.9%)	340 (8.2%)	1,007 (10.4%)	
COMPUTER RELATED	1 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	4 (0.2%)	6 (0.1%)	11 (.1%)	
INSURANCE	61 (2.9%)	5 (2.4%)	12 (1.9%)	19 (3.4%)	88 (3.8%)	139 (3.3%)	314 (3.2%)	
CORRUPTION, THEFT	567 (26.5%)	14 (6.7%)	57 (9.0%)	136 (24.2%)	729 (31.8%)	984 (23.6%)	2,441 (25.2%)	
FRAUD OF GOVT, UTILITIES	119 (5.6%)	6 (2.9%)	8 (1.3%)	37 (6.6%)	256 (11.2%)	305 (7.3%)	720 (7.4%)	
TRADE PRACTICES	243 (11.4%)	44 (21.1%)	65 (10.3%)	32 (5.7%)	391 (17.1%)	543 (13.0%)	1,285 (13.3%)	
HOUSE, LAND, REAL ESTATE	280 (13.1%)	53 (25.4%)	85 (13.5%)	72 (12.8%)	257 (11.2%)	573 (13.8%)	1,273 (13.2%)	
HEALTH, MEDICAL CARE	25 (1.2%)	3 (1.4%)	3 (.3%)	3 (.5%)	20 (.9%)	35 (.8%)	85 (.9%)	
SALES AND REPAIR	354 (16.5%)	42 (20.1%)	171 (27.1%)	93 (16.6%)	69 (3.0%)	449 (10.8%)	1,095 (11.3%)	
PERSONAL, PROFESSIONAL SERVICES	39 (1.8%)	10 (4.8%)	22 (3.5%)	19 (3.4%)	12 (.5%)	89 (2.1%)	174 (1.8%)	
OTHER, UNKNOWN	158 (7.4%)	9 (4.3%)	25 (4.0%)	28 (5.0%)	119 (5.2%)	389 (9.3%)	706 (7.3%)	
	COLUMN TOTAL	2,140 (22.1%)	209 (2.2%)	630 (6.5%)	561 (5.8%)	2,293 (23.7%)	4,167 (43.1%)	9,672 (100.0%)

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

^aPercentages in parentheses are percentages of all investigations.

investigations closed through restitution, 27.1% involved sales and repair subject-matter, 26.2% finance and credit, 13.5% housing, land or real estate, 10.3% trade practices, and 9.0% corruption and theft. Investigations led to referrals in 24.2% of crimes involving corruption and theft, 16.6% of those involving sales and repair, 14.3% involving finance and credit, 12.8% involving housing, land, and real estate, and 7.5% involving investments. Cases were filed in 31.8% of the investigations involving corruption and theft, 11.9% of those related to finance and credit, in 11.2% of those related to fraud of government and utilities, and 11.2% of those involving housing, land, and real estate. The status of other investigations by the type of case filing can be interpreted accordingly.

Table 3.34 is a tabulation of the subject matter of investigations by the type of case filing. This table indicates how the various types of economic crimes are filed after an investigation has taken place. In some instances, units failed to record the type of case filing and this is also tabulated. As noted here, 69.9% of all civil filings involved trade practices, as were 36.2% of all misdemeanors filed. The largest proportion of felony filings involved corruption and theft matters (46.4%). Finally, multiple filings, for the most part, were in response to crime involving housing, land, and real estate and corruption and theft.

VII. CASE PROCESSING

This section of the report describes in detail and analyzes the litigation activities of the 45 units. The units filed 2,215 felony cases, 730 misdemeanor cases, 730 misdemeanor cases, 269 civil cases, and 188 other cases for which the type of filing was not specified. The subsequent processing of these cases is depicted in Figure 3.3, below. Separate

TABLE 3.34

SUBJECT OF INVESTIGATION TABULATED BY
TYPE OF CASE FILING
(N = 2,293)
(45 Units, February through November, 1979)

SUBJECT OF INVESTIGATION	TYPE OF CASE FILING ^a						ROW TOTAL	
	UNIT FAILED TO REPORT TYPE OF FILING	CIVIL FILING	MISDEMEANOR FILED	FELONY FILED	CIVIL AND FELONY FILED	MISDEMEANOR AND FELONY FILED		
INVESTMENTS	2 (2.6%)	7 (3.8%)	2 (0.3%)	65 (4.7%)	0 (0.0%)	0 (0.0%)	76 (3.3%)	
FINANCE, CREDIT	12 (15.4%)	1 (0.5%)	76 (12.1%)	182 (13.1%)	0 (0.0%)	1 (7.5%)	272 (11.9%)	
COMPUTER RELATED	0 (0.0%)	0 (0.0%)	1 (0.2%)	3 (0.2%)	0 (0.0%)	0 (0.0%)	4 (.2%)	
INSURANCE	8 (10.3%)	0 (0.0%)	5 (.8%)	74 (5.3%)	0 (0.0%)	1 (7.1%)	88 3.8	
CORRUPTION, THEFT	25 (32.1%)	0 (0.0%)	54 (8.6%)	644 (46.4%)	1 (100.0%)	5 (35.0%)	729 (31.7%)	
FRAUD OF GOVT, UTILITIES	8 (10.3%)	3 (1.6%)	89 (14.2%)	156 (11.3%)	0 (0.0%)	0 (0.0%)	256 (11.2%)	
TRADE PRACTICES	6 (7.7%)	130 (69.9%)	227 (36.2%)	28 (2.0%)	0 (0.0%)	0 (0.0%)	391 (17.1%)	
HOUSE, LAND, REAL ESTATE	3 (3.9%)	15 (8.1%)	136 (21.7%)	96 (6.9%)	0 (0.0%)	7 (50.0%)	257 (11.2%)	
HEALTH, MEDICAL CARE	4 (5.1%)	5 (2.7%)	6 (1.0%)	5 (0.4%)	0 (0.0%)	0 (0.0%)	20 (.9%)	
SALES AND REPAIR	2 (2.6%)	17 (9.1%)	17 (2.7%)	33 (2.4%)	0 (0.0%)	0 (0.0%)	69 (3.0%)	
PERSONAL, PROFESSIONAL SERVICES	0 (0.0%)	2 (1.1%)	3 (0.5%)	7 (0.5%)	0 (0.0%)	0 (0.0%)	12 (.5%)	
OTHER, UNKNOWN	8 (10.3%)	6 (3.2%)	11 (1.8%)	94 (6.8%)	0 (0.0%)	0 (0.0%)	119 (5.2%)	
	COLUMN TOTAL	78 (3.4%)	186 (8.2%)	627 (27.3%)	1,387 (60.5%)	1 (0.0%)	14 (0.6%)	2,293 (100.0%)

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

^aPercentages in parentheses are percentages of all investigations.

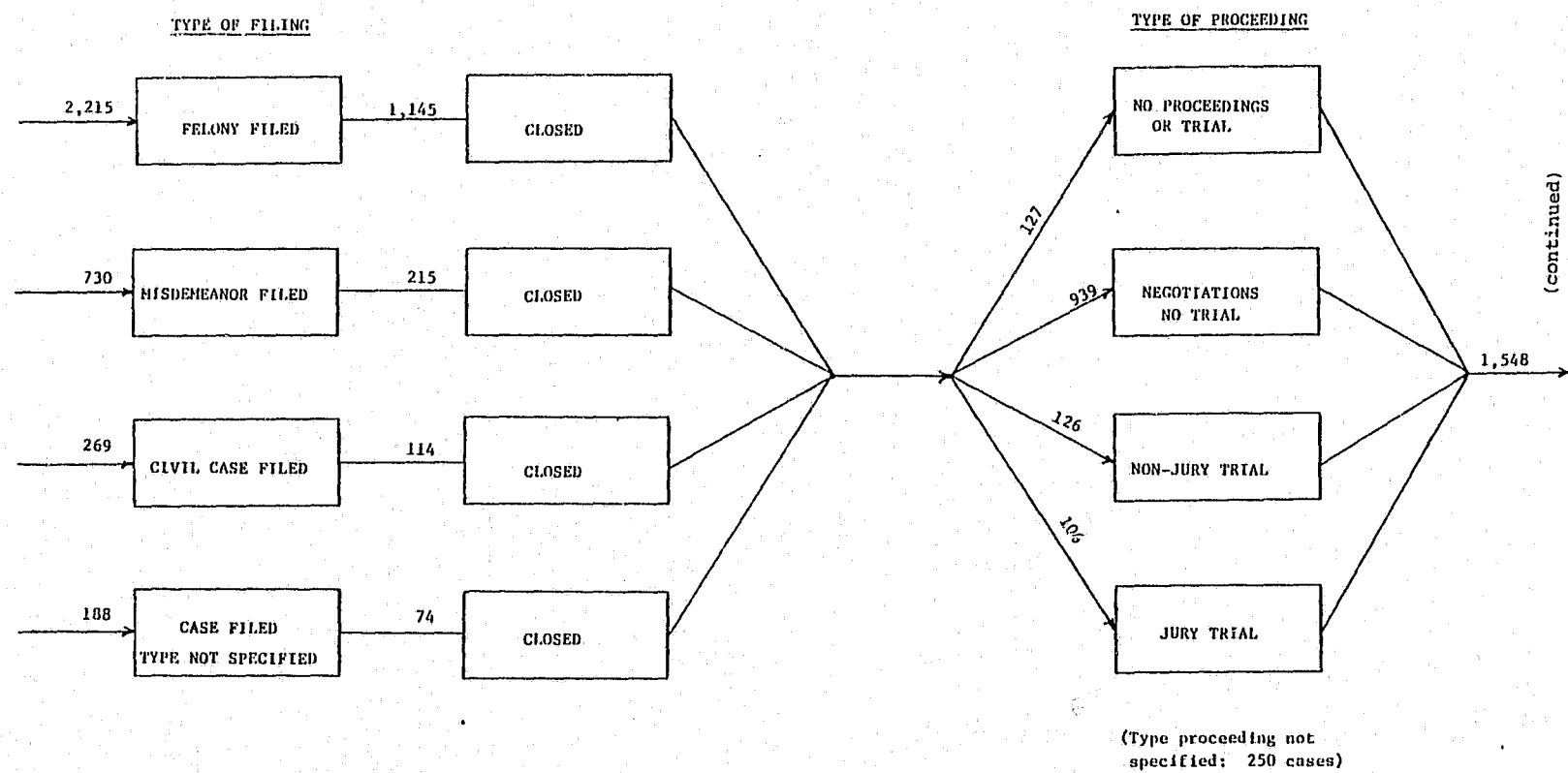


FIGURE 3.3
 FLOW CHART: UNIT LITIGATION ACTIVITIES
 (45 Units, February through November, 1979)

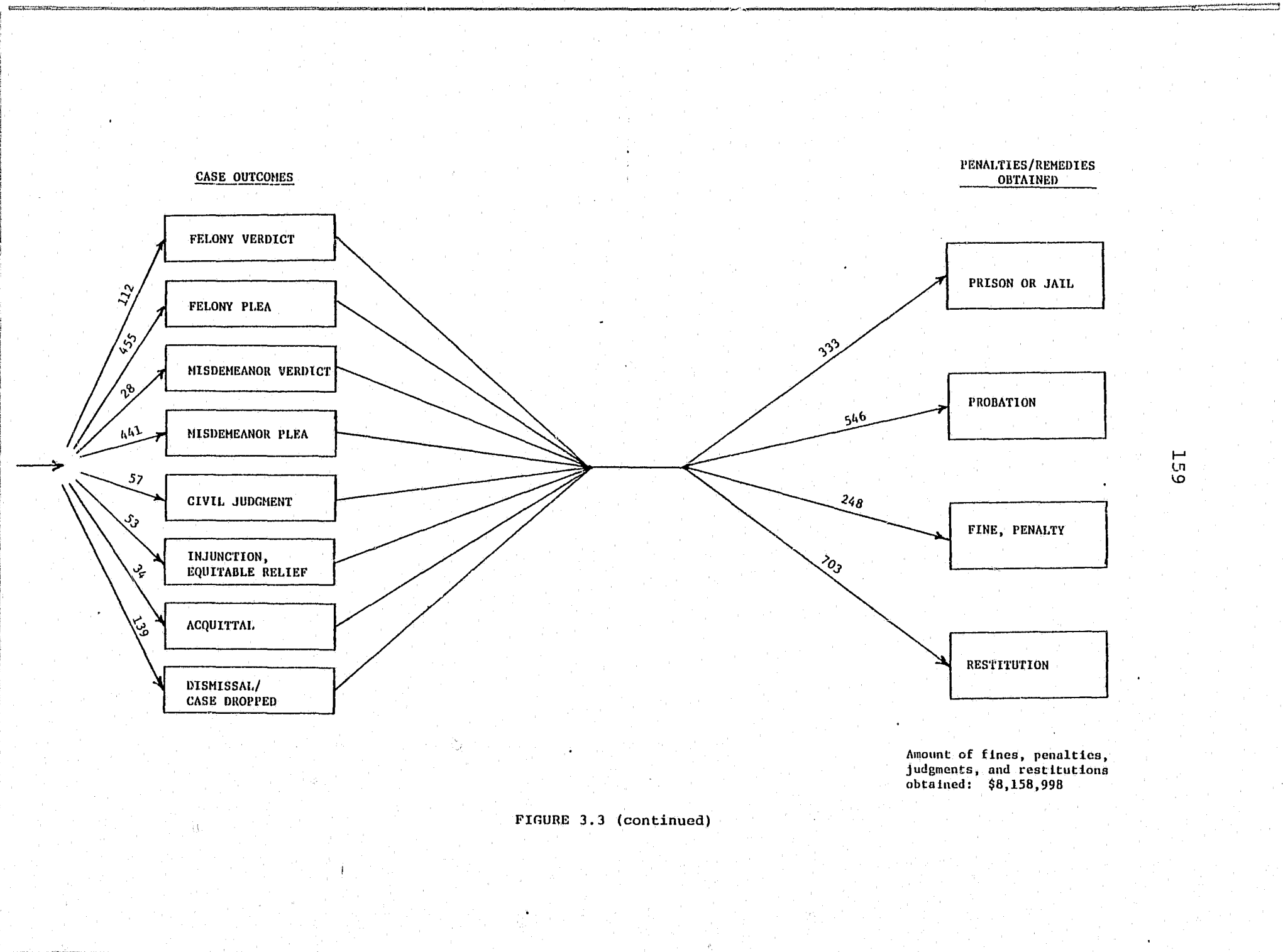


FIGURE 3.3 (continued)

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

A. Case Filings

As stated, the units filed a total of 3,412 cases. Some 2,293 of these (or 67.2%) were the result of investigations described in the last section of this report. As indicated in Table 3.35, there was no major difference in the type of case filed in these two categories of cases.

1. Number of Cases Filed. The units had 1,067 filed cases pending when the ECPRS was instituted in February of 1979, and filed 2,345 more in the 10-month period from February through November, 1979. The number of cases pending on February 1 ranged from lows of 1 case each for three units to a high of 115 cases. Four units reported no pending cases. More than half the units (23 of 45) had 19 or fewer pending cases. Filings in the 10-month period ranged from a low of 3 cases (for three units) to a high of 350 cases. More than half of the units filed 36 or fewer cases in this period. The number of cases filed per month ranged from 194 (in March) to 309 (in May), and this fluctuation appeared random.

2. Subject-Matter of Cases. As was explained in the section on investigations, above, cases were classed by subject-matter into 11 broad, generic categories (e.g., investments, finance and credit, fraud against government or a utility), each of which was subdivided into narrower categories. For example, the investment category included advance-fee schemes, business opportunity schemes, Ponzi schemes, securities cases, commodities cases, cases involving precious metals and gems, and other investment schemes. The subject-matter of the case was indicated in 2,873 cases (84.2%). Table 3.36 indicates the frequency with which each broad category of subject-matter was involved. For the seven largest categories, the number of cases within each subcategory

TABLE 3.35

TYPE OF CASE FILING, IN CASES FILED AT CLOSE OF REPORTED INVESTIGATION AND IN ALL CASES (45 Units, February-November, 1979)

	Cases Filed Close of Investigation		All Cases Filed	
	Number	Percent	Number	Percent
Felony	1,402	61.1%	2,225	65.2%
Misdemeanor	641	28.0%	730	21.4%
Civil	187	8.2%	269	7.9%
Type of filing not specified	63	2.8%	188	5.5%
Total	2,293	100%	3,412	100%

TABLE 3.36

SUBJECT-MATTER OF FILED CASES IN
RANK ORDER OF FREQUENCY
(N = 2,873)
(45 Units, February-November, 1979)

Subject-Matter	Number	Percent
Corruption, Abuse of Trust and Theft	1,083	37.7%
1. Bribery of government employee	(13)	
2. Commercial bribery	(8)	
3. Conflict of interest	(1)	
4. Misuse of confidential information	(3)	
5. Embezzlement	(363)	(12.6%)
6. Larceny	(461)	(16.0%)
7. Misappropriation	(66)	
8. Forgery	(168)	(5.8%)
Fraud Against Government, Public Agencies, Utilities	414	14.4%
1. Licensing	(31)	
2. Regulatory	(8)	
3. Income tax	(10)	
4. Sales use tax	(9)	
5. Welfare	(244)	(8.5%)
6. Medicaid	(13)	
7. Theft of utility service, energy	(18)	
8. Procurement fraud	(81)	
Financing, Credit and Banking	334	11.6%
1. Bad checks, check kiting	(263)	(9.2%)
2. Inheritance fraud	(1)	
3. Credit cards	(40)	
4. Debt collection	(3)	
5. Debt consolidation	(1)	
6. Loans (including mortgage)	(19)	
7. Installment purchases	(7)	

(continued)

TABLE 3.36 (continued)

Subject-Matter	Number	Percent
Housing, Land, Real Estate, and Construction	291	10.1%
1. Home improvement	(248)	(8.6%)
2. Construction	(17)	
3. Landlord-tenant	(2)	
4. Mobile homes	(2)	
5. Real estate/land	(18)	
6. Title law	(2)	
7. Rental locator	(2)	
Trade Practices	228	7.9%
1. Advertising: bait and switch	(4)	
2. Advertising: general	(56)	
3. Weights and measures	(23)	
4. Anti-trust, restraint of trade, price-fixing	(13)	
5. Deceptive trade practices	(102)	(3.6%)
6. Coupon redemption frauds	(15)	
7. Other	(15)	
Insurance	134	4.7%
1. Arson-for-profit	(40)	
2. Life	(5)	
3. Accident/casualty	(32)	
4. Other	(57)	
Investments	133	4.6%
1. Advanced-fee schemes	(10)	
2. Business opportunity schemes	(51)	
3. Ponzi schemes	(7)	
4. Securities	(45)	
5. Commodities, precious metals and gems	(6)	
6. Other	(14)	
Sales and Repairs	95	3.3%
Health, Medical Care	33	1.1%
Personal/Professional Services	21	0.7%
Computer-related	9	0.3%
Other	97	3.4%

is also shown. Within each category, one or two types of cases account for the major share of the cases.

Once these major subject-matter subcategories are broken out separately, a different pattern emerges. Table 3.37 lists in rank order of frequency all general categories excluding subcategories accounting for more than 100 cases, and all the thus-excluded subcategories. Larceny and embezzlement predominate, together accounting for 28.7% of the cases. Two other categories, bad checks and welfare fraud, may encompass a large number of high volume, but "routine" cases constitute less of a resource drain per case than do more elaborate and complex economic crime schemes. These categories account for another 17.6% of the units' caseload. Data were not gathered to permit us to distinguish between welfare provider and recipient fraud, or between second-offense bad checks in an existing account and more elaborate and costly check-kiting schemes.

Further detail on the subject-matter of cases, the results obtained in cases within these subject-matter categories, and the relationship between the subject-matter at the investigative and litigation stages is provided in Section VIII, below.

B. Defendants and Victims

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

TABLE 3.37

MAJOR SUBJECT-MATTER CATEGORIES AND SUBCATEGORIES OF
FILED CASES IN RANK ORDER OF FREQUENCY
(N = 2,873)
(45 Units, February through November, 1979)

Subject-Matter	Number Cases	Percent
Larceny	461	16.0%
Embezzlement	363	12.6%
Bad checks, check kiting	263	9.2%
Home improvement	248	8.6%
Welfare	244	8.5%
Fraud against government, public agencies, utilities, excluding welfare	170	5.9%
Forgery	168	5.8%
Insurance	134	4.7%
Investments	133	4.6%
Trade practices, other than deceptive trade practices	126	4.4%
Deceptive trade practices	102	3.6%
Sales and repairs	95	3.3%
Corruption, abuse of trust, theft, other than larceny, embezzlement or forgery	91	3.2%
Financing, credit, banking, excluding bad checks	71	2.5%
Housing, land, real estate, excluding home improvement	43	1.5%
Health, medical care	33	1.1%
Personal/professional services	21	0.7%
Computer-related	9	0.3%
Other	97	3.4%

estimate how many or even what type of defendants or victims may be involved.

We obtained data on the types of defendants and victims in the cases filed by the 45 units in the study group and attempted to gather information on the actual number in each case, but in many cases the units could only specify that one or more of each category of defendant or victim was involved. Thus, we present data on the types of defendants and victims involved in each case, and data on the number of victims and defendants in those cases where units supplied this data, but we cannot project from this sub-sample of cases to determine the total number of victims or defendants involved.

1. Defendants. Because of the nature of white-collar crime, cases may be filed against business entities or organizations as well as individuals. Units provided data on the types of defendants involved in 2,921 (85.6%) of the 3,412 cases. Individual defendants were involved in all but 200, or 93.2%, of these cases. By contrast, individuals were targets in only 65.5% of the investigations. This is a smaller percentage than at the investigative stage; businesses were targets in 43.2% of the investigations, and both individuals and businesses were targets in 10.5%. Businesses or organizations were defendants in 376, or 12.9%, of the cases. Of these, 176 (or 6.0% of all cases) involved individuals as well.

Units provided more detailed information on multiple individual defendants in 28.7% of the 2,721 cases involving individual defendants. Of these, 185 (64.5%) involved two defendants; 44 (15.3%) involved three; 25 (8.7%) involved four; 11 (3.8%) involved five; 13 involved six to nine; 5 involved ten defendants; and 4 involved more. Information on multiple business defendants was provided on 27 of the 376 cases involving business defendants. Eleven of these involved 2 business, eleven involved 3 to 5 businesses, and five involved

10 to 20 businesses. Thirteen of these cases involved 2 or more individuals, as well. Nine involved 2 to 5 individuals and 2 to 5 businesses. Four were yet more complex, involving 3 to 20 businesses, as well as 6 to 34 individuals.

2. Victims. Units provided information on the types of victims in 2,840, or 83.2%, of the 3,412 cases filed in the 10-month period of this study. Of these, 1,341 (47.2%) involved individuals; 1,179 (41.5%) involved businesses; and 514 (18.1%) involved government. Most cases involved only one type of victim. This was true of 1,170 of the 1,341 cases involving individuals (87.2%); 1,004 of the 1,179 cases involving businesses (85.2%); and 475 of the 514 cases involving government (92.4%). Of the 191 cases (or 6.7%) involving more than one type of victim, 152 involved both one or more businesses and one or more individuals as victims. The types of victims are indicated in Table 3.38.

Differences exist between the types of victims reported at the investigative stage and the types reported in cases. Individuals were involved (alone or in combination with businesses or government) in in at least 68.9% of the investigations, but only 47.2% of the cases. Businesses were victims in 27.2 of the investigations, and 41.5% of the cases. While government agencies were the reported victims in 11.1 of the investigations, they were the victims in 18.1% of the cases. Note that the percentage of individual targets or defendants declined by 27.7 percentage points between the investigation and litigation stages, while the percentage of individual victims rose by 21.7 or more percentage points. More than one type of victim were involved in about 5% of the investigations and about the same proportion (6.7%) of the cases. The combination of individual and business victims predominated in both instances.

In 466 of the 1,341 cases in which individuals were involved (or 33.2%), more detailed information on multiple

TABLE 3.38
 TYPES OF VICTIMS IN FILED CASES
 (N = 2,940 of 3,412 Cases)
 (45 Units, February-November, 1979)

	Neither Business nor Government Involved	Business Involved	Government Involved	Both Business and Govern- ment Involved
Individual (s) Involved	1,170 (41.1%)	152 (5.4%)	16 (0.6%)	3 (0.1%)
No Individuals Involved	Not Applicable	1,004 (35.4%)	475 (16.7%)	20 (0.7%)
		1,156 (40.7%)	491 (17.3%)	23 (0.8%)

victims was provided. These data are displayed in Table 3.39, below. Some 51.2% of these cases involved 5 or more individual victims, with 22.1% involving over 20 individuals and 17.3% involving over 25 individual victims. In 44 of these 466 cases (9.4%), other types of victims were involved as well, as will be elaborated on in the discussion of data on cases involving both multiple numbers and multiple types of victims.

With regard to cases in which businesses were victimized, more detailed information was provided regarding multiple business victims in 192 of the 1,182 cases involving business victims (or 16.2%). Table 3.40 presents the data on these cases. Some 45.3% of the cases involve four or more business victims, while 19.3% involve ten or more. In 21 of these cases involving more than one business victim (or 10.9%) other types of victims were involved as well.

Multiple victimization of governmental agencies was reported for 17 of the 514 cases (3.3%) involving government victims. Four involved 2 agencies, eight involved 4 to 6 agencies, and five cases each involved 9 or 10 agencies. In seven cases, multiple individuals were victimized as well, in cases involving from 3 to 18 individual victims. One of these cases involved 6 individual victims and 6 to 9 businesses.

Of the 191 cases which involved more than one type of victim, information was provided in 44 cases to indicate that more than one individual, more than one business, or more than one government agency was involved, as well. These cases represent 1.5% of the caseload of the units, but one would expect that, because of their complexity, these cases involved a considerable amount of effort by unit staff. Eight cases involved two to five individuals and two to five businesses, one of which also involved a government agency. Three more cases with two to five business victims involved larger numbers of individual victims--from 7 to 24. The most frequent pattern involved one business victim and two or more individual

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TABLE 3.39

NUMBER OF INDIVIDUAL VICTIMS IN CASES INVOLVING
MORE THAN ONE INDIVIDUAL VICTIM
(466 Cases)
(45 Units, February-November, 1979)

Number of Victims	Number of Cases	Percent of Cases
2	131	28.5%
3	62	13.5%
4	36	7.8%
5	33	7.2%
6	20	4.4%
7-9	24	5.2%
10-18	52	11.3%
20-24	22	4.8%
25-50	28	6.1%
51-100	14	3.1%
Over 100	37	8.1%

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TABLE 3.40

NUMBER OF BUSINESS VICTIMS IN CASES INVOLVING
MORE THAN ONE BUSINESS VICTIM
(193 Cases)
(45 Units, February-November, 1979)

Number of Businesses	Number of Cases	Percent of Cases
2	73	38.0%
3	32	16.7%
4	16	8.3%
5	16	8.3%
6-9	18	9.4%
10	20	10.4%
12-40	17	8.9%

victims. There are 23 cases in this category, fourteen with 2 to 5 individual victims; three more with between 5 and 20 individual victims (in one of which the government was also a victim); three with between 20 and 24 victims; and three with even more. More than 100 individual victims were involved in one of these cases. Some 10 cases were even more complex. Four of these involved 6 to 9 businesses, with up to 24 individual victims as well. Two cases each involved 10 businesses and over 100 individual victims. Four involved from 12 to 40 business victims, one with between 10 and 18 victims, and three in which between 50 and 100 people were victimized.

C. Case Dispositions, Penalties, and Remedies Imposed

The units reported 1,548 case closings, which represent 1,440 (or 42.2%) of the 3,412 cases filed. (There are more case closings than cases closed because different defendants in multi-defendant cases may have received different case dispositions, or cases may have been closed vis-a-vis to different defendants at different times.) The vast majority of these cases were felony filings (1,145, or 74.0%). Closings in cases filed as misdemeanors represented 215 closings (or 13.9%), while criminal cases in which units did not indicate whether the filing was a misdemeanor or a felony filing accounted for 74 (or 4.8%) of the closings. Civil litigation accounted for 114 (or 7.4%) of the case closings. The percentage of closings represented by each of these categories of cases does not differ greatly from the percentage of case filings represented by each category. (Misdemeanor filings gave rise to the biggest percentage difference; misdemeanor filings accounted for 21.4% of the filings, but only 13.9% of the closings.)

Felony filings accounted for 64.9% of the filings and 74.0% of the closings. This would indicate that once a unit decides to file a white-collar crime case it gives the matter high

office priority. By contrast, studies of street crime prosecution in many jurisdictions indicate that charges are reduced to the misdemeanor level at the screening or filing stage.

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

1. Criminal Cases. Units indicated the type of proceeding (e.g., jury trial, guilty plea) and result of the proceeding (e.g., acquittal, felony verdict, misdemeanor plea) in 984 (85.9%) of the 1,145 felony closings. Felony convictions were obtained in 555 cases (57.4%) while another 279 (28.3%) resulted in misdemeanor convictions. Ten more resulted in deferred judgments (whether at the misdemeanor or felony level was not specified). Thus, convictions were obtained in 844 (85.8%) of these cases. Of these, 706 (83.6%) were the result of negotiated pleas. Data on the type of proceedings and the results of these proceedings are in Table 3.41, which follows.

Data on both the type of proceeding and the result of the proceeding were provided for 187 (87.0%) of the 215 closed misdemeanor cases. Convictions (including deferred judgments) were obtained in 157 (84.0%) of these cases, 122 of which (or 77.7%) were the result of guilty pleas. Table 3.42 presents data on the type and result of proceedings in misdemeanor cases.

Of the 74 cases where the type of criminal filing was not indicated, information on the type and result of the proceedings was provided in 46 cases (62.2%). These cases accounted for 16 convictions. The data for these cases are presented in Table 3.43.

Overall, convictions were obtained in 1,036 (70.3%) of the 1,474 criminal filings. Over half of these (567) were felony convictions. The disproportionately high percentage of felony

TABLE 3.41

FELONY CASES: RESULT OF PROCEEDINGS BY TYPE OF PROCEEDINGS
(N = 984 of 1,145 Felony Cases Reaching Disposition)
(45 Units, February through November, 1979)

Result of Proceedings	Type of Proceeding				Total
	Jury Trial	Non-Jury Trial	Negotiation	No Proceedings	
Deferred Judgment	1 (1.0%)	2 (2.5%)	7 (1.0%)	N/A	10 (1.0%)
Dismissed or Dropped	2 (2.0%)	2 (2.5%)	N/A	96 (100.0%)	100 (10.2%)
Acquittal	19 (18.8%)	11 (13.6%)	N/A	N/A	30 (3.0%)
Misdemeanor Verdict	5 (5.0%)	2 (2.5%)	N/A	N/A	7 (0.7%)
Felony Verdict	69 (68.3%)	41 (50.6%)	N/A	N/A	110 (11.2%)
Misdemeanor Plea	3 (3.0%)	8 (9.8%)	261 (36.9%)	N/A	272 (27.6%)
Felony Plea	2 (2.0%)	15 (18.5%)	438 (62.0%)	N/A	445 (46.2%)
Total	101 (10.3%)	81 (8.2%)	706 (71.7%)	96 (9.8%)	984 (100%)

N/A = not applicable.

TABLE 3.42

MISDEMEANOR CASES: RESULT OF PROCEEDINGS BY TYPE OF PROCEEDINGS
(N = 187 of 215 Misdemeanor Cases Reaching Disposition)
(45 Units, February through November, 1979)

Result of Proceedings	Type of Proceeding				Total
	Jury Trial	Non-Jury Trial	Negotiation	No Proceedings	
Deferred Judgment	N/A	N/A	12 (9.8%)	N/A	12 (6.4%)
Dismissed or Dropped	N/A	3 (7.7%)	N/A	25 (100.0%)	28 (15.0%)
Acquittal	N/A	2 (5.1%)	N/A	N/A	2 (1.1%)
Misdemeanor Verdict	1 (100.0%)	19 (48.7%)	N/A	N/A	20 (10.7%)
Misdemeanor Plea	N/A	15 (38.5%)	110 (90.2%)	N/A	125 (66.8%)
Total	1 (0.5%)	39 (20.9%)	122 (65.2%)	25 (13.4%)	187 (100%)

N/A = not applicable.

TABLE 3.43

CRIMINAL CASES, TYPE FILING NOT INDICATED
(N = 46)
(45 Units, February through November, 1979)

Result of Proceedings	Type of Proceeding				Total
	Jury Trial	Non-Jury Trial	Negotiation	No Proceedings	
Dismissed or Dropped	N/A	2 (100.0%)	N/A	4 (100.0%)	6 (13.0%)
Acquittal	2 (66.7%)	N/A	N/A	N/A	2 (4.3%)
Guilty Plea	1 (33.3%)	N/A	37 (100.0%)	N/A	16 (34.8%)
Total	3 (6.5%)	2 (4.3%)	37 (80.4%)	4 (8.7%)	46 (100%)

N/A = not applicable.

filings, the fact that felonies account for an even higher percentage of the case closings, and the high conviction rate would seem to indicate an effective screening process. Cases are not filed unless they seem reasonably prosecutable as felonies; of the 5,505 investigations closed, 2,293 (or 41.7%) resulted in cases being filed. Yet, despite the complexity of these cases and the difficulties of proof that arise (e.g., problems of proving intent) the units are able to obtain a high percentage of felony convictions.

A substantial number of those convicted are sentenced to prison or jail, as well. Of the 1,036 convictions obtained, 333 (32.1%) resulted in incarcerative sentences. In 225 (or 39.7%) of the cases resulting in felony convictions, prison or jail sentences were imposed. This was true of 108 (or 23.0%) of the misdemeanor sentences. An additional 546 probation sentences were imposed, accounting for 52.7% of the convictions (in 289 or 51.0% of felony convictions and 257 or 54.8% of misdemeanor convictions). The units also obtained fines in 248 cases and restitutions in 703 cases (140 voluntarily and 563 by court order), which amounted to \$8,158,998. Table 3.44 indicates the penalties and remedies imposed for each type of case filed.

Figure 3.4 is a flow chart which indicates graphically how felony cases were processed and what results were obtained. The percentages indicated are the percentage of cases which passed through the prior case-processing stage indicated, e.g., the 101 jury trials constitute 10.3% of the cases filed, the 71 felony verdicts following jury trials constitute 70.3% of the jury trial cases, and the 40 prison or jail sentences imposed constitute 56.3% of the jury trial cases resulting in felony verdicts. There were more jury trials than non-jury trials and jury trials appear to be a riskier proposition to both sides--they resulted in a higher percentage of felony verdicts (70.3% versus 50.6%) and a higher percentage of acquittals

TABLE 3.44
PENALTIES AND REMEDIES IMPOSED, BY TYPE OF CASE FILED
(N = 1,548)
(45 Units, February through November, 1978)

	Felony Filing (1,145 cases)	Misdemeanor Filing (213 cases)	Civil Filing (114 cases)	Criminal, Type Filing not Indicated (74 cases)	Total
Prison or Jail	317 (27.7%)	8 (3.7%)	0	11 (14.9%)	336 (21.7%)
Probation	464 (40.5%)	56 (26.0%)	0	25 (33.8%)	545 (35.2%)
Fine or Penalty	144 (12.6%)	50 (23.3%)	26 (22.8%)	27 (36.5%)	247 (16.0%)
Civil Judgment	0	0	64 (56.1%)	0	64 (4.1%)
Restitution by Court Order	36 (3.1%)	17 (7.9%)	40 (35.1%)	9 (12.1%)	102 (6.6%)
Voluntary Restitution	456 (39.8%)	91 (42.3%)	14 (12.3%)	37 (50.0%)	598 (38.6%)
Injunction or Other Equitable Relief	0	0	36 (31.6%)	0	36 (2.3%)

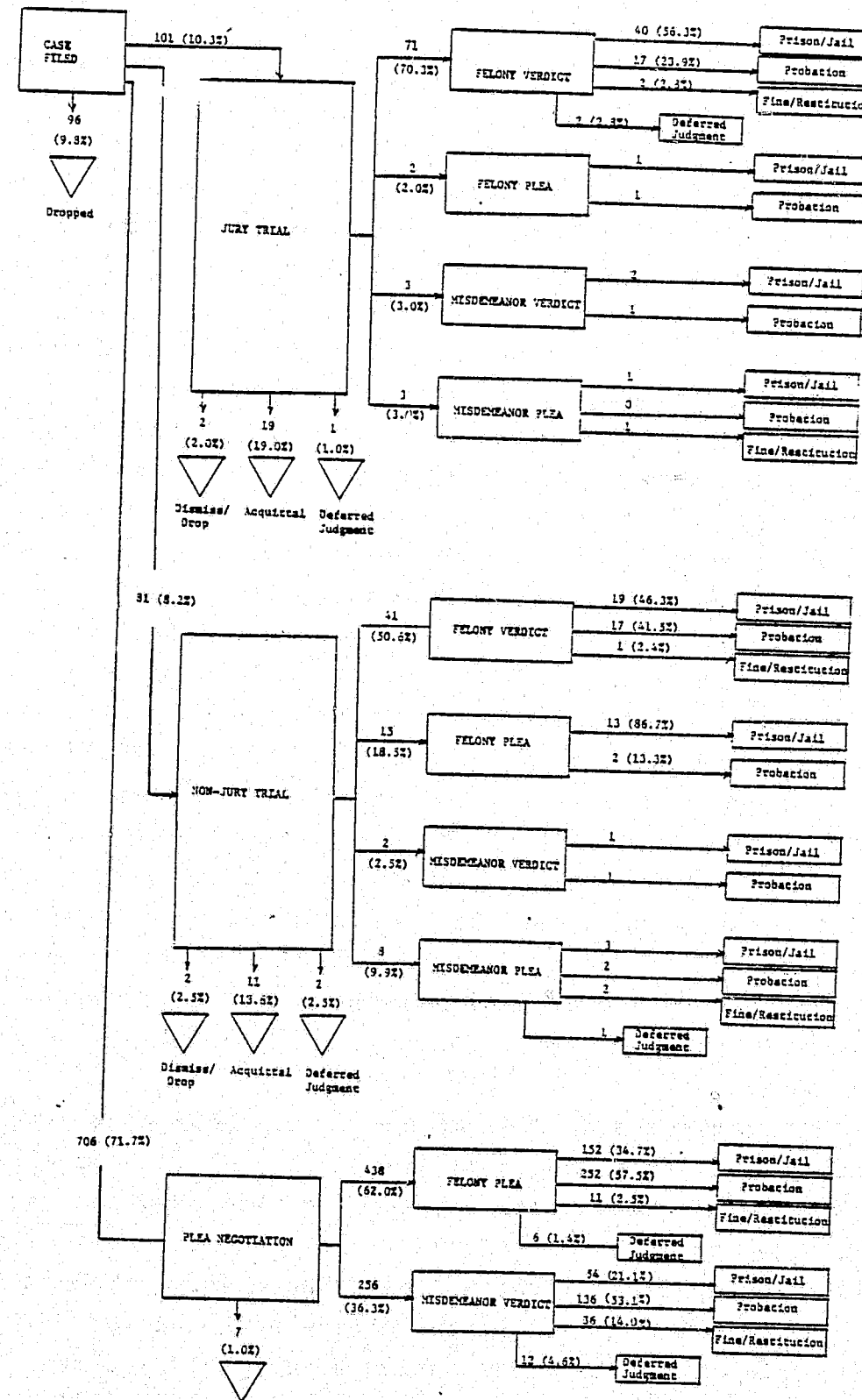


FIGURE 3.4

FLOW CHART: FELONY CASE PROCESSING, DISPOSITIONS, MAXIMUM PENALTIES, AND REMEDIES IMPOSED (N = 984 of 1,145 Closed Felony Filings) (45 Units, February through November, 1979)

(19.0% versus 13.6%). The overall felony conviction rate, however, appeared similar in each type of trial (72.3% in jury trials and 69.1% in non-jury trials). The difference is attributable to the high felony plea rate in non-jury trials. This may reflect an awareness by the defense of the vagaries of jury trials in complex economic crime cases; in cases where the prosecution's case is strong, there is may be little to gain by complicating the issues or attempting to show that the defendant's conduct was not intentional but merely "bad business judgment" in hopes that a jury will acquit or convict on a lesser charge. The similar percentage of misdemeanor convictions following each type of trial would indicate that the former is more likely than the latter.

Most felony charges resulted in guilty pleas. The units' attorneys would agree to nothing less than a felony plea in 62.0% of the cases. In 34.7% of these cases, prison or jail sentences were imposed. This rate is lower than the incarceration rate following a felony verdict (52.7%, combining jury and non-jury trials), but relative smallness of the differences indicates that defendants are frequently unsuccessful in "bargaining their way out of jail" by pleading guilty. The units appear to take an even firmer position when pleas are offered after trials are begun; 60.7% of the pleas accepted are felony pleas (compared to 62.0% of plea negotiation cases), but 71.4% of these resulted in prison or jail sentences.

The processing of misdemeanor cases and the results obtained are reflected in Figure 3.5. A slightly smaller percentage of these cases resulted in plea negotiations (65.2%, contrasted to 71.7% of felony cases), but virtually all the trials were before a judge rather than a jury. Twenty of the 35 convictions obtained in the course of trial (or 57.1%) were the result of guilty pleas during trial; this was true of only 28 of the 145 (or 19.3%) felony cases in which a trial was begun.

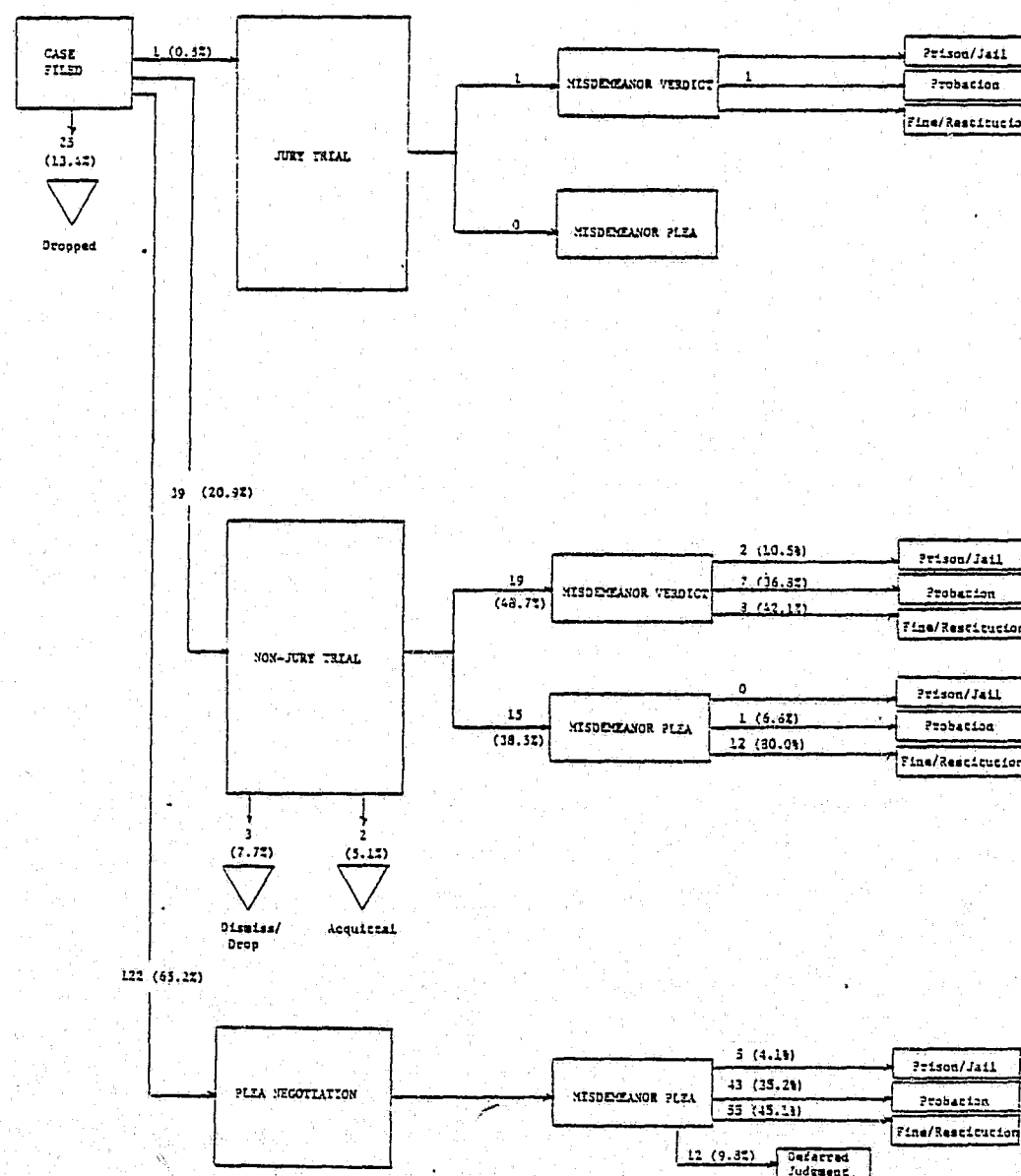


FIGURE 3.5
 FLOW CHART: MISDEMEANOR CASE PROCESSING, DISPOSITIONS,
 MAXIMUM PENALTIES, AND REMEDIES IMPOSED
 (N = 182 of 215 Closed Misdemeanor Filings)
 (45 Units, February through November, 1979)

2. Civil cases. Civil cases were almost invariably settled short of trial. Of the 81 civil cases for which information on the type of proceedings and result of proceedings is available (71.0% of the 114 civil cases reaching disposition), 74 ended in negotiated or stipulated judgments without a trial. (Two cases were dropped, one went to a jury trial resulting in a stipulated judgment, one involved a non-jury trial and deferred judgment, and three were dropped in the course of non-jury trials.)

Table 3.45 indicates the results obtained in civil proceedings. One hundred seventy (170) penalties or remedies were obtained in 106 cases. Voluntary or court-ordered restitution was obtained in just over half of the cases (54 of 106, or 50.9%). Similarly, just over half the cases (54) resulted in civil judgments for monetary damages. Some 38 cases resulted in only court-ordered restitution. In 22 cases injunctions, fines, and civil judgments were obtained. Twenty (20) cases resulted in only civil judgments.

VIII. SUBJECT-MATTER ANALYSIS OF UNIT ACTIVITIES

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

TABLE 3.45

PENALTIES AND REMEDIES OBTAINED IN CIVIL CASES
(N = 106 of 114 Civil Dispositions)
(Total Exceeds 106 Because of
Multiple Penalties/Remedies)

Civil Judgments	54
Restitution, Court-ordered	40
Injunctions, Equitable Remedies	36
Fines, Penalties	26
Restitution, Voluntary	14

into other ventures. In order to gain a clearer perspective on unit activities, the ECPRS was designed to gather data on the subject-matter of investigations and cases handled by the units. As has been mentioned earlier, investigations and cases were classified into eleven (11) broad, generic subject-matter categories. This section examines the degree to which each of these subject-matter areas is represented at each stage of investigation and case processing (e.g., corruption cases accounting for 25.7% of the investigations opened, and 37.7% of the cases filed), as an indicator of the units' handling of matters involving these subject-matter areas. As data is gathered over a longer period it will be possible to look for long-term trends. The balance of this section summarizes the results of our analysis. Following this, separate sections present detailed subject-matter analyses of investigations, cases, and differences between the investigation and case stages.

At the investigation stage, only 43% of the matters involving investment matters were closed, while this was true of 66% of the finance-related investigations. The latter accounted for a relatively higher percentage of the restitutions but did not contribute disproportionately to case filings, perhaps because of the large number of bad-check cases in this category. Similarly, sales and repair problems resulted in many restitutions, but few case filings. Corruption and theft investigations, on the other hand, resulted in many case filings and few restitutions.

At the litigation stage, a high percentage of corruption and theft cases were prosecuted as felonies. Housing and real estate cases (which were mainly home-improvement matters), finance cases (including bad checks), and cases involving fraud against the government (largely welfare fraud) accounted for most of the misdemeanor prosecutions, while well over half of the civil litigation involved trade practices such as deceptive

advertising. The percentage of felony prosecutions which resulted in conviction was high, but did not vary greatly by subject-matter.

Jury trials were used most frequently in insurance and investment cases, and non-jury trials in cases involving personal and professional services and fraud against the government. Virtually all the computer-related and health and medical service cases resulted in guilty pleas, as did almost 80% of the finance and credit (including bad-check) cases. About a third of the sales and repair cases were dropped or dismissed.

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

Fraud against the government matters, which consist largely of welfare fraud matters, account for a slightly higher percentage of case filings than of investigations opened. The reverse was true in matters involving sales and repairs, and the percentage difference was larger.

A preliminary analysis of partial data on differences in subject-matter between the investigation and case stages (with respect to individual matters) confirms that these are due in part to prosecutors' strategic decisions to change the subject-matter category, perhaps as new facts emerge in the course of an investigation. This occurred most frequently with respect to matters eventually filed as bad-check or home-improvement cases. Such changes were relatively infrequent in corruption, theft, and abuse of trust cases.

A. Investigations

Table 3.46 indicates the percentage of investigations into each subject-matter area which were closed, and also shows the frequency with which restitution was obtained or litigation was begun in closed investigations in each of the subject-matter categories. The percentage of investigations which were closed ranged from 43.0% in investment cases to 65.6% of finance-related cases. The latter may be a reflection of the relatively routine nature of many of the bad-check matters in the financial category. For the most part, however, the percentage of investigations closed in the individual subject-matter categories does not differ greatly from the overall investigation-closing rate of 56.0%.

The last two columns of Table 3.46 indicate the percentages of restitutions and case filings attributable to investigations in each of the subject-matter categories. Finance and credit investigations accounted for 26.2% of the restitutions obtained following investigations, but only 11.9% of the case filings. This is not surprising, in view of the large proportion of bad-check matters in this category. Similarly, sales and repair investigations accounted for 27.1% of the restitutions obtained, but only 3.0% of the cases filed following investigation. Corruption and theft investigations, on the other hand, accounted for 31.8% of the cases filed but only 9.0% of the restitutions.

B. Cases

Table 3.47 indicates the percentages of case closings and specific case outcomes falling within each of the major subject-matter categories. The percentage of case closings attributable to each subject-matter category does not vary a great deal from the percentage of case filings following investigation, shown in Table 3.46. (Note that these are not necessarily the same cases; as reported earlier, only 67.2% of

TABLE 3.46
INVESTIGATIONS OPENED, INVESTIGATIONS CLOSED, RESTITUTIONS OBTAINED
AND CASES FILED BY MAJOR SUBJECT-MATTER CATEGORY (N=9,459)
(45 Units, February through November, 1979)

Subject-Matter	Investigations		Investigation Outcomes	
	Opened	Closed ^a	Restitution ^b	Case Filed ^c
Investments	553	238 (43.0%)	17 (2.7%)	76 (3.3%)
Finance, Credit	988	648 (65.6%)	165 (26.2%)	272 (11.9%)
Computer- Related	11	5 (45.5%)	0	4 (0.2%)
Insurance	308	169 (54.9%)	12 (1.9%)	88 (3.8%)
Corruption, Theft	2,351	1,368 (58.2%)	57 (9.0%)	729 (31.8%)
Fraud of Government/ Utility	710	406 (57.2%)	3 (1.3%)	256 (11.2%)
Trade Practices	1,262	719 (57.0%)	65 (10.3%)	391 (17.1%)
Housing/Land/ Real Estate	1,255	682 (54.3%)	85 (13.5%)	257 (11.2%)
Health/ Medical Care	83	48 (57.8%)	3 (0.5%)	20 (0.9%)
Sales and Repair	1,083	634 (58.5%)	171 (27.1%)	69 (3.0%)
Personal/ Professional Services	173	84 (48.6%)	22 (3.5%)	12 (0.5%)
Other, Unknown	682	293 (43.0%)	25 (4.0%)	119 (5.2%)
Total	9,459	5,294 (56.0%)	630 (100%)	2,293 (100%)

^aPercentage of investigations opened, within each subject-matter category.
^bPercentage of total restitutions.
^cPercentage of total filings.

TABLE 3.47

CASE CLOSINGS AND OUTCOMES BY SUBJECT MATTER^a (N=1,548)
(45 Units, February through November, 1979)

Subject-Matter	CASE OUTCOMES						
	Cases Closed	Felony Case	Conviction	Misdemeanor Case	Conviction	Civil Case	Civil Judgment, Fine or Injunction
Investments	49 (3.1%)	47 (3.0%)	35 (2.3%)	0	0	1 (-)	1 (-)
Finance, Credit	168 (10.9%)	128 (8.3%)	107 (6.9%)	35 (2.3%)	30 (1.9%)	0	0
Computer Related	11 (0.7%)	10 (0.6%)	10 (0.6%)	1 (-)	1 (-)	0	0
Insurance	67 (4.3%)	66 (4.3%)	60 (3.9%)	1 (-)	0	0	0
Corruption, Theft	579 (37.4%)	529 (34.1%)	411 (26.6%)	25 (1.6%)	18 (1.1%)	2 (0.1%)	2 (0.1%)
Fraud of Government/Utility	258 (16.7%)	183 (11.8%)	145 (9.4%)	69 (4.4%)	52 (3.4%)	4 (0.3%)	4 (0.3%)
Trade Practices	132 (8.5%)	36 (2.3%)	30 (1.9%)	10 (0.6%)	9 (0.6%)	76 (4.9%)	52 (3.4%)
Housing/Land/Real Estate	109 (7.0%)	54 (3.5%)	37 (2.4%)	42 (2.7%)	34 (2.2%)	6 (0.4%)	5 (0.3%)
Health/Medical Care	15 (1.0%)	5 (0.3%)	4 (0.3%)	5 (0.3%)	4 (0.3%)	2 (0.1%)	1 (-)
Sales and Repair	43 (2.8%)	18 (1.2%)	11 (0.7%)	5 (0.6%)	2 (0.1%)	13 (8.4%)	6 (0.4%)
Personal/Professional Services	14 (0.9%)	7 (0.5%)	4 (0.3%)	3 (0.2%)	2 (0.1%)	3 (0.2%)	2 (0.1%)
Other, Unknown	103 (6.7%)	62 (4.0%)	44 (2.8%)	15 (1.0%)	11 (0.7%)	7 (4.5%)	3 (0.2%)
Total	1,548 (100%)	1,145	898	215	163	114	83

^aPercentages indicated are percentages of all closed cases.

the cases reported through the ECPRS were preceded by investigations which were also reported through the ECPRS.) This would imply that there is no particular category of cases which are much easier or harder to close than are cases in other subject-matter categories.

The case outcome categories offer clues as to the strategies undertaken by units to resolve particular categories of cases. Thus, virtually all corruption and theft cases (529 of the 579 cases) were pursued as felonies, while felony prosecution was used in fewer than half of the housing, land, and real estate cases. Some 74.0% of all cases involved felony prosecution rather than civil litigation or prosecution at the misdemeanor level, including 76.2% of the finance and credit cases and 70.9% of the cases involving fraud against a governmental agency or public utility. Some 38.5% of housing, land, and real estate cases, 26.7% of fraud against government cases, and 20.8% of the finance and credit cases were prosecuted as misdemeanors. As indicated earlier, cases in these categories include large numbers of home improvement, welfare, and bad-check cases, respectively. Civil litigation involved mainly trade practices and sales and repair issues.

Comparison of the felony case and felony conviction columns indicates the relative success of the units in pursuing felony prosecutions in each of the subject-matter areas. Overall, 78.4% of the felony prosecutions undertaken by the units resulted in some form of conviction. This was the case in 83.6% of the finance and credit cases, 79.2% of the cases involving fraud against the government, and 77.7% of the corruption and theft cases. Similarly, 75.8% of the misdemeanor cases resulted in convictions, including 85.7% of the finance and credit cases, 81.0% of the housing, land, and real estate cases, 75.4% of the cases involving fraud against the government, and 72.0% of the corruption and theft cases.

When we examined the types of proceeding (jury trial, judge trial, plea negotiations, no proceedings) involved in the

disposition of cases involving the various subject-matters of economic crime (e.g., corruption and theft, government fraud), no significant trends emerged.* Some 8.6% of the cases were disposed of by jury trial, ranging from 13 of the 55 insurance cases (23.6%) and 9 of the 41 investment cases (22.0%), to no use of jury trials in the 8 computer-related cases or the 10 cases involving personal and professional services. While 9.8% of all cases involved non-jury trials, this ranged from 3 of the 10 personal and professional services cases (30.0%) and 42.3% (44 of 104) of the housing, land, and real estate cases. The highest percentages of felony guilty plea were obtained in corruption and theft cases (44.2% or 241 of 545) and finance and credit cases (44.1%, or 71 of 161). The lowest were in trade practices (7.5%, or 8 of 107) and personal and professional services (1 of 13 cases). These figures compare to an overall felony guilty plea rate of 31.7 percent.

An analysis of the maximum penalty imposed or remedy obtained, by subject-matter, also revealed no significant trends. The result of this analysis is presented in Table 3.48. Incarceration was imposed in 30.6% of all cases filed involving corruption or theft (177 of 579 cases), as compared 12.1% of the government fraud cases (27 of 224), to no use of non-jury trials in either the 8 computer-related cases or the 11 health and medical services cases. The ratio of cases settled by plea-bargaining ranged from all of the 8 computer-related cases, 10 of the 11 health and medical cases, and 118 of the 148 finance and credit cases (79.7%), on the one hand, to 14 of the 30 sales and repair cases and 24 of the 41 investment cases. The percentage of all cases disposed of by guilty plea was 70.0%. The highest percentage of cases dropped or dismissed without any proceedings were in the areas of sales and repair (11 of 30, or 36.7 percent); trade practices (25 of

*N = 1,342 of 1,548 cases.

TABLE 3.48

MAXIMUM PENALTY IMPOSED OR REMEDY OBTAINED, BY SUBJECT MATTER OF CASES FILED (INCLUDING CIVIL CASES AND CASES NOT RESULTING IN CONVICTION)
(N=1,548)
(45 Units, February through November, 1979)

Subject-Matter	Maximum Penalty or Remedy					Total
	Prison	Probation	Fine	Resti-tution	No Penalty or Remedy	
Investments	21 (6.3%)	11 (2.0%)	1 (1.2%)	3 (1.6%)	13 (3.2%)	49 (3.2%)
Finance, Credit	40 (11.9%)	59 (10.8%)	5 (6.3%)	34 (18.7%)	30 (7.4%)	168 (10.9%)
Computer Related	3 (0.9%)	6 (1.1%)	0	0	2 (0.5%)	11 (0.7%)
Insurance	20 (6.0%)	27 (5.0%)	1 (1.2%)	0	19 (4.7%)	67 (4.3%)
Corruption, Theft	177 (52.7%)	228 (41.8%)	10 (12.5%)	28 (15.4%)	136 (33.6%)	579 (37.4%)
Fraud of Government/Utility	31 (9.2%)	102 (18.7%)	28 (35.0%)	29 (15.9%)	68 (16.8%)	258 (16.7%)
Trade Practices	5 (1.5%)	17 (3.1%)	19 (23.8%)	40 (22.0%)	51 (12.6%)	132 (8.5%)
Housing/Land/Real Estate	14 (4.2%)	40 (7.3%)	5 (6.3%)	27 (14.8%)	23 (5.7%)	109 (7.0%)
Health/Medical Care	0	8 (1.5%)	2 (2.5%)	0	5 (1.2%)	15 (1.0%)
Sales and Repair	1 (0.3%)	10 (1.8%)	0	14 (7.7%)	18 (4.4%)	43 (2.8%)
Personal/Professional Services	1 (0.3%)	4 (0.7%)	1 (1.2%)	0	8 (2.0%)	14 (0.9%)
Other, Unknown	23 (6.8%)	33 (6.1%)	8 (10.0%)	7 (3.8%)	32 (7.9%)	103 (6.7%)
Total	336 (100%)	545 (100%)	80 (100%)	182 (100%)	405 (100%)	1,548 (100%)

128, or 19.5%); and housing, land, and real estate matters (17 of 91, or 18.7%).

We also compared the various subject-matter areas with respect to the results of the proceedings (e.g., misdemeanor verdict, felony plea, acquittal).^{*} Again, no significant trends emerged. Some 47.7% of the trade practices cases (51 of 107) resulted in negotiated or stipulated civil judgments, as opposed to 51% of all cases. Of all the cases, 30.2% resulted in misdemeanor guilty pleas. This was true in 42.8% (105 of 245) of the cases involving fraud against the government and to 21.7% of all cases. Only 5 of the 132 trade practice cases filed (3.8%) resulted in incarceration. Fifty-three of the trade practice cases (or 44.7%) resulted in imposition of a fine or restitution without any more severe sanction being imposed; overall, this was true of only 17% of the cases.

C. Comparison Subject-Matter Distribution Between Investigative and Case Stages

This section analyzes the subject-matter distribution of the investigative caseload with the subject-matter of the litigation caseload and describes an exploratory analysis of the reasons which might lie behind these differences. The data on the percentage distribution of major subject-matter categories among investigations opened and cases filed are presented in Table 3.49, which follows. Two caveats should be borne in mind in reviewing the data. First, although the number of cases is large (2,293), the number of cases filed in many of the subject-matter categories is small. Thus, these data are preliminary and may well vary from the data obtained when the ECPRS has been in operation longer. Second, the subject-matter was not indicated in 3.6% of the investigations opened and 15.8% of the cases filed. (Adjusted percentages,

^{*}N = 1,438 of 1,548 cases.

excluding these investigations and cases, were used in Table 3.49.) Given the small percentage differentials shown, this difference in the percentage of unreported subject-matters could be significant.

The data on the subject-matter of case filings includes only cases for which a prior investigation was reported. As mentioned earlier, 32.8% of the cases filed were not preceded by a reported investigation. The cases thus excluded pose a problem only if they vary significantly in subject-matter from the cases reflected in Table 3.49. A comparison of this table with Table 3.36 (subject-matter of cases filed), presented earlier, reveals no notable differences except for corruption and theft cases (which constitute 31.8% of the cases in this analysis and only 37.7% of all cases filed) and trade practices (17.1% here, but only 7.9% of all cases).

Table 3.49 indicates that there was a higher percentage of corruption, abuse of trust, and theft matters in the cases filed than in the investigations opened. This may be due to more vigorous prosecution of larceny and embezzlement cases, which constituted the bulk of this category.

Sales and repair matters declined from 11.9% of the investigations opened to 3.0% of the cases filed, proportionately the largest decline of any of the major categories. The two major subcategories, auto sales and auto repairs, contributed from this (sales declining from 4% to 1.3% and repairs from 3% to virtually nil), but apparently the decline between the investigative and litigation stages is attributable to other forms of sales and repairs as well.

Matters involving fraud against the government comprised only 7.8% of the investigations undertaken, but 11.2% of the cases filed. It will be recalled that the majority of these cases (59.4%, see Table 3.36) were welfare fraud matters. In a number of units, investigations into recipient fraud are conducted by the department of public welfare (with the advice

TABLE 3.49

INVESTIGATIONS OPENED AND CASES FILED, BY MAJOR SUBJECT-MATTER
CATEGORY (ADJUSTED PERCENT DISTRIBUTION)
(45 Units, February through November, 1979)

Economic Crime Category	Investigations: Percent Adjusted (N=9,123)	Cases: Percent Adjusted (N=2,293) ^a
Corruption, Abuse of Trust and Theft	25.7%	31.8%
Trade Practices	13.8%	17.1%
Housing, Land, Real Estate, and Construction	13.8%	11.2%
Sales and Repairs	11.9%	3.0%
Financing, Credit, and Banking	10.8%	11.9%
Fraud Against Government, Public Agencies, Utilities	7.8%	11.2%
Investments	6.1%	3.3%
Insurance	3.4%	3.8%
Personal and Professional Services	1.9%	0.5%
Health and Medical Care	1.0%	0.9%
Computer-related	0.1%	0.2%
Other (unlisted)	3.8%	5.2%

^aIncluding only cases preceded by a reported investigation. No prior investigation was reported for 620 cases.

and guidance of the economic crime unit, as needed), then turned over for filing and prosecution.

Financing, banking, and credit matters rose from constituting 10.8% of the investigations to constituting 11.9% of the cases filed. This difference may be almost entirely attributed to unit policies regarding prosecution of bad check cases, which also constituted 1% more of the litigation caseload than they did the investigative caseload.

Investment cases declined from 6.1% of the investigations opened to 3.3% of the cases filed. If this trend were observed in a much larger number of cases, it might reflect the problems in locating a highly mobile defendant population (a problem which led to the formation of the project's Business Opportunity Clearinghouse) and problems in improving intentional fraud as opposed to "just bad business." It should be noted that the business opportunity-schemes category declined from 3% to 1.8% between the investigation and prosecution stage.

The above discussion assumes that the subject-matter of a matter under investigation remains the same as the investigation is completed and a case is filed. The differences in subject-matter distribution would then clearly reflect only the different dispositions obtained in investigations involving different subject-matters. But the subject-matter in an individual investigation may also change by the time a case is filed. A prosecutor may elect to pursue a different approach (e.g., to prosecute under a larceny rather than a fraud statute), or new facts may come to light in the course of the investigation.

We conducted two preliminary analyses to explore this possibility.* It would be useful to pinpoint those

*It was decided not to conduct full analyses until data from a longer period are available. Changes between subject-matter subcategories in individual investigations may well be as significant as changes between the major categories, yet there were only 7 subcategories for which over 100 cases were available.

investigation subject-matter categories which most frequently result in cases being filed under another subject-matter category to alert units that it may be wise to broaden investigations into these areas early in the process to anticipate the possibility of change. The first analysis examined securities (a subcategory of investments), since Project efforts included encouraging units to expand their use of remedies offered by securities statutes. Such statutes govern not only stocks and bonds, but a broad range of investment schemes, pyramid schemes, and business opportunity schemes as well. The number of cases involved was too small to be significant, but the cases in this analysis showed virtually no changing of subject-matter to the securities category at case filing.

The second preliminary analysis of changes in the indicated subject-matter between the investigation and case stage indicates that some of the differences in subject-matter distribution do, in fact, reflect prosecutorial strategy decisions to modify the theory of the case. This analysis was based on partial results of unit reporting computerized at the time of our fifth quarterly report. Table 3.50 reports the results of this analysis. This table is based on 47 units, and includes 394 of the 470 possible unit monthly reports encompassed in the period from February through November, 1979. The sample on which the table is based includes 1,085 of the 2,959 reported cases; cases not preceded by a reported investigation and cases referred from other agencies have been excluded. The latter category was eliminated from the sample because the subject-matter of the investigation was presumed to reflect the judgment of the referring agency rather than the prosecutor's office, and the purpose of the analysis was to explore shifts in prosecutorial strategy as investigations are developed into cases. No specific tally was made of the number of investigations excluded because they began by agency

TABLE 3.50

CHANGES BETWEEN INVESTIGATIVE AND LITIGATIVE DESCRIPTIONS:
SHIFTS IN SUBJECT-MATTER OF MATTERS ORIGINATING FROM
COMPLAINTS OR AS PROACTIVE INVESTIGATIONS
(N-1,085 of 2,959 Reported Cases^a)
(47 Units, February through November, 1979,
394 of 470 Monthly Reports)

	# of Cases with the Same Subject-Matter ^b	# of Cases with Different Subject-Matter--but Same Subject-Matter Group ^c	# of Cases Having Completely Different Subject-Matter	Total
Investments	18	5	24	47
Financing, Credit and Banking	167	-	73	240
Computer Related	1	-	-	1
Insurance	17	1	7	25
Corruption, Abuse of Trust & Theft	273	45	66	384
Fraud Against Government, Public Agencies, Utilities	40	-	7	47
Trade Practices	27	1	11	39
Housing, Land, Real Estate, Construction	101	12	74	187
Health & Medical Care	3	-	-	3
Sales & Repairs	29	4	33	66
Personal & Professional Services	9	-	31	40
Other	2	2	2	6
Total	687	70	328	1,085

^aIncludes only cases with corresponding investigation also reported. Investigations originating by referral from other agencies are also excluded from this table, as the subject-matter of these cases is often dictated by the referring agency and does not reflect prosecutorial activity *per se*.

^bFor example, investigation pursues "business opportunity scheme," and resulting case is "securities"--but both are investments.

^cFor example, investigation pursues "bad check check kiting" (Financing, Credit & Banking) while case is "home improvement" (Housing, Land, Real Estate, Construction).

referral, but an order-of-magnitude estimate can be inferred from the fact that 26.9% of the investigations in the 45-unit data base described in this report began by agency referral.

Table 3.50 indicates that there were changes in general subject-matter categories as investigations led to the filing of cases in 30.2% of the cases in our preliminary analysis. Among the categories with larger numbers of cases, 39.6% of the housing, land, and real estate cases began as investigations into a different subject-matter. This was true of 30.4% of the financing-related cases, but only 17.1% of the corruption, abuse of trust, and theft cases. It will be recalled from our earlier discussion that home-improvement fraud accounted for 248 of the 291 housing-related cases (85.2%), and check-related cases accounted for 263 of the 344 financing-related cases (78.7%) in our 45-unit sample; there is no reason to believe that there is a significantly different distribution of specific subject-matters in the cases reflected in the Table 3.50 data. From this, one can tentatively infer that investigations into other subjects end up being prosecuted as bad-check cases or home-improvement frauds with some regularity.

Our preliminary analysis of shifts in subject-matter due to prosecutorial strategy or what is learned in the course of investigation, above, indicates that only a relatively small proportion of cases involving corruption, abuse of trust, and theft were begun as investigations into another subject-matter area (17.1%, contrasted to 30 to 40% for other major categories with a significant volume of cases). If this holds true in later analyses, it would confirm our earlier speculation that this might be due to a policy of vigorous prosecution.

Note that the cases represented in Table 3.50 were selected to highlight changes in subject-matter due to prosecutorial strategy. Cases following investigations of matters referred from other agencies were excluded on the assumption that prosecutors seldom or never changed the subject-matter at case

filing. Thus, these data indicate which subject-matter categories are most frequently involved when a change does occur, but they provide no information on how often these occur. It is hoped that when more data are available over a longer period of time we will be able to explore changes between subcategories as well as categories, and determine how often these changes occur, so that we can develop and test research hypotheses which will explain why they occur, and simultaneously provide information to units and law enforcement agencies to encourage them to expand their range of approaches in undertaking investigations into these areas.

CHAPTER FOUR

THE NATIONAL STRATEGY INITIATIVE

I. HISTORY AND OVERVIEW OF NATIONAL STRATEGY EFFORTS

This chapter opens with a brief history of the Project's National Strategy efforts, so that others interested in undertaking similar efforts to foster federal, state, and local interagency cooperation to combat white-collar crime can better understand the strategies undertaken, the results obtained, the problems encountered, and the steps undertaken to resolve these problems. As efforts were begun with other agencies and as experience was gained, the goals and strategies of this effort were modified in a process described in Chapter One of this report. Project staff worked with several federal agencies to establish coordination mechanisms and plan joint efforts, as they were simultaneously encouraging member units to expand their horizons of resources available to include cooperative efforts with state and federal agencies. Six Lead Units experimented with specific strategies along these lines, to develop a cafeteria-line of experience from which their colleagues in other units could select strategies appropriate for the unique needs and circumstances of their own jurisdictions. After 15 months' operation, the number of Lead Units expanded to 12 and each of the six original Lead Units assumed responsibility for providing advice, guidance, and support to one of the new ones. The balance of Section I briefly describes the approach taken to achieve these goals, and subsequent sections of this chapter describe the results of these efforts.

A. Planning the National Strategy Initiative

As mentioned in Chapter One of this report, the National Strategy effort is an outgrowth of ideas discussed at the

Symposium on Development of a National Strategy for White-Collar Crime Enforcement at Battelle's Seattle campus in July, 1978. Shortly after LEAA awarded the current ECP grant, the Project Director, Mr. Arthur L. Del Negro, Jr., met with Battelle staff in Seattle to begin planning the National Strategy effort along the lines specified in the NDAA application for the current grant period. After Mr. James H. Bradner, Jr., joined the ECP staff to head the National Strategy initiative, he and Mr. Del Negro again met with Battelle staff to continue planning, this time at the Battelle Washington, D.C., office. A conference on fraud, waste, and abuse in government sponsored by the U.S. Department of Health, Education and Welfare (now Health and Human Services) in December, 1978, provided the opportunity for ECP and Battelle staff to meet with representatives of the Criminal Division, U.S. Department of Justice, to plan further efforts. This included discussions about cooperation between individual ECP units and the Economic Crime Enforcement Units soon to be established in U.S. Attorneys' offices throughout the country. Officials from Justice also gave a presentation at an NDAA Metropolitan District Attorneys Conference in the Washington, D.C., area in February, 1979, and again met with local prosecutors and staff of ECP and Battelle.

B. Establishing Initial Contact with Federal Agencies and Other Organizations

One of the specific results of this initial planning was the development of a strategy for establishing contact with a broad range of federal agencies, in order to give the Project's National Strategy initiative visibility and to foster an environment within which "targets of opportunity" for later, more specific Project efforts could arise. The approach taken was to:

- Explain to each agency the nature of the ECP and the National Strategy initiative.

- Discuss mutual priorities and concerns.
- Seek their cooperation.
- Establish a point of liaison within each agency to assist in resolving specific problems encountered by Project units and agency regional or local offices.
- Lay out a mechanism and procedure for planning future efforts.

The federal agencies were provided directories of the ECP units, and several agencies sent out memos encouraging field staff to work with these units. The specific results of these efforts are described in Section II of this chapter, which discusses initiatives involving federal agencies.

Among the agencies first contacted were those with offices of Inspector General. By the Inspector General Act of 1978, an Office of Inspector General was created in each of the following 12 departments and agencies:

- Department of Agriculture
- Department of Commerce
- Department of Housing and Urban Development
- Department of Interior
- Department of Labor
- Department of Transportation
- Community Service Administration
- Environmental Protection Agency
- Government Service Administration
- National Aeronautic Space Administration
- Veterans Administration
- Small Business Administration

A prior statute had created an Office of Inspector General within the Department of Health and Human Services (then Health, Education and Welfare), and such an office was provided for in the legislation creating the Department of Energy. The

statutory objectives of the Inspectors' General offices thus created were to:

- Conduct and supervise audits and investigations;
- Provide leadership and coordination and recommend policies to (1) promote economy, efficiency and effectiveness in program administration, and (2) to prevent and detect fraud and abuse in programs; and
- Keep the Secretary and Congress fully and currently informed about problems and deficiencies and the necessity for and progress of corrective action.

The goal of the National Strategy effort was to establish a closer working relationship with the Inspectors General and to develop specific programs and mechanisms for the resolution of specific problems. The approach to be undertaken was to demonstrate that the National Strategy effort would be of mutual benefit to federal and local government, not merely a device to get the federal government to assist with local problems.

The National Strategy program made a substantial outreach to the Offices of Inspectors General of the Departments of Agriculture, Housing and Urban Development, Energy and Health, and Education and Welfare. Specific initiatives with each of these Offices of Inspectors General are discussed in separate subsections below, following this overview.

The National Strategy program initiated efforts to develop specific, written memoranda of understanding (MOU's) with the Inspectors General in these departments. These understandings were to include joint training, the designation of a permanent liaison, and the establishment of specific liaison mechanisms for interaction between these agencies and local ECP units. A major issue to be addressed in the National Strategy initiative and to be defined in these memoranda of understanding was the continued availability of federal investigative resources once a matter declined by federal prosecutors was referred to an ECP unit for prosecution.

It soon became obvious that the role of the Project and the capabilities of individual units would have to be clearly outlined to those agencies with which the Project sought to promote cooperation and coordination. This development of effective interaction was perceived as the key to the success of the National Strategy initiative. The necessary coordination and liaison, it was learned, could only be established effectively when built initially upon the points where enforcement agencies and the ECP find cooperation mutually beneficial.

The approach taken was to meet with agency officials in Washington, D.C., to develop national-level initiatives. Discussions with the EPA, however, took place at the regional and national levels. The needs of the agency had been clearly delineated, and work was carried forward to develop an understanding for cooperative efforts within one region. Although national approaches were not ignored, the development of an effort at the regional level was undertaken to permit a study in contrasts and effectiveness with national initiatives.

The ECP has also established liaison with the Executive Group to Combat Fraud and Waste in Government. This Executive Group, established by presidential memo in May, 1979, consists of the 14 federal-level Inspectors General and representatives from the Office of Management and Budget (OMB), Office of Program Management (OPM), the FBI, IRS, and the Postal Inspection Service. It is under the auspices of, and receives staff support from, the U.S. Department of Justice. It is concerned with 15 topic areas, including establishing federal policies, fostering interagency cooperation, defining the role of auditors, determining what further training they need, and exploring records-retention policies. Four committees have been established, each chaired by an Inspector General, in the areas of:

- audit,
- enforcement and investigation,

- legislation, and
- training.

These topics were selected by the Justice Department and the more experienced Inspectors General, after receiving comments from the ECP. National Strategy staff have attended meetings of this group and explored means of assisting it in its goals.

The Project also began to work with the Federal Bureau of Investigation and the U.S. Postal Inspection Service, the two major federal law enforcement agencies. Because the Federal Bureau of Investigation's primary mission is to respond to the law enforcement needs of the U.S. Department of Justice (of which it is a part) and other federal agencies, it was not envisioned that major initiatives would be undertaken in substantive areas with the Bureau. Rather, the strategy to be undertaken was to:

- Encourage Lead Unit Chiefs to meet with their local FBI staff;
- Provide a pamphlet or similar material to units on how to work more closely with the Bureau; and
- Begin to sensitize the Project units to the advantages of closer cooperation with the Bureau.

The Bureau's training programs were recognized as being excellent, and the Bureau had been responsive to the training and technical assistance needs of state and local prosecutors and law enforcement officials. As one example of the strong and positive history of cooperation with the Project antedating the National Strategy initiative, in the prior grant period ECP unit representatives attended a week-long course on computers, adapted from the more extensive course which the Bureau gives to its agents and other federal officials. In keeping with the National Strategy initiative, the Bureau and the ECP expanded the computer training course, to include a session attended by ECP unit representatives and assistant United States Attorneys.

In a more visible and dramatic gesture of cooperation, the Bureau extended the use of its facilities and services for the July, 1979, National Strategy Conference, to be described below, and the third National Strategy Conference scheduled at the time of the writing of this report to be held in July, 1980.

The U.S. Postal Inspection Service had also extended cooperation to the Project before the National Strategy initiative was begun. In a November, 1973, letter to the ECP which was distributed to the 15 units then in the Project, the Chief Inspector announced that a Fraud Specialist had been appointed liaison to the Project and that the Service's 200 Fraud Specialists nationwide had been encouraged to work with the units. The Service had also reprinted and distributed copies of the Prosecutor's Hornbook on Economic Crime, prepared in the first year of the Project.

From the first months of the National Strategy initiative, local prosecutors had reported to Project staff that they had found the Postal Inspection Service to be very cooperative in mutual enforcement activities. At the National Strategy Conference held in July, 1979, for example, the San Diego prosecutor stated that the Postal Inspectors had been extremely helpful in a three-month-long trial in a particularly complex case involving "an immense fraud" culminating in prison sentences for the perpetrators of the fraud. At this conference, the then-Chairman of the NDAA Economic Crime Committee stated that he had talked to a considerable number of prosecutors across the country, who, without exception, had praised the cooperation received from the Postal Inspectors. These prosecutors stated that the high level of experience of the Inspectors contributed to successful cooperative efforts and speculated that the key to success in maintaining these cooperative relationships was the Inspection Service's policy that the same Inspector follow through on each case to successful prosecution or other disposition.

In 1979, the Postal Inspection Service launched a consumer protection effort to respond to the thousands of complaints received annually against legitimate businesses which simply may have been slow in responding to consumers' orders or complaints. The Service appointed one "Consumer Protection Specialist" in each of the 18 divisions within the five regions of the Postal Inspection Service. It was reported that these specialists, who were responsible for expediting the complaints which involve slow responses, had been handling some 36,000 cases a year, with a "90 to 95% success rate" of customer satisfaction. The Project's role in this program was to address a meeting of these Specialists and explore other means of fostering cooperation in this area.

The Project also began to circulate to units the Postal Inspection Service's regular bulletin of current schemes and pending investigations.

These efforts were seen as providing a good start towards the communication and coordination which is required in any National Strategy against white-collar crime. In view of the sound working relationship between the Postal Inspection Service and local ECP units, there appeared to be no pressing need to develop a more specific program in this area.

The Project also began to work with the Federal Trade Commission, largely through the efforts of the Business Opportunity Fraud Clearinghouse operated by the Metropolitan Denver District Attorneys' Office of Consumer Fraud and Economic Crime and the Business Opportunities Task Force. (This clearinghouse was described in detail in Chapter Two of this report.) The FTC was then in the process of promulgating regulations requiring disclosure of key information in promoting franchise and business opportunity ventures (16 CFR 436.1 et. seq.). Clearinghouse staff offered comments and suggestions on the proposed rules and solicited the input of the other ECP units.

In 1979 the FTC launched a clearinghouse effort to serve the investigative and prosecutive needs of law enforcement officials involved in white-collar crime investigation. The Project's clearinghouse provided assistance in this effort, and since that time has been providing information freely to the FTC with respect to particular business opportunity schemes.

The U.S. Department of Transportation was not one of the federal agencies specifically envisioned as being within the ambit of National Strategy efforts at the time that the application for the current LEAA grant was prepared, but the opportunity presented itself and the ECP had the foresight and the flexibility to take advantage of this opportunity.

The Project and its Auto Repair Task Force worked with the National Highway Traffic and Safety Administration (NHTSA) and DOT in implementing "Auto-cap" programs developed with the cooperation of the National Auto Dealers Association. Under this program local dealers' representatives were to work in conjunction with a local Economic Crime Units to mediate customer auto service disputes. One such pilot program had been operating successfully for almost two years in Westchester County, New York, and this project has served as a model for similar programs underway in Denver and other jurisdictions.

Local Economic Crime Units also cooperated with DOT/NHTSA in a study on the costs of auto repair fraud. This study, conducted by DOT in conjunction with the University of Alabama, concluded that an inordinate percentage of the average auto repair bill went for unnecessary--or even dangerous--auto repairs.

As part of these initial contact efforts to work with federal agencies, Project staff also met with representatives of the U.S. Department of the Treasury, the Secret Service, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Small Business Administration, and the U.S. General Services Administration.

The Project also undertook to increase cooperation between state and local prosecutors, through the auspices of the National Association of Attorneys General and Attorneys General in individual states.

In the past, there has not been a history of cooperation between NDAA and its counterpart professional organization for Attorneys General, the National Association of Attorneys General (NAAG). It became clear during the earliest planning of the National Strategy effort that, if this were to be a truly national effort, NAAG and the Attorneys General would be the key to its success.

The approach taken to involve NAAG and the results achieved were summarized at the second National Strategy Conference, in July, 1979, to be described below. At this meeting it was reported that prosecutorial cooperation between the Attorneys General and local prosecutors had increased. Attorneys General and other relevant agency representatives had been invited to participate at Task Force meetings on an "associate" basis. For example, the second Antitrust Task Force meeting of the current grant period was attended by representatives from two offices of Attorneys General and a regional association of such offices. Mr. Bradner (NDAA) stated at this conference that the antitrust initiative was "one of the most valuable efforts we have undertaken, since it put us together with NAAG."

At this meeting the then-Executive Director of the National Association of Attorneys General cited a strong trend at the NAAG Executive Committee level in the direction of increased cooperation with NDAA. As an indicator of this increased cooperation, the two organizations agreed to designate personnel to serve between NAAG and NDAA and the Executive Directors of each organization (NDAA and NAAG) attended the other organization's Board meetings. The Board of NAAG authorized sending copies of NAAG's antitrust newsletter and other relevant newsletters to local prosecutors.

This cooperation spread to the "working level," as well. The head of the Denver ECP Unit participated in a NAAG consumer fraud training session. NAAG members began to use frequently the national-scope Business Opportunity Clearinghouse. NDAA members participated in the NAAG antitrust seminar held in August, 1979, and a NAAG consumer protection seminar in September of that year. At the request of NAAG, the head of the Denver ECP unit has prepared an article on cooperation between ECP units and Attorneys General consumer protection units, which was published in NAAG's Consumer Protection Newsletter. ECP units also agreed to work with the California Attorney General, who has assigned a full-time investigator to pursuit of the "Williamson Clan," a home repair fraud gang with national notoriety.

The Project explored means of collaborating with the National Welfare Fraud Association to enhance that agency's enforcement efforts, as well. ECP staff met with the Board of Directors of the National Welfare Fraud Association. The ECP Project Director gave a presentation at the annual meeting of this organization at Seattle in October, 1979. The Project also began a collaborative effort with the National Welfare Fraud Association (NWFA) to assist the streamlining of their procedures and obtain a much shorter "turnaround time" on SSA information required for welfare fraud investigations. The NWFA and ECP also collaborated on an informal survey of their local memberships with respect to ideas for fostering cooperation.

The Insurance Crime Prevention Institute assisted the ECP in presenting a program on arson fraud at the Tucson Unit Chiefs' meeting in February, 1979. As a first step in encouraging cooperation, the ICPI agreed to an exchange of contact lists between its membership and the local ECU's. The ICPI also pledged continuing, mutual assistance in investigations and stepped up efforts in this direction. The ICPI and the ECP also explored the possibility of cooperation in training, exchanging articles for inclusion in their

organizations' respective journals, and sending letters and memos to their memberships to keep them informed of progress.

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

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

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

C. Establishment of Lead Units

Because the collective efforts of the Economic Crime Units account for the real impact of the Project in the containment of white-collar crime, it was envisioned from the outset of the National Strategy initiative that the true test of the feasibility of strategies to foster federal, state, and local cooperation in this endeavor would be in the laboratories of experience offered by six Lead Units charged with responsibility for implementing these efforts at the local level, in specific prosecutions and other efforts aimed at protecting the citizenry and halting the perpetrators of economic crime.

The goals of these Lead Units were to: (1) develop their own ongoing liaison mechanisms with federal, state, and local agencies; (2) seek to increase the number of incidents of interagency cooperation by 40% in a 12-month period and up to 200% in an 18-month period; and (3) seek to have two cooperative enforcement actions underway within 12 months and complete those two actions, as well as initiate four additional actions within 18 months of being designated as Lead Units. While the data presented in this chapter will show that these units in large part achieved these objectives, the purpose of the Lead Unit initiative was more to extract lessons as to the feasibility of specific strategies attempted and learn from the problems thus encountered than it was to prove that quantifiable results would follow from specific strategies. This was to be a demonstration effort rather than a research project.

The Lead Units were selected to reflect the geographical and demographical diversity of Project units, but willingness to undertake this effort was perhaps the most important selection criterion. Thus, the experiences of these units were not considered to be "representative" of the results which would follow if the same initiatives were undertaken by each of the 68 units in the Project. Some units were selected because

they had already demonstrated a considerable degree of effort in working with federal and state agencies, and it was considered important to document and analyze this experience in order to extract ideas as to viable strategies for other jurisdictions. Other Lead Units were selected because this would be a new effort, and thus their experiences would offer insight into the problems to be encountered in beginning National Strategy initiatives in other jurisdictions. Three of the six units were in jurisdictions which were slated to be sites for the first of the Economic Crime Enforcement Units to be established in U.S. Attorneys' offices under a new Department of Justice initiative against white-collar crime. Two of these, and an additional Lead Unit, were in cities which also served as regional offices for many of the federal departments and agencies expected to be important to the National Strategy initiative. It was also expected that each Lead Unit would establish a different order of priorities in implementing National Strategy initiatives on the local level, and that each would develop specific strategies in implementing these priorities in light of the needs and circumstances of their own jurisdictions.

The Lead Units ultimately selected were in Atlanta, Denver, Los Angeles, Louisville, Minneapolis, and Philadelphia. These six units developed a variety of approaches and strategies tailored to meet local jurisdictions' needs and circumstances. These units swiftly demonstrated how the National Strategy Program could be improved through an infusion of the ideas and efforts of local Units Chiefs, based upon their own initiatives and creativity. At least two of the units, in Minneapolis and Louisville, began their own "grass roots" national strategy initiatives, meeting regularly with federal, state, and other local officials. The Los Angeles, Atlanta, and Denver offices are in cities hosting three of the seven original USDJ Economic Crime Enforcement units. The Philadelphia office was also

central to a state Economic Crime Council, which was envisioned as having potential as a unique vehicle for National Strategy initiatives. The Denver office also houses the Business Opportunities Clearinghouse, discussed earlier. The efforts of each of the units will be discussed in greater detail below.

One aspect of National Strategy effort was intended to provide technical assistance to the Lead Units. Technical assistance to units had been provided since Project inception, for example, in the area of investigative accounting. Project technical assistance efforts in the present grant period were restructured to incorporate strategies to encourage interagency cooperation as part of its technical assistance in specific areas. The focus of National Strategy technical assistance, more specifically, was to encourage and assist local units, especially the Lead Units, to develop closer working relationships with federal and state agencies and to facilitate contacts with such agencies.

One example of a specific means of encouraging interagency cooperation through technical assistance was in the area of investigative accounting. This service is provided by two consultants to the ECP. Comments to Battelle staff during interviews and unit responses in the first National Strategy survey of the ECP Units¹⁸ revealed that auditing/accounting was one area of expertise in which the ECP frequently sought the assistance of experts from other agencies--not because of any reservations about the investigative accounting consultant services provided by the Project Center, but simply because requests from units far outstripped the ECP resources available. Encouraging units to avail themselves of the services and training programs of federal agencies in this area was seen as a means of fulfilling a specific need and simultaneously laying the groundwork for closer interagency cooperation in the future.

The technical assistance offered by the Project Center to the Lead Units has been more in the form of support and

encouragement than specific technical advice, onsite assessment, and planning, since the goal of the Lead Unit effort was to experiment with translating national-level planning and policy statements into local initiatives to establish and foster cooperation and coordination in individual cases. The experts on local problems and strategies that would work in any specific jurisdictions, it was recognized, would be the Lead Unit staffs and their local counterparts from state and federal agencies.

D. The National Strategy Initiative and Other Project Efforts

Initially the major function of the central staff of the ECP was to "encourage district attorneys to give priority to combating local economic crime by organizing special economic crime departments within their offices." These Economic Crime Units have become the core of the ECP. When the National Strategy initiative was launched, Project Center efforts in support of these units were subsumed under the Program Component of the Project. It was recognized from the outset that many of the Project's Program Component efforts described in Chapter Two would have National Strategy implications. This interrelationship of the National Strategy program and the ongoing ECP operations will be discussed briefly below.

At the outset, a strategy was devised to pass on to the units the lessons and benefits of the National Strategy initiative. As National Strategy initiatives and strategies were developed, they were to be passed on to ECP Units through the Program Division. For example, at the quarterly Unit Chiefs' meetings, presentations and workshops were conducted on the National Strategy concerns and efforts to preserve the integrity of government programs. The six Lead Units described earlier were seen as key to this process, as were the ECP Task Forces described in Chapter Two.

At the Unit Chiefs' Conference held in Tucson in February, 1978, panel discussions and presentations were given to explain this new initiative and enlist the units' support. As one measure of the impact of this effort, the Unit Chief of the Louisville unit (subsequently designated a Lead Unit) and several others returned to their jurisdictions and began to explore efforts to foster interagency cooperation. Workshops and panel discussions were a regular part of each subsequent Unit Chief meeting, as has been described in Chapter Two (see Section III.D of that chapter, above).

The Task Forces proved to be effective vehicles for translating National Strategy initiatives into local action. For example, in the early months of the initiative, the Business Opportunity Clearinghouse began to work closely with the Federal Trade Commission. The Antitrust Task Force began to explore the link between white-collar and organized crime, a national priority which is also the subject of federal, state, and local anti-crime efforts. Similarly, the Insurance Task Force focused on the problem of arson for profit. The establishment of the Official Corruption and Procurement Task Force was a strong statement of the high priority to be given to efforts to combat fraud, abuse, and error in governmental programs. Because all of these efforts focused on national priority areas and involved federal, state, and local cooperation, all were important elements of the National Strategy initiative.

In fulfillment of the National Strategy objectives each Task Force was expected to take the lead in providing assistance and models to other units in implementing National Strategy initiatives. Further, the Project encouraged representatives of state and federal agencies interested in the subject matter to become associate members of the Task Force. It was anticipated that each Task Force would have associate members from existing units and representatives from federal, state, and local entities as well as the private sector. The

results of these efforts are described in Section II.C of Chapter Two, above.

As a natural spin-off of the National Strategy efforts, the ECP has played a significant role in development of statewide Economic Crime Councils through which all levels of government might work on a unified basis. The goal of the statewide Economic Crime Council program was to promote interaction and cooperation between local, federal, and state prosecutors within each state.

A Council was established in the state of Pennsylvania through the efforts of the Project, the Philadelphia ECP unit, and the Pennsylvania District Attorneys Association. This Council received a grant of LEAA funds from the Pennsylvania Commission on Crime and Delinquency, and is under the auspices of the Pennsylvania District Attorneys Association. This Council serves as a coordination point for statewide efforts against white-collar crime and provides technical assistance to Pennsylvania prosecutors in much the same manner as the technical assistance presently rendered by the ECP Project Center to Project units. It meets regularly to compare notes on cases, exchange information, and work out matters of mutual cooperation. More recently, a statewide council was formed in New York state. Preliminary discussions about the formation of additional councils were held with officials from several other states.

E. The Second National Strategy Conference

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

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

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

F. Subsequent Efforts

Since the Second National Strategy Conference, Project staff refocused its efforts in the direction of developing specific programs and initiatives with a narrower range of federal and state agencies and working through the Lead Units in implementing the National Strategy initiative on the local level. The Program Component became more active in the National Strategy effort as the planning function tapered

off and implementation efforts were stepped up. Less effort was devoted to establishing initial contact with additional federal agencies, although the Project continued to respond to approaches made by other agencies.

The Lead Units took a more active and direct role. The Unit Chiefs began to meet regularly in breakfast hours at the Unit Chiefs' Conferences to exchange information and plan new initiatives. They constituted themselves a Task Force, although there were no Project funds available to cover the travel or other costs associated with such an effort. They met with federal officials in Washington, D. C. for two days in early 1980 to establish contact on a more personal level, discuss problems encountered to date, and explore avenues of mutual collaboration on the local level. Subsequently they agreed to serve as liaison between the specified federal agencies and the ECP units. As mentioned earlier, the number of Lead Units was expanded to 12, and each of the original Lead Units agreed to assist one of the new ones.

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

Perhaps the National Strategy initiative with the greatest long-range potential is the Project role in the recently-formed Executive Working Group for Federal-State-Local Prosecutorial Relations. This Working Group arose out of efforts under an interagency Memorandum of Understanding (MOU) signed between the Criminal Division of the U.S. Department of Justice and LEAA on July 31, 1979. The MOU established a committee of three officials from each agency to share ideas on how to

improve federal, state, and local law enforcement in such areas as white-collar crime, organized crime, and arson. The Criminal Division agreed to review and comment on LEAA grant applications in these areas and to conduct training sessions for state and local prosecutors. One of the first efforts to be undertaken was to study the possibility of establishing a federal-state-local working group in these areas.

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

One of the primary functions of this group is to support the 42 Federal-State-Local Law Enforcement Committees already established and encourage the formation of new ones. It is also developing exchanges of information in such areas as enforcement resources, differing approaches to enforcement, legislative proposals, training and federal financial assistance, and also identifying areas in which additional law enforcement data will be exchanged. The by-laws state that the Executive Working Group is designed to open discussion and encourage the free exchange of information; they specify that it is not to be used as an advisory body for or provide any advice or recommendations to federal, state, or local governments.

The Executive Working Group is composed of six standing committees (concurrent jurisdiction, legislation, training, Federal-State-Local Law Enforcement Committees, law enforcement assistance programs, and data collection).

II. FEDERAL-LEVEL INITIATIVES

This section describes the results of National Strategy initiatives involving several federal agencies.

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

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

In February, 1979, then-Attorney General Griffin B. Bell issued an order creating an Office of Economic Crime Enforcement within the Criminal Division of the Department of Justice. The goal of this office was to establish Economic Crime Enforcement Units in approximately 30 U.S. Attorneys' Offices throughout the country, to combat white-collar crime by coordinating federal law enforcement efforts. The first of these units began operation in Portland, Oregon, on April 1, 1979. Shortly thereafter additional units were established in Los Angeles; Denver; Columbia, South Carolina; Cleveland; Philadelphia; and New Haven, Connecticut. By March 1, 1980, a total of 14 such units were in operation, new ones having been established in Birmingham, Phoenix, San Francisco, Atlanta, Boston, Detroit, Pittsburg, Houston, and Dallas.

Each unit consists of a Criminal Division attorney, an Economic Crime Enforcement Specialist, and at least three other experienced Assistant U.S. Attorneys. Their initial tasks were to gather information on the extent of white-collar crime

within their respective regions and to help to establish investigative and prosecutorial priorities. During the first six months of this program the units attempted to identify major white-collar crime containment needs as the basis for setting these priorities. Thus, these units are priority-oriented, not case-oriented. The Economic Crime Specialists are responsible for developing all aspects of economic crime enforcement, including prevention, detection, investigation, prosecution, and sentencing enhancement. They employ a methodical, strategic approach based on research and analysis.

The information which these units have gathered has been used in the development of national, federal government-wide priorities which are expected to be announced by the Attorney General in late summer, 1980. These national guidelines are expected to provide flexibility for the establishment of regional guidelines and priorities, which may well differ from region to region. The units will be actively involved in the development of these regional guidelines in consultation with other federal, state, and local agencies.

To establish the basis for further cooperation, Lead Unit chiefs have met with their Economic Crime Enforcement Unit counterparts in several jurisdictions. However, because the U.S. Attorneys' Offices' units are so new and because the problems of interagency coordination within the federal government are pressing, there have not, to date, been any major federal-local initiatives in this area.

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

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

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

As mentioned, the Antitrust Division of the U.S. Department of Justice began early to work with Project staff and the Antitrust Task Force to enhance efforts in this area. The Antitrust Division's efforts to this time had been concentrated on working more closely with state-level government, through a grant program funding antitrust initiatives in Attorneys' General offices. In large part through Project efforts, on January 31, 1979, the Division issued a press release announcing its intention to work with NDAA to establish an antitrust liaison to emphasize antitrust enforcement on the local level. Mr. John H. Shenefield, then-head of the Division, pointed out that local prosecutors had recovered substantial sums for their jurisdictions and observed that they could promote competition because of their familiarity with the economic environment in their communities. He urged them to advocate competitive policy before local officials such as licensing bodies and purchasing agents. If they had insufficient resources to complete an investigation or prosecution, he urged them to refer the matter to a state antitrust unit or to the Division.

Mr. John J. (Jeff) Miles, Jr., Division liaison to local prosecutors, prepared a paper "Suggestions to Local Prosecutors on Establishing an Antitrust Enforcement Program," which was circulated to the Project units. This paper is reported by Project staff to have been of substantial use to the Unit Chiefs.

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

extensive cooperation, for example, on specific cases. The Task Force continues to explore possibilities for joint training. Several NAAG member offices have training materials and courses for offices beginning efforts in this area, which they have offered to make available. The Antitrust Division has also offered to make its trainers available. Budgetary constraints, however, have hampered further efforts in this area.

C. U.S. Department of Agriculture

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

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

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

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

Lead Unit chiefs met with the Inspector General and members of his staff in Washington, D. C. in early 1980. This office indicated its willingness to send local-level officials to its national training program at Glencoe, and to its short training program. It was noted that the USDA provides 75% federal reimbursement to states for fraud investigations; presumably local prosecutors could bill the states for the portion of this reimbursement attributable to their efforts. The Department is exploring legislation to permit state and local governments to retain 50% of the funds recovered through fraud investigation and prosecution.

The Inspector General stated that the USDA attempts to obtain an indication of the local U.S. Attorney's interests in a case early in the process, and if the U.S. Attorney is not interested, to meet with local prosecutors and tailor the investigation to meet the needs of local prosecution. The Department is anxious to prosecute its cases, and looks forward to working with federal and local prosecutors.

The Department and Lead Unit chiefs discussed the possibility of targeting Supplemental Summer Feeding investigations in Lead Unit jurisdictions. Following the Washington meeting, the Minneapolis unit chief invited the local USDA representative to join the state interagency working group which this office had formed.

On May 22, 1980, the USDA Office of Inspector General issued a press release describing a cooperative effort between its Atlanta office, local police, and the Clayton County prosecutor, which resulted in an arrest for the illegal purchase of over \$1,000 in food stamps. This was reported to be the first such prosecution under Georgia rather than federal

law. If successful, it was seen as only the beginning of a combined effort by federal, state, and local authorities to curb the trafficking of food stamps in Georgia.

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

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

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

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

An October 1, 1979, Project memo to the ECP units describing liaison efforts with HUD to date identified community development block grants and interstate land sales as

areas of special HUD concern. This memo urged local prosecutors to report the names of persons convicted of crimes involving fraud or business opportunity schemes to HUD to determine whether these people should be barred from the list of those eligible to provide services and supplies to HUD-related projects. A list of HUD Inspector General Regional Offices and local Duty Stations was attached, and ECP units were encouraged to call their local HUD counterparts.

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

The HUD Inspector's General office has also begun to issue a series of Fraud Information Bulletins. The first of these, on Section 8 (Housing Assistance Payment Programs) frauds, has been sent to the ECP units. This bulletin briefly outlines the scope of the program and describes with pertinent examples typical fraud and scheme indicators. These include tenant misrepresentation of eligibility, misrepresentation by Section 8 project administrators, false billing, tenant overcharging, collusion and bribery.

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

Among the problems which have been encountered are a lack of HUD staff. The Minneapolis office observed, for example, that the nearest HUD office is in Chicago and that the one agent there has responsibility for five states. The HUD emphasis has also been on matters with national or regional significance, which precludes many of the types of matters

encountered on the local level. There has also been a de-emphasis on recipient fraud, since a high proportion of these have been declined by local U.S. Attorneys. Interstate land sales have posed particular problems, since the law lacks "teeth," there are no adequate provisions for administrative enforcement, and U.S. Attorneys frequently decline these cases.

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

E. The U.S. Department of Energy

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

Due to the energy crisis a significant potential exists in the energy area for joint efforts to combat crimes involving contaminated oil, improper octane, tie-ins for the purchase of gas, excessive prices and fraudulent gas saving devices. In this regard, one ECP Unit Chief in California is moving this potential for interaction forward on a local and state agency basis.

As the price of gasoline rose and there was increasing public concern for saving energy, a host of so-called "gas-saving" or "energy-saving" devices came on the market. Many claimed to have demonstrated their value in laboratory tests, and some even claimed to have received the endorsement of federal or state agencies. "Exclusive" distributorships were

offered, along lines familiar to prosecutors with experience in the business opportunity and franchise fraud area. In response to this, the Metropolitan Denver Office began a national gas-savings device clearinghouse along the lines of its successful business opportunity clearinghouse, described earlier. At the close of the grant period covered in this report, the Denver office was optimistic about its chances of receiving a grant from the Department of Energy to continue and expand this effort.

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

Project staff has also met with the Office of Inspector General of the Department of Health and Human Services. The Director of the Division of State Medicaid Fraud Control is currently the liaison to the Project. Further efforts to date have been limited, in part because of reorganization and turnover within the Department. Further efforts are seen as involving Medicaid fraud. Federal cooperation with other levels in government have previously been concentrated on working with state-level offices.

G. The Federal Bureau of Investigation

The Federal Bureau of Investigation has been helpful on the national level in assisting to promote the National Strategy initiative. Its training courses have been excellent and the Bureau has made these freely available to unit staff despite increasingly severe budget restrictions. The Bureau has been actively involved in planning the Second and Third National Strategy Conferences, in July of 1979 and 1980, and provided the facilities for both of them. The Bureau has also been active with the Executive Working Group discussed earlier, which has also involved Project staff.

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

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

Units have encountered some problems in matters arising out of FBI investigations. First of all, the Bureau is an arm of the U.S. Department of Justice and must respond to the Department's priorities. Thus, when the U.S. Attorney's Office declines a case or it becomes clear that no federal offense is involved, special permission must be obtained if the agents are to be further involved. And, as was explained to Lead Unit Chiefs in their Washington meeting with Bureau representatives, policies restrict agents from other jurisdictions or other law enforcement agencies from being informed of pending investigations. Permission must be obtained from the U.S. Attorney's Office before agents can discuss these matters with local officials. Thus, units may obtain better results by working through their local U.S. Attorneys in obtaining Bureau cooperation in these cases. Logistical problems exist with joint investigations. The Bureau must retain control, and there can be only one investigative report, on Bureau forms.

These have not, by any means, proved to be insurmountable barriers to cooperation. Several units have reported examples of close FBI cooperation on cases. One Lead Unit chief meets with his local Bureau representative once a month on a personal basis for lunch. He reports a number of successful joint investigations, total sharing of information, and a quick turnaround time on requests for information.

H. The U.S. Postal Inspection Service

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

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

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

III. THE LEAD UNITS

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

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

A. The Atlanta Unit

The Atlanta office is the smallest of the Lead Unit offices, with a staff of one attorney and one investigator/accountant. One of the reasons it was selected was that Atlanta is also the location of the regional offices of many federal agencies. Because it is in the state capital and many state agencies bring it cases, for all practical purposes it is a statewide office.

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

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

There have been monthly economic crime meetings for at least two years, begun at the request of the local bankers'

association. Some 25 to 40 people attend, including representatives from the FBI, state Medicaid and securities offices, the Insurance Crime Prevention Institute, and local police. Participants share information and facilitate joint efforts on cases, referrals, and other cooperative efforts. Specific task forces are formed for individual cases, a tactic which is reported to have worked well.

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

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

B. The Denver Unit

The Metropolitan Denver unit is a consumer protection office under the auspices of the prosecutors of the five counties in the Metropolitan Denver area. Its role in hosting the Business Opportunity Fraud and Gas Savings Device Clearinghouses has been described. These clearinghouses have served to promote National Strategy efforts by fostering closer cooperation with the Federal Trade Commission and the U.S. Department of Energy. State Attorneys General have also become

involved in this effort, many having requested information from, or provided information to, the clearinghouses.

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

Cooperation with the Colorado Attorney's General Office has increased dramatically since the office became a Lead Unit. This has included obtaining assistance from the Attorney General in the investigation of a pyramid scheme, a jointly-funded investigation into gas saving devices, and cooperative efforts with respect to business opportunity frauds.

The unit also assisted in organizing a training course in financial investigative techniques for local prosecution and law enforcement offices, taught by the IRS.

In January, 1980, the unit sponsored a roundtable on freezer beef sales, to discuss monitoring and possible joint action. This was attended by representatives from the U.S. Department of Agriculture Office of the Inspector General, the FTC, the Colorado Department of Agriculture, the Consumer Protection Division of the Attorney General's Office, and other concerned officials.

C. The Los Angeles Unit

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

This office has also been exploring means of working with the Interstate Commerce Commission in matters of fraud in connection with household moves.

D. The Louisville Unit

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

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

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

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

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

The Task Force originally met once a month, but currently meets about every three months. These meetings have been hard to schedule at a time convenient to all the participants, and not all of the formal topics for these meetings have been of interest or concern to all the Task Force members.

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

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

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

E. The Minneapolis Unit

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

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

The office has also obtained witness protection services from the U.S. Marshal's Office--which had an unexpected benefit

when they discovered that another witness they were protecting was observed picking up checks being mailed to a vacant address as part of a mail fraud scheme. This case was developed with the Postal Inspectors, and prosecuted on the federal level because a higher penalty could be obtained.

The Postal Inspection Service also has provided access to its computers for data collection and analysis in a complex case which had sufficient relevance to the Postal Inspection Service's mission to justify this assistance.

The staff includes an attorney, formerly the head of the state attorney discipline staff. That body routinely sends the unit information on matters which seem to involve criminal solicitation. At last report the unit had five or six of these cases pending. Similarly, the unit investigates an average of one attorney a month. At the close of such an investigation relevant information is forwarded to the lawyer discipline staff.

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

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

Inspection Services, and the Bureau of Alcohol, Tobacco and Firearms. State agencies include the state police, Attorney General's office, state securities agency, state tax department, and state welfare department.

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

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

F. The Philadelphia Unit

The Philadelphia unit, as has been described earlier, was instrumental in developing the Pennsylvania Economic Crime Council. At the time of the first Battelle site visit to this jurisdiction, it was reported to be rare for the unit to work investigations with federal agencies and only occasional interaction was reported. By the time of the second site visit, relations with federal agencies were reported to be extremely good and the unit had entered into written agreements with the IRS and the Secret Service.

This unit pioneered the strategy of referring cases to the IRS after a conviction had been obtained. The unit also obtains information and technical assistance (e.g., handwriting analyses) from the Secret Service. The Service handles the matter to the point of arrest, and the unit supervises the subsequent development of the case and prosecutes it. The advantages are that the cases require only a minimal expenditure of unit resources and they are cases which would not otherwise be prosecuted since they fall outside federal declination guidelines.

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

CHAPTER FIVE

UNIT INTERACTIONS WITH OTHER AGENCIES; THE NATIONAL STRATEGY SURVEYS

I. LEAD UNIT INTERACTIONS WITH OTHER AGENCIES

A. National Strategy Questionnaire Results: Data on Lead Unit Interactions with Other Agencies

One of the original goals of the National Strategy initiative was to increase ECP unit interactions with other agencies. The implementation of agreements with federal and state agencies were expected to result in a 25% increase in interaction with these agencies by the end of 12 months, and a 50% increase by the end of the 18th month. Lead units were expected to develop their own ongoing liaison mechanisms with federal and state agencies with the guidance and support of the project's National Strategy staff, which was anticipated to result in a 40% increase in Lead Unit interaction with these agencies after one year, and a 200% increase after 18 months.

In order to assess increases in unit interactions with federal and state agencies and national organizations such as the Insurance Crime Prevention Institute, questionnaires were sent to the units in the spring of 1979 and again in the spring of 1980. (Copies of the two instruments are presented in Appendix D of this report.) The results of the first National Strategy survey are presented in a report, "Economic Crime Project Unit Interaction at the Federal and State Levels: An Analysis of the Results of the National Strategy Questionnaire," previously submitted to NDAA and LEAA.²⁰ These results will be compared to the results of the second survey of the units in the next section of this Chapter. The purpose of this section is to compare the results of the Lead Units' responses for the two periods.

Unit chiefs were asked to recall from memory, poll their staff, and review project records in order to estimate the

number of cases referred to the unit from other agencies; the number of cases in which such referral was accompanied by an investigative "package" before referral or by post-referral assistance; the number of cases the units referred to other agencies and whether the unit continued to be involved in these cases after such referral; the number of times the unit had requested other investigative assistance; the number of times a unit either supplied an expert to another agency or used an expert provided by another agency; the number of instances where units coordinated prosecution with another prosecutorial or investigative agency; whether unit staff had attended joint training with staff of other agencies; and whether the unit had written agreements in force with other agencies.

Several caveats should be borne in mind in reviewing the data presented in this section. First, the comparison of Lead Unit interactions with other agencies in the two periods is done "in abstract"; no comparison is made between Lead Units and other economic crime units for either period, nor is any analysis conducted with respect to changes in Lead Unit interactions in the two periods, on the one hand, and changes in the other economic crime units in these periods, on the other hand.

Second, the responses to these instruments were estimates by unit chiefs. While information reported in the Economic Crime Project Reporting System is the type of information that many units routinely keep for management, budget, and public relations purposes, the data requested in the questionnaire were less likely to be kept by the units as a matter of routine. Many respondents indicated that the figures presented in the questionnaire were minimum figures; that there may well have been more interactions which staff members could not quickly recall. (Because the number of investigations and cases in which interagency interaction occurs is such a small percentage of the units' caseload volume, it was deemed impractical to have unit staff review all investigation and case files for the six-month periods under examination.)

The six Lead Units differ in their mandates. The Metropolitan Denver District Attorneys Office of Consumer Fraud and Economic Crime, for example, has a heavy focus on consumer complaint mediation, investigation of consumer matters, and operation of the business opportunities clearinghouse, but refers many cases to the member district attorneys' general trial staff if prosecution is warranted. The head of the Minneapolis unit characterized her unit as being civil, primarily consumer, in nature in a recent presentation to officials of the U.S. Postal Inspection Service in Washington, D.C. Other units may devote their resources mainly to investigation and prosecution matters that are clearly criminal. Caseloads may vary in size or composition. It was learned during Battelle site visits that the "climate" and interactions between criminal justice agency officials varies dramatically between the units. Because of these factors, it is inapposite to "compare the performance" of identified Lead Units. Thus, in the data presented in this section the Lead Units are designated by letter ("Unit A," "Unit B") rather than by name.*

The Lead Units reported having received more referrals from other agencies in the second survey period than in the first, as is indicated in Table 5.1 on the next page. The total number of matters referred to the six units rose from 61 to 192, or 314.8%. Referrals from federal agencies rose from 5 to 28, state agency referrals rose from 55 to 150, and matters received from national-level organizations rose from 1 to 14.

A note of caution should be interjected in interpreting the percentage increase in unit interactions between the two survey periods. The project began the National Strategy initiative because there was so little interaction among units and other

*Each unit was assigned a random number, then data were arranged to list units in rank order (lowest first) based on the random numbers thus assigned.

TABLE 5.1

MATTERS REFERRED TO SIX LEAD UNITS BY OTHER AGENCIES
IN THE LAST HALF OF 1978 AND 1979, BY
JURISDICTIONAL LEVEL OF AGENCY

Lead Unit	Total		Federal Agencies		State Agencies		National Organizations	
	1978*	1979*	1978	1979	1978	1979	1978	1979
Unit A**	3	6	0	1	2	5	1	0
Unit B	7	23	0	2	7	19	0	2
Unit C	10	68	0	6	10	60	0	2
Unit D	6	10	2	1	4	9	0	0
Unit E	26	44	3	16	23	23	0	5
Unit F	9	41	0	2	9	34	0	5

* July 1, 1978, to December 31, 1978; July 1, 1979, to December 31, 1979.

** Note: Units randomly assigned letter identifiers to avoid problems of inappropriate comparison of units with different mandates and priorities, operating in different "political" environments.

agencies; thus, the percentage of matters or cases which involved interactions with other agencies was but a small percentage of the units' workload. Thus a 300% increase in the number of cases referred to units by other agencies could mean that matters from other agencies could rise from five percent of the unit's investigations and prosecutions to 15%. This issue was considered in establishing Project goals of increasing unit interaction 200%.

As indicated in our report on the first survey, more referrals were received from state agencies than from federal agencies. This pattern continued among the Lead Units in the second survey period, with 150 matters coming from state agencies and 28 matters coming from federal agencies. But the percentage of referrals which came from federal agencies rose from 8.2% in the first period to 14.6% in the second. In the first period, only two of the six units had received any referrals from federal agencies, whereas in the second period each of the six Lead Units received at least one federal referral.

The agencies and organizations making these referrals are indicated in Table 5.2, which follows. Because the number of matters is so small, it is difficult to determine whether it reflects random caseload fluctuations or is indicative of trends.

Table 5.3, following Table 5.2 below, provides an indication of the degree of agency-unit interaction which occurs in connection with case referrals. The first column of figures represents the number of matters referred to the units between July and December, 1979, as reflected in the first column on Table 5.2. The second column represents the number of instances where referral was accompanied by a fairly complete investigative "package" describing a statement of facts, a listing of witnesses and the nature of their testimony and descriptions or copies of necessary documentary evidence. Units receiving such "packages" are spared the time and expense of extensive basic investigation, and are thus in a better position to evaluate the case and to prosecute.

TABLE 5.2

AGENCIES REFERRING MATTERS TO SIX LEAD UNITS
IN LAST HALF OF 1978 AND 1979, BY AGENCY

(Rank Order, by 1979 Frequency)

Agency	1979	1978
<u>Federal Agency</u>		
Secret Service	10	0
U.S. Postal Inspection Service	6	1
Federal Bureau of Investigation	6	0
U.S. Attorney	2	0
Housing and Urban Development	1	0
Interstate Commerce Commission	1	0
U.S. Department of Transportation	1	0
U.S. Department of Health, Education, and Welfare	1	0
Social Security	0	1
Securities and Exchange Commission	0	1
Federal Trade Commission	0	1
Federal Aviation Administration	0	1
<u>State Agency (generic title)</u>		
Welfare, Medicare/Medicaid, Human Services	77	22
Attorney General, same state as unit (including consumer units)	13	7
Securities, Banking and Securities	11	2
State Police, Bureau of Criminal Appre- hension, statewide organized crime or corruption unit	11	1
Secretary of State	8	0
Insurance	7	1
Revenue, Taxation	4	2
Motor Vehicles (including dealer licensing, auto repair bureau)	4	0
Labor, Employment Services, Industrial Safety	3	1
Real Estate Commission	2	0
Agriculture (including measurement standard)	2	0
Probation Department	1	0
Lawyers' Responsibility Board, State Bar Grievance Committee	1	1
State Medical Association	1	0
Attorney General, state other than one in which unit is located	1	0
Contractor Licensing Board	1	0
Legislative Auditor	1	0
Health	1	4
Public Utility Commission	1	1
Board of Optometry	0	1
Transportation	0	1
Housing	0	1
<u>National Organizations</u>		
Insurance Crime Prevention Institute	14	0
Better Business Bureau	0	1

TABLE 5.3

PRE-REFERRAL INVESTIGATIONS AND POST-REFERRAL ASSISTANCE
BY REFERRING AGENCIES IN MATTERS REFERRED TO SIX
LEAD UNITS IN LAST HALF OF 1979, BY AGENCY

(Rank Order, by 1979 Frequency)

Agency	No. of Matters Referred	No. Pre- referral Investigations	No. Post- referral Assists
<u>Federal Agency</u>			
Secret Service	10	10	10
U.S. Postal Inspection Service	6	6	6
Federal Bureau of Investigation	6	1	0
U.S. Attorney	2	0	0
Housing and Urban Development	1	0	0
Interstate Commerce Commission	1	0	0
U.S. Department of Transportation	1	0	1
U.S. Department of Health, Education, and Welfare	1	0	1
<u>State Agency (generic title)</u>			
Welfare, Medicare/Medicaid, Human Services	77	77	69
Attorney General, same state as unit (including consumer units)	13	5	10
Securities, Banking and Securities	11	8	10
State Police, Bureau of Criminal Apprehension, statewide organized crime or corruption unit	11	11	11
Secretary of State	8	0	8
Insurance	7	4	6
Revenue, Taxation	4	1	4
Motor Vehicles (including dealer licensing, auto repair bureau)	4	1	1
Labor, Employment Services, Industrial Safety	3	0	0
Real Estate Commission	2	1	1
Agriculture (including measurement standard)	2	2	2
Probation Department	1	0	0
Lawyers' Responsibility Board, State Bar Grievance Committee	1	0	0
State Medical Association	1	0	0
Attorney General, state other than one in which unit is located	1	1	0
Contractor Licensing Board	1	0	0
Legislative Auditor	1	1	0
Health	1	1	1
Public Utility Commission	1	0	1
<u>National Organizations</u>			
Insurance Crime Prevention Institute	14	8	13

But even where the unit receives a "package," further investigation or other assistance (e.g., handwriting analysis, investigative accounting assistance) may be required. The right-hand column on Table 5.2 indicates the number of times the unit went back to the referring agency and obtained such assistance.

Another goal of the National Strategy initiative was to broaden the range of remedies available when a unit could not itself prosecute a defendant as effectively or as efficiently as another agency. Thus, we asked units to indicate the number of matters referred to state or federal agencies in the two survey periods. The Lead Units' responses are shown in Table 5.4, which follows.

Because two of the units did not have this information (one for 1979 and the other for 1978), comparison can be made only with respect to four of the units. In each case, the number of referrals to federal agencies increased. Referrals to state agencies rose in two of the units, and remained constant in the other two.

The agencies to which these referrals were made are listed in Table 5.5. As in the case of Table 5.2, there is no basis for indicating whether changes between 1978 and 1979 reflect random caseload fluctuations or significant trends.

Table 5.6 indicates the number of matters in which the units continued to be involved following referral to another agency.

The units may also request assistance from state or federal agencies in matters other than those referred to the unit or referred to another agency by a unit. The number of times this occurred in the two survey periods is shown in Table 5.7. There has been an overall increase in such cooperation with respect to federal and state agencies alike, although the numbers are too small to indicate any significant trends with respect to any of the agencies listed.

Units may also seek to coordinate prosecution or other enforcement efforts with other agencies, to avoid duplication

TABLE 5.4

MATTERS REFERRED TO OTHER AGENCIES BY SIX LEAD UNITS
IN THE LAST HALF OF 1978 AND 1979, BY
JURISDICTIONAL LEVEL OF AGENCY

Lead Unit	Total		Federal Agencies		State Agencies	
	1978*	1979*	1978	1979	1978	1979
Unit A**	2	6	1	5	1	1
Unit B	4	16	0	6	4	10
Unit C	7	153	4	6	3	147
Unit D	N/A	175	N/A	50	N/A	125
Unit E	10	N/A	8	N/A	2	N/A
Unit F	2	5	2	5	0	0

* July 1, 1978, to December 31, 1978; July 1, 1979, to December 31, 1979.

** Note: Units randomly assigned letter identifiers to avoid problems of inappropriate comparison of units with different mandates and priorities, operating in different "political" environments.

TABLE 5.5

NUMBER OF MATTERS REFERRED FROM SIX LEAD UNITS TO OTHER AGENCIES, LAST HALF OF 1978, 1979, BY AGENCY
(Rank Order, by 1979 Frequency)

Agency	1979	1978
<u>Federal Agency</u>		
U.S. Postal Inspection Service	54	6
Federal Bureau of Investigation	11	0
Internal Revenue Service	4	3
U.S. Attorney's Office	1	4
Federal Trade Commission	1	0
Department of Transportation, National Highway Traffic Safety Commission	1	0
<u>State Agency (generic title)</u>		
Attorney General	235	6
Motor Vehicles (including dealer licensing, auto repair bureau)	25	0
Welfare, Medicare/Medicaid, Human Services	8	0
Revenue	6	0
Securities	3	0
Insurance	2	0
Labor, Employment Services, Industrial Safety	2	0
Weights and Measures	1	0
Banking	0	1
Lawyers' Responsibility Board, State Bar Grievance Committee	0	1
Auditor General	0	2
Professional and Occupational Affairs	0	1
<u>National Organizations</u>		
Better Business Bureau	0	1

TABLE 5.6

POST-REFERRAL ASSISTANCE BY SIX LEAD UNITS IN MATTERS REFERRED TO OTHER AGENCIES, LAST HALF OF 1978, 1979, BY AGENCY
(Rank Ordered, by 1979 Frequency)

Agency	No. Matters Referred by Unit	No. Matters with Unit Post-Referral Assistance
<u>Federal Agency</u>		
U.S. Postal Inspection Service	54	0
Federal Bureau of Investigation	11	7
Internal Revenue Service	4	0
U.S. Attorney's Office	1	1
Federal Trade Commission	1	1
Department of Transportation, National Highway Traffic Safety Commission	1	0
<u>State Agency (generic title)</u>		
Attorney General	235	7
Motor Vehicles (including dealer licensing, auto repair bureau)	25	0
Welfare, Medicare/Medicaid, Human Services	8	8
Revenue	6	0
Securities	3	3
Insurance	2	2
Labor, Employment Services, Industrial Safety	2	0
Weights and Measures	1	0

of effort and gain the maximum impact. A number of practical considerations may enter into this. Federal laws may provide for more stringent penalties or for civil remedies not available under state law. Evidence admissible in one court may not be admissible in another. One of the coordinating agencies may have more expertise on this particular subject, or more resources to devote to the case.

The number of times Lead Units coordinated prosecution or other enforcement efforts with another agency are indicated in Table 5.8. Such coordination increased in 1979, but, again, the numbers are too small to indicate a significant trend.

The number of times the units used experts from other agencies in the two periods is reflected in Table 5.9. This table also indicates the areas of expertise involved. Similarly, Table 5.10 shows the number of times units provided expertise to other agencies, and the types of expertise involved. The tables show increases in the 1979 period, but the numbers are too small to reflect significant trends.

In the period encompassed by the second survey, staff of all six Lead Units had attended joint training sessions with staffs of other agencies. Indeed, several of these units had hosted joint training sessions provided by the project's investigative accountant, the Internal Revenue Service, or the Federal Bureau of Investigation. In the first survey, by contrast, five of the six units reported that their staffs had participated in joint training sessions.

At the time of the first National Strategy questionnaire, the only written agreement in force between a Lead Unit and another agency was a pledge of cooperation between the Hennepin County (Minneapolis) unit and the Federal Bureau of Investigation. Lead Units reported in the second survey that three additional agreements had been signed. One was between the Louisville unit and the Kentucky Department of Revenue. The Philadelphia unit reported new agreements with two federal agencies, the Internal Security Division of the Internal

TABLE 5.7

INSTANCES OF INVESTIGATIVE ASSISTANCE TO SIX
LEAD UNITS FROM OTHER AGENCIES, LAST HALF
OF 1978 AND 1979, BY ASSISTING AGENCY

(Rank ordered, by 1979 Frequency)

Agency	1979	1978
<u>Federal Agency</u>		
Internal Revenue Service	2	0
Secret Service, U.S. Treasury	2	0
U.S. Postal Inspection Service	1	0
U.S. Attorney	1	1
Social Security Administration	1	0
Federal Bureau of Investigation	1	0
<u>State Agency (generic title)</u>		
Attorney General	8	0
Secretary of State	6	0
Revenue	5	1
Welfare, Medicare/Medicaid, Human Services	2	0
Insurance	2	0
State Police, Bureau of Criminal Apprehension, statewide organized crime or corruption unit	0	3
Weights and Measures	0	1
Securities	0	1
<u>National Organizations</u>		
American Medical Association	1	0

Note: Units randomly assigned letter identifiers to avoid problems of inappropriate comparison of units with different mandates and priorities, operating in different "political" environments.

TABLE 5.8

INSTANCES OF COORDINATION OF PROSECUTION BY SIX
LEAD UNITS WITH OTHER PROSECUTIVE OR REGULATORY
AGENCIES, BY AGENCY, LAST HALF OF 1978, 1979

(Rank Ordered, by 1979 Frequency)

Agency	No. of Instances of Coordinated Prosecution	
	1979	1978
<u>Federal Agency</u>		
U.S. Attorney	6	1
Federal Bureau of Investigation	6	0
U.S. Postal Inspection Service	1	2
Internal Revenue Service	1	0
U.S. Department of Health, Education, and Welfare	1	0
U.S. Department of Transportation	1	0
<u>State Agency (generic title)</u>		
Attorney General (including consumer)	1	2
Real Estate Commission	1	0
Motor Vehicles	1	0
Welfare	0	1
Securities	0	2

TABLE 5.9

SIX LEAD UNITS' USE OF EXPERTS FROM OTHER AGENCIES, LAST
HALF OF 1978 AND 1979, BY AGENCY AND SUBJECT AREA

(Rank Ordered, by 1979 Frequency)

Agency/Area of Expertise	No. of Instances of Use of Experts	
	1979	1978
<u>Federal Agency</u>		
Internal Revenue Service (investigative accounting)	1	0
Secret Service, U.S. Treasury (handwriting)	1	0
U.S. Postal Inspection Service (handwriting)	1	0
Federal Bureau of Investigation (RICO statute)	0	1
Securities and Exchange Commission (accounting)	0	1
<u>State Agency (generic title)</u>		
Revenue (sales tax, state tax fraud)	2	0
Securities (securities, registration, fraud)	1	1
Welfare (fraud prosecution; exchange information; handwriting)	2	0
State Crime Lab (handwriting)	1	2
Agriculture/Weights and Measures (fuel analysis)	1	0
Commission on Travel Agencies	0	1
Attorney General (auto repair)	0	1

TABLE 5.10

PROVISION OF EXPERTS FROM SIX UNITS TO OTHER AGENCIES LAST
HALF OF 1978 AND 1979, BY AGENCY AND SUBJECT MATTER

Agency/Subject Matter	No. of Instances Unit Provides Expert	
	1979	1978
<u>Federal Agency</u>		
U.S. Department of Transportation (legal training)	1	0
<u>State Agency (generic title)</u>		
Welfare, Medicare/Medicaid, Human Services	2	0
Health (sanitation)	1	0

Revenue Service and the Secret Service. The Philadelphia agreements were the result of a formal declination policy of the U.S. Attorney's Office, that cases involving less than \$5,000 will not be prosecuted in the absence of other factors that make the case one of major significance. Under the Secret Service agreements the federal agency conducts an investigation and prepares a detailed report or "package." The Philadelphia economic crime unit prepares an affidavit of probable cause, and this is forwarded to the U.S. Attorney's Office for a formal declination. Following this, the Philadelphia Police Department becomes the affiant and makes the arrests. The Secret Service continues to be involved in the case, gathering evidence, ensuring that witnesses appear, and taking depositions.

B. National Strategy Questionnaire: Indices of Lead Unit Interactions with Other Agencies

In developing a strategy to expand cooperation and contact at the state and federal levels, it is useful to consider how the ECP Units differ in terms of the range of cooperative activities engaged in and the volume of such activities. For this purpose, in our report on last year's survey we developed indices of unit interactions with other agencies. Each Unit was given scores on each of three interaction indices. This section of this report compares Lead Unit scores on these indices in the two survey periods.

The indices measure different types of cooperative interaction and are composite measures of different variables. Index A focuses on case-specific cooperation (e.g., referrals in and out); Index B assesses the extent of the Unit's personnel exchange and training activities (e.g., experts provided to and from the Unit); and Index C refers to the Unit's general cooperative arrangements (e.g., written agreements).

Each score on these indices is determined by the Unit's responses to specific questionnaire items, each of which

provide an indication of the nature and volume of the Unit's cooperative interaction. Each score reflects a weighted combination of these items. The weighting reflects tentative Battelle staff judgments as to the relative importance of the several types of cooperative activity reported by the Units. The decisions as to the appropriate weight of each of these items are arbitrary and, therefore, subject to revision on the basis of later examinations. Further, this weighting reflects only one aspect of a Unit's activities, interagency cooperation, and should not be taken as a value judgment with respect to other (and often more important) aspects of prosecutorial activity.

Once each Unit was assigned a score on the "interaction" index, the range in scores for each of the three indices was computed. Those Units with scores falling into the lowest third of each index's range of scores were classified as "low interaction" Units; those Units with scores that fell into the middle third of the range of scores were classified as "medium interaction" Units; and those Units with scores that ranked in the top third of the range of scores were classified as "high interaction" Units.

Note that our approach was, first, to calculate a range of scores and, second, to arbitrarily divide this range of scores into thirds, using for this specific purpose the logarithms of the scores obtained in order to highlight subtle differences in the lower end of the indices, where most of the data clusters, and minimize the differences between these ratings and the few "extreme" cases at the higher end of the scale. Another approach would have been to divide the units into categories, placing one-third (or as approximately as the data would permit) of the units in each of the categories. While the latter alternative was tempting, it presented a methodological problem in comparing the results of future surveys with the data in this report; that is, from year to year our definition of "high," "medium," and "low" would change.

Classifying the Units by "interaction" scores and as "high," "medium," or "low" interaction Units is useful for analytical purposes. Each score indicates a Unit's relative involvement in cooperative activities vis-a-vis other Units as the scores divide the Units into those that are engaged in more interagency cooperation or less such cooperation. In addition, each score is useful as a data reduction device. A Unit's responses to several questions about cooperative interactions can be summarized in a single score, while maintaining much of the detail of those responses. In terms of future analyses, these classifications can provide baseline data to assess future changes in general cooperative interaction patterns between the ECP Units and federal, state, and non-governmental agencies and specific changes in each Unit's interaction patterns.

1. Index A (Case-Specific Cooperation). The interaction score of each Unit for Index A was calculated as follows:

$$\text{INDEX A SCORE} = (\text{NO. OF REFERRALS-IN} \times 3) + (\text{NO. OF REFERRALS OUT}) + (\text{NO. OF POST-REFERRAL ASSISTS TO THE UNIT} \times 5) + (\text{NO. OF POST-REFERRAL ASSISTS BY THE UNIT} \times 5) + (\text{NO. OF INVESTIGATIVE ASSISTS TO THE UNIT} \times 5).$$

In Index A, participation in three cooperative activities (post-referral assists to the Unit, post-referral assists by the Unit, and investigative assists to the Unit) are weighted much more heavily than are the Unit's referral of matters to other agencies. This activity may be engaged in by the Units for other than cooperative purposes (e.g., the Unit may refer matters out in order to "dump" these cases on another agency). As the Unit is more passive in receiving referrals from other agencies than it is in engaging in the last three items listed in Index A, this first element of the index is not weighted as heavily as the last three (but is seen as more important than referrals-out and postreferral assists). The weighting of the elements in the formula for Index A reflects these decisions.

2. Index B (Personnel Exchange and Joint Training). The interaction scores for Index B were derived by utilizing the following formula:

$$\text{INDEX B SCORE} = (\text{NO. OF EXPERTS PROVIDED BY THE UNIT} \times 2) \\ + (\text{NO. OF EXPERTS SUPPLIED TO THE UNIT}) + (\text{ENGAGING IN TRAINING COOPERATION} \times 2).$$

On Index B, the number of experts provided by the Unit to other agencies is seen as more important than the number of experts the Unit receives from other agencies. Whether or not the Unit engages in cooperative training experiences with other agencies is seen as equally important as providing experts to other agencies and more important than receiving experts from other agencies.

3. Index C (General Cooperative Arrangements). The items and weights composing Index C are:

$$\text{INDEX C SCORE} = (\text{NO. OF INSTANCES OF PROSECUTIVE COORDINATION} \times 2.5) + (\text{NO. OF WRITTEN AGREEMENTS} \times 3.5).$$

Engaging in prosecutive coordination is not seen as significant a cooperative activity as establishing written agreements. A written agreement is a symbolic, visible, and "public" commitment toward interagency cooperation. Consequently, the activities involving prosecutive coordination are given less weight than that of establishing written agreements. (Again, this weighting reflects judgments as to levels of interagency interaction, and should not be taken as a value judgment with respect to other [and often more important] aspects of prosecutive activity.)

4. Discussion. Lead Units' scores on Index A, case-specific cooperation, in the two survey periods are shown in Table 5.11. All units' scores increased dramatically

between the two surveys, even discounting a jump from 83 to 1,017 in Unit C's state-agency score which reflects a shift in responsibility in handling routine welfare recipient fraud cases. But there was no dramatic shift in the jurisdictional levels of the agencies with whom the units interacted. The major contribution to Index A scores was from interaction with state-level agencies which constituted 77.7% of the total score in 1978 and 80.8% in 1979. The portion of the score attributable to cooperation with federal agencies dropped from 17.0% in 1978 to 13.9% in 1979.

Each of the Lead Units except Unit C showed an increase in Index B (personnel exchange and joint training) scores as well, although the increases were not as dramatic as Index A (case-specific cooperation) score increases. This is shown in Table 5.12, which follows. On the federal level, scores increased for two of the six units, decreased for one unit, and remained constant for the remaining three. The largest increases were on the state level, where two units reflected large increases, two had small increases, and two remained the same.

Index C reflects more general cooperative arrangements, coordination of prosecutions, and entering into written agreements with other agencies. Lead Units' scores on this index in the two survey periods are reflected in Table 5.13, which follows. Three of the units' scores showed more than a two-fold increase, one reflected a minor increase, and two showed no change. In contrast to Indices A and B, here the increases were due largely to cooperative arrangements with federal rather than state agencies. This may reflect the project's focus on establishing stable and durable relations with federal agencies; i.e., increases in federal cooperative arrangements in this period may lead to increases in the federal components of Indices A and B scores in future years.

TABLE 5.11

INDEX A (CASE-SPECIFIC COOPERATION) SCORES: LEAD
UNIT INTERACTIONS WITH FEDERAL, STATE, AND
NONGOVERNMENTAL AGENCIES AND ORGANIZATIONS
IN THE LAST HALF OF 1978 AND 1979

Unit	Index A Score					
	1979			1978		
	Total	Federal	State	Total	Federal	State
Unit A	54	13	41	20	1	16
Unit B	225	32	177	45	0	45
Unit C	1,077	44	1,017	112	29	83
Unit D	225	53	172	43	11	32
Unit E	367	143	184	220	32	163
Unit F	358	46	272	89	17	72

TABLE 5.12

INDEX B (PERSONNEL EXCHANGE AND JOINT TRAINING) SCORES:
LEAD UNIT INTERACTIONS WITH FEDERAL, STATE, AND
NONGOVERNMENTAL AGENCIES AND ORGANIZATIONS
IN THE LAST HALF OF 1978 AND 1979

Unit	Index B Score					
	1979			1978		
	Total	Federal	State	Total	Federal	State
Unit A	3	0	1	2	0	0
Unit B	9	3	4	3	1	0
Unit C	6	0	4	7	1	4
Unit D	5	0	3	0	0	0
Unit E	9	2	5	3	1	0
Unit F	2	0	0	3	0	0

TABLE 5.13

INDEX C (GENERAL COOPERATIVE ARRANGEMENTS) SCORES:
LEAD UNIT INTERACTIONS WITH FEDERAL, STATE, AND
NONGOVERNMENTAL AGENCIES AND ORGANIZATIONS
IN THE LAST HALF OF 1978 AND 1979

Unit	Index C Score					
	1979			1978		
	Total	Federal	State	Total	Federal	State
Unit A	7.5	2.5	5.0	7.5	2.5	5.0
Unit B	13.5	11.0	2.5	6.0	3.5	2.5
Unit C	8.5	5.0	3.5	7.5	5.0	2.5
Unit D	0	0	0	0	0	0
Unit E	12.0	12.0	0	5.0	2.5	2.5
Unit F	20.0	20.0	0	2.5	2.5	0

5. Discussion: Lead Unit Index Ratings. As mentioned, in our 1978 survey report units were ranked "high-medium-low" on each of the indices. The logarithms of the units' scores were used to highlight subtle differences in the low end of the range of scores, where most of the unit scores were clustered, and the range of the logarithms of these scores was divided into thirds to create the categories.

Lead Units' ratings by this method are shown in Table 5.14. The number of units in each category on Indices A, B, and C are also shown on Figures 5.1, 5.2, and 5.3, respectively. These figures show the total number of units in each category on the total index, federal sub-index and state sub-index in the survey of the 1978 period, and the number of Lead Units in each category in the 1978 and 1979 periods. (Note that two scales are shown on the left side of the figure, one for all units and another for Lead Units. The scales are roughly comparable, to permit quick visual comparison.)

On Index A (case-specific cooperation), three units' ratings each increased from "medium" to "high." This was due more to federal than to state interactions: four units' ratings on the federal sub-index rose one category (low to medium or medium to high), while only three units' ratings rose one category on the state sub-index.

On Index B (personnel exchange and joint training), the shifts were more dramatic. Three units rose from "low" to "high" and one from "low" to "medium." (The only lowered rating occurred on the Index B full index.) Here, the difference would seem to be more a matter of state agency interactions. Four units' ratings rose on the state sub-index, two rising from "low" to "high." Three units rose on the federal sub-index, but each by only one category.

Three of the six units' ratings increased on Index C (general cooperation), one unit shifting from "low" to "high." This difference reflects federal-level activity. Three units' ratings rose (one category each) on the federal sub-scale, while this was true of only one unit on the state sub-scale.

TABLE 5.14

LEAD UNITS' RATINGS (HIGH-MEDIUM-LOW) ON INDEX SCORES,
LAST HALF OF 1978 AND 1979

Unit	INDEX A						INDEX B						INDEX C					
	(Case-Specific Cooperation)						(Personnel, Training)						(General Cooperation)					
	Total		Federal		State		Total		Federal		State		Total		Federal		State	
	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979
Unit A	M	M	L	M	M	M	L	M	M	M	L	M	M	M	M	M	M	M
Unit B	M	H	L	M	M	H	L	H	M	H	L	H	M	H	M	H	L	L
Unit C	H	H	M	M	H	H	H	H	M	M	H	H	M	M	H	H	L	M
Unit D	M	H	M	H	M	H	L	H	L	M	L	M	L	L	L	L	L	L
Unit E	H	H	M	H	H	H	L	H	M	H	L	H	M	H	M	H	L	L
Unit F	M	H	M	M	M	H	M	L	M	M	L	L	L	H	M	H	L	L

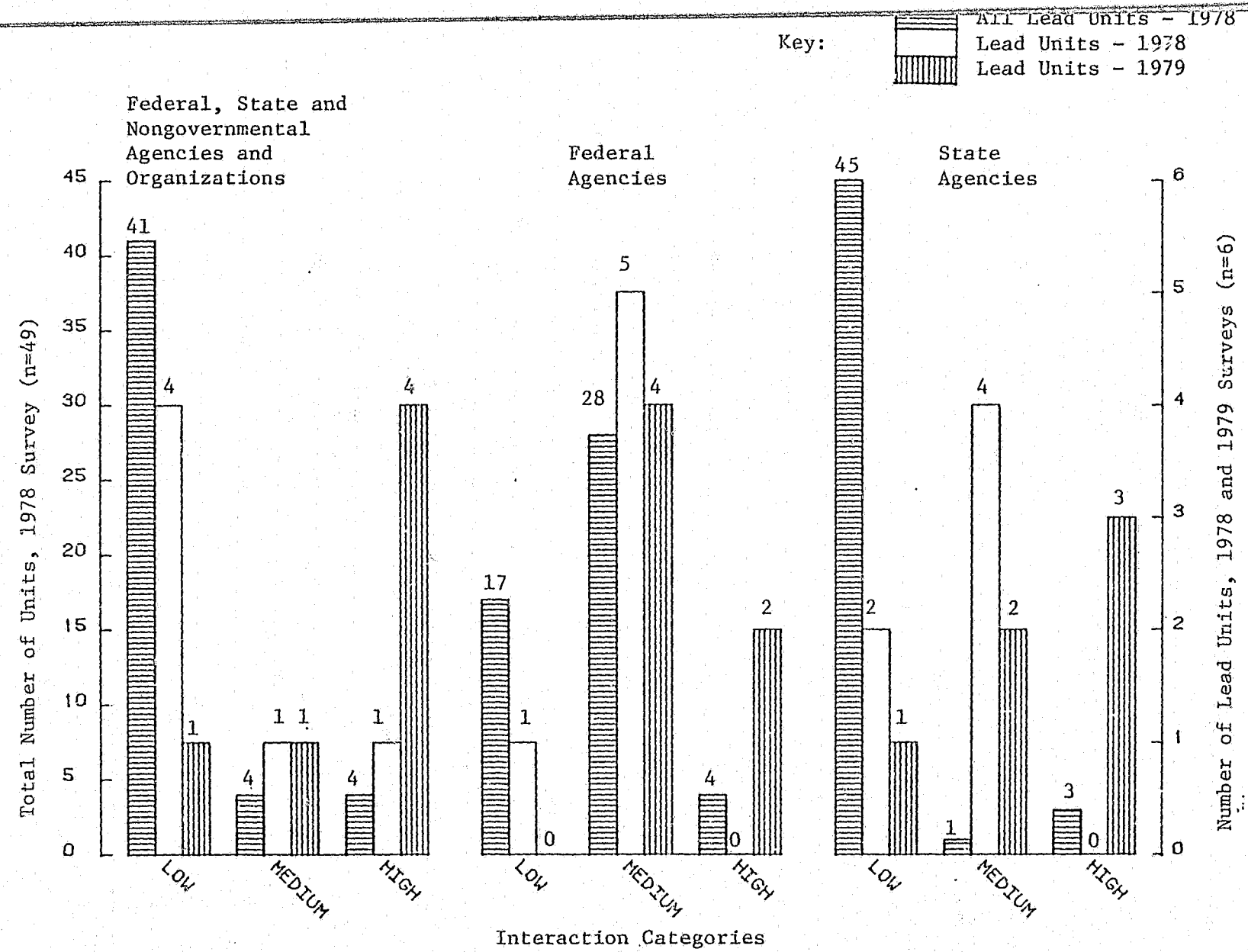


FIGURE 5.1
 CLASSIFICATION OF ALL ECP UNITS AND ECP LEAD UNITS
 INDEX A (CASE-SPECIFIC COOPERATION)

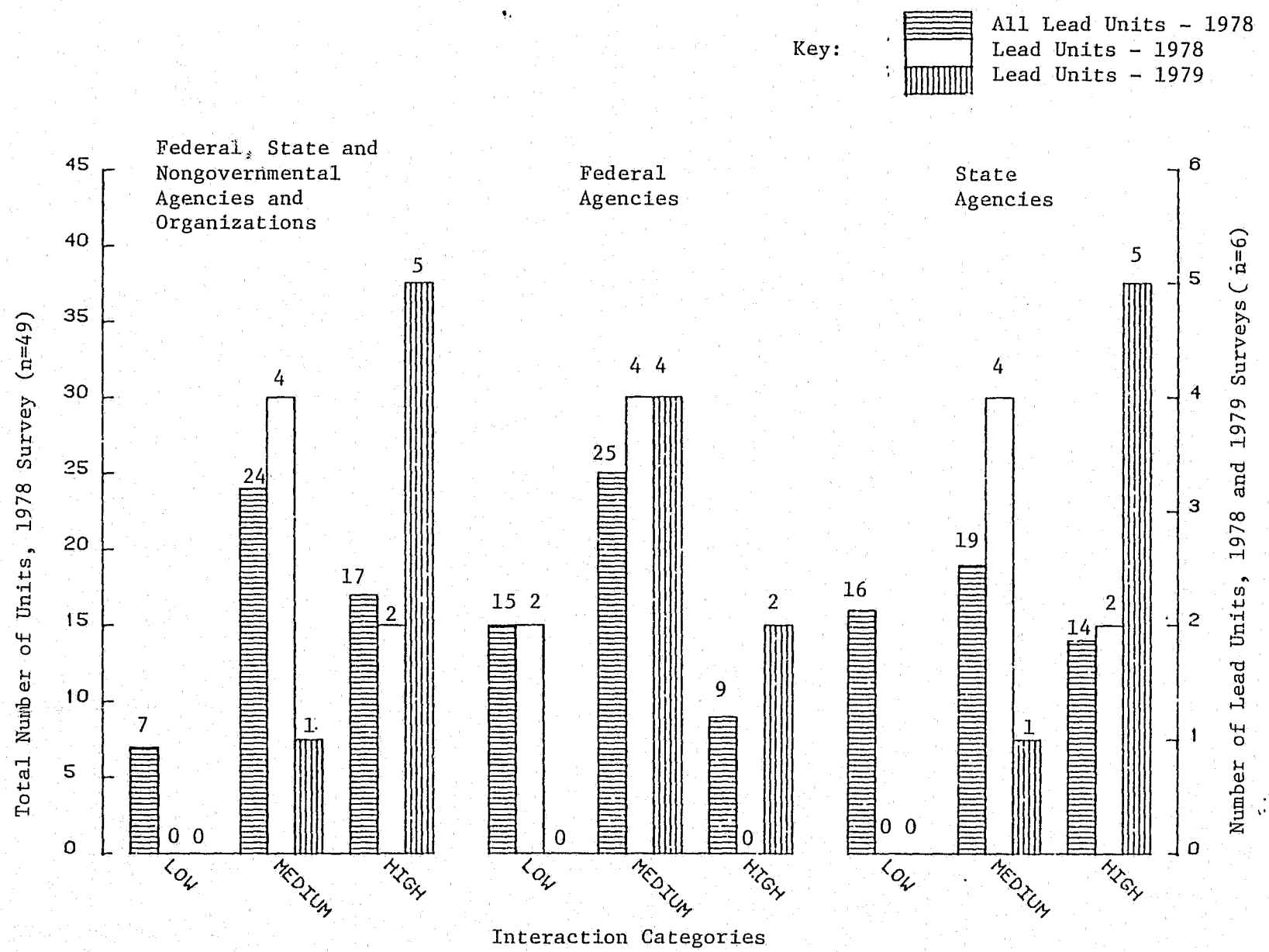


FIGURE 5.2
 CLASSIFICATION OF ALL ECP UNITS AND ECP LEAD UNITS
 INDEX B (PERSONNEL EXCHANGE AND JOINT TRAINING)

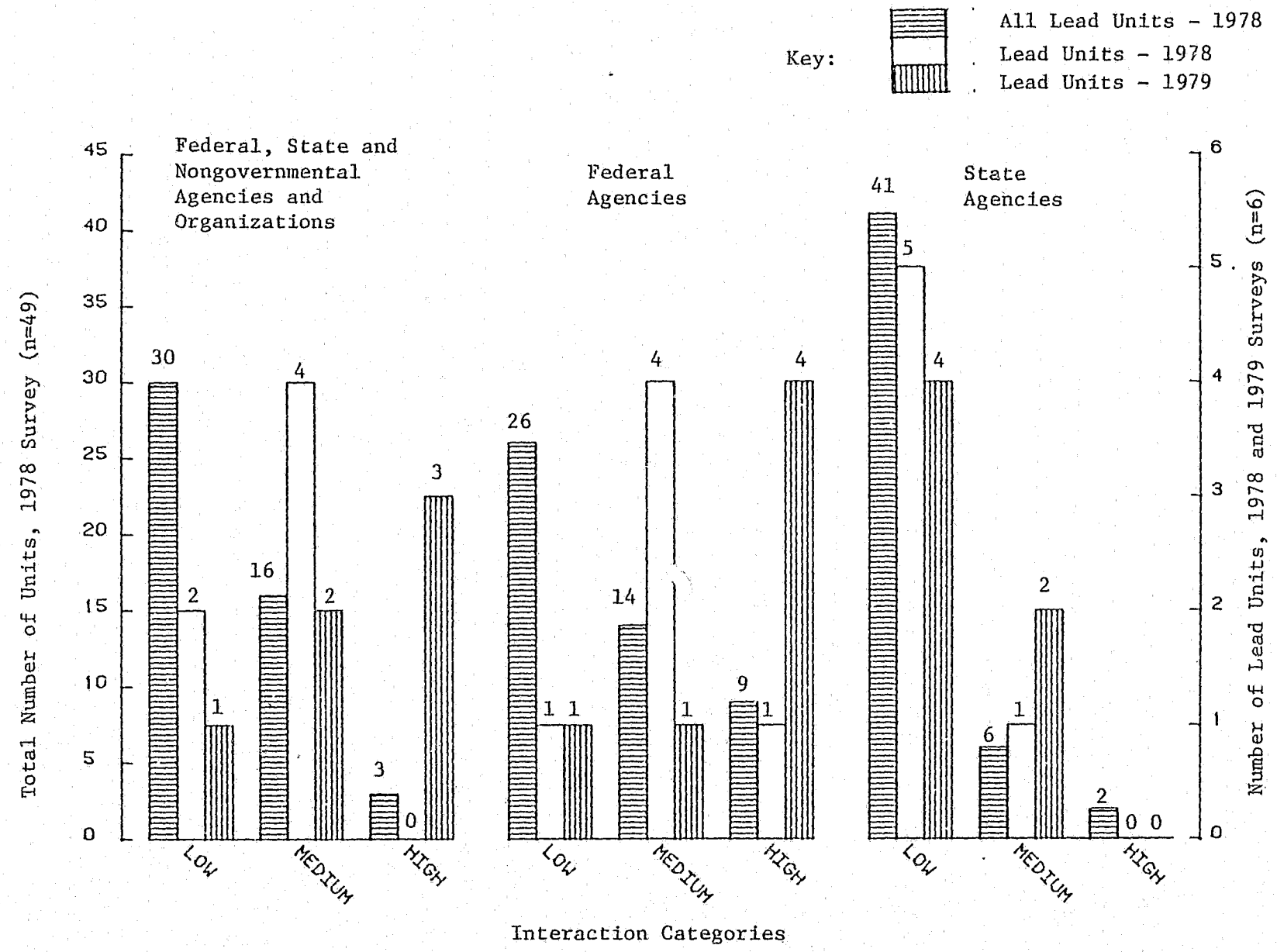


FIGURE 5.3

CLASSIFICATION OF ALL ECP UNITS AND ECP LEAD UNITS
INDEX C (GENERAL COOPERATIVE ARRANGEMENTS)

II. PROJECT UNIT INTERACTION WITH FEDERAL AND STATE AGENCIES: ANALYSIS OF THE RESULTS OF THE 2ND NATIONAL STRATEGY QUESTIONNAIRE

The last section of this chapter described Lead Unit responses to National Strategy questionnaires for 1978 and 1979, on interactions with federal and state agencies. This section describes the responses received from all the reporting units for the two periods.

The analyses contained in Battelle's first-year report on this survey were intended to serve three purposes: (1) identification of areas of enforcement where cooperation and coordination among and between agencies were lacking, (2) surfacing of options which would contribute to the level and quantity of cooperative interactions, and (3) to provide useful "baseline" information for follow-up surveys. This report, on the 2nd National Strategy Questionnaire, will add a fourth purpose, i.e., (4) to serve as a preliminary assessment of the results of emphasizing inter-governmental investigative and prosecutive cooperation and coordination.

In this section, we examine such interactions from two perspectives. First, the data from the 2nd National Strategy Questionnaire is analyzed separately in order to assess the type and quantity of interactions between units and agencies of state and federal government, and national organizations. These analyses provide information on patterns of interactions between different elements of the law enforcement community. Second, the data from the 1st and 2nd National Strategy Questionnaires are compared linearly. These analyses provide the first opportunity to gain a preliminary view of changes in the pattern and quantity of cooperative interactions across two years of the National Strategy effort. More generally, the analyses from the Questionnaires serve as an informative supplement to data coming from analysis of the Economic Crime Project Reporting System.

A. The 2nd National Strategy Questionnaire

1. The Sample. Of the 71 questionnaires mailed to ECP units, 52 were returned--a response rate of 73%. Comparing the characteristics of the responding units with those of all ECP units, the 52 units were similar to that of the ECP unit population in many respects: assistant prosecutors in the unit, scope of jurisdiction (whether civil or criminal), and geographic location of the responding units. On the basis of these similarities, the results reported here are likely to hold true, at least in more general terms, for all ECP units.

2. General Description. In the first survey in the previous year, the ECP units were asked a series of questions about their enforcement activities in general, and their interactions with federal and state agencies, in particular. We assumed no significant changes in the office size or scope of activities of the units and thus did not ask for this information on the 2nd National Strategy Questionnaire. The analysis of the responses to the questionnaire are presented below.

a. Matters referred to units by federal and state agencies. Several questions on the 2nd National Strategy Questionnaire explored the pattern of referrals into the ECP unit from federal and state agencies. As was the case in the previous year, no inquiry was made concerning referrals to or from local agencies such as police or consumer protection agencies because this was not deemed relevant to National Strategy concerns at this stage of data gathering.

Each unit was asked to indicate the total number of matters that were received by referral from federal and state agencies. The number of such referrals-in ranges from zero to 500. Fifteen percent of the reporting units received one or fewer total referrals, while 50% received 15 or fewer.*

* On several occasions a unit would indicate that it had engaged in a cooperative interaction with another agency, but it would fail to record the number of such instances. For coding purposes, such cases were recorded as one instance of interaction. As a consequence of this conservative coding procedure, estimates of the extent of interaction between ECP units and other governmental agencies will tend to be lower than might actually be the case.

Referrals from federal agencies range from zero to 16, with over half the units (57.7%) receiving no such referrals. Of those units receiving referrals from federal agencies, 9.6% received only one, while approximately 25% received five or fewer. Referrals from state agencies ranged from zero to 145. Only 10% of the units reported that they received no referrals from state agencies; however 50% reported receiving nine or fewer. The number of referrals from non-governmental organizations ranged from zero to 10, but 71.2% of the units reported that they received no such referrals.

Of the 119 matters referred to the units from federal agencies, 30% came from the FBI or Postal Inspectors. The remainder were from a variety of federal offices including HEW, HUD, the Department of Transportation, and the Treasury Department. Referrals from state agencies came most frequently from state attorneys general, departments of welfare, and state corporation divisions.

b. Investigations by referring agencies prior to referral to ECP units. The units were asked to indicate the number of matters referred to them in which the referring agency had conducted a prior detailed investigation. Overall, the units reported 1,746 referrals from federal, state, and non-governmental agencies, and that the referring agency had conducted a detailed prior investigation in 1,020 (58.4%) of the cases. 28.8% of the units reported that the referring agency conducted no prior investigations, but 50% reported such an investigation in at least two such referrals.

Of the 53 referrals from federal agencies, the units reported that a full 80% (N=43) were received with no detailed prior investigation. By comparison, only 30% of the referrals from state agencies were not accompanied by a report or description of a prior investigation.

c. Post-referral assistance to units by referring agencies. The 2nd National Strategy Questionnaire asked the units to indicate the number of matters referred to them in which the referring agency assisted them after the referral.

The analysis of the questionnaire shows that 71% of the replying units did receive some form of post-referral assistance in at least one of the matters referred to them. Federal agencies were less likely than state agencies to supply such assistance, as only 23% of the units received post-referral assistance from federal agencies, as opposed to 65% from state agencies. Non-governmental organizations provided post-referral assistance in 23 out of the 47 matters (49%) referred to the units.

d. Unit referrals to federal and state agencies. The 2nd National Strategy Questionnaire also asked the units to state the number of matters they had referred to federal and state agencies. The analysis showed that units had referred out a total of 1,628 matters to federal and state agencies, with average per/unit referrals ranging from zero to 200. Only 14% of the units failed to make any referrals. 42% of the units referred between one and four matters to federal or state agencies. One fourth of the units did not refer any matters to federal agencies, while 39% failed to refer to state agencies. The range of referrals out was vastly different for the two levels of government. For referrals to federal agencies, the range was zero to 88; for state agencies, zero to 356.

Of the 387 matters referred to federal agencies, the largest percentage were to the Postal Inspectors. On the state level, matters were most frequently referred to the offices of the state attorney general.

e. Post-referral assistance by units to referral agencies. Those units which responded that they had referred matters to federal or state agencies were asked to indicate the names of those agencies and to state whether or not the unit had provided post-referral investigative assistance to the agencies. Analysis of the responses showed that 46% of the units did not supply any assistance to the agencies. 33% of the units supplied such assistance, however, in a range of one to four cases which were referred out to federal or state agencies. The range in the number of matters for which such post-referral assistance was provided is from zero to 147.

When units referred matters to federal agencies, 35% of the matters involved some form of post-referral assistance from the units. 39% of the referrals to state agencies involved such assistance.

f. Unit requests to federal and state agencies for investigative assistance. The units were asked if they had approached federal, state, or national non-governmental organizations for assistance in the course of an investigation. 42% of the units reported that they had not made such requests. Of the 58% which had, 23% had made only one or two requests.

In total, there were 582 such requests made of federal and state agencies. 206 (35%) were made to federal agencies, and 376 (65%) to state agencies. Only four instances were reported in which units had approached a non-governmental organization for investigative assistance.

g. Staff participation in joint training. The units were asked if, during the specified time period, any investigators or prosecutors from the unit participated in formal or informal training programs which also involved personnel from federal or state agencies. 54% of the units responded that they had been involved in at least one such joint training program.

h. Unit sharing of expertise with federal and state agencies. The 2nd National Strategy Questionnaire asked the ECP units to provide information on the number of times experts were provided to individual units by federal or state agencies, or by national non-governmental organizations. Expert assistance may have involved specialized technical expertise in an investigation, or the provision of an expert witness as a trial. The particular types of expertise involved in these exchanges may include investigative accounting, computer programming, hand writing analysis, or any of a number of highly specialized skills. 37% of the units responded that they had used experts provided from outside their office. Of those, 19% had used experts provided by a federal agency, 27%

had received expert assistance from a state agency, while only 6% reported any such interactions with a national non-governmental organization.

With respect to the use of outside experts by the units, no clear patterns emerged. Preliminarily, however, it appears that the largest number of experts supplied to the unit could be categorized as "technical assistance specialists" in a wide variety of different specialties.

In addition to the use of outside experts, the units were asked if they had provided any experts to other agencies. Only 10% of the units reported having provided expert assistance to federal or state agencies, or to a national non-governmental organization. More specifically, no experts were provided to federal agencies, and only three units reported such interactions with a state agency (N=2) or a national organization (N=1).

i. Prosecutive coordination. The units were asked to indicate the number of cases they had which had involved some degree of coordination with either a federal or state agency. Such coordination might occur, for instance, where both federal and state charges could be brought against a defendant. By coordinating prosecutions, the defendant could be tried on the charges and in the jurisdiction best able to successfully conclude the prosecution. 65% of the units reported some degree of prosecutive coordination during the time covered by the 2nd National Strategy Questionnaire. Of these, however, 33% reported such coordination in only one or two cases. The range of coordinated prosecutions was from one to 27.

Of the 136 instances of prosecutive coordination, 49 (36%) involved federal agencies, and 87 (64%) involved state agencies.

j. Written agreements. Each unit was asked to indicate whether any written agreements had been entered into by the unit or the unit's office to formalize cooperative agreements with federal, state, or local agencies. In total, the units reported 19 such agreements, five with federal agencies, 19 with state agencies, and four with local agencies.

3. Analysis of the Responses. An analysis of the responses to the 2nd National Strategy Questionnaire shows that there are several clear patterns of unit interaction with federal and state agencies, and national non-governmental organizations. Several of these general patterns will be described and discussed in the materials which follow. Where necessary, explanatory charts and tables are referred to in the text.

The first clear trend is a lack of uniformity in the rate at which units engage in cooperative efforts. An analysis of the data clearly show that the units did not engage in all types of cooperative activity to the same extent. Table 5.15 shows the extent to which the unit, as a group, engaged in each of a series of cooperative and interactive activities with federal agencies. The table shows that while as few as 6% of the units have written agreements with federal agencies, as many as 75% of the units have referred matters to a federal agency. These data help to identify areas of federal-unit involvement where added cooperative effort is needed.

TABLE 5.15

Cooperative/Interactive Activities with Federal Agencies	
<u>Activity Engaged in With Federal Agency</u>	<u>% of Units</u>
Unit referred matters to an agency	75%
Agency provided investigative assistance to the unit	44%
Agency referred matters to a unit	42%
Unit and agency engaged in prosecutive coordination	42%
Unit provided post-referral assistance to the agency	35%
Agency provided post-referral assistance to the unit	23%
Agency conducted detailed investigation prior to referring case to the unit	19%
Agency supplied expert to the unit	19%
Unit and agency have written agreement	6%
Unit supplied expert to the agency	0%

Table 5.16 shows the percentage of units that have engaged in each of a series of cooperative activities with state agencies. As with federal interactions, Table 5.16 shows that the units do not engage in all cooperative activities to the same extent. In only 10% of the reported cases did the unit supply an expert to a state agency. On the other hand, in 90% of the cases units report having received referrals from state agencies.

TABLE 5.16

Cooperative/Interactive Activities with State Agencies

<u>Activity Engaged in with State Agency</u>	<u>% of Units</u>
Agency referred matters to the unit	90%
Agency provided post-referral assistance to the unit	69%
Agency conducted detailed investigation prior to referring case to the unit	65%
Unit referred matters to the agency	62%
Unit and agency engaged in prosecutive coordination	44%
Unit provided post-referral assistance to the agency	39%
Agency provided investigative assistance to the unit	35%
Agency supplied expert to the unit	27%
Unit and agency have written agreement	14%
Unit supplied expert to the agency	10%

The patterns of the levels of activity within each table are more important than the magnitude of the percentages. The meaning and significance of these patterns will be discussed at length in a later section.

Generally, a comparison between levels of activity with federal and state agencies shows that the majority of such interactions remain with state agencies. Given the local orientation of the large majority of units, such a finding should come as no surprise. The important point is the level of increase in the amount of cooperative and interactive activity with both federal and state agencies. Table 5.17 shows a comparison of the proportion of activities engaged in with federal and state agencies.

TABLE 5.17

Proportion of Activities with Federal and State Agencies

<u>Activity</u>	<u>Federal</u>	<u>State</u>
Agency referred matter to the unit	42	90
Agency provided post-referral assistance to the unit	23	69
Unit referred matter to the agency	75	62
Agency conducted detailed investigation prior to referring matter to the unit	19	65
Unit provided post-referral assistance to the agency	35	39
Agency provided investigative assistance to the unit	44	35
Unit and agency engaged in prosecutive coordination	42	44
Agency supplied expert to the unit	19	27
Unit supplied expert to the agency	0	10
Unit and agency have written agreement	6	14

This side-by-side comparison shows clear patterns. For instance, twice as many units reported receiving referrals from state as from federal agencies. When such referrals were

received by the unit, state agencies appear to be more cooperative in providing detailed prior investigations and post-referral assistance. On the other hand, the units reported that they receive more investigative assistance in matters not referred from the assisting agency from federal agencies than from those of the state.

The type of agencies with which the units most frequently interacted also differs considerably on the federal and state levels. For each of the types of cooperative activities (i.e., referrals in, referrals out, investigative assistance, prosecutive coordination, and sharing of expertise) the agencies involved with the units were categorized into one of seven types: (1) consumer protection, (2) regulatory, (3) attorney/prosecutor, (4) social services, (5) law enforcement, (6) non-governmental, and (7) other.

The data show that units received most of their federal referrals from law enforcement agencies (48%), while referrals from state agencies came more generally from regulatory (21%), attorney/prosecutor (33%), and social services agencies (24%). Only 11% of the referrals from the state level came from law enforcement agencies. It is noteworthy that the units reported so little interaction with consumer protection agencies. Only one referral was reported from a federal consumer protection agency, and such consumer protection agency referrals accounted for only 10% of the total referrals from state agencies.

At the federal level, the units again reported the greatest percentage of their own referral activity to federal law enforcement agencies (52%). For both referrals into and out of the unit, those federal law enforcement agencies included the FBI, United States Postal Service, Secret Service, the Department of Justice, and the Drug Enforcement Agency. Of these agencies, the units most frequently interacted with the FBI and the Postal Service.

At the state level, the units again referred matters to a range of different types of agencies, with the largest

proportions going to attorney/prosecutor (33%) and law enforcement agencies (31%), and the remainder equally divided between consumer protection (18%) and state regulatory agencies (17%). The amount of interaction with consumer protection agencies at both the federal and state level appears to be proportionately small. This is surprising in light of the fact that approximately 85% of the ECP units deal with consumer complaints. The results suggest that the great majority of this type of activity occurs at the local level.

At the federal level, nearly three-quarters (72%) of the investigative assistance activity occurred with the FBI, the Postal Inspectors, and other law enforcement agencies. This trend is completely reversed at the state level with only 14% of such activity reported for state law enforcement agencies. Investigative assistance at the state level occurred primarily between the units and attorney/prosecutor (34%) and regulatory agencies (26%).

Federal law enforcement agencies (53%) also predominate in prosecutive coordination with the units. However, federal attorney/prosecutor offices also accounted for a large percentage (35%) of this type of activity. Coordination with federal prosecutors, it should be pointed out, occurs directly or indirectly through coordination efforts of investigative activities. At the state level, prosecutive coordination occurred primarily between the units and attorney/prosecutor (35%) and regulatory agencies (38%). State law enforcement agencies accounted for only 9% of the reported instances of prosecutive coordination.

Law enforcement (56%) and non-governmental agencies (22%) account for the largest proportion of instances in which units share experts with federal agencies or national non-governmental organizations. At the state level, this cooperative activity occurred mainly between the units and regulatory (35%), law enforcement (29%), and social service agencies (19%).

In general, there are two patterns that deserve special mention. The first is the low level of activity across all categories between units and state law enforcement agencies. There are three explanations that immediately suggests themselves as reasonably accounting for this pattern. The most probable explanation is one of tradition. At the non-federal level, crime investigation is most frequently a county- or municipal-level function. Statewide organized crime units, for example, are a recent phenomenon. A second possibility is that state law enforcement agencies simply do not have investigative capabilities in the area of economic crime. This latter explanation would account for the lack of cooperative interaction across all the various activities involving state law enforcement. It may also be the case that existing state law enforcement agencies are not aware of the scope of activities engaged in by the ECP units and thus do not actively attempt to seek or give assistance in appropriate cases.

It is also apparent from the analysis of the 2nd National Strategy Questionnaire that the units have relatively little interaction with national non-governmental organizations. Table 5.18 shows the degree of interactions with such organizations for a variety of cooperative activities. Most of the interaction occurred from referrals by non-government agencies to the units. When such referrals did occur, 17% were accompanied by a detailed investigation, and in nearly 25 % of the cases, the non-governmental organization provided some form of post-referral assistance to the unit.

TABLE 5.18

Interactions with Non-governmental Organizations

<u>Activity</u>	<u>% of Units</u>
Organization referred case to unit	29%
Organization provided post-referral assistance to the unit	23%
Organization conducted detailed investigation prior to referring case to the unit	17%
Organization provided experts to the unit	6%
Organization provided investigative assistance to the unit	4%
Unit provided experts to the organization	4%
Unit referred matter to the organization	0%
Unit and organization engaged in prosecutive coordination	0%
Unit provided post-referral assistance to the organization	0%
Unit and organization have written agreement	0%

B. Classification of the Units

In the effort to implement the principles of a national strategy, it is important to know how well ECP units are responding to the mandate to expand cooperative interactions with federal and state agencies. For comparative purposes, it is important to find out how these patterns of interaction have changed in the time between the administration of the First and Second National Strategy Questionnaires. In order to analyze the units' performance on this basis, three interaction indices were computed and units were assigned a score computed on each index. (A detailed description of the construction of the indices is contained in the first section of this chapter.) As

explained earlier, each index measures a different type of cooperative interaction and is composed of different variables taken from responses to the 2nd National Strategy Questionnaire.

It should be reiterated that the item weighting reflects a tentative judgment of the relative importance of the several types of cooperative activity reported by the units. The decision as to the appropriate weight of each item was arbitrary and, therefore, subject to debate and revision. It should also be cautioned that the weighting reflects only one aspect of a unit's activities--interagency cooperation--and should not be taken as a value judgement with respect to other (often more important) aspects of investigative and prosecutive activity.

As an additional level of analysis, units were classified as "high," "medium," or "low" on each of the three indices. Such a classification is a very useful analytical tool. Each score represents the relative involvement of the unit in cooperative activities in relation to units which are engaged in more or less cooperative interactions. Similarly, the index scores and classifications are useful as data reduction devices. A unit's response to several questions about cooperative activities can be collapsed into a single score, at the same time maintaining much of the "flavor" of the individual items. It was originally intended that the classifications would provide baseline data against which to assess changes in the patterns of cooperative interactions between the units and other governmental agencies and non-governmental organizations. This intention will be discussed and addressed in the second half of the present section.

Briefly, Index A focuses on case-specific interaction and cooperation (i.e., referrals into and out of the unit, and pre- and post-referral assistance). Index B assesses the extent of personnel exchange and training activity between the units and federal and state agencies. Finally, Index C refers to the extent of the general cooperative arrangements in which the unit is involved.

1. General. Across all three indices there was a very wide range of index scores. Index A scores ranged from zero to 319 (mean = 203.4, standard deviation = 76.4); Index B ranged from zero to 78 (mean = 22.5, standard deviation = 22.2); and Index C ranged from zero to 185 (mean = 60.5, standard deviation = 52.1). Standing alone, without a common point of reference, these index scores do not have great comparative value. Greater descriptive value comes from the classification of units into "low," "medium," and "high" categories in each index. Table 5.19 shows the percentage of units in each interaction category for each Index.

TABLE 5.19

Percentage of Units in Each Interaction Category

	<u>Interaction Category</u>		
	<u>High</u>	<u>Medium</u>	<u>Low</u>
Index A	51.9	34.6	13.5
Index B	3.8	15.4	80.8
Index C	26.9	23.1	50.0

On Index A, case-specific interaction and cooperation, over half the units fell into the "high" interaction category, and one-quarter were in the "medium" interaction category. On Index B, personnel exchange and joint training, however, fully 80% of the units fell into the "low" interaction category. On Index C, written or verbal cooperative arrangements, half the units were in the "low" interaction category with the remainder relatively equally divided between the "high" and "medium" categories.

The analysis suggests the case-specific interaction and cooperation occurs frequently between units and federal and state agencies, taking the form of reciprocal referrals and investigative assistance. On the other hand, the majority of

the units rarely share experts with other governmental agencies (Index B), and almost never engage in prosecutive coordination or establish written or verbal agreements with federal or state agencies (Index C).

The index scores and classifications shown in Table 5.19 are based upon the cooperative interaction of the units with both federal and state agencies. In order to more carefully assess the pattern of unit interaction, each index was broken down to produce an index score for federal and state agencies separately, and units were classified into interaction categories on the basis of these separate scores. The percentage of units at each level for each category and index are shown in Table 5.20. For case-specific cooperative activities, state agencies account for nearly twice those of federal agencies for units in the "high" interaction category. Conversely, in the "low" interaction category more Index A activities occur with federal than with state agencies. Generally, this suggests that units are far more active in interacting with state agencies, a fact that has not gone without notice in a variety of sources and is the focus of the national strategy effort. This finding is consistent with findings with regard to the Lead Units, presented earlier. It should be noted, however, that for both federal and state agencies, a rather large percentage (51% and 38.8%, respectively) of the units fall into the "medium" interaction category.

For personnel exchange and joint training activities (Index B), the results show that more interaction occurs between units and federal agencies. For federal agencies 44% of the units are in the "medium" interaction category. For state agencies, on the other hand, 89% of the units fall into the "low" interaction category. The Lead Units, as earlier discussed, showed a higher level of state-level involvement.

For general cooperative agreements (Index C), the results show a uniformly low level of interaction. For both federal

TABLE 5.20

Percentage of Units Falling into Interaction
Categories by Level of Government Agency

<u>Index A</u> (Case-Specific Cooperation)			
	<u>High</u>	<u>Medium</u>	<u>Low</u>
Federal	23.1	32.7	44.2
State	42.3	38.5	19.2
<u>Index B</u> (Personnel Exchange and Training Activities)			
	<u>High</u>	<u>Medium</u>	<u>Low</u>
Federal	11.5	44.2	44.2
State	1.9	9.6	88.5
<u>Index C</u> (General Cooperative Agreements)			
	<u>High</u>	<u>Medium</u>	<u>Low</u>
Federal	25.0	19.2	55.8
State	21.2	15.4	63.5

and stage agencies, the majority of the units (55.8% and 63.5%, respectively) fall into the "low" interaction category, with the remainder relatively equally spread out over the "high" and "medium" categories. The Lead Units reported a higher level of federal interaction.

The material above has described the analyses of unit responses to the Second National Strategy Questionnaire. The material in the following sections will cover a general comparison of results from the first two administrations of the questionnaire spaced one year apart.

B. Comparative Analysis of the First and Second
National Strategy Questionnaires

1. General. The material presented below provides the first opportunity to look at changes in the pattern and quantity of cooperative interactions across two years of the National Strategy effort. It should be remembered, however, that such comparisons should be considered as preliminary and any conclusions should be tempered with the realization that the analyses do not provide factual evidence of significant changes in the data. Interpretations of year-to-year comparisons should be, at best, tentative.

There are at least two very important reasons for urging such caution in examining the results discussed here. In the first place, the data here can be considered as representing only two points in an ongoing time process that is subject to unpredictable fluctuation. Yearly changes in numbers, either up or down, may reflect more or less random changes in the data that are not causally related to any externally imposed intervention. Second, and possibly more important, is the lack of adequate control over the numbers that are actually entered in raw form on the questionnaire. This problem is not unique to the National Strategy Questionnaire but is, rather, inherent in survey research of any kind. The gist of the problem is that the researcher has no means of determining or insuring the accuracy of the data received on the survey or questionnaire

form. In most cases, this objection to survey data is overcome in one or both of two ways: (1) by surveying very large numbers of respondents so that the effects of reporting errors can be assumed to be diluted by random distribution, or (2) by surveying the same small number of respondents at many points in time so that errors again can be assumed to be randomly distributed (or can be statistically accounted for and controlled). In the present situation there are a small number of respondents (units) being sampled at only two points in time. As a result, caution is required in any interpretations arising from the analyses.

In spite of these rather formidable roadblocks, such comparisons can provide useful and interesting information, especially when comparing unit changes from year to year. These changes will be discussed in a later section below. It is also important to examine the data for the possible emergence of trends or patterns in cooperative interactions, remembering that time and circumstances may drastically change the form and structure of the data. Keeping these considerations in mind, the following sections examine changes in cooperative interactions between the units and federal, state, and non-governmental agencies and organizations as reflected on the 1st and 2nd National Strategy Questionnaires.

a. Matters referred to units by federal and state agencies. The units were asked to indicate the total number of cases which had been referred to them from federal or state agencies and from national non-governmental organizations. For purposes of data analysis categories of total referrals to units were formed and units were placed in a category based on total number of referrals. Table 5.21 shows a comparison of these categories for the number of units, and Table 5.22 shows the same comparison for percentages of units.

TABLE 5.21

Number of Units in Each Referral-in Category
in Year 1 and Year 2

<u>Total # of Referrals-in</u>	<u>Number of Units</u>		<u>Change</u>
	<u>Year 1</u>	<u>Year 2</u>	
0	6	2	-4
1-2	9	8	-1
3-4	6	4	-2
5-10	14	8	-6
11-25	5	11	+6
26-50	5	10	+5
51+	3	7	+4

TABLE 5.22

Percentage of Units in Each Referral-in Category
in Year 1 and Year 2

<u>Total # of Referrals-in</u>	<u>Percentage of Units</u>		<u>Change</u>
	<u>Year 1</u>	<u>Year 2</u>	
0	12.2	3.8	- 8.4
1-2	18.4	15.4	- 3.0
3-4	12.2	7.7	- 4.5
5-10	28.6	15.4	-13.2
11-25	10.2	21.2	+11.0
26-50	10.2	19.2	+ 9.0
51+	6.1	13.5	+ 7.4

An inspection of both tables shows a movement in the proportion of units from the lower categories to the higher categories. In other words, more units reported receiving more numbers of referrals from other agencies and organizations. In year 1 the average number of referrals received by the units equalled 10.45, in year 2 this number had increased to 33.58, a statistically significant change ($t = 2.20$, $df = 99$, $\alpha = .030$).

Units were also asked to indicate whether these referrals were from federal agencies, state agencies, or national

non-governmental organizations. Table 5.23 shows the proportion of units receiving referrals from federal agencies.

TABLE 5.23

Percentage of Units in Each Referral-in Category from Federal Agencies in Year 1 and Year 2

# of Referrals	Percentage of Units		
	Year 1	Year 2	Change
0	51.0	57.7	+ 6.7
1-2	22.4	15.4	- 7.0
3-4	14.3	5.7	- 8.6
5-10	8.0	17.3	+ 9.3
11-25	2.0	9.6	+ 7.6
26-50	2.0	0.0	- 2.0
50+	0.0	0.0	0.0

The results illustrate two important points in reference to referrals from federal agencies. On the one hand, a larger percentage of units reported no referrals from federal agencies in year 2 than in year 1. The units reported an average of 2.63 referrals-in for year 1, dropping to an average of 2.29 in year 2. On the other hand, in year 2, more individual units were reporting receiving greater numbers of such referrals than in year 1. Especially noteworthy is the nearly 10% increase in units in the 5-10 and 11-25 referral categories. The overall number of referrals from federal agencies dropped from 129 in year 1 to 119 in year 2.

Table 5.24 shows a comparison of the proportion of units receiving referrals from state agencies. Table 5.24 shows a large decline (12.8%) in the number of units in year 2 who reported receiving no referrals from state agencies. In addition, there appears to be a shift in the proportion of units from lower categories (i.e., 3-4 and 5-10) to higher categories (i.e., 11-25 and 26-50). In terms of the gross number of referrals, in year 1 units reported an average of 7.31 referrals from state agencies, while in year 2 the average number had risen to 18.92, a statistically significant increase

TABLE 5.24

Percentage of Units in Each Referral-in Category from State Agencies in Year 1 and Year 2

# of Referrals	Percentage of Units		
	Year 1	Year 2	Change
0	22.4	9.6	-12.8
1-2	20.4	19.2	- 1.2
3-4	14.2	9.6	- 4.6
5-10	25.6	12.3	-13.3
11-25	6.0	19.8	+13.8
26-50	4.0	13.3	+ 9.0
50+	2.0	1.9	- 0.1

($t = 2.80$, $df = 99$, $\alpha = .006$). In addition, the total number of referrals from state agencies increased three-fold, from 358 in year 1 to 984 in year 2.

Cooperative interactions with national non-governmental organizations did not make up a significant percentage of the activity of any unit for any year. In year 1 the units reported receiving 23 such matters, while in year 2 the number had doubled to 47. Table 5.25 shows the percentage of units receiving referrals from these organizations. In year 2, 15% more units reported receiving at least one referral from a national non-governmental organization, and there appeared to be approximately 10% more units in each of the top three categories.

TABLE 5.25

Percentage of Units in Each Referral-in Category from Non-governmental Organizations in Year 1 and Year 2

# of Referrals	Percentage of Units		
	Year 1	Year 2	Change
0	85.7	71.2	-14.5
1-2	6.1	15.4	+ 9.3
3-4	4.0	5.7	+ 9.7
5-10	4.0	7.7	+ 3.7

b. Investigations by referring agencies prior to referral to ECP units. The data and responses to these questions go to the issue of pre-referral activity on the part of the referring agencies. On the basis of the budget pressures and resource constraints faced by all public agencies, it might be hypothesized that governmental agencies would restrict the amount of resources committed to a matter, preferring to refer a "bare-bones" case to the unit. The data, however, show that this has not been the case. Units received more referrals in year 2 than year 1 in which the referring agency had conducted a detailed prior investigation. This might well indicate a higher level of cooperation in the referral of matters to units. Table 5.26 shows the percentage of units receiving matters for which prior investigations had been conducted.

The data show that between year 1 and year 2 there was an overall 21% increase in the number of units falling into the top three referral categories. In year 1 the units reported an average of 4.88 referrals for which the referring agency had conducted a detailed prior investigation. In year 2 this number had increased to 19.62, resulting in a statistically significant change from year 1 to year 2 ($t = 1.97$, $df = 99$, $\alpha = .047$). In addition, the total number of prior detailed investigations reported by the units increased from 239 in year 1 to 1020 in year 2.

TABLE 5.26

Percentage of Referrals for Which Detailed Prior Investigations Had Been Conducted

# of Referrals	Percentage of Units		
	Year 1	Year 2	Change
0	22.4	28.8	+ 6.4
1-2	26.6	21.2	- 5.4
3-4	4.1	9.6	+ 5.5
5-10	22.3	7.6	-14.7
11-25	12.1	15.2	+ 3.1
26-50	2.0	13.3	+11.3
50+	0.0	7.6	7.6

Table 5.27 shows the comparison for prior investigations from federal agencies.

TABLE 5.27

Percentage of Prior Detailed Investigations from Federal Agencies

# of Prior Investigations	Percentage of Units		
	Year 1	Year 2	Change
0	42.9	80.8	+37.9
1-2	12.3	7.7	- 4.6
3-4	4.1	1.9	- 2.2
5-10	2.0	7.6	+ 5.6
11-25	0.0	1.9	+ 1.9

The data for referrals from federal agencies show a 38% decline in the number of units reporting matters for which the federal agency had conducted a detailed prior investigation. There was only an 8% decline in the total number of matters referred to the units from federal agencies, so the 38% decline in the number of referred matters accompanied by a prior investigation represents a sizeable real decline. Some of the concern over changes in percentages may be alleviated by the fact that there was an increase in the total number of cases referred from federal agencies for which the referring agency had conducted a prior investigation. Such cases numbered 15 in year 1 and 53 in year 2. In addition the average number of prior investigations rose from .49 in year 1 to 1.02 in year 2.

Table 5.28 shows the comparable statistics regarding prior investigations from state agencies. As can be seen, there were large increases in the percentage of units in the highest three categories. In overall terms, the units reported 77 matters in which the referring state agencies had conducted detailed prior investigations in year 1, and that number rose to 605 in year 2, a statistically significant increase ($t = 3.75$, $df = 99$, $\alpha = .000$).

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TABLE 5.28

Percentage of Prior Detailed Investigations
from State Agencies

# of Prior Investigations	Percentage of Units		Change
	Year 1	Year 2	
0	28.6	30.8	+ 2.2
1-2	12.3	25.0	+12.7
3-4	10.2	5.7	- 4.5
5-10	8.1	7.6	- 0.5
11-25	4.0	15.2	+11.2
26-50	0.0	11.4	+11.4
50+	0.0	3.8	+ 3.8

As with other variables, detailed prior investigations from non-governmental organizations accounted for only a fraction of the units' activity. Table 5.29 shows a comparison for year 1 and year 2. The results show an overall decline in the number of detailed prior investigations from non-governmental organizations. The total number of such investigations only increased from 12 in year 1 to 19 in year 2. The table also shows that nearly 30% more of the units received no detailed prior investigations in year 2.

TABLE 5.29

Percentage of Detailed Investigations
from Non-governmental Organizations

# of Prior Investigations	Percentage of Units		Change
	Year 1	Year 2	
0	55.1	82.7	+27.6
1-2	2.0	13.5	+11.4
3-4	2.0	1.9	- 0.1
5-10	2.0	1.9	- 0.1

c. Post-referral assistance to units by referring agencies. The total number of reported instances of post-referral assistance to the units by the referring agencies

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increased from 319 in year 1 to 564 in year 2. Table 5.30 shows the comparisons of such assistance for the two years.

TABLE 5.30

Percentage of Total Post-referral Assistance

# of Instances of Post-referral Assistance	Percentage of Units		
	Year 1	Year 2	Change
0	22.4	28.8	+ 6.4
1-2	26.5	21.1	- 5.4
3-4	22.4	7.7	-14.7
5-10	12.2	9.6	- 2.6
11-25	6.0	15.2	+ 9.2
26-50	4.0	15.2	+11.2
50+	2.0	1.9	- 0.1

Inspection of the table shows that more units reported increasing numbers of instances in which a referring agency provides some form of post-referral assistance. In year 1 the average number of such instances was 6.51 per unit, in year 2 the average number rose to 10.85. This increase was not, however, statistically significant.

Instances of post-referral assistance from referring federal agencies to the units declined from 99 in year 1 to 65 in year 2. Table 5.31 shows the percentage of units receiving such assistance for years 1 and 2. The data show a large (but not statistically significant) decline in the number and percentage of units reporting any post-referral assistance from a referring federal agency. In year 2, 22% more units reported having received no post-referral assistance from federal agencies.

TABLE 5.31

Percentage of Instances of Post-referral Assistance
from Referring Federal Agencies

# of Instances of Post-referral Assistance	Percentage of Units		
	Year 1	Year 2	Change
0	55.1	76.9	+21.8
1-2	30.6	9.6	-21.0
3-4	8.1	5.7	- 2.4
5-10	2.0	5.7	+ 3.7
11-25	2.0	5.7	+ 3.7
26-50	2.0	0.0	- 2.0
50+	0.0	0.0	0.0

On the other, the number of instances of post-referral assistance from state agencies increased from 207 in year 1 to 450 in year 2. Table 5.32 shows the comparison of percentages for state agencies. The data show a consistent trend toward increasing numbers of instances of post-referral assistance from state agencies. The average number of such instances increased significantly from 4.23 in year 1 to 8.65 in year 2 ($t = 1.84$, $df = 99$, $\alpha = .066$).

TABLE 5.32

Percentage of Instances of Post-referral Assistance
from Referring State Agencies

# of Instances of Post-referral Assistance	Percentage of Units		
	Year 1	Year 2	Change
0	36.7	34.6	- 2.1
1-2	28.5	21.1	- 7.4
3-4	12.2	9.6	- 2.6
5-10	12.2	9.6	- 2.6
11-25	4.0	15.2	+11.2
26-50	2.0	5.7	+ 3.7
50+	0.0	1.9	+ 1.9

Unit interactions with non-governmental organizations on the variable of post-referral assistance was a relatively minor part of the units' activity. In year 1 the units reported only 13 instances of post-referral assistance from national non-governmental organizations. In year 2 this number had nearly doubled to a total of 23. Proportionately, however, even the latter number is an insignificant portion of all the units' work. Table 5.33 shows a comparison of post-referral assistance from non-governmental organizations. There is some indication that more units have such experience, but the numbers are certainly too small to support any conclusion at this time.

TABLE 5.33

Percentage of Instances of Post-referral Assistance
from Non-governmental Organizations

# of Instances of Post-referral Assistance	Percentage of Units		
	Year 1	Year 2	Change
0	87.8	76.9	-10.9
1-2	6.1	19.2	+13.1
3-4	2.0	1.9	- 0.1
5-10	2.0	1.9	- 0.1

d. Unit referrals to federal and state agencies. The total number of matters which a unit refers out to federal and state agencies is an important indicator of the extent of cooperative interaction. To be considered valuable, however, referrals out of the unit must occur for the appropriate reason. The cause of cooperative interactions is not enhanced if a unit is simply "dumping" unattractive or unproductive cases. The items from the First and Second National Strategy Questionnaires were not designed, and cannot be analyzed, for the underlying motive in a referral out of the unit. It is assumed here, for the purpose of this analysis, that all such

actions are for the best reasons and that more "referrals out" of the unit are "better" for a cooperative National Strategy.

In year 1 the units reported 726 matters which had been referred out to other federal or state agencies. In year 2 that number had risen to 1,628. In those same two years the average number of referrals out of the units rose from 17.27 to 34.65. Although the average number of referrals from the units doubled, because of an increase in variability among the units, the increase from year 1 to year 2 was not statistically significant. Table 5.34 shows the comparison of percentages of units. The data show a decline in the number of units that had no referrals to other agencies and an increase in those reporting larger total numbers of referrals out (i.e., an increase of 14.8% in the 3-4 category, and nearly a 10% increase in the 50+ category).

TABLE 5.34

Percentage of Total Referral from the Units
to Federal and State Agencies

# of Referrals	Percentage of Units		
	Year 1	Year 2	Change
0	20.4	13.5	- 6.9
1-2	22.4	15.4	- 7.0
3-4	10.2	25.0	+14.8
5-10	14.2	11.4	- 2.8
11-25	14.2	13.3	- 0.9
26-50	8.0	5.7	- 2.3
50+	6.0	15.2	+ 9.2

Table 5.35 shows the percentage of referrals from the units to federal agencies. In year 1 there were 212 reported instances of matters referred out of the units to federal agencies, in year 2 this number rose to 387. The average number of such referrals from units was 4.33 in year 1 and 7.44 in year 2. The data in Table 5.35 reflect this increase in referrals to federal agencies. In year 2 there was a drop of

nearly 8% in the number of units who made no such referrals, and an increase of nearly 8% in the number of units falling into the higher "# of referral" categories.

TABLE 5.35

Percentage of Referrals from Units
to Federal Agencies

# of Referrals	Percentage of Units		
	Year 1	Year 2	Change
0	32.7	25.0	- 7.7
1-2	30.6	30.8	+ 0.2
3-4	12.3	11.5	- 0.8
5-10	10.0	23.0	+ 1.3
11-25	8.0	1.9	- 6.1
26-50	0.0	3.8	+ 3.8
50+	2.0	5.7	+ 3.7

Table 5.36 shows comparable figures on referrals from the units to state agencies. The data show that in year 2 larger

TABLE 5.36

Percentage of Referrals from Units
to State Agencies

# of Referrals	Percentage of Units		
	Year 1	Year 2	Change
0	36.7	38.5	+ 1.8
1-2	14.3	21.2	+ 6.9
3-4	12.3	3.8	- 8.5
5-10	12.4	11.5	- 0.9
11-25	6.0	5.7	- 0.3
26-50	6.1	7.6	+ 1.5
50+	4.0	11.4	+ 7.4

numbers of units fell into both the lower and the upper categories of number of referrals to state agencies. The two lower and upper categories both increased by approximately 9%, and the total number of referrals to state agencies increased from 510 in year 1 to 1,241 in year 2. The average number of

referrals from each unit to state agencies increased from 12.86 in the first year to 23.87 in the second year. This twofold increase was not, however, statistically significant.

There was little involvement of the units with national non-government organizations in the areas of referrals from the units. In year 1 there were only 14 instances of matters referred to non-governmental organizations. In year 2 this number fell to zero.

e. Post-referral assistance by units to referral agencies. Post-referral assistance by units to other agencies to which matters have been referred is to some degree an indicator of the units' willingness to go beyond normal operational procedures in an effort to engage in cooperative interactions. Table 5.37 shows the comparisons of years 1 and 2 on total post-referral assistance by the units. As reflected

TABLE 5.37

Percentage of Total Instances of Post-referral Assistance by Units to Referral Agencies

# of Instances	<u>Percentage of Units</u>		
	<u>Year 1</u>	<u>Year 2</u>	<u>Change</u>
0	40.8	46.2	+ 5.4
1-2	14.3	19.2	+ 4.9
3-4	10.2	13.5	+ 3.3
5-10	10.1	1.9	- 8.2
11-25	6.0	7.6	+ 1.6
26-50	4.0	3.8	- 0.2
50+	6.0	7.6	+ 1.6

in Table 5.37, there was little change in the total magnitude of post-referral assistance provided by the units. The total number of instances of post-referral assistance increased from 439 in year 1 to 517 in year 2. The average number of such instances increased from 8.96 to 9.94 over the same time period.

The units provided no post-referral assistance to non-governmental organizations in either year 1 or year 2.

Table 5.38 shows the comparison of instances of assistance to federal agencies. A notable feature the data is the 10% increase in the number of units that did not report any instances of post-referral assistance to federal agencies. This decrease in activity was offset very slightly by increases in other categories, as the number of instances of post-referral assistance increased from 113 in year 1 to 121 in year 2.

TABLE 5.38

Percentage of Instances of Post-referral Assistance to Federal Agencies

<u># of Instances</u>	<u>Percentage of Units</u>		
	<u>Year 1</u>	<u>Year 2</u>	<u>Change</u>
0	55.1	65.4	+10.3
1-2	14.3	15.4	+ 1.1
3-4	12.3	9.6	- 2.7
5-10	4.0	5.7	+ 1.7
11-25	2.0	0.0	- 2.0
26-50	2.0	3.8	+ 1.8
50+	0.0	0.0	0.0

A similar lack of overall change is seen in post-referral assistance by the units to state agencies. The number of such instances increased from 326 in year 1 to 393 in year 2, and the average number of instances per unit increased from 6.65 to 7.56. Table 5.39 shows a comparison of the data for the two years. The data also show a large increase (13%) in the number of units who did not report any instances of post-referral assistance to state agencies.

TABLE 5.39

Percentage of Instances of Post-referral Assistance to State Agencies

# of Instances	Percentage of Units		
	Year 1	Year 2	Change
0	51.0	61.5	+13.1
1-2	14.3	15.4	+ 1.1
3-4	6.1	3.8	- 2.3
5-10	6.1	3.8	- 2.3
11-25	6.0	7.6	+ 1.6
26-50	4.0	5.7	+ 1.7
50+	4.0	3.8	- 0.2

f. Unit requests to federal and state agencies for investigative assistance. The units were asked to indicate the number of times they had approached federal or state agencies or non-governmental organizations for assistance in the course of an investigation. In the majority of cases (97%) when such requests were made the assistance was provided. This variable provides some measure of the degree to which units avail themselves of cooperative opportunities, and the frequency with which the opportunities result in productive interactions.

The total number of requests by units for investigative assistance increased from 300 in year 1 to 620 in year 2, and the average number of requests from each unit increased from 6.12 to 11.92, although the increases were not statistically significant. Table 5.40 shows the comparisons for the total number of requests for investigative assistance. The table shows a small (3.5%) increase in the number of units who did not request or receive investigative assistance, and a larger increase (11%) in the number of units that made one or more such requests.

TABLE 5.40

Percentage of Requests for Investigative Assistance from Units to Other Agencies and Organizations

# of Requests	Percentage of Units		
	Year 1	Year 2	Change
0	38.8	42.3	+ 3.5
1-2	18.4	23.1	+ 4.7
3-4	10.2	3.8	- 6.4
5-10	14.2	5.7	- 8.5
11-25	10.1	15.3	+ 5.2
26-50	6.0	5.7	- 0.3
50+	2.0	3.8	+ 1.8

Table 5.41 shows a comparison of requests from the units to federal agencies. In year 2 there was a decrease in the number of units who did not request any investigative assistance from federal agencies. The total number of such requests rose from 146 in year 1 to 206 in year 2. Each unit averaged 2.98 requests in the first year and 3.96 in the second.

TABLE 5.41

Percentage of Requests for Investigative Assistance from Units to Federal Agencies

# of Requests	Percentage of Units		
	Year 1	Year 2	Change
0	57.1	55.8	- 1.3
1-2	12.2	17.3	+ 5.1
3-4	12.3	5.8	- 6.5
5-10	10.2	9.5	- 0.7
11-25	4.0	7.6	+ 3.6
26-50	4.0	3.8	- 0.2
50+	0.0	0.0	0.0

Table 5.42 shows a similar comparison for requests from units to state agencies. The data show an 8% increase in the number of units which did not request investigative assistance

number of units making one to four requests. In total, the number of requests from the units to state agencies increased from 250 in year 1 to 376 in year 2. For the same period the average number of such requests per unit increased from 2.92 to 7.23.

TABLE 5.42

Percentage of Requests for Investigative Assistance from Units to State Agencies

# of Requests	Percentage of Units		
	Year 1	Year 2	Change
0	57.1	65.4	+ 8.3
1-2	18.3	11.6	- 6.7
3-4	6.1	0.0	- 6.1
5-10	10.1	9.5	- 0.6
11-25	4.0	9.5	+ 5.5
26-50	2.0	0.0	- 2.0
50+	0.0	3.8	+ 3.8

As was the case with previous variables, the units made few contacts with non-governmental organizations. The number of requests for investigative assistance from units to non-governmental organizations declined sharply from 211 in year 1 to just 4 in year 2. In year 1, 15 different units each reported making one or more such requests. In year 2, however, all four requests were accounted for by just two units.

g. Staff participation in joint training. The units were asked to report whether personnel had been involved in joint training with personnel from federal or state agencies. In year 1, 31 units (63.3) had participated in some form of joint training. In year 2 this number had declined by a full 10%, with only 28 units (53.8) reporting such interaction.

h. Unit sharing of expertise with federal and state agencies. Sharing of expert assistance is a reciprocal responsibility between the units and other agencies. The analysis shows, however, that the level of interaction remains

low, and that this expertise is more frequently provided by other agencies to the units. Table 5.43 shows a comparison of the total number of instances of shared expertise to the units.

TABLE 5.43

Percentage of Total Shared Expertise to the Units from Federal and State Agencies

# of Instances	Percentage of Units		
	Year 1	Year 2	Change
0	63.3	63.5	+ 0.2
1	18.4	17.3	- 1.1
2	14.3	9.6	- 4.7
3	0.0	5.8	+ 5.8
4	4.1	0.0	- 4.1
5	0.0	3.8	+ 3.8

Because of the small number of instances of shared expertise, changes in percentage are not meaningful because they may reflect the change in only one or two units. In raw numbers, there was an increase in instances of experts provided to the units from 31 in year 1 to 38 in year 2. Table 5.44 shows a comparison of experts provided the units from federal, state, and non-governmental agencies or organizations.

TABLE 5.44

Number of Experts Provided to the Unit from Federal, State, and Non-governmental (NG) Sources

Year 1			Year 2		
Federal	State	NG	Federal	State	NG
9	21	1	12	23	3

There was a comparably small number of experts provided by the units to federal, state, or non-governmental agencies or organizations. Table 5.45 shows the number of experts provided by the units to agencies and organizations.

TABLE 5.45

Number of Experts Provided by the Unit to Federal, State, and Non-governmental (NG) Sources

<u>Year 1</u>			<u>Year 2</u>		
<u>Federal</u>	<u>State</u>	<u>NG</u>	<u>Federal</u>	<u>State</u>	<u>NG</u>
0	9	1	0	7	3

i. Prosecutive coordination. The number of cases of prosecutive coordination increased from 33 in year 1 to 136 in year 2. The average number of instances of coordination per unit increased from 1.39 in year 1 to 2.62 in year 2. This increase approached, but did not attain, statistical significance ($t = 1.82$, $df = 99$, $\alpha = .073$).

Table 5.46 shows the percentage of coordinated prosecutions which involved federal agencies. There was a small increase in instances of coordination from 34 in year 1 to 49 in year 2.

TABLE 5.46

Percentage of Coordinated Prosecutions with Federal Agencies

<u># of Cases</u>	<u>Percentage of Units</u>		
	<u>Year 1</u>	<u>Year 2</u>	<u>Change</u>
0	53.1	57.7	+ 4.6
1-2	36.8	30.8	- 6.0
3-4	8.2	7.6	- 0.6
5-10	0.0	3.8	+ 3.8
11-25	0.0	0.0	0.0
26-50	0.0	0.0	0.0

In year 2 there was a 5% increase in the number of units which reported no instances of prosecutive coordination with a federal agency. Because of the small gross numbers involved, however, percentage changes are not reliable.

In spite of relatively small numbers of total cases, the change in the number of instances of prosecutive coordination

with state agencies approached statistical significance ($t = 1.69$, $df = 99$, $\alpha = 0.96$). The number of such cases increased from 33 in year 1 to 87 in year 2, with averages of .67 and 1.67, respectively. Table 5.47 shows the percentage of coordinated prosecutions with state agencies. The data show a 15% decline in the number of units reporting two or fewer instances of coordinated prosecutions with state agencies, and a 17% increase in those reporting three or more instances.

TABLE 5.47

Percentage of Coordinated Prosecutions with State Agencies

<u># of Cases</u>	<u>Percentage of Units</u>		
	<u>Year 1</u>	<u>Year 2</u>	<u>Change</u>
0	61.2	55.8	- 5.4
1-2	32.6	23.1	- 9.5
3-4	2.0	13.4	+11.4
5-10	2.0	5.7	+ 3.7
11-25	0.0	0.0	0.0
26-50	0.0	1.9	+ 1.9

j. Written agreements. For the purpose of our analyses it is assumed that a most important indicator of cooperative interactions between units and federal and state agencies is the existence of a written agreement defining and formalizing the nature and extent of their relationships. An analysis of the 1st and 2nd National Strategy Questionnaires shows, however, that a very small number of units have entered into written agreements. In year 1 nine units reported having such agreements. In year 2 this number had risen to 19. Table 5.48 shows a comparison of the number and distribution of written agreements.

TABLE 5.48

Number and Distribution of Written Agreements Between
Units and Federal, State, and Local Agencies

<u>Federal</u>	<u>Year 1</u>		<u>Federal</u>	<u>Year 2</u>	
	<u>State</u>	<u>Local</u>		<u>State</u>	<u>Local</u>
2	3	4	5	10	4

2. Analysis and Comparison of the Results.

a. Total interactions. The analysis and comparison of the results of the 1st and 2nd National Strategy Questionnaires reveal several trends that, if continued, could have significant implications for the National Strategy effort. These trends (and other patterns) in the comparisons of years 1 and 2 will be discussed below and, where necessary, illuminated with explanatory or comparative tables.

The first trend that is apparent in the data from the two years is a tendency for increasing numbers of cooperative interactions, and increasing numbers of units involved in these activities. At the same time it is apparent that this level of effort is not consistent across the variety of tasks, interactions, and activities tapped by the National Strategy Questionnaire. Table 5.49 shows a comparison of the extent to which units engaged in each of a series of cooperative and interactive activities with federal, state, and non-governmental agencies and organizations. The data in the table show a mix of increases and decreases in the percentage of units engaging in cooperative and interactive activities. It is most interesting, however, to note those activities in which the change from year 1 to year 2 was a negative number.

TABLE 5.49

Percentage of Units Engaging in Cooperative
Interactions--Total

<u>Activity</u>	<u>Percentage of Units</u>		
	<u>Year 1</u>	<u>Year 2</u>	<u>Change</u>
Unit referred matters to an agency	79.6	86.5	+ 6.9
Agency referred matter to a unit	87.8	92.3	+ 4.5
Unit and agency engaged in prosecutive coordination	57.1	65.4	+ 8.3
Agency provided investigative assistance to the unit	61.2	57.7	- 3.5
Agency provided post-referral assistance to the unit	77.6	71.2	- 6.4
Unit provided post-referral assistance to the agency	44.9	53.8	+ 8.9
Agency conducted detailed investigation prior to referring matter to the unit	77.6	71.2	- 6.4
Agency supplied expert to the unit	36.7	36.5	- 0.2
Unit supplied expert to the agency	10.2	9.6	- 0.6
Unit and agency have written agreement	16.3	21.2	+ 4.9

There are five such activities and all but one of them deal with situations in which federal or state agencies are described as "providing" something to the units. The exception to this is the activity of "unit supplied expert to agency" of which there were exceedingly few examples in either year 1 or year 2 (and the same could be said for the activity "agency supplied expert to the unit" which also declined from year 1 to year 2). In any event, there were at least three major cooperative activities, in which federal or state agencies would be expected to take the initiative, where the percentage of unit involvement declined from year 1 to year 2. There are two possible explanations for this result. First, in reporting their level of cooperative activities, the units may have consistently understated the degree to which federal and state agencies "carried their own weight" in these areas of interaction. Second, federal and state agency activity in these areas may indeed have declined, and they simply are not giving the degree of assistance apparent in year 1. The

National Strategy Questionnaire data do not address any issues bearing on an explanation of these declines, but do suggest that this may be an area of concern for the success of the National Strategy effort.

The data on the other cooperative activities indicate a relatively strong positive trend toward increasing interaction between the units and federal, state, and non-governmental agencies and organizations. A very rough measure of the overall change in the level of cooperative interaction can be obtained by summing across the percentage changes for each activity in Table 5.49. When this computation is performed it indicates a net 16.4% increase in the level of cooperative interactions between years 1 and 2. A serious drawback in the use of this statistic is that it gives equal weight to all of the elements entering into its computation. Thus less important factors have an equal impact on the total number comparable to more important factors. This drawback was the moving element in the construction of the scales which are described earlier and are compared in greater detail below. The comparisons on the weighted scales may provide a more accurate representation of overall changes in the degree of cooperative and interactive activities of the units.

a. Unit interactions with federal agencies. For comparative purposes it is also important to examine the total interaction activity to see what proportion is accounted for by federal, state, and non-governmental sources, and to find out how the interactions with each have changed from year 1 to year 2. Table 5.50 shows a comparison of the extent to which units engaged in cooperative activities with federal agencies between year 1 and year 2.

TABLE 5.50

Percentage of Units Engaging in Cooperative Interactions--Federal Agencies

Activity	Percentage of Units		
	Year 1	Year 2	Change
Unit referred matters to an agency	67.3	75.0	+ 7.7
Agency referred matter to a unit	49.0	42.3	- 6.7
Unit and agency engaged in prosecutive coordination	46.9	42.3	- 4.6
Agency provided investigative assistance to the unit	42.9	44.2	+ 1.3
Agency provided post-referral assistance to the unit	44.9	23.1	-21.8
Unit provided post-referral assistance to the agency	44.9	34.6	-10.3
Agency conducted detailed investigation prior to referring matter to the unit	57.1	19.2	-37.9
Agency supplied expert to the unit	16.3	19.2	+ 2.9
Unit supplied expert to the agency	0.0	0.0	0.0
Unit and agency have written agreement	6.1	5.8	- 0.3

The data in Table 5.50 suggest that the level of unit interaction with federal agencies has gone down between year 1 and year 2. Summing across the percentage change in activities results in a net percentage change of -69.7, i.e., a 69.7% decline in the level of cooperative activity between the units and federal agencies. However, because of the presence of two disproportionately large percentage decreases (-21.8 for agency post-referral assistance, and -37.9 for agency conducted prior investigations) the net change does not accurately reflect the actual change in the level of interaction. At best it does indicate the direction of change. Because of the cautions outlined at the beginning of this section any interpretation of Table 5.50 must be tentative. It does suggest, however, that unit-federal agency interactions may need to be the focal point of additional effort especially if it appears, across a longer period of time, that the apparent trend is a continuing one.

c. Unit interactions with state agencies. On the basis of the analyses presented earlier, it would be expected

that the level of interaction between the units and state agencies would have increased between year 1 and year 2. Table 5.51 shows the comparison of activity for the two years.

TABLE 5.51

Percentage of Units Engaging in Cooperative Interactions--State Agencies

Activity	Percentage of Units		
	Year 1	Year 2	Change
Unit referred matters to an agency	63.3	61.5	- 1.8
Agency referred matter to a unit	77.6	90.4	+12.8
Unit and agency engaged in prosecutive coordination	38.8	44.2	+ 5.4
Agency provided investigative assistance to the unit	63.3	65.4	+ 2.1
Agency provided post-referral assistance to the unit	49.0	38.5	-10.5
Unit provided post-referral assistance to the agency	42.9	34.6	- 8.3
Agency conducted detailed investigation prior to referring matter to the unit	71.4	69.2	- 2.2
Agency supplied expert to the unit	26.5	26.9	+ 0.4
Unit supplied expert to the agency	8.2	9.6	+ 1.1
Unit and agency have written agreement	6.1	13.5	+ 7.4

The data in Table 5.51 provide a more balanced picture of unit-state agency interaction. There were positive percentage changes in six of the ten cooperative activities assessed by the National Strategy Questionnaire. Summing across the percentage changes yields a net change of +6.4% in cooperative interactions between the units and state agencies.

d. Unit interactions with non-governmental organizations. The data from both the 1st and 2nd National Strategy Questionnaires show that the level of interaction between units and non-governmental organizations is relatively low. Table 5.52 shows a comparison of this interaction for year 1 and year 2. The data show a net decline (-21.1%) in unit interaction with non-governmental organizations. The largest declines are seen in those areas which require a

commitment of resources, i.e., unit post-referral assistance and organization pre-referral investigations. Although interactions with non-governmental organizations are uniformly low, they should not be ignored as a potentially rich source of manpower and resources.

TABLE 5.52

Percentage of Units Engaging in Cooperative Interactions--Non-governmental Organizations

Activity	Percentage of Units		
	Year 1	Year 2	Change
Unit referred matters to an organization	8.2	0.0	- 8.2
Organization referred matter to a unit	14.3	28.8	+14.5
Unit and organization engaged in prosecutive coordination	2.0	0.0	- 2.0
Organization provided investigative assistance to the unit	6.1	3.8	- 2.3
Organization provided post-referral assistance to the unit	12.2	23.1	+10.9
Unit provided post-referral assistance to the organization	10.1	0.0	-10.1
Organization conducted detailed investigation prior to referring matter to the unit	44.9	17.3	-27.6
Organization supplied expert to the unit	2.0	5.8	+ 3.8
Unit supplied expert to the organization	2.0	1.9	- 0.1
Unit and organization have written agreement	0.0	0.0	0.0

3. Classification of Units.

a. General. As mentioned earlier the index scales were constructed in an attempt to provide a more realistic measure of the weight to be accorded to the individual interaction activities, to provide a more consolidated picture of three different categories of cooperative activity, and to classify the units in terms of their level of activity on each category. Table 5.53 shows a comparison of the percentage of

units at each level of the three indices for year 1 and year 2. The data show some noteworthy trends in the movement of units from "low" categories to "high" categories across all three indices. For Index A, case-specific cooperation, there was a decline of 15.2% units in the low and medium categories and an increase of 17.2% units in the high category. This change on Index A from year 1 to year 2 was statistically significant ($t = 2.19$, $df = 99$, $\alpha = .029$).

TABLE 5.53

Comparison of the Percentage of Units at Each Level of Three Indices

Scale	LOW			MEDIUM			HIGH		
	Year 1	Year 2	Change	Year 1	Year 2	Change	Year 1	Year 2	Change
A	14.3	13.5	-.8	49.0	34.6	-14.4	34.7	51.9	+17.2
B	83.7	80.8	-2.9	8.2	15.4	+7.4	8.2	3.8	-4.4
C	61.2	50.0	-11.2	32.7	23.1	-9.6	6.1	26.9	+20.8

Index B, personnel exchange and training activities, showed more mixed changes across the three levels of activity. There were declines in the percentage of units in the low (-2.9%) and high (-4.4%) categories, but an increase (+7.4%) in the medium category. Index C, general cooperative agreements, also showed a trend toward higher levels of interaction. There were declines of 11.2% and 9.6% in the low and medium categories, respectively, and an increase of 20.8% in the high interaction category. The change on Index C was also statistically significant ($t = 1.98$, $df = 99$, $\alpha = .047$).

b. Index classification by level of government. Unit interactions and index score were also broken down by level of government. This analysis allows an investigation of the relative changes in the percentages of units in each category separately for interactions with federal and state agencies. Table 5.54 shows this comparison for Index A, case-specific cooperation.

TABLE 5.54

Percentage of Units Falling into Interaction Categories by Level of Government--Index A, Case-specific Cooperation

	LOW			MEDIUM			HIGH		
	Year 1	Year 2	Change	Year 1	Year 2	Change	Year 1	Year 2	Change
Federal	30.6	44.2	+13.6	51.0	32.7	-18.3	18.4	23.1	+4.7
State	32.7	19.2	-13.5	38.8	38.5	-0.3	28.6	42.3	+13.7

Case-specific cooperation (Index A) between the units and federal agencies appears to have declined from year 1 to year 2. There was a 13.6% increase in the number of units falling into the low interaction category, an 18.3% decrease in the number of units in the medium category, and only a 4.7% increase in units in the high interaction category. On the other hand, case-specific cooperation with state agencies showed an increase. There was a 13.5% decrease in units in the low category and a 13.7% increase in the high interaction category. (There was essentially no change in the number of units in the medium interaction category.)

Table 5.55 shows a similar comparison for Index B, personnel exchange and training activities. The change in

TABLE 5.55

Percentage of Units Falling into Interaction Categories by Level of Government--Index B, Personnel Exchange and Training Activities

	LOW			MEDIUM			HIGH		
	Year 1	Year 2	Change	Year 1	Year 2	Change	Year 1	Year 2	Change
Federal	34.7	44.2	+9.5	57.1	44.2	-12.9	8.2	11.5	+3.3
State	91.8	88.5	-3.3	2.0	9.6	+7.6	6.1	1.9	-4.2

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level of personnel exchange and training activities between the units and federal and state agencies is mixed. For federal agencies there was a 12.9% decrease in units in the medium interaction category. There was also, however, a 9.5% increase in the number of units in the low category. There was a similar mixed pattern of change for interaction with state agencies. There were 3-4% decreases in both the low and high categories, and a 7.6% increase in the medium interaction category.

Table 5.56 shows the comparisons for Index C, general cooperative agreements. Table 5.56 shows two interesting patterns. For federal agency interactions, the units appear to have moved to a polarized position. There was a large decrease (37.9%) in the number of units in the medium interaction category, with the decrease being divided between low interaction (+21.7%) and high interaction (+16.8%). For state agencies, there was a substantial decline (-28.3%) in the number of units in the low category and relatively equal increases in the medium (+13.4%) and high (+15.1%) categories.

TABLE 5.56

Percentage of Units Falling into Interaction Categories by Level of Government--Index C, General Cooperative Agreements

	<u>LOW</u>			<u>MEDIUM</u>			<u>HIGH</u>		
	<u>Year</u>	<u>Year</u>	<u>Change</u>	<u>Year</u>	<u>Year</u>	<u>Change</u>	<u>Year</u>	<u>Year</u>	<u>Change</u>
	<u>1</u>	<u>2</u>		<u>1</u>	<u>2</u>		<u>1</u>	<u>2</u>	
Federal	34.7	55.8	+21.1	57.1	19.2	-37.9	8.2	25.0	+16.8
State	91.8	63.5	-28.3	2.0	15.4	+13.4	6.1	21.2	+15.1

CONCLUSIONS

The Economic Crime Project has continued to be a vital force in encouraging and assisting local prosecutors in the vigorous containment of white-collar crime. In 10 months alone, 45 of the 68 units were able to recover over \$13 million in restitutions, fines, and penalties--this for a two-year LEAA investment of under \$2 million. Extensive prior Project efforts were continued under the Program Component in the present grant period. The Project has been able to find ways to increase local units' involvement in the national-level effort through associate membership in the Project's Task Forces, more frequent articles and book reviews by Unit Chiefs in the Project's Economic Crime Digest, an expanded unit role in the authorship of Task Force Manuals, and increased unit staff participation as lecturers and workshop leaders at Unit Chiefs' Conferences.

The significant mark of the Project's impact in the present grant period, however, is in the National Strategy initiative. Only an idea in the minds of criminal justice officials and experts at the time of the first National Strategy Conference on the Battelle campus in July, 1978, the concept has been translated into a number of specific interagency initiatives to foster federal, state, and local cooperation in the battle against white-collar crime. Many difficult problems in fostering interagency cooperation remain, but a significant beginning has been made.

Perhaps one of the most dramatic and significant results of this initiative is the Executive Working Group on Federal-State-Local Prosecutorial Relations. At the time the National Strategy initiative was launched, such a Working Group would have been difficult to visualize as even a middle-range objective. Through the National Strategy initiatives of the

Project's Antitrust Task Force, NDAA began working closely with its counterpart association for state prosecutors, the National Association of Attorneys General. By the time of the Second National Strategy Conference, in July, 1979, this had expanded into unprecedented cooperation between the two organizations. LEAA and the Criminal Division of the U.S. Department of Justice were then about to announce the signing of a Memorandum of Understanding for cooperation in enforcement against white-collar crime, organized crime, and arson. At this second conference the idea of expanding this cooperation to include NDAA, NAAG, and other organizations was discussed at length and strongly urged. Six months later an agreement between Justice and these two organizations was signed in a formal ceremony in Washington, establishing the Executive Working Group. While this group expanded the focus of its efforts beyond white-collar crime, organized crime, and arson, these areas remained top priorities on the Group's agenda.

Several significant lessons have been learned from this experience. First, the process has been a slow one--even slower than anticipated in the original grant application in August, 1978. Second, the results of this effort were not--and could not be--the results originally anticipated. Independent actions of federal and state agencies served to encourage, hinder, or shape the direction of National Strategy initiatives. Thus, Project staff put equal amounts of time and energy into efforts with the Inspectors General of the U.S. Department of Agriculture, Housing and Urban Development, Health and Human Services, and Energy at the outset, but obtained quite different results with respect to each.

In this context, the Project took the wise course of maintaining a posture of flexibility in being able to respond to "targets of opportunity" as they arose. Thus, the Project was able to respond to the needs of the Executive Working Group, encourage the development of statewide economic crime councils, foster a much closer working relationship with NAAG,

obtain a resolution of support from the National Organization of Bar Counsel for cooperation in lawyer discipline, and promote expansion of the Auto-Cap Program. None of these initiatives was initially anticipated.

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

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

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

the Executive Working Group specifically prohibit it from giving specific advice or recommendations to the member organizations.

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

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

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

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

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

ENDNOTES

1. Chamber of Commerce of the United States, A Handbook on White Collar Crime: Everyone's Problem, Everyone's Loss (Washington, D.C.: U.S. Chamber of Commerce, 1974).
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APPENDIX A

ECONOMIC CRIME PROJECT REPORTING SYSTEM:

DESCRIPTION

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ECONOMIC CRIME PROJECT REPORTING SYSTEM:

DESCRIPTION

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

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

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

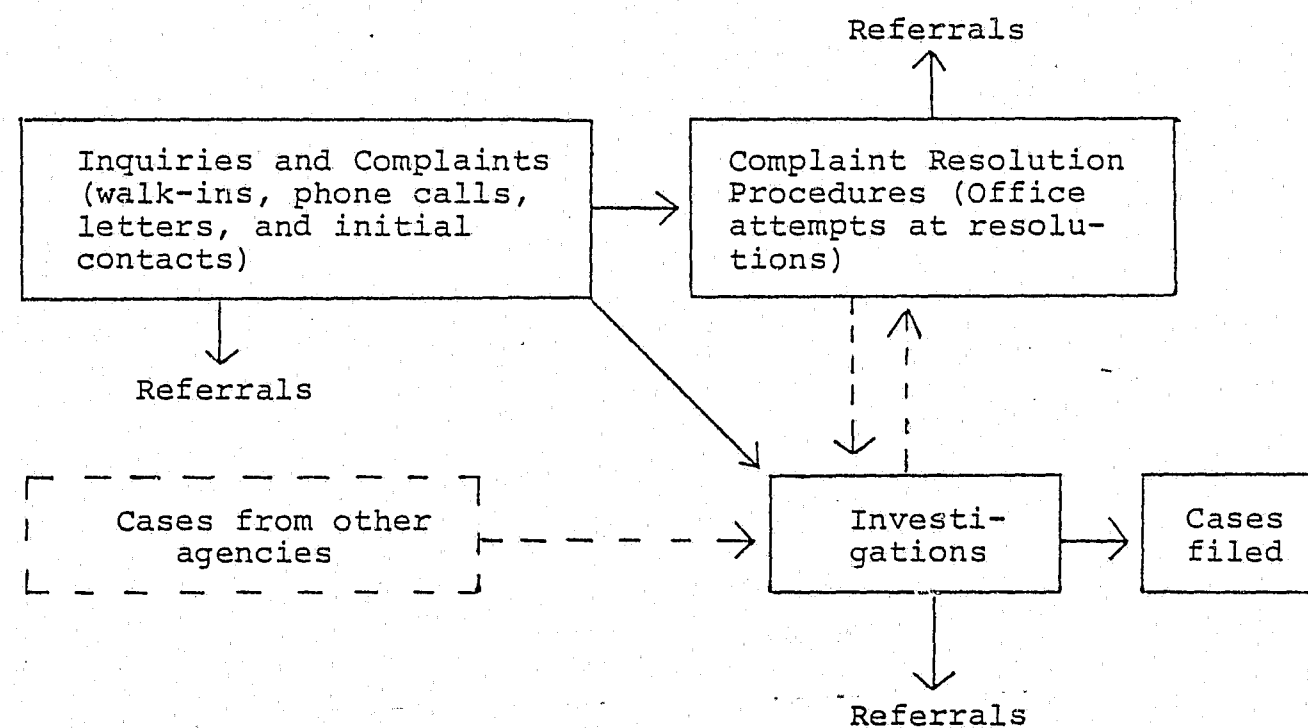
which is supplied by the units. Thus, the reporting efforts required of each unit will be minimized. The system is not designed to be comprehensive at all levels, but to obtain selected, nationally significant measures of project activities. This has involved a substantial joint planning effort by NDAA's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

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

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

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

FLOW CHART OF UNIT ACTIVITIES



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

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

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

I. INQUIRIES AND COMPLAINTS

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

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

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

II. COMPLAINT RESOLUTION PROCEDURES

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

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

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

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

III. INVESTIGATIONS

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

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

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

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

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

IV. CASES

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

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

APPENDIX B

ECONOMIC CRIME PROJECT REPORTING SYSTEM:
INSTRUCTIONS

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January 29, 1979

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ECONOMIC CRIME PROJECT REPORTING SYSTEM:
INSTRUCTIONS

Introduction

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

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

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

I. INQUIRIES AND COMPLAINTS

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

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

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

II. COMPLAINT RESOLUTION PROCEDURES

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

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

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

B. OUTCOME OF ATTEMPTED RESOLUTION.

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

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

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

III. INVESTIGATIONS

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

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

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

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

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

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

HOW MANY LINES TO USE PER INVESTIGATION?

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

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

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

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

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

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

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

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

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

6. SOURCE OF INVESTIGATION.

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

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

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

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

B. INVESTIGATIONS: CLOSING

HOW MANY LINES TO USE PER INVESTIGATION?

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

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

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

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

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

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

7. CLOSING/DISPOSITION OF INVESTIGATION.

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

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

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

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

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

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

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

IV. CASES

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

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

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

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

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

HOW MANY LINES TO USE PER CASE?

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

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

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

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

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

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

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

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

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

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

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

B. CASES: CLOSING

HOW MANY LINES PER CASE?

When a case with one number involves more than one individual or one organization, or involves individuals and organizations, first determine the number of different dispositions which occurred. Use one line for each form of disposition. For example, if all those charged agreed to restitution, or if all charges were dropped, or criminal felony charges resulted in prison terms for all, use one line. Taking another example, where one case against ten defendants resulted in acquittals for six, felony conviction with prison for three, and a felony conviction with probation for one, there are three forms of disposition. Three lines would be used: one line for all defendants involved in each of these three forms of disposition.

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

2. IDENTIFYING NUMBER. Enter the identifying number initially assigned to this case by your office. (See discussion of Identifying Number on page 5 above.)

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

7.5, 8. CASE FILED, SUBJECT MATTER. LEAVE THESE COLUMNS BLANK WHEN REPORTING ONLY A CASE CLOSING.

9., 10. NUMBER OF DEFENDANTS, NUMBER OF VICTIMS. Complete these columns as instructed for Cases: Filing (page 11 above), keeping in mind the appropriate number of lines to use when reporting a case closing.

11. TYPE OF PROCEEDING. Use these columns to indicate the nature of the proceeding. If there were no proceedings

at all (for example, if the case were dropped without any negotiation or trial proceedings), check the "No Proceedings" column. If there was no trial, but negotiation or plea bargaining occurred, check the "Negotiation" column. If there was a trial, check the appropriate column to indicate whether it was a jury or non-jury trial.

12. RESULT OF PROCEEDING. Check the appropriate column(s) to report the result of the proceedings: negotiated plea, negotiated settlement/stipulated judgment, felony conviction, misdemeanor conviction,* acquittal, dismissed/dropped, deferred judgment.

13. PENALTY/REMEDY.

13.1. Prison/Jail. Check if a prison or jail term has been imposed, unless the sentence was suspended, conditionally or unconditionally.

13.2. Probation. Check if defendant has been placed on probation, paroled following imposition and suspension of a prison sentence, or otherwise released on condition of supervision (other than payment of a fine or restitution). This may include release on condition that a defendant must remain in a vocational education program, or under the care of a psychiatrist, even when the Probation Department is not responsible for supervising this condition, since the judge retains the power to send the defendant to prison if he or she violates these conditions.

13.3. Injunction/Equitable Remedy. Check this column if the court imposed an injunction or other equitable remedy.

13.4. Financial. If any financial penalties or remedies were imposed on the defendant(s), check the appropriate column under the "Financial" heading to describe the nature of the

*For a discussion of the felony/misdemeanor distinction applied here, see the discussion of 7.5 Case Filed on page 11, above.

financial penalty/remedy, and enter the amount of the penalty or remedy (in dollars) in the "Amount" column.

Do not check any "Financial" column if the person or organization has agreed or been ordered to cancel a future obligation (for example, payments on a lifetime dance studio contract).

(a) Fine/Penalty. Check this column if the court has ordered defendant(s) to pay any sum to the court or to government, except where the defendant is ordered to reimburse a victimized governmental entity. This includes court costs which may be imposed. Then enter the total amount of this fine/penalty in the "Amount" column.

(b) Civil Judgment. Check this column if civil damages were imposed, and enter the amount of this judgment in the "Amount" column.

(c) Restitution. Unless restitution is imposed by court order and the court retains the power to hold a non-complying defendant in contempt of court, check "Restitution: Not Court Ordered" rather than "Court Ordered." Negotiated restitution may be a condition of a prosecutor's dropping a case, a gesture by the defendant prior to sentencing, or an agreement at sentencing where the court does not retain the power to hold a non-complying defendant in contempt.

Check one box and indicate the amount only where the person or organization being investigated has agreed or is ordered (1) to pay money to victims, (2) to replace something of value (in which case, the present fair market value of the item is entered under "Amount"), or (3) to perform a service for which the victim(s) has (have) already paid (for example, a satisfactory car or appliance repair).

Restitution here does not include "symbolic restitution" through community service. This should be considered as "Probation" instead.

ECONOMIC CRIME PROJECT REPORTING SYSTEM

Complaints, Inquiries, and Complaint Resolution Procedures Reporting Form

Form S-1
1/29/79
Page 1 of 1

ECP Unit: _____
Period Covered: _____
Date Filled Out: _____
Filled Out by: _____

Complaints and Inquiries

Number of Complaints, Inquiries, or Other Initial Contacts with officeNumber: _____

Office Complaint Resolution Procedures

Number of Matters Involving Complaint Resolution Procedures begun this monthNumber: _____

Number of Voluntary RestitutionsNumber: _____

Restitution Amount in Dollars\$ _____

Number of Referrals to Other AgenciesNumber: _____

ECONOMIC CRIME PROJECT REPORTING SYSTEM
 INVESTIGATION AND CASE INFORMATION
 REPORTING FORM

ECP Unit : _____
 Period Covered: _____
 Date Filled Out: _____
 Filled Out by: _____

Form E-2
 1/29/79

Page _____ of _____

INVESTIGATION INFORMATION												CASE INFORMATION										COMMENTS
TYPE OF ENTRY INVESTIGATION CLOSING INVESTIGATION OPENING	IDENTIFYING NUMBER	SUBJECT MATTER SEE COOPD LIST OF ECONOMIC CRIMES	NO. UNDER INVESTIGATION	NO. OF VICTIMS	SOURCE OF INVESTIGATION	CLOSING/DISPOSITION OF INVESTIGATION	AGENCY FILED	CASE FILED	SUBJECT MATTER	NO. OF DEFENDANTS	NO. OF VICTIMS	TYPE OF PROCEEDING	RESULT OF PROCEEDING	PENALTY/REMEDY	Amount (in dollars)							
					Restitution	Settled	CIVIL	MISDEMEANOR				NON-ADJURY	ACQUITTED	FINES	100.00							
					Restitution	Settled	CIVIL	MISDEMEANOR				NON-ADJURY	ACQUITTED	FINES	100.00							
					Restitution	Settled	CIVIL	MISDEMEANOR				NON-ADJURY	ACQUITTED	FINES	100.00							
					Restitution	Settled	CIVIL	MISDEMEANOR				NON-ADJURY	ACQUITTED	FINES	100.00							
					Restitution	Settled	CIVIL	MISDEMEANOR				NON-ADJURY	ACQUITTED	FINES	100.00							
					Restitution	Settled	CIVIL	MISDEMEANOR				NON-ADJURY	ACQUITTED	FINES	100.00							

ECONOMIC CRIME PROJECT REPORTING SYSTEM
Investigation Information Reporting Form

Form S-3
1/29/79

Page _____ of _____

ECP Unit: _____
 Period Covered: _____
 Date Filled Out: _____
 Filled Out by: _____

TYPE OF ENTRY	IDENTIFYING NUMBER	SUBJECT MATTER	NO UNDER INVESTIGATION	NO. OF VICTIMS	SOURCE OF INVESTIGATION	CLOSING/DISPOSITION OF INVESTIGATION			COMMENTS								
						Restitution	Returned	CASE FILED									
		SEE CODED LIST OF ECONOMIC CRIMES	INDIVIDUALS	BUSINESSES OR INSTITUTIONS	INDIVIDUALS	GOVERNMENT	INQUIRY/COMPLAINT	PRO-ACTIVE INVESTIGATION	AGENCY REFERRAL	AGENCY TYPE - SEE CODED LIST OF AGENCIES	CHECK IF RESTITUTION	CHECK IF REFERRED	MISDEMEANOR	FELONY	AGENCY TYPE - SEE CODED LIST OF AGENCIES	CHECK IF REFERRED	
INVESTIGATION CLOSING	2	3		5	6	8.1	8.2	8.3	7.1	7.2	7.3	7.4	7.5				
INVESTIGATION OPENING																	

ECONOMIC CRIME PROJECT REPORTING SYSTEM
Case Information Reporting Form

Form S-4
1/29/79

Page _____ of _____

ECP Unit: _____
Period Covered: _____
Date Filled Out: _____
Filled Out By: _____

TYPE OF ENTRY	IDENTIFYING NUMBER	CASE FILED	SUBJECT MATTER	NO. OF DEFENDANTS	NO. OF VICTIMS	TYPE OF PROCEEDING	RESULT OF PROCEEDING	PENALTY/REMEDY		COMMENTS
								Financial	Amount (in dollars)	
CASE FILING		MISDEMEANOR FELONY	SEE CODED LIST OF ECONOMIC CRIMES	INDIVIDUALS	INDIVIDUALS	GOVERNMENT BUSINESSES OR INSTITUTIONS	ACQUITTAL	RESTITUTION - COURT ORDERED	13.1	
								RESTITUTION - NOT COURT ORDERED		
CASE CLOSING										
CASE FILING	2	7.5	8	9	10	11	12		13	

ECONOMIC CRIME PROJECT REPORTING SYSTEM

LIST OF AGENCY CODES

<u>Code Number</u>	<u>Agency</u>
<u>Consumer Protection Agencies</u>	
1	State Agencies
2	Local Agencies
3	Non-Government/Business/Consumer Groups (for example, Better Business Bureaus)
<u>Regulatory Agencies</u>	
4	Federal Agencies
5	State Agencies
6	Local Agencies
<u>Investigative/Police/Law Enforcement Agencies</u>	
7	Federal Agencies
8	State Agencies
9	Local Agencies
<u>Attorneys/Prosecutors</u>	
10	United States Attorneys (Federal)
11	State Attorney General--Consumer Protection/ Fraud Division
12	State Attorney General (other than Consumer Protection/Fraud)
13	Local/Municipal Government Attorneys' Office (for example, Corporation Counsel, New York City)
14	Legal services or Private Attorneys
15	<u>Small Claims Court</u>
16	<u>Trade Associations</u>
17	<u>Other</u>
18	Other Local District Attorneys/Prosecutors' Offices
19	NDAE Economic Crime Project Center, Chicago

ECONOMIC CRIME PROJECT REPORTING SYSTEM

LIST OF ECONOMIC CRIME CODES

Investments

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

Financing, Credit, and Banking

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

Computer Related

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

Insurance

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

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

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

Fraud Against Government, Public Agencies, Utilities

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

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

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

Housing, Land, Real Estate, and Construction

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

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

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

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

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

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

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

Other

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

APPENDIX C

ECONOMIC CRIME PROJECT REPORTING SYSTEM:

FORMS

ECONOMIC CRIME PROJECT REPORTING SYSTEM

Complaints, Inquiries, and Complaint Resolution
Procedures Reporting Form

Form S-1
1/29/79
Page 1 of 1

ECP Unit: _____

Period Covered: _____

Date Filled Out: _____

Filled Out by: _____

Complaints and Inquiries

Number of Complaints, Inquiries, or
Other Initial Contacts with officeNumber: _____

Office Complaint Resolution Procedures

Number of Matters Involving
Complaint Resolution Procedures begun this monthNumber: _____

Number of Voluntary RestitutionsNumber: _____

Restitution Amount in Dollars\$ _____

Number of Referrals to Other AgenciesNumber: _____

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ECONOMIC CRIME PROJECT REPORTING SYSTEM

INVESTIGATION AND CASE INFORMATION REPORTING FORM

Form S-2
1/29/79

ECP Unit : _____
 Period Covered: _____
 Date Filled Out: _____
 Filled Out by: _____

Page _____ of _____

INVESTIGATION INFORMATION														CASE INFORMATION										COMMENTS
TYPE OF ENTRY	IDENTIFYING NUMBER	SUBJECT MATTER	NO. UNDER INVESTIGATION	NO. OF VICTIMS	SOURCE OF INVESTIGATION	CLOSING/DISPOSITION OF INVESTIGATION		CASE FILED	SUBJECT MATTER	NO. OF DEFENDANTS	NO. OF VICTIMS	TYPE OF PROCEEDING	RESULT OF PROCEEDING		PENALTY/REMEDY									
						Restitution	Referred						Total	No	Financial	Amount (in dollars)								
CASE CLOSING		SEE CODED LIST OF ECONOMIC CRIMES	INDIVIDUALS		INQUIRY/COMPLAINANT	CHECK IF RESTITUTION	CHECK IF REFERRED	MISDEMEANOR	SEE CODED LIST OF ECONOMIC CRIMES			NON-JURY	NEGOTIATED SETTLEMENT/STIPULATED JUDGMENT	FINES/RESTITUTION	FINES/RESTITUTION									
CASE FILING												NO PROCEEDINGS	MISDEMEANOR CONVICTION	DEFERRED JUDGMENT	FINES/RESTITUTION									
INVESTIGATION CLOSING												GOVERNMENT	FELONY CONVICTION	PRISON/JAIL	FINES/RESTITUTION									
INVESTIGATION OPENING												GOVERNMENT	FELONY CONVICTION	PRISON/JAIL	FINES/RESTITUTION									

ECONOMIC CRIME PROJECT REPORTING SYSTEM
Investigation Information Reporting Form

Form 8-3
1/20/78

Page _____ of _____

ECP Unit : _____
 Period Covered: _____
 Date Filled Out: _____
 Filled Out by: _____

TYPE OF ENTRY	IDENTIFYING NUMBER	SUBJECT MATTER	NO. UNDER INVESTIGATION	NO. OF VICTIMS	SOURCE OF INVESTIGATION	CLOSING/DISPOSITION OF INVESTIGATION			COMMENTS	
						Restitution	Referred	CASE FILED		
INVESTIGATION CLOSING		SEE CODED LIST OF ECONOMIC CRIMES	INDIVIDUALS	BUSINESSES OR INSTITUTIONS	GOVERNMENT	INQUIRY/COMPLAINT	Amount (in dollars)	CHECK IF RESTITUTION	CIVIL	
									MISDEMEANOR	
INVESTIGATION OPENING									FELONY	
									AGENCY TYPE - SEE CODED LIST OF AGENCIES	
									CHECK IF REFERRED	

APPENDIX D
 ECONOMIC CRIME PROJECT
 NATIONAL STRATEGY QUESTIONNAIRE

This questionnaire requests information concerning the interactions between your Unit and federal and state level agencies and organizations during the period of July 1-December 31, 1978.

ECP Unit _____

Filled out by _____

1. Please indicate the total number of investigations conducted ("special investigations" on the monthly 1978 NDAA reporting forms) _____ and cases filed _____ by your Unit between July 1-December 31, 1978.

2. How many matters were referred to your Unit by national and state (but not local) agencies or organizations during the period July 1-December 31, 1978? _____

Please list the referring agencies below.

Number of Matters Referred to Your Unit	Agency or Organization (e.g., Federal Trade Commission, U.S. Attorneys' Office, State Securities and Exchange Commission, Professional Associations for Industrial Security Officers, Arson Investigators, etc.)	Jurisdictional Level	
		National/Federal	State
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

3. In how many of these matters referred to your Unit (listed above) were detailed investigations made by the referring organization prior to referral to your Unit? _____

4. In how many of these matters referred to your Unit did the referring organization assist your Unit's investigation following referral? _____

Please list the agencies and organizations which have assisted your Unit's investigation after referral.

Agency/Organization Name	Jurisdictional Level	
	National/ Federal	State
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

5. How many matters has your Unit referred to federal and state agencies during the period July 1-December 31, 1978? _____

Please list the agencies and whether or not your Unit assisted in investigation following referral.

Number Referred	Agency Name	Jurisdictional Level		Assistance After Referral	
		Federal	State	Yes	No
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

6. During the period July 1-December 31, 1978 did your Unit approach state or national level agencies or organizations for assistance in the conduct of investigations (excluding matters referred to your office from such state and national organizations)? Yes ___ No ___

Please list these agencies and organizations.

Agency/Organization Name	Jurisdictional Level		Approximate Number of Requests	Was Any Assistance Received
	National/ Federal	State		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

7. How many cases during the period July 1-December 31, 1978 involved coordinating your Unit's prosecution with that of federal or state agencies? _____

Please list the agencies involved.

Agency Name	Jurisdictional Level	
	Federal	State
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

8. During this time period, did any investigators or prosecutors from your Unit participate in formal or informal training programs involving staff from state or federal jurisdictions? Yes ___ No ___

9. Has your Unit used experts from national or state agencies or organizations or supplied experts from the Unit staff to such organizations during this period? Yes ___ No ___

Please list the agencies and organizations and types of expertise that have been involved.

Agency/Organization Name	Expert Provided		Jurisdictional Level		Field of Expertise
	TO Unit	BY Unit	National/Federal	State	
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

10. Please indicate whether any written agreements have been entered into by your Unit and, if known, by other sections of your Prosecutor's Office regarding cooperation or coordination of investigative or prosecutive efforts with federal, state, and local agencies.

	Yes	No	Don't Know
Unit agreements	_____	_____	_____
Agreements in other sections of office	_____	_____	_____

If yes, please list the agencies involved and, if available, attach a copy of each agreement.

Agency Name	Unit	Office	Jurisdictional Level		
			Federal	State	Local
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Comments: Please use the reverse side for any additional comments you may have regarding interaction with national and state level agencies and organizations particularly interested in your own experiences with and

NATIONAL STRATEGY QUESTIONNAIRE

This questionnaire requests information concerning the interactions between your Unit and federal and state-level agencies and organizations during the period of July 1-December 31, 1979.

ECP Unit _____

Filled out by _____

1. How many matters were referred to your Unit by national and state (but not local) agencies or by national-level organizations during the period of July 1-December 31, 1979? _____

Please list the referring agencies below:

Number of Matters Referred to Your Unit	Agency or Organization (e.g.'s, of national organizations: Professional Associations for Industrial Security Officers, Arson Investigators, etc.)	Jurisdictional Level		
		Federal	State	National Organization
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

2. In how many of these matters referred to your Unit (listed above) were detailed investigations made by the referring organization prior to referral to your Unit?

Number of Matters with Detailed Prior Investigations	Agency or Organization
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

3. In how many of these matters referred to your Unit did the referring organization assist your Unit's investigation following referral? _____

Please list the agencies and organizations which have assisted your Unit's investigation after referral.

Number of Matters with Investigative Assistance by Referring Organization	Agency/Organization Name	Jurisdictional Level		
		Federal	State	National
		Federal	State	Organization
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

4. How many matters has your Unit referred to federal and state agencies during the period July 1-December 31, 1979? _____

Please list the agencies and whether or not your Unit assisted in investigation following referral.

Number Referred	Agency Name	Jurisdictional Level		Assistance After Referral	
		Federal	State	Yes	No
		Federal	State	Yes	No
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

5. During the period July 1-December 31, 1979, did your Unit approach state or national-level agencies or organizations for assistance in the conduct of investigations (excluding matters referred to your office from such state and national organizations)? Yes _____ No _____

Please list these agencies and organizations.

Approx. No. of Requests	Agency/Organization Name	Jurisdictional Level		No. Investigations Where Assistance ACTUALLY Received
		Fed.	Natl	
		Fed.	State Org.	
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

6. How many cases during the period July 1-December 31, 1979, involved coordinating your Unit's prosecution with that of federal or state agencies? _____

Please list the agencies involved.

No. of Cases Coordinated Prosecution	Agency Name	Jurisdictional Level	
		Federal	State
		Federal	State
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

7. During this time period, did any investigators or prosecutors from your Unit participate in formal or informal training programs involving staff from state or federal jurisdictions? Yes _____ No _____

8. Has your Unit used experts from national or state agencies or organizations or supplied experts from the Unit staff to such organizations during this period? Yes _____ No _____

Please list the agencies and organizations and types of expertise that have been involved.

Agency/Organization Name	Expert Provided		Jurisdictional Level			Field of Expertise
	TO Unit	BY Unit	Fed.	State	Natl Org.	
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

9. Please indicate whether any written agreements have been entered into by your Unit and, if known, by other sections of your Prosecutor's Office regarding cooperation or coordination of investigative or prosecutive efforts with federal, state, and local agencies.

	Yes	No	Don't Know
Unit agreements	_____	_____	_____
Agreements in other sections of office	_____	_____	_____

If yes, please list the agencies involved and, if available, attach a copy of each agreement.

Agency Name	Unit	Office	Jurisdictional Level		
			Federal	State	Local
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Comments:

Please use the reverse side for any additional comments you may have regarding interaction with national and state-level agencies and organizations. We are particularly interested in your own experiences with and assessments of inter-agency relations (formal and informal) and your ideas concerning the development of a national strategy for interagency cooperation.

