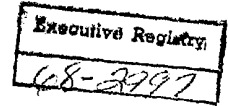


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NINETIETH CONGRESS
Congress of the United States
House of Representatives
LEGAL AND MONETARY AFFAIRS SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
RAYBURN HOUSE OFFICE BUILDING, ROOM 8349-A
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225-4407



June 27, 1968

Mr. Richard Helms
Director
Central Intelligence Agency
Washington, D.C.

Dear Mr. Helms:

This refers further to the study being made by the Legal and Monetary Affairs Subcommittee of the Federal effort against organized crime.

Enclosed please find a copy of House Report No. 1574, entitled "The Federal Effort Against Organized Crime: Report of Agency Operations", which has been approved by the Committee on Government Operations. The report summarizes testimony and statements received by the Subcommittee, and in "Concluding Remarks" comments on agency capabilities and operations. The enclosed is an interim report; the Subcommittee's study is continuing.

Your cooperation and interest in the Subcommittee's study are appreciated, and, as always, any suggestions are welcomed.

Sincerely,


DANTE B. FASCELL
Chairman

Enclosure

CRC, 9/25/2003

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Union Calendar No. 628

90th Congress, 2d Session - - - - - House Report No. 1574

FEDERAL EFFORT AGAINST ORGANIZED
CRIME: REPORT OF AGENCY
OPERATIONS

TWENTY-EIGHTH REPORT
BY THE
COMMITTEE ON GOVERNMENT
OPERATIONS



JUNE 20, 1968.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, D.C., June 20, 1968.

HON. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: By direction of the Committee on Government Operations, I submit herewith the committee's twenty-eighth report to the 90th Congress. The committee's report is based on a study made by its Legal and Monetary Affairs Subcommittee.

WILLIAM L. DAWSON, *Chairman.*

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Union Calendar No.628

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1574

FEDERAL EFFORT AGAINST ORGANIZED CRIME: REPORT OF AGENCY OPERATIONS

JUNE 20, 1968.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DAWSON, from the Committee on Government Operations, submitted the following

TWENTY-EIGHTH REPORT

BASED ON A STUDY BY THE LEGAL AND MONETARY AFFAIRS
SUBCOMMITTEE

On June 19, 1968, the Committee on Government Operations approved and adopted a report entitled "Federal Effort Against Organized Crime: Report of Agency Operations." The chairman was directed to transmit a copy to the Speaker of the House.

INTRODUCTION

When President Johnson established his Commission on Law Enforcement and Administration of Justice¹ he asked the Commission to determine why organized crime has been expanding despite the Nation's best efforts to prevent it. After study of the problem, the Commission reported² that efforts to curb the growth of organized crime in America have not been successful.

The Federal Government's efforts can represent only a part of any overall fight that is waged against organized crime, because—except in limited instances—prosecutions for crimes are within the responsibilities and prerogatives of the States and their subdivisions.

However, organized crime does not confine its criminal activities solely to local areas or to those which breach only local or State laws. When geographical boundaries are exceeded, or purely Federal violations are involved, the Federal Government's responsibilities begin.

As with any other of its responsibilities, the Federal Government should tailor its performance to meet the indicated needs, and carry

¹ The Commission, hereinafter called the President's Crime Commission, was established July 23, 1965, by Executive Order No. 11236.

² "The Challenge of Crime In A Free Society," 1967, pp. 188, 198.

out its responsibilities with maximum efficiency and economy. Present indications are that the dangers the Nation faces from organized crime are tremendous. This calls for exertion of the full force of the Federal Government's abilities to cope with that menace. Such full-force attack requires a directed, continuing, overall effort, involving the unified and coordinated application of the capabilities of all of the Federal departments and agencies that possess any resources that can be used in the fight.

The Legal and Monetary Affairs Subcommittee is charged with assessing and evaluating the efficiency and economy of operations of many of the Federal agencies that possess capabilities of one kind or another that can be utilized in the battle. Numerous studies have been made of "organized crime." The subcommittee's study is unique, in that it seeks to determine how, from operational standpoints, the executive branch agencies, separately and collectively, can best aid in fulfilling the Federal obligations and responsibilities for coping with the overall organized crime problem.

In its first phase of the study the subcommittee invited the Department of Justice (the Federal Government's prosecutive arm) and 35 investigative, administrative, and regulatory departments and agencies to testify at public hearings, or to submit statements for the record concerning the capabilities and efforts of the Federal Government to combat organized crime. Particular reference was to be made to organized crime problems faced by each, how they were dealt with, and the participation of each in efforts against organized crime, including their relationships with the Organized Crime and Racketeering Section of the Department of Justice, and with Federal, State, and local law enforcement agencies.

This interim report presents for congressional, governmental, and public review, for the first time, the existing resources of each of these Federal departments and agencies, as summarized from information supplied by them. In addition, this posture report will serve as background, as the subcommittee continues its study.

The departments and agencies whose representatives testified are listed below, generally in the order in which the witnesses appeared at the subcommittee's hearings:

Department of Justice:³

Criminal Division: Organized Crime and Racketeering Section (OCRS)

Immigration and Naturalization Service (INS)

Department of the Treasury:

Internal Revenue Service (IRS):

Intelligence Division (ID)

Alcohol & Tobacco Tax Division (A&TT)

Bureau of Narcotics⁴

³ The Federal Bureau of Investigation, invited to testify, declined, the Director advising the subcommittee that "such testimony in connection with legislative considerations of Congress is more properly the function of the Department of Justice which, over the years, has handled legal and legislative matters involving the FBI."

⁴ After the subcommittee's hearings, the Bureau of Narcotics and the Bureau of Drug Abuse Control were transferred from the Treasury and HEW Departments, respectively, to the Department of Justice pursuant to Reorganization Plan No. 1 of 1968 (Fed. Reg. vol. 33, pg. 5811, Apr. 11, 1968) which established the Bureau of Narcotics and Dangerous Drugs in the Department of Justice, effective April 8, 1968. On May 6, 1968, the Attorney General announced formation of a Narcotics and Dangerous Drug Section in the Criminal Division of the Department of Justice. Associate Directors of the new Bureau have been appointed, but the Director has not yet been named.

Bureau of Customs
U.S. Secret Service
Department of Health, Education, and Welfare (HEW) :
Food and Drug Administration (FDA)
Bureau of Drug Abuse Control * (BDAC)
Securities and Exchange Commission (SEC)
Comptroller of the Currency
Federal Deposit Insurance Corporation (FDIC)
Federal Reserve Board (FRB)
Federal Home Loan Bank Board (FHLBB)
Department of Labor: Labor-Management and Welfare-Pension Re-
ports (LM&WPR)
National Labor Relations Board (NLRB)
Post Office Department: Bureau of Chief Postal Inspector

Statements for the record were obtained from the following:

Department of Agriculture
Department of Commerce
Department of Defense, including the Departments of the Army, Navy,
and Air Force
Department of Health, Education, and Welfare (HEW) : Social Secu-
rity Administration
Department of the Interior
Department of Justice: Bureau of Prisons
Department of State: Agency for International Development (AID)
Department of Transportation:
Federal Aviation Administration (FAA)
U.S. Coast Guard
Atomic Energy Commission (AEC)
Civil Aeronautics Board (CAB)
Civil Service Commission
Federal Communications Commission (FCC)
Federal Power Commission (FPC)
Federal Trade Commission (FTC)
Comptroller General of the United States (GAO)
General Services Administration (GSA)
Interstate Commerce Commission (ICC)
National Security Agency (NSA)
Small Business Administration (SBA)

BACKGROUND

ORGANIZED CRIME—WHAT IT IS

The President's Commission defined organized crime as "a society that seeks to operate outside the control of the American people, and their governments. It involves thousands of criminals working within structures as complex as those of any large corporation, subject to laws more rigidly enforced than those of legitimate governments. Its actions are not impulsive, but rather the result of intricate conspiracies, carried on over whole fields of activity in order to amass huge profits."

The "Omnibus Crime Control and Safe Streets Act of 1968" legisla-
tion (discussed later in this report) defines organized crime to mean
"the unlawful activities of the members of a highly organized, disci-

plined association engaged in supplying illegal goods and services, including but not limited to gambling, prostitution, loan sharking, narcotics, labor racketeering, and other unlawful activities of members of such organizations.”

The Department of Justice, in its operations, considers organized crime to be twofold: first, a criminal syndicate consisting of families operating as criminal cartels in large cities across the Nation, banded together in an organization with what corresponds to a board of directors at the top to settle problems, such as jurisdictional disputes, and to enforce discipline; and second, any large continuous criminal conspiracy which has significant impact upon a community, a region, or an area of our country.

Out of a list of some 3,100 persons the Department of Justice considers to be the leading racketeers in the United States, it has identified about two-thirds as members of the hard-core group. Some 80 percent of these criminals are centered in the Greater New York, northern New Jersey, and Chicago areas. Other States in which this group's members reside and operate are California, Arizona, Nevada, Colorado, New Mexico, Texas, Louisiana, Florida, Missouri, Michigan, Wisconsin, Ohio, Pennsylvania, Rhode Island, and Massachusetts.⁴⁴

The activities of some major crime syndicates transcend the boundaries of cities, States, and countries, and some organized crime groups are known to operate in all sections of the Nation (according to the President's Crime Commission) and in many of the smaller cities—so that organized crime is not solely a “big-city” problem.

ORGANIZED CRIME'S INCOME SOURCES

Organized crime derives most of its revenue from gambling. The President's Crime Commission estimated gross gambling receipts to run between \$7 and \$50 billion annually. Department of Justice testimony estimated the annual gross at \$20 billion, and net receipts to criminal syndicates at about \$6 billion. The importance of gambling to organized crime was given its full effect by this testimony of the Department's witness:

Mr. FASCELL. Then the main thrust of what you are telling us is that as far as organized crime is concerned, its heart and soul is gambling on a national level, * * *?

Mr. VINSON. Yes, sir. That is definitely and distinctly the source of the principal bank roll.

Organized crime's next largest source of revenue is from “loan sharking” or “shylocking,” that is the lending of money at highly usurious rates of interest, generally in circumstances where the lender is more interested in perpetuating interest payments than in collecting principal; and where force and threats are used to effect collections, to eliminate protests when interest rates are raised, and to prevent the beleaguered borrower from reporting the activity to law enforcement officials.

⁴⁴ A member of the subcommittee, Congressman St Germain, pointed out early in the 1967 hearings that in a 2-year period there had been some 40 gangland murders in the Boston area, with many who were believed to be involved also being murdered; and that there had been no convictions for the murders. On Mar. 8, 1968, the reported leader of the principal “family” in that area and several henchmen were convicted in a Federal court of conspiracy to facilitate gambling operations in interstate commerce by committing violence, namely murder.

The President's Crime Commission indicated that no reliable estimates exist of the gross revenue that racketeers derive from organized loan sharking but that profit margins are higher than from gambling operations. Many law officials classify the business in the multibillion-dollar range. Gambling profits often are used to "bankroll" loan sharking operations.

Other major sources of organized crime's profits are from trafficking in narcotics (estimated at between \$21 and \$300 million annually); extortion; prostitution; bootlegging; fraudulent bankruptcies—"scam" operations—in which merchandise is quickly dumped at low prices without paying creditors; in fact, the whole gamut of criminal endeavor.

Thus, the 185 indictments of hard-core organized crime personnel (between 1961 to 1966) reported by the Department of Justice charged such diverse offenses (in addition to gambling, narcotics, extortion, and liquor law violations) as securities frauds and thefts; thefts from interstate commerce; tax evasion; bankruptcy frauds; bank robbery; mail fraud; counterfeiting; and various others. The most profitable and best organized for continued operations, however, were gambling, shylocking, and narcotics operations.

An article in the Wall Street Journal for June 3, 1968, states that the business of cigarette bootlegging is a growing enterprise of organized crime. Because of high taxes on cigarettes that have been imposed in many States, racketeers have found it extremely profitable to bootleg cigarettes from North Carolina, where there is no cigarette tax, into other States without payment of the tax. New York State, alone, claims it loses \$40 million annually, and New York City \$10 million annually because of such cigarette smuggling. Some sources claim that organized crime's profits from cigarette bootlegging approach \$50 million a year.

According to the Intelligence Bureau of the Internal Revenue Service, persons who place illegal bets provide untaxed profits to the underworld at the rate of more than \$600,000 per hour. Its "conservative" estimate is that about \$20 billion are illegally wagered with the underworld in this country annually, of which the estimated net profits to the racketeers are from \$6 to \$7 billion. That Bureau also estimates that organized crime annually derives about \$350 million from loan sharking; \$350 million from narcotics; \$225 million from prostitution; and \$150 million from untaxed liquor.

THE ORGANIZED CRIME MENACE

The President's Crime Commission found that the greatest menace that organized crime presents is its ability through the accumulation of illegal gains to infiltrate into legitimate business and labor unions, and to corrupt public officials, and thus perpetuate its illegality with impunity.

It was testified at the subcommittee's hearings that the profits of organized crime provide the financial resources whereby ordinary criminals are converted into bigtime racketeers, political bosses, pseudobusinessmen, and philanthropists. Racketeering tries to subvert local governments and destroy their integrity. It is reaching further into legitimate businesses every day, and when it reaches into legitimate

business, integrity goes "out the window." Organized crime touches millions of citizens of this Nation whether they know it or not. Ferretting out and prosecuting its leaders is a formidable challenge to Federal, State, and local enforcement officials throughout the country.

Although today's bigtime racketeer still involves himself occasionally in street crimes (such as murder when he feels he must), he generally seeks to avoid the notoriety which is associated with crimes of violence. More sophisticated, and with the help of lawyers and accountants and through intricate business setups, he moves into areas of commercial crime where the victim is brought into the web of conspiracy, being a party to the crime. As examples, gambling, shylocking, and narcotics are all "consensual" or "victimless" crimes, in that the victim is a willing participant, by making bets or loans, or buying dope. Society is the greatest victim.

The modern-day syndicate leaders make every effort to be looked upon as pillars of the community. However, under the facade of legitimacy and under layers of insulation in the criminal organization, the illegal methods are continued.

Force, or the threat of force, is used to maintain discipline within criminal organizations, to prevent witnesses from testifying, to collect debts, and to maintain control over illegal activities. Fear of retaliation presents the primary problem in prosecuting organized crime, i.e., the obtaining of evidence. Bettors are afraid to testify against their bookmakers; addicts are afraid to testify against their suppliers; and borrowers are afraid to testify against shylocks. Nor are these fears groundless; accounts of killings and maimings of prospective witnesses appear with sufficient frequency to discourage all but the bravest.

Infiltration of legitimate business

At the subcommittee's hearings, the following illuminating testimony concerning the infiltration of racketeers into legitimate business was given in response to Subcommittee Chairman Fascell's questioning of the Assistant Attorney General, Criminal Division, of whether significant amounts of gambling profits wind up in normal legitimate business operations.

Mr. VINSON. Yes, it certainly does. For instance, the city I had reference to previously—we know of at least 25 substantial businesses that we believe are controlled by these people.⁵

Mr. FASCELL. Well, is that true all over the country?

Mr. VINSON. Yes, sir.

Mr. FASCELL. What kinds of business do they get into?

Mr. VINSON. Well, virtually any sort of business. I think they are probably heavy on service-type business—linen services, for instance. They have been known to have interests in security dealerships. They have been known to have interests in dairies. They own trucking concerns. They own brokerage houses, brokerage in terms of selling supplies or food to retailers.

⁵ In previous testimony, the witness had said that the Department of Justice had found 1 syndicate leader to have a substantial interest in 17 purportedly legitimate businesses.

Mr. FASCELL. Is there any ascribable reason for the penchant for that type of business that you can discern? Is there some difficulty in tracing it?

Mr. VINSON. No—I am not so sure it is tracing. There are two other areas that they are very active in—nightclub and tavern business and restaurant business. I sometimes think this is a sort of business where they like to have a home base, and they like to clean up some of their income. * * *

Mr. FASCELL. Legitimize the reporting of the income?

Mr. VINSON. Yes, to show a source of income. * * *

The Intelligence Bureau of the Internal Revenue Service furnished the subcommittee with data which disclosed that out of 113 of the country's major organized crime figures, 98 are found in 159 legitimate businesses, as follows:

- Thirty-two in casinos and nightclubs;
- Seventeen in land investment and real estate activities;
- Eleven in the ownership of hotels-motels;
- Ten in the distribution and operation of vending machines;
- Eight in restaurants;
- Eight in the trucking and transportation industry;
- Eight in manufacturing;
- Seven in sports and entertainment;
- Seven in the wholesale distribution of food; and
- Six in moneylending.

Their other business interests ranged from the operation of funeral parlors to picnic groves; from the advertising industry to the operation of florist shops.

A recent IRS Intelligence Bureau study showed leading racketeers in one midwestern city to control, or have large interests in, 89 businesses having total assets of more than \$800 million, and annual receipts exceeding \$900 million. Savings and loan institutions, automobile dealerships, breweries, construction companies, insurance agencies, and food and liquor distributorships are among the businesses infiltrated by this syndicate.

The principal techniques that racketeers use to acquire control of legitimate businesses are: (a) outright purchase of proprietary interests, using untaxed profits from gambling, narcotics, and other illegal activities; (b) accepting business interests in payment of an owner's debts; (c) foreclosing on usurious loans; and (d) various forms of extortion, coercion, and unfair business practices.

The reasons why organized crime infiltrates legitimate businesses (according to the IRS), are for increased profits, often through the ruthless elimination of competitors; to cloak illegal activities; to obtain marketing agencies for illegal or counterfeit products; to obtain outlets for profits that are from illegal sources; to gain a "front" for social acceptability; for a source of power, as for manipulating stock prices through sheer volume; and for various "tax gimmicks" through payroll padding, phony invoicing, and phony losses, such as the staged hijacking of their own goods, or arranged fire or other insurance losses.

The President's Crime Commission found organized crime to be "extensively and deeply" involved in labor unions. This finding was supported by the testimony of the Assistant Attorney General, Criminal Division, to the effect that elements of organized crime have infil-

trated many legitimate organizations including locals of certain labor unions. The Department has also found organized crime involved in sports, particularly in "point shaving" conspiracies which are "fixed" to assure the ultimate outcome of games.

The menace that organized crime's involvement in legitimate business and in labor unions presents is that (as stated by the Crime Commission) the racketeers employ "illegitimate methods—monopolization, terrorism, extortion, tax evasion—to drive out or control lawful ownership and leadership and to exact illegal profits from the public. And to carry on its many activities secure from governmental interference, organized crime corrupts public officials."

Corruption of public officials

Law enforcement's task of dealing with organized crime is difficult enough where there is no corruption, as the following testimony shows:

Mr. FASCELL. Briefly, to what principal factors do you attribute the success of organized crime in the United States?

Mr. VINSON. Well, I would have to list gambling, which in turn means money, which in turn means entrenched power. Second, public apathy. Third, the failure of State and local law enforcement, and our inability to fill that void. As we discussed last week—New York City has more policemen, for instance, than we have investigators in the whole Federal Establishment. We just cannot police every place.

The witness characterized corruption as the "pervasive danger" of organized crime through its deleterious effect on law enforcement and on the local public officials. After recounting some of the Department's cases in which there was collusion between racketeers and officials, he expressed his belief that police involvement in such corruption is quite common, with some "subtle" involvement of political officials. He knew of no corruption by organized crime of officials at the Federal level, but of "some" at the State level, and "much more" at local levels.

According to the witness, corrupting influence is felt mostly in major metropolitan areas, and their nearby communities. No large gambling operation can exist without its existence being known to local enforcement agencies. However, because the public is not particularly concerned about illegal gambling, bookies or numbers operations, that apathy often is reflected in police operations. Also, serious morale problems arise where police believe they are not being backed up by the courts; a police officer's discouragement is readily understandable where he does his job, often at personal risk, only to have the courts "let him down" by levying an insignificant fine.

The work of the Department of Justice is made more difficult when it is unable to rely upon local law enforcement agencies. However, it has found that there are many excellent police forces, and that even where corruption abounds, there are some outstanding policemen. In its experience, the larger cities usually have the most efficient police forces. Most major cities also have what are known as central inspection or integrity units, that are responsible only to the top echelons of the police force.

In view of the gambling enforcement problems, the Assistant Attorney General, Criminal Division, was asked whether organized crime's profits could be eliminated if gambling were legalized. In his view legalization, State or National, would not be effective; it had been tried in England, but legalization there had not reduced the problems.

AWARENESS OF THE ORGANIZED CRIME PROBLEM

Law enforcement officials in some of the Nation's principal cities—most notably Chicago and New York—and numerous unofficial investigators and students long ago were aware of, and disclosed, the existence of organized crime. Major credit for first calling to general public attention the problems that criminal cartels pose usually is given to the reports of the Wickersham Commission in 1931.⁶ Numerous studies by congressional committees, and by Federal, State, and private agencies, and by writers have since confirmed existence of criminal organizations, and detailed the nature and scope of their operations. One of the most recent in-depth studies was made by the President's Crime Commission. This wealth of knowledge and information makes it incontrovertible that organized crime exists in this country, and that its existence presents a clear and present danger to the well-being of this Nation.

Some law enforcement officials have been—or have been accused of being—slow to believe that organized crime exists, or that it exists in areas within their investigative or prosecutive jurisdictions; or that its existence presents any serious problems. Happily, none of the Federal departments and agencies whose witnesses testified before the subcommittee or who submitted statements for the record expressed any such doubts. Whether they do enough to combat organized crime is another matter.

THE FEDERAL ROLE AGAINST ORGANIZED CRIME

Law enforcement, in the main, is the responsibility of the States and their political subdivisions—hereinafter referred to as “community law enforcement.” The criminal machinations of organized crime, however, often are so vast and so intricately involved that the Federal Government is obliged to aid in attempting to defeat that menace.

As viewed by the Department of Justice's witnesses, the proper Federal role is to be a moving force, a catalyst, lending whatever assistance it can to local authorities, while focusing and concentrating the Federal Government's efforts on those criminals whose operations go beyond the geographical boundaries or the physical capabilities of local law enforcement, or where there is a breakdown in local enforcement. Some few crimes are uniquely Federal offenses, and solely within the investigative and prosecutive jurisdictions of the Federal Government.

According to their testimony, lasting success in combating organized crime must actively involve States and local law enforcement agencies; and the Department stands ready to assist in the unified effort that is necessary if maximum reduction in the influence and the extent of organized crime is to be achieved.

⁶ The National Commission of Law Observance and Enforcement, George W. Wickersham, Chairman; appointed by President Hoover pursuant to the First Deficiency Act, fiscal year 1929.

The Department signified its concurrence with the President's Crime Commission's recommendation that each State form an organized crime unit. It had already assisted the attorney general of the State of Michigan to do so. However, there are difficulties in implementing this recommendation in some States because of the differences in which the States are organized with respect to law enforcement.

According to the Department's testimony, law enforcement has to be institutionalized—it should be the first order of the public business, duly authorized, legislated, and funded. For an effective job of dealing with organized crime, there must be direct lines of communication between the States and local authorities and the Federal organizations; only this triumvirate can accomplish what needs be done on a nationwide basis; contracting for law enforcement activities on a private basis cannot do the job—public protection is Government's business, and vigilante-type operations only confuse the situation.

The Department expressed hope that the "safe streets and crime control" legislation, pending in the Congress, will become law and that through its financial and technical assistance provisions the States and communities will be helped to strengthen their law enforcement abilities.⁷

A vital part of local law enforcement that requires strengthening, according to testimony, is the police. In April 1967, there were some 50,000 vacancies on police forces in the United States, due in part to low starting salaries and lack of financial incentives for remaining in such employment. Also, many small police forces lack proper training resources and cannot provide the retirement and other benefits that are needed to attract and hold qualified personnel.

As a possible solution to those inadequacies, and to the gaps and overlapping that exist because of the fragmentation of law enforcement among some 40,000 local law enforcement agencies, subcommittee member Congressman St Germain suggested the use of statewide police forces, which would be stationed in barracks in or adjacent to communities, thus giving even smaller communities the benefit of adequate police protection. Cited as an example of a successful operation along such lines was the Los Angeles County sheriff's office, which provides many nearby small communities with police protection on a contractual basis.

The Federal armament for coping with organized crime consists of the prosecutive and investigative forces of the Department of Justice, the trained investigators of about 10 other Federal investigative agencies, and the forces of 15 or more enforcement and regulatory agencies. In addition to Federal statutes which prohibit certain specific conduct, such as the Federal narcotics statutes, there are other Federal statutes that can be used in aid of local law enforcement; for example, the Interstate Transportation in Aid of Racketeering Act is a most useful tool for striking at official corruption which exists at State or local levels where interstate facilities are used in connection with the violation of State laws. However, these Federal resources, alone, are inadequate to eliminate the menace of organized crime. According to the Assistant Attorney General, Criminal Division, diligent, conscientious, effective local and State law enforcement, working

⁷ H.R. 5037, the administration's safe streets and crime control bill, as amended, and retitled the "Law Enforcement and Criminal Justice Assistance Act of 1967," passed the House on Aug. 8, 1967. As further amended, it was passed by the Senate on May 24, 1968, and the House on June 6, 1968. It is now Public Law 90-351.

in close cooperation with Federal authorities are vital in developing a meaningful program of criminal intelligence information.

FEDERAL EFFORTS TO COMBAT ORGANIZED CRIME

EARLY EFFORTS

Federal agency efforts, of one dimension or another, have dealt with organized crime problems for almost a half century. However, intentions to mount a concerted Federal drive against that menace were first announced only slightly more than a decade and a half ago.

Some earlier and sensational prosecutions of racketeers of the Prohibition era—for example, the 1931 income tax evasion conviction of "Scarface" Al Capone—served to reflect the power that the Federal Government then possessed to curb the growth of syndicated crime; however, the full force of its capabilities were not so used. In fact, no meaningful antiracketeer campaign was undertaken by Federal authorities until the early 1950's; and even then the Government's full abilities to deal with the problem were not exerted.

By 1950 the U.S. Conference of Mayors, the American Municipal Association, the National Institute of Municipal Law Officers, the National Association of Attorneys General, and others, had expressed so much alarm over the enforcement problems that their communities faced in trying to meet the evils of organized gambling operations that the U.S. Attorney General convoked a general conference on the matter. That conference—the Attorney General's Conference on Organized Crime⁸—was attended by district attorneys from many States, U.S. attorneys, State attorneys general, and mayors and other officials from various cities. Except for some who voiced doubts, there was general recognition that gambling and the interstate shipment of gambling devices presented problems that were largely beyond the control of local authorities. At the same time there was fear expressed that the Federal Government would encroach on State prerogatives if it involved itself in such matters; and some doubted the capabilities of the Federal Government for dealing with such "local" problems as were involved—bookmakers, for example.

At that conference a suggestion was made for a coordinated master plan of action to be taken against the whole system of nationwide rackets by Federal, State, and local governments and citizens' groups, with the entire operation being coordinated by the U.S. Attorney General, because there had to be some agency through which the cities and States could work if the joint objectives were to be accomplished.

That proposal brought no changed operations against organized crime as far as the Department of Justice was concerned, probably because progress then was being made on a legislative proposal by Senator Kefauver for a congressional committee which would be permitted to appraise the situation, nationwide, in order to evaluate the Federal Government's responsibilities with respect to the enforcement of laws of particular States. The committee contemplated by the legislation, the Senate Select Committee To Investigate Organized Crime in Interstate Commerce, was established in 1951, with Senator Kefauver at its head.

⁸ Report of the Attorney General's Conference on Organized Crime (1950).

H. Rept. 1574, 90-2-68-3

The Kefauver committee held hearings in Washington, D.C., New Orleans, Kansas City, St. Louis, Los Angeles, San Francisco, Las Vegas, Philadelphia, Tampa, Miami, and New York City, at which some 800 witnesses appeared. At the conclusion of its study the committee reported⁹ that the rough killer-type mob leaders of the 1920's—the Capones of yesteryear—under the tutelage of lawyers, accountants, and financial experts had become “big business-type” directors of crime syndicates; that criminal operations under syndicate control in some major cities had copied the organizational methods of modern business; how some had expanded their activities into many different criminal fields, over large geographical expanses; and that their illicit funds were making their way into many kinds of legitimate businesses. Gambling was found to be, by far, the major source of such funds. The elimination of competitors and of persons disloyal to syndicates were found to have left a trail of murder from Tampa to San Francisco.

That committee had experienced difficulty in obtaining reliable data on the extent, manner of operation, and the organizational structure of syndicated crime in particular localities, and with regard to top-echelon hoodlum confederation. Nevertheless, it was able to describe local, nationwide, and even international—in narcotics—syndicated criminal operations, and found indications that a national criminal cartel existed for the centralized direction and control of rackets in principal cities.

Organized gambling operations throughout the Nation were found to be possible because of corrupt and bribed politicians and public officials, including law enforcement personnel, and on account of public apathy. Because of such local law enforcement deficiencies the Congress, after the Kefauver committee's study, increased the Federal Government's capabilities to combat organized crime by enacting the Gambling Devices Act—restricting the interstate shipment of slot machines and similar equipment—and the wagering stamp law—requiring those engaged in the business of wagering to purchase Federal tax stamps.¹⁰

The Kefauver committee had said that, while Federal agencies cannot be substituted for State and local enforcement in dealing with organized crime, the Federal Government must provide leadership and guidance, establish additional techniques for maximum coordination of law enforcement agencies, take a positive approach in using its power to fight organized crime, and seek legislation when its powers were insufficient. (Some quarter-century later the President's Crime Commission was to make substantially the same findings, except that organized crime had expanded its operations.)

The Kefauver committee also suggested that positive action be taken to deport alien criminals who had become members of predatory criminal groups. (The Immigration and Naturalization Service's pro-

⁹ Special Senate Committee to Investigate Organized Crime in Interstate Commerce, 1950-51.

¹⁰ 18 U.S.C. 1953—interstate transportation of wagering paraphernalia; 18 U.S.C. 1084—transmission of wagering information; 26 U.S.C. 4401-4005—excise tax on wagers; 26 U.S.C. 4411-4415; 4421-4423—occupational tax. On Jan. 29, 1968, in *Marchetti v. U.S.*, the Supreme Court reversed convictions under indictments for conspiracy to evade payment of the occupational tax (26 U.S.C. 4411) and for willful failure to register and to pay the occupational tax (26 U.S.C. 4412), holding the statutes to be unconstitutional because they compelled self-incrimination, in violation of the fifth amendment.

gram, designed to denaturalize or deport those racketeers who were vulnerable to such actions, is related later in this report.)

On July 30, 1954, the Organized Crime and Racketeering Section—hereinafter called OCRS—was established in the Department of Justice by the Attorney General—Order No. 56-54—for the purpose of “* * * coordinating generally enforcement activities directed against organized crime and racketeering.” The functions of the Section were to “accumulate and correlate data relating to organized crime and racketeering, * * * initiate and supervise investigations, formulate general prosecutive policies and assist the U.S. attorneys in preparing indictments and conducting trials in this field.”

By May 1957, 3 years after its formation, the OCRS had a total of only 10 attorneys. An indication of the kinds of problems that beset it is found in the President's Crime Commission's statement “that efforts to institutionalize an antiracketeering intelligence program were hindered by a lack of coordination and interest by some Federal investigative agencies.”

On November 14, 1957, an incident occurred which gave new impetus to the Department's efforts. On that date a group of 66 or more individuals, most of whom had serious criminal records, met at the home of an organized crime leader in Apalachin, N.Y. All attendees reportedly represented criminal syndicates from various parts of the country, but through a conspiracy of silence no conferee ever offered any information of the matters discussed at the meeting. However, as a result of this meeting, the U.S. Attorney General appointed a “Special Group on Organized Crime” in April 1958. This group established regional offices, gathered intelligence information on all of the attendees at the Apalachin conference, and conducted extensive grand jury investigations. As a result, 20 of the attendees were indicted and convicted of conspiracy to obstruct justice.¹¹ Also, the Immigration and Naturalization Service found seven of the attendees to be aliens, one a derivative citizen, and 29 naturalized, and brought deportation and denaturalization proceedings against them.

After the Apalachin trial the Special Group was disbanded and some of its functions and personnel were shifted into OCRS. In 1959 the Special Group proposed¹² that there be established an Attorney General's Office on Syndicated Crime whose main functions would be prosecuting leaders of crime syndicates; serving as a clearinghouse for police and prosecuting officials to communicate with each other about syndicated-crime matters; assisting in the development of unified prosecutive and investigative efforts against syndicated crimes; and getting regulatory and administrative agencies (such as the Interstate Commerce Commission and the Securities and Exchange Commission) involved in an overall effort against organized crime. These recommendations have not yet been fully implemented.

The existence and extent of organized criminal operations was further explored by the Senate Select Committee on Improper Activities in the Labor and Management Field (commonly called the “McClellan Committee”; 1957-60). The penetration of syndicate racket-

¹¹ The convictions were subsequently reversed in the Second Circuit Court of Appeals.

¹² Special Group on Organized Crime in the United States, report to the Attorney General, Feb. 10, 1959, printed in hearings before Subcommittee No. 5 of the Committee on the Judiciary, House of Representatives, Ser. No. 16, 87th Cong., 1st sess.

eers into various labor organizations and businesses was considered by that committee.

By 1960, OCRS still had only 17 attorneys, and according to the President's Crime Commission, received only minimal intelligence information from other Federal agencies. The Federal Bureau of Investigation, in September 1960, began to supply OCRS with regular intelligence reports on some 400 of the Nation's principal organized crime figures.

FROM 1961 ONWARD

There had been little alteration in the OCRS staff (except for minor increases) and program from its inception. In 1961, however, greater emphasis was placed in centralizing organized crime efforts in OCRS, as distinguished from a more decentralized handling of cases in the offices of U.S. attorneys.

Although OCRS had been charged, inter alia, with accumulating and correlating data relating to organized crime, numerous Federal agencies with organized crime capabilities apparently were unaware of OCRS's responsibilities, and some may even have been unaware of OCRS's existence. Many of the Federal agencies whose representatives testified or submitted statements to the subcommittee, date their agency's relationship with OCRS and with the organized crime program commencing in 1961, or later.

Concerning the growth of OCRS, the Assistant Attorney General, Criminal Division, testified that in 1961 a sharp "beefing up" began, and that by 1963 OCRS had 60 attorneys. OCRS personnel began making regular trips to the field to meet with representatives of investigative agencies and with U.S. attorneys. The flow of information to the section increased considerably, and the interagency exchange of information and cooperation improved to a marked degree. He stated that the increase in convictions over preceding years was impressive.

In 1963, the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations (Senator McClellan, chairman) began further extensive hearings on organized crime. Its principal witness was Joseph Valachi who gave much detail concerning large criminal "families," and identified numerous persons as members. That study confirmed that gambling was the main source of racketeer income—supplemented chiefly by illicit profits from narcotics, labor racketeering, extortion, loan sharking, and infiltration of legitimate businesses.¹³

The momentum of the Department of Justice's organized crime activities was slowed in 1965, according to the President's Crime Commission, because it was accused of extensive use of illegal electronic surveillance in racketeer investigations; Federal prosecutors in some large cities demanded independence from OCRS attorneys and its prosecutive policies; and about 25 percent of OCRS attorney personnel resigned. Such adverse circumstances, the Commission indicated, led OCRS to believe it could no longer expect the high degree of cooperation it had received from some Federal investigative agencies; and the intensity of its effort diminished.

In May 1966, however, the President called for acceleration of the program against organized crime and for the agencies and depart-

¹³ "Organized Crime and Illicit Traffic in Narcotics," Senate Report No. 72, 89th Cong., 1st sess.

ments with responsibilities in the field to coordinate their activities and to cooperate to the utmost with the Department of Justice. In praising the agencies the President said :

The success of the Department of Justice in securing indictments and convictions in organized crime cases is due to the ability of your many separate investigative units to work closely together toward a common goal. You have demonstrated that this unified coordinated program of action can be effective in combating organized crime.

The President designated the Attorney General to act as the focal point of the Federal Government's attack on organized crime. He called on each investigative unit in the departments and the agencies to report to the Department of Justice periodically on the progress of organized crime investigations, and to establish direct lines of liaison with the Department to enable the Attorney General to carry out his responsibilities for directing the program.

On April 5, 1967, the Legal and Monetary Affairs Subcommittee began its public hearings. On February 7, 1968, the President issued Executive Order No. 11396,¹⁴ which provides for the coordination by the Attorney General of Federal law enforcement and crime prevention programs. In the first section of the Order, the President provided :

The Attorney General is hereby designated to facilitate and coordinate * * * the criminal law enforcement activities and crime prevention programs of all Federal departments and agencies, * * *

Each Federal department and agency is directed to cooperate with the Attorney General in the performance of his functions under this order and shall, to the extent permitted by law and within the limits of available funds, furnish him such reports, information, and assistance as he may request.

Compliance with the intent and precatory language of the President's May 1966 memorandum had varied with the departments and agencies. Some apparently treated it as a directive to them, and gave compliance varying from low to high degrees; some virtually ignored the language and the spirit behind the memorandum, at least until the Legal and Monetary Affairs Subcommittee interested itself in the performance of Federal agencies in controlling organized crime. Some continue to consider that it does not apply to them in any manner, but only to investigative units which are engaged in fighting organized crime.

The Executive orders' language does not merely beseech coordinated Federal effort against organized crime; it directs such action, as regards the Federal criminal law enforcement activities and crime prevention programs of *all* Federal departments and agencies. It remains to be seen how the various agencies of the Federal Government will respond.

Several other actions have been taken by the executive branch in aid of, or which could result in, improving the fight against organized crime. For example, in early 1967 the Attorney General called a Na-

¹⁴ Executive Order No. 11396, Federal Register, vol. 33, No. 27, Feb. 8, 1968, p. 2689.

tional Conference on Crime Control, attended by attorneys general, mayors, and law enforcement authorities from the 50 States. Organized crime problems were among the topics that received particular attention. According to testimony before the subcommittee, that Conference served the very useful purpose of cross-communication between interested persons at the community level and the Federal Government, and to open up lines of communication between the various parts of the criminal justice system, including the investigatory, judicial, and correction branches.

Legislative proposals presented by many Members of Congress and by the administration which are designed to aid in the fight against crime generally, and in the overall (Federal, State, and local) effort against organized crime, are in various stages of legislative adoption. H.R. 5037, the Safe Streets Crime Control Act of 1967, was renamed the "Law Enforcement and Criminal Justice Assistance Act of 1967" when it passed the House on August 8, 1967, and the "Omnibus Crime Control and Safe Streets Act of 1968" when it passed the Senate on May 24, 1968. That legislation provides for a program of Federal aid to local law enforcement and criminal justice systems, both in assistance and financial support, and is designed to develop State and local master plans to combat crime (including organized crime), provide better training and better pay for police, and to bring the most advanced technology to the war on crime.

Legislative proposals for "gun control" would bar most mail-order sales of firearms and shipments, prohibit over-the-counter sales of handguns to out-of-State purchasers, and place restrictions on sales of firearms to minors. Some provisions have been written into the so-called safe streets bill in the Senate. Legislation making it a crime to obstruct a Federal criminal investigation by bribing, threatening, or otherwise preventing any persons from giving information to Federal investigators, was passed on November 3, 1967, and is now Public Law 90-123.

Bills to compel testimony in organized crime investigations under grants of immunity from prosecution have passed the Senate. The proposed Bank Protection Act (S. 3001; H.R. 15345) would allow Federal bank regulatory agencies to require banks to install protective equipment to lesser robberies, burglaries, and larcenies; and the proposed Auto Theft Prevention Act (H.R. 15215) would ban the advertisement and sale of master automobile ignition keys.

To strengthen the fight against "dope" pushers and peddlers, proposed legislation for the greater control of dangerous drugs, including LSD, has been introduced. An increase of more than 30 percent in the number of Federal agents enforcing the narcotics and dangerous drug laws has been requested. Reorganization Plan No. 1, to consolidate the HEW's Bureau of Drug Abuse Control and the Treasury's Bureau of Narcotics into a single Bureau of Narcotics and Dangerous Drugs within the Department of Justice received approval of the House of Representatives by a 200-to-190 vote. Although that action became effective April 8, 1968, and Assistant Directors of the new Bureau have been appointed, its Director has not yet been named.

The President has also called for funds to add 100 assistant U.S. attorneys throughout the land to help prosecute criminal laws; 100

additional FBI agents; and an increased number of lawyers in the Criminal Division of the Justice Department.

Among numerous proposals to meet the challenge of crime in general in the Nation, the President, in his public safety message to the Congress on February 7, 1968, noted that organized crime is big business in America; that its sinister effect pervades too many corners of America and that "sporadic, isolated, uncoordinated attacks on this disciplined army of the underworld cannot obtain lasting results. Organized crime can be defeated only by organized law enforcement." Commenting on the results that an OCRS strike force program had experienced through the coordinated effort of departments and agencies working together in a campaign concentrated on a single organized crime syndicate (discussed later in this report), he stated that additional strike forces soon would be moved into several parts of the Nation where organized crime now flourishes; and that he has directed the Attorney General and the Government's law enforcement agencies to give this program the highest priority.

The President also has proposed strengthening of the Federal gambling laws, by (Exec. Comm. 1738) making it a crime to engage in gambling as a substantial business affecting interstate commerce and by modifying the Federal Wagering Act so as to obviate constitutional problems recently passed upon by the Supreme Court. Proposed legislation (H.R. 16666) to outlaw large-scale gambling has been introduced and legislative proposals for amending the wagering tax laws are currently undergoing departmental study.

The truth-in-lending bill, the Consumer Credit Protection Act of 1968 (Public Law 90-321), contains provisions which make shylocking a Federal felony. The measure was designed to give the Justice Department additional tools with which to battle organized crime.

FEDERAL EFFORT—PRESENT POSTURE

The present posture of the Federal effort against organized crime, within the Department of Justice and in other Federal departments and agencies, is outlined below. The data upon which summaries were prepared were submitted to the subcommittee by the departments and agencies listed.

DEPARTMENT OF JUSTICE

The organizational structure of the Department of Justice (as it is pertinent here) is as follows: The Attorney General is the head of the Department; he supervises and directs the activities of the U.S. attorneys in the various judicial districts throughout the Nation. Nine Assistant Attorney Generals, including the Assistant Attorney General, Criminal Division, report to the Attorney General. The Organized Crime and Racketeering Section is in the Criminal Division.

The Attorney General's authority is set out in 26 U.S.C. 501 et seq. Additionally, the Attorney General has such power as is delegated to him by the President consistent with the United States Code. The President in his "Meeting the Challenge of Crime in the United States" message to Congress of February 7, 1968, stated with respect to the Attorney General:

I signed this morning an Executive order designating the Attorney General to: Coordinate the criminal law enforcement activities of all Federal departments and agencies.

The authority of the Assistant Attorney General, Criminal Division, and of the Chief of the Organized Crime and Racketeering Section is derived from the power of the Attorney General.

ORGANIZED CRIME AND RACKETEERING SECTION—CRIMINAL DIVISION :
OCRS RESPONSIBILITIES

The OCRS is charged with the responsibility of supervision of those criminal statutes which are specifically designed to suppress organized illegal activity of an interstate nature. The section also supervises and assists in the enforcement of the gambling and liquor laws, and is responsible for the enforcement of the statutes aimed at curbing racketeering influences in the relations between labor and management.

OCRS STRUCTURE

In the first 4 years that the OCRS was in operation (1954-58) there were only between two and four attorneys assigned to that task. The Department's major effort against organized crime was carried on through U.S. attorneys. Thereafter the complement of its attorney personnel increased quite rapidly, until 1964, when it reached 63. By 2 years later, however, it had fallen to 48—even though there is nothing to indicate that there was any corresponding diminution in organized crime's strength or activity.

The following table reflects the time OCRS attorneys spent in the field, before grand juries and in courts:

	Fiscal year 1967	Fiscal year 1966	Fiscal year 1965	Fiscal year 1964	Fiscal year 1963	Fiscal year 1962
Days in court.....	612	606	813	1,364	1,081	329
Days in field.....	4,494	3,480	4,432	6,699	6,177	5,076
Days in grand jury.....	419	373	605	677	1,353	894

Incongruously, the decrease in prospective personnel took place shortly before the President, in establishing his crime commission, told that body that organized criminal activities were gaining despite the Nation's best efforts. By April 1968 the number of attorneys assigned to OCRS increased to 67. A total of 85 attorneys is anticipated for fiscal year 1969.

OCRS tries to get 3- to 5-year commitments to stay from attorneys who enter its employ. Its new attorney-employees are put under an on-the-job course of training, and are provided with manuals on organized crime, and on the trial of Federal criminal prosecutions, with which they are required to become familiar on their own time. They spend about 6 months learning the operations of the OCRS, and of the investigative agencies involved, the statutes employed and the legal problems which can be expected to be encountered. They work with senior attorneys analyzing the intelligence to learn the scope of the problems, and the operations and techniques employed by orga-

nized crime, and familiarize themselves with all aspects of grand jury proceedings.

It takes about 3 years for a young attorney to become reasonably expert. In addition to the work being difficult, it is very demanding. Much of it must be done in the field, on assignments of too short duration to warrant an attorney's moving his family to his site of operations, and yet long enough to disrupt normal family life—particularly since an attorney can return to his home over weekends or holidays only at his own expense, and salaries are not large enough to permit such expense except infrequently.

The rate of turnover of OCRS attorneys averages about 12 a year. However, this does not result in total loss to OCRS, because some leave to join the staffs of U.S. attorneys' offices, and some have become professors of criminal law, where they use their expertise in instructing students on organized crime problems. Most leave to enter private practice. None has defected to organized crime, according to the testimony.

Upward of 25 Federal agencies contribute information to OCRS. This has resulted in accumulation of intelligence information which OCRS attorneys analyze and often disseminate to other interested agencies. Such information is additional to the investigative reports that are received from Federal agencies in the course of, or at the completion of, criminal investigations made by some of the agencies.

In the organizational structure of OCRS, the chief of the section reports to the Assistant Attorney General, Criminal Division. Two assistants to the OCRS Chief share responsibilities for administration of the Department's efforts against organized crime nationwide, each with geographical areas roughly divided by the Mississippi River.

In addition to staff attorneys, there are two specialist units. The labor unit concentrates on criminal activities in the labor-management area; the statutory enforcement unit on antiracketeering, gambling devices, and liquor laws. There is also an intelligence unit which catalogs information received concerning organized crime figures and their associates. Approximately 400,000 index cards have resulted from the indexing of reports of more than 12,000 investigations. The cards, which are manually prepared contain the names of racketeers, their associates, their activities (known or suspected, legal or illegal), telephone numbers, automobile license numbers and other similar data.

Permanent antiracketeering units have been established in the offices of the U.S. attorneys in Chicago, Los Angeles, Miami, Newark, and New York City.¹⁵ In a number of other U.S. attorneys' offices one or more attorneys have been designated solely to handle organized crime problems.

According to the Justice Department witnesses, to increase the Department's effort against organized crime would require more than just increasing the manpower of OCRS. They thought that doubling the OCRS staff conceivably could produce justifiable results, but that a point of diminishing returns would be reached by merely increasing OCRS personnel; that what is needed is new ideas, together with a constant renewal of effort and dedication to the established program.

¹⁵ The organized crime operations of the U.S. attorney for the Southern District of New York are quite autonomous. The salaries and expenses of that office are paid from funds appropriated to maintain the U.S. attorney's office. Some or all of the expenses to maintain the units in other jurisdictions are paid by the Criminal Division.

They said that if the "safe streets" bill is passed, State and local communities will be able to undertake strategic intelligence operations on a larger scale, and to establish their own organized crime units; and in that event the OCRS would seek to enlarge its staff to handle the increased work volume created thereby.

Further testimony was to the effect that while the OCRS is the focal coordinating point of the Federal fight against organized crime, the hard work that requires substantial manpower is done by the investigative agencies, and that resources should be committed at that level. If more activity resulted therefrom, the OCRS would then need more lawyers.

OCRS OPERATIONS

OCRS analyzes all the intelligence information received for a given area, city, or State, and decides on the investigative approaches that should best reach the heart of a problem. OCRS attorneys at times are dispatched to the problem areas with the objective of coordinating investigations into the organized crime apparatus there. Its operations largely have been on an ad hoc basis.

From time to time the Assistant Attorney General, Criminal Division, and the head of OCRS make field trips to meet with Federal, State, and local law enforcement officials, as the situation warrants. At these meetings, policy decisions are made for combating specific areas of organized crime, and with the view to achieving fullest cooperation between all who are to be involved in the effort.

An example of a fairly typical operation was cited at the hearing. Becoming interested in a given metropolitan area, several OCRS lawyers were assigned there, and spent about 3 months becoming familiar with the criminal activity in the area. Thereafter the Assistant Attorney General, the OCRS head, and the assigned attorneys met with the investigative agencies in the area, and briefed them on the problems as the Department saw them. Suggestions were solicited from the agencies for a problematic approach to the whole scope of the organized crime problems in the area.

Responsibilities for investigations were allocated between the agencies. For example, three organized crime gambling operations were operating in the area, one of them controlled by, the other two connected with, a major crime syndicate. The FBI was requested to concentrate its forces upon the syndicate-controlled operation, and the IRS was asked to concentrate on the two other operations. Also, because there were substantial allegations of corruption and of close relationships between the racketeering community and local public and police officials, the IRS was requested to conduct tax audits of the officials and of some 70 top hoodlums in the area. The Department of Labor was requested to investigate alleged labor racketeering. After launching the program, OCRS attorneys met weekly with the various investigative agencies and assisted in such ways as getting search warrants and in conducting grand jury inquiries.

OCRS keeps seeking new and better means of coordinating the overall investigative effort and prosecutive results against organized crime. Thus, in early 1967, as an experiment, it put together a task force consisting of 5 OCRS attorneys, and supervisory personnel from several of the Government's major investigative agencies. Its purpose was to

concentrate and coordinate investigations of an organized criminal syndicate in a particular metropolitan area. The group had no direct investigative duties; its functions were to analyze all available criminal intelligence data in that geographical area, to relate that to the jurisdictional functions of each agency, and to make recommendations, jointly reached, to OCRS and to their own agencies concerning the best investigative approach to the problems that could be taken. Grand jury inquiries in a number of cities in the area supplemented these efforts.

That strike force used OCRS personnel, the U.S. attorney, investigators from the Internal Revenue Service, the Bureau of Narcotics, the Bureau of Customs, U.S. Secret Service, the Department of Labor, and the Federal Bureau of Investigation.¹⁶ Its efforts, in cooperation with Canadian and local officials, resulted in the indictment of 25 underworld figures. Its results were alluded to by the President in his February 7, 1968, "crime" message to the Congress. He stated that additional strike forces are being formed to be moved, without public notice, into several parts of the Nation where organized crime now flourishes. He said he has directed the Attorney General and the Government's law enforcement agencies to give this program highest priority. At present time three strike forces are operational, and another is contemplated for June 1968. Additional strike forces are planned for the next fiscal year, and it is intended to locate strike forces in all areas of major concentrations of racketeers.

As another technique, OCRS has put a group of five of its attorneys into another eastern State, where through the use of grand jury proceedings and conventional investigative techniques of the whole spectrum of the Federal establishment the whole scope of syndicated crime activities in that State is being explored. This investigation covers the entire organization of gambling, extortion, corruption of public officials, and labor racketeering in that State.

As another prong of OCRS efforts, in early 1967, accent was directed toward those activities that bring the racketeers great income; that is, gambling and narcotics. Since that program was launched there have been two developments which can be expected to affect it. The U.S. Supreme Court has held provisions of the Federal Wagering Act to violate constitutional rights, which, at least temporarily, deprives the Government of an antigambling weapon; and the functions of the Bureau of Narcotics and of the Bureau of Drug Abuse Control have been transferred to a new agency, the Bureau of Narcotics and Dangerous Drugs, within the Department of Justice.

OCRS also aids in the overall fight against organized crime by working with State and local authorities. OCRS holds itself out as being ready to furnish whatever assistance it can in response to such requests, so that by such unified efforts a maximum reduction in the extent and influence of organized crime can be achieved. Such cooperation generally is on a specific basis, where either Federal or community law enforcement authorities have a special need for assistance from the other.

¹⁶ The Assistant Attorney General, Criminal Division, advised the subcommittee that "While the Federal Bureau of Investigation is not a member of the strike force, we rely heavily upon that agency for the intelligence information critical to the operation of the strike force. Also, the strike forces work very closely with the Federal Bureau of Investigation where a violation of law within their investigative jurisdiction is indicated."

For the most part, however, such cooperation is effected by the on-the-scene officers in charge of Federal investigative agencies, without the aid, and often without the knowledge, of the OCRS. Ordinarily such liaison with local officials is made by the Federal narcotics agent, the U.S. Customs agent, the Labor Department agent, or the FBI special agent in charge—as the case may be—who is in the field, and while the OCRS encourages such relationships, the credit for instituting such operations usually belongs to the field office of the investigative agency.

This line of testimony was predicated upon newspaper accounts of assistance that had been given by the FBI to local officials in Chicago, who made large numbers of gambling raids and arrests. The Assistant Attorney General thought that to be a typical example of Federal and local cooperation. The subcommittee chairman, commending the job that had been done by the FBI, wanted to know what direction, if any, OCRS had given to that operation. The following colloquy transpired:

Mr. FASCELL. I am, of course, very willing to concur in placing that credit. But what you say disturbs me, because I don't see where the direction comes out of your office.

Knowing that gambling is a national syndicated operation, with tentacles all over, it is fine for the agent in charge of an investigative agency to lead the fight, so to speak, with respect to providing law enforcement in a given area. But, except indirectly, how does that tie in with what you are trying to do—if you have an overall plan of operation. * * * The point is, who makes a policy decision, like "We are going to bear down on gambling in Chicago today"—or wherever it is, an overall integrated effort against organized crime?

* * * * *

Mr. VINSON. If I may make one other thing clear, Mr. Chairman. The cooperation of the sort you referred to—hard information that would enable a local police force to seek a search warrant, for instance—is customarily done in our business on the investigative level, investigator to investigator, and not prosecutor to prosecutor.

But as far as emphasis on gambling in the national picture, we have a distinct emphasis on that in every major city in the country.

Mr. FASCELL. I am sure you do. And I definitely got that understanding from your testimony. But I wasn't quite clear about how this investigative assistance to local law enforcement effort is related to the policy decisions which are made by the Organized Crime Section. That is the thing that I am not clear on yet—when it starts and when it stops. Because it sounds to me as if you have the Federal Bureau of Investigation, for instance, doing its job and carrying out its responsibility—which it does extremely well—but doing it as the Bureau. And, because of its investigative emphasis in a particular area, or with respect to a particular problem, it then, in effect, makes a policy decision which actually ought to emanate out of the Organized Crime Section.

Mr. VINSON. That isn't a limited policy decision. That is a way of life.

Mr. FASCELL. In other words, this is a standard operating procedure that goes on all the time?

Mr. VINSON. Absolutely.

OCRS has no line authority. That is, it has no statutory authority to order or direct Federal agencies to conduct investigations or to take any other action that OCRS may believe to be helpful in the Federal effort. Such authority as it has flows from the authority of the Department of Justice to represent the United States in litigation in the name of the United States, to conduct prosecutions of Federal offenses, and such power in its dealing with Federal agencies that may flow from the President's May 1966 memorandum (mentioned above) which designated the Attorney General as the focal point of the Federal Government's attack on organized crime, and Executive Order No. 11396, of February 7, 1968, which designated him the coordinator of criminal law enforcement and crime prevention programs of all Federal departments and agencies. Under the 1966 memorandum, the President wanted each investigative agency to provide the Attorney General with periodic status reports on the progress of its organized crime investigations "showing for each current or proposed investigation the planned area of inquiry, the number and type of personnel assigned, and the expected prosecutive potential"; and to establish direct lines of liaison with the Department of Justice, to enable the Attorney General to carry out his responsibilities for directing the program. Neither the memorandum nor the Executive order was implemented by the Attorney General by the promulgation of any formal guidelines to the agencies for the attainment of the stated objectives.

Compliance with the memorandum by agencies varies. Apparently each agency makes its own decision on whether the memorandum applies to it, and to what extent. Some report intelligence information to OCRS monthly, and immediately if it is particularly "hot." Some furnish a quarterly report of current and contemplated investigations (as distinguished from intelligence). With respect to whether the intelligence is submitted automatically or is directed by OCRS, the following exchange is expository:

Mr. ST GERMAIN. It sounds to me as though this is a shotgun approach, however. You say you get this information in from approximately 25 Federal agencies. However, is this directed—in other words, do you tell them: "We want information on John Doe or on this information"? Do the 25 agencies in various ways go out and gather evidence and statistics and what have you on this operation or on this individual or on this group of individuals? Or do you just wait and they dump this into your laps and you analyze it, and from there you decide who you are going to go after or what you are going after?

Mr. VINSON. It works both ways. But it is not a shotgun approach, Mr. Congressman. It is the exact opposite because our effort is to focus and to choose targets in a given area and then to discuss these targets with the investigative agencies in their jurisdictional limits; then to conduct grand juries.

So it is the exact opposite of a shotgun approach, but I think where I may have misled you, we get intelligence on specific people. We also get criminal intelligence.

Whether or not liaison was to be established by an agency, or the extent thereof, with OCRS also seems to have been questions that were decided by each agency. The answer to the questions apparently was made easier for some agencies after the subcommittee indicated its interest in the whole problem, because more have joined, or expanded their efforts, since the subcommittee's hearings began.

Throughout the subcommittee's hearings, members were concerned with whether there was sufficient understanding between the OCRS on the one hand and the other Federal agencies on the other with respect to the relationships that should exist between the agencies and OCRS, and between the agencies themselves, with respect to the coordination of effort and the exchange of information.

For instance, Congressman Edwards of the subcommittee sought to ascertain whether, if an agency—for example, the Internal Revenue Service—obtains information concerning organized crime figures, that information is immediately fed into the OCRS' data files. The testimony followed these lines:

Mr. EDWARDS. Do you feel that you have satisfactory guidelines for these other agencies so that you are convinced you are getting in the type of information in a proper procedure to keep your section informed on the individuals?

Mr. VINSON. Generally, yes. However, I am not at all satisfied with our system. We are now exploring the possibility of computerization of this intelligence system in the Department.

Mr. EDWARDS. On the known or suspected criminal element?

Mr. VINSON. Yes, sir.

* * * * *

Mr. EDWARDS. The guidelines that you are using, they are written? Do you have some rules or procedures written out that you follow in your interagency relationships?

Mr. VINSON. That is a question that cannot be answered yes or no. We have letter agreements with some. We prepare memorandums of understanding between investigative agencies to define their responsibilities.

As an example of the kinds of agreements that exist, Assistant Attorney General Vinson presented for the record a copy of a memorandum agreement entered into between the Department of Justice and the Department of Labor with respect to the separate responsibilities of each of these departments for investigations and other actions under the Labor-Management Reporting and Disclosure Act of 1959. That interdepartmental agreement, however, arose because the functions of the two Departments under the act could overlap. The agreement then was not a general arrangement made between the two Departments for coordination of effort, except as it related to the particular statute involved.

In other words, it was not a guideline established by the OCRS or the Department to coordinate the Labor Department's efforts against

organized crime with OCRS or with other agencies. The Assistant Attorney General explained, however, that this was not a typical memorandum of understanding that would be entered into between the Justice Department and other departments or agencies and that more typical arrangements between the OCRS and other agencies are much less formal.

For instance, IRS, which has had a leading role in the Federal effort against organized crime, has no letter agreement nor anything else in writing from the Justice Department concerning coordination of efforts. The Internal Revenue Service's witness responded to subcommittee questions in that regard as follows:

Mr. ST GERMAIN. You mean you don't have anything even in the form of a memorandum that points out guidelines to the agencies involved, such as I mentioned before—Internal Revenue, Justice, Customs, Immigration, and what-have-you—that gives you the guidelines as to what general technique you follow when any one of these agencies comes upon an individual or a group that they feel is part of the organized group—and here is how we proceed from there, and at this point we ought to call in Justice, or what-have-you.

Mr. KOLAR. What we do—every time we decide that an individual belongs in the organized crime drive, that the Department of Justice is responsible for administering, we write a letter to the Assistant Attorney General and advise him this is our view. He writes back and tells us, this man will be included in the drive, or won't.

What procedure we will take within our own agency, that is pretty well defined.

Mr. ST GERMAIN. That is why I keep harping on this coordinating—the question of coordination. Don't you feel that it would be beneficial to the agencies involved if they did have a general guideline, a memorandum, that could be distributed to all the individuals concerned working in the field, so that when they come upon something, though it might not ordinarily occur to them that they have got something that is worth looking into further, and calling maybe some of the other agencies in—this indicates to them automatically—well, here, we should submit this situation to the Justice Department, to the Organized Crime Section.

Don't you feel that would be helpful?

Mr. KOLAR. Yes, I feel it would be helpful, certainly. But I have not found it to be a problem—I will put it that way—the lack of it. But there is no question that the more clearly these things are spelled out, the more helpful they become.

The witness testified that in his relatively short term of office he found the coordination and relationship coming out of the OCRS to be excellent and that he was enthused by the coordination OCRS has given IRS. He recommended that it be strengthened, if that be possible.

The Alcohol and Tobacco Tax Division presented for the record the instructions or guidelines it has issued to all of its personnel for determining what should be considered as falling within the organized crime program, and what the objective is. This guideline is spelled out

as an agency manual supplement, for intra-agency use. In the testimony of that agency's witness, he said that the OCRS has assisted the agency through its accumulation of information and intelligence, and through coordinating activities by OCRS' fieldmen obtaining information from various agencies in aid of the Alcohol and Tobacco Tax Division, the following exchange took place:

Mr. ST GERMAIN. According to the concept of the Organized Crime Division, as now set up, they are supposed to be coordinating all of this. They have got 60 men to coordinate, just between your two agencies, the work of 2,600 men, and to serve as liaison.

Mr. CASEY. I don't think they have enough manpower myself.

Mr. ST GERMAIN. It seems evident, wouldn't you say?

Mr. CASEY. Yes, sir; I would agree with you.

Mr. FASCELL. Will you gentlemen yield at that point. The real point is that the Organized Crime Section cannot coordinate, because they have no line authority with respect to investigations.

Mr. CASEY. That is correct, sir.

From the context of subcommittee hearings, it was clear that each agency, particularly each investigative agency, operates within its own sphere of interest, and obtains information from other agencies on request. However, such information, collectively, is not immediately available at any centralized point, nor can the requesting agency be certain that it obtains all of the information that the agency on whom the request is made has in its files on a subject. As was stated at the hearings, "One never knows what he doesn't get. I only know what we do get. * * * There is no question that we could give more and others could give us more."

The following testimony is pertinent:

Mr. FASCELL. In other words, what you are telling me is you do your own investigations and you are responsible for the successful prosecution of your own case, other investigative agencies of the Federal Government, to the contrary notwithstanding.

Mr. KOLAR. I guess it could be put that way.

Mr. FASCELL. In other words, I have stated it correctly. So in addition to all the other problems we have, now we find that every investigative unit is probably duplicating investigations beyond belief.

Mr. KOLAR. Let's say to the extent that the Organized Crime Section does not see this duplication, or doesn't correct this duplication, it exists, I am sure.

Mr. FASCELL. If the OCRS does not get the benefit of information from all the investigations that are performed by either IRS or the Bureau, or whatever other agency is involved, then they are processing and coordinating only a certain percentage of the total sum of information being gathered and collected by all these investigative agencies. If the OCRS sees only a percentage of this information, it is likely that they are not even aware of much of the duplica-

tion. It seems somewhat less than desirable for all this mass of intensive investigative effort to continue without some coordination.

* * * * *
Mr. EDWARDS. * * * Should there be a procedure whereby you would make known automatically to these other investigative agencies that you are after a given individual?

Mr. KOLAR. It would be helpful from a disseminating standpoint. There is no question about it.

Mr. EDWARDS. But there is no present guideline that would call for that. Is that what you are saying?

Mr. KOLAR. I know of no present guideline.

The balkiness of some agencies to surrender any of their sovereignty of jurisdiction or operation is evident also in the operation of the "task force" technique. At least one agency refused to participate in the original task force in the manner desired until OCRS picked up the tab for salaries and expenses of that agency's participants. Another, the FBI, participated, but on its own terms. In response to the subcommittee chairman's inquiry about the FBI's position with respect to the Department of Justice's "strike force" plan for fighting organized crime, the Director of the FBI advised in his letter of November 24, 1967:

With reference to your specific inquiry, we have maintained daily contact with the Department's "strike force" (or "task force," as it is alternately called) which has been assigned to the Buffalo, N.Y., area since November 1966, providing the members of that group with information coming to our attention regarding individuals involved in organized crime. It is, therefore, certainly not true that we have failed to cooperate with this task force, even though we do not at the present time have any agent personnel assigned exclusively to work with it.

The FBI has clearly indicated to the Department that we will handle any investigation which it desires us to conduct and which falls within our investigative jurisdiction. Our position is that the supervision of these investigations should remain within the FBI and that we continue to direct the activities and the assignment of our personnel so that the maximum utilization of available agents can be achieved at all times.

Historically, our program embodies the separation of the investigative and prosecutive aspects of the drive against organized crime and, as a general rule, we have found it to be true that greater efficiency results and responsibilities become more clearly established when investigators investigate and prosecutors prosecute. Under this system, the supervisory direction and the assignment of personnel are left in the hands of professionals experienced in the handling of sensitive investigations in a most complex field of activity.

The Assistant Attorney General in charge of the Criminal Division advised in his letter of December 8, 1967, that it was technically cor-

rect that the FBI was not participating in the strike force concept, because it—

* * * has not detailed its agents in the manner required for full participation of any such task force. However, in point of fact, the FBI's contribution to any such task force is very significant as the FBI is the only Federal agency which is oriented to development of strategic intelligence in the organized crime field. This intelligence, supplied to the Organized Crime and Racketeering Section and to other agencies on a continuing basis, is indispensable to our organized crime program. I might also add that the position of the FBI is that it will investigate promptly any matter within its jurisdiction which is referred to it by the strike force.

* * * The other agencies which participate in the strike force—the Bureau of Narcotics, the Bureau of Customs, Secret Service, and the Department of Labor—all have small investigative staffs and have jurisdiction which brings them into the organized crime field to a lesser extent. The strike force concept, among other things, helps focus the contribution that they make to the organized crime field.

The FBI Director also pointed out in his letter that—

the FBI has been engaged over the years in a continuing campaign against the hoodlum racketeering elements throughout the United States. In addition to our own investigations, which led to some 197 convictions during fiscal year 1967, we have regularly furnished copies of our reports to both the Department and to the U.S. attorneys around the country. We also disseminated more than 287,000 items of criminal intelligence information to other Federal, State, and local law enforcement agencies during the past year, which led to the arrest by these agencies of 3,748 hoodlum, gambling, and vice figures.

The OCRS organized crime intelligence files have been built up largely from a nucleus supplied, beginning in 1961, by the FBI, and since added to by submissions from other Federal agencies and other sources, including private communications and those from State and local officials. The OCRS list of some 3,100 persons who have been identified as organized crime figures—with names added or deleted as circumstances require—is disseminated to other Federal agencies.

To the Federal investigative agencies, the existence of OCRS has meant what each agency wants it to mean. Mainly, it has meant that they incorporate the OCRS list of organized crime figures into their own files; that they report intelligence data to OCRS periodically; that they submit investigative information to the OCRS on a case-by-case basis, either prior to or concurrently with submitting it to U.S. attorneys; and that they participate in the conduct of special investigations or collaborate in such special projects as the OCRS task forces. Otherwise, the operations of the investigative agencies have not been substantially changed by reason of the existence of OCRS. They have their functions to perform and they decide what investigations to make.

Most submit the results of their investigations to appropriate U.S. attorneys and collaborate with other Federal agencies and with State and local law enforcement officials pretty much as they did prior to the formation (in 1954) or revitalization (in 1961) of the OCRS.

That is not to say, however, that the existence of OCRS has not had salutary effects on the agencies. For example, OCRS conducts the first centralized organized crime intelligence center; it spurs interagency cooperation; it attempts new means of coping with syndicated crime; and it develops specialists in the combat of organized crime. Perhaps what it does best was aptly described by the witness for the former Bureau of Narcotics, who said that the OCRS provides—

the overall Government thrust. In other words, they have agencies that, perhaps, were not as interested as they should be in the organized crime problem working on it. In other words * * * they are keeping everybody on their toes.

EFFECTIVENESS OF EFFORTS

It is difficult, if not impossible, to measure the effectiveness of Federal efforts against organized crime. In 1965, President Johnson indicated his belief that organized crime was expanding, and his Crime Commission, 2 years later, had to agree. On the other hand, the Assistant Attorney General, Criminal Division, asked by the subcommittee for his views on the extent to which organized crime operations were increasing or decreasing, replied that although he had no way, really, of gaging the results, he did not believe that they were increasing. Another witness, however (the head of the Internal Revenue Service's Intelligence Division) expressed his belief that on information that came to him, and his own knowledge, "we are losing (the war against organized crime) a little."

Statistically, the OCRS shows an increase in criminal indictments and informations of from 45 in 1961, to 609 in 1966; an increase in individuals indicted from 121 in 1961, to 1,198 in 1966; and an increase in individual convictions from 73 in 1961, to 477 in 1966.

In 1967, there were 704 indictments and informations returned against 1,231 defendants. In 338 cases in 1967, there were 492 defendants convicted.

Statistics alone, however, do not adequately measure the full effectiveness of efforts against organized crime. For instance, concerning syndicated crime families, the statistics for the 8-year period 1961 to December 1967, show 232 indictments, 127 convictions, 12 acquittals, six dismissals, and four reversals. These totals are small, compared to the overall statistics; and their significance is not fully measurable in the absence of detailed information regarding the nature and extent of the crimes involved, and the relevant position each defendant occupies in the syndicated crime hierarchy.

According to the Department of Justice, the impact of its efforts is determined by a continuous analysis of intelligence data, including information from informants. For example, in one major city, informants indicate that members of the hierarchy of the dominant syndicated crime family have refused to assume leadership for fear they will become targets of the Federal effort. In another area, a family which formerly controlled the numbers activity in a major city has

turned over actual operation of that racket to another group, but still extracts a percentage of the profits from the present operators. (Query: Might this reflect not a reduction in organized crime, but a mere substitution of one criminal group for another?) The Department's response continued:

* * * Numbers of individuals indicated or convicted by themselves are meaningless in determining the effectiveness of our efforts, for the indictment or conviction of an underboss is far more significant than the indictment or conviction of tens of pickup men. Only last month we convicted * * *, the alleged head of the New England * * * family, a most significant victory in the war on organized crime. * * * And on March 21, 1968, a Federal grand jury indicted three men including * * *, the alleged head of the New Jersey * * * family, on a charge of conspiring to use interstate facilities to help carry out an extortion scheme * * *.

The Department pointed to a 57-percent increase in income reported in tax returns by racketeers in the North Atlantic region, and stated that undoubtedly increased Federal attention to organized crime figures was a major force in obtaining that result. (In the absence of better information, could not this result indicate the desire of racketeers to avoid becoming involved in income tax violations—or that there had been large increases in racketeer activities, licit and illicit?)

The information submitted by the Department as means of measuring effectiveness, while interesting, establishes quite clearly that no means are yet available for measuring the genuine effectiveness of efforts against organized crime.

The President's Crime Commission pointed to the essentiality of our society's being able to tell when changes in the amounts of crime occur, and what kinds, and to be able to distinguish normal rate raises and volumes from long-term trends. Whether crimes increase or decrease, and by how much, are important questions for law enforcement, for the citizens who must run the risk of crimes, and for the officials who must plan and establish prevention and control programs. The Commission's surveys indicated, however, that no fully reliable methods for measuring crime volume and trends have yet been found.

According to Department of Justice testimony, the rate of arrests for all crimes is about 25 percent of reported crimes—"not a good average." The conviction rate of arrested persons is high, averaging between 80 and 90 percent; however, probably twice as much crime is committed as is reported. Any figures on unreported crimes are speculative, and probably more so as regards organized crime.

The Census and Statistics Subcommittee of the House Committee on Post Office and Civil Service is conducting a study which relates to the Crime Commission's findings of a critical need for a strong, effective statistical program encompassing all aspects of the criminal process.¹⁷

The Commission found law enforcement officials to be the only group with any significant knowledge about the organized crime problem, and that other disciplines (social, economic, and legal, for ex-

¹⁷ In a Mar. 5, 1968, press release that subcommittee stated that although basic data is necessary for research and new technology for effective crime control and rehabilitation, less than \$1 million is spent on crime statistics.

ample) until recently have not considered the possibility of research projects on organized crime. The Commission recommended that the Department of Justice should "sponsor and encourage research by the many relevant disciplines regarding the nature, development, activities, and organizations of these special criminal groups."

IMMIGRATION AND NATURALIZATION SERVICE

The Immigration and Naturalization Service, formerly part of the Department of Labor, was transferred to the Department of Justice in 1940. It administers laws relating to the admission, exclusion, and deportation of aliens, and the naturalization of aliens lawfully resident in the United States. It also investigates violations of such laws, recommends prosecutions in cases where it believes such action to be warranted, and polices the Nation's borders to prevent unlawful entry by aliens.

With respect to organized crime figures, the Service acts to prevent the entry, or naturalization (and secures the denaturalization and deportation) of individuals of foreign birth who can be proven to be in the criminal, immoral and narcotic classes. To sustain the deportation of "undesirable" aliens the Service must depend on establishing criminal records. This in turn depends on convictions which result from the efforts of other Government agencies. In some instances the Service has been able to effect deportation of racketeers by proving illegal entries into the country, entries as stowaways, or failures to register and report themselves as aliens.

In a denaturalization proceeding, the Service must first file suit therefor in a Federal court. If the court orders denaturalization against the criminal, deportation proceedings follow. Here the Service must again "establish by clear, convincing, and unequivocal evidence that the citizenship was fraudulently or illegally procured."

The National Office Investigation Division directs the INS fight against organized crime. It reviews and coordinates reports and information received from its four regional offices and 32 district offices in the United States. Its programed operation against organized crime began in 1950. The Kefauver hearings also brought to light names of alien or naturalized citizen racketeers.^{17a} In the fall of 1952 the FBI furnished 161 racketeer names to the Service for investigation. In July of 1954, INS instituted another program which it entitled "Top Priority" which is still in existence. It was designed to investigate and prosecute notorious, important and undesirable racketeers. Some 170 racketeers have been investigated under this program. The 1957 infamous Apalachin meeting triggered the investigations by INS of all 66 identified attendees at that meeting. In 1958, the Department of Justice, based on information from numerous Federal agencies, submitted a special list of 100 racketeers for INS attention. Thereafter, following the McClellan committee hearings, the Service picked up some 800 names for investigation.

In the spring of 1959, the Service instituted what it denominated "Operation Felon," which was designed to prevent criminals and racketeers from entering the United States from Canada. A similar operation was placed in effect at the Mexican border, with the respective programs being coordinated with Canadian and Mexican officials.

^{17a} 24 persons mentioned in the Kefauver hearings were deported.

From December 1961, to the subcommittee hearings (February 1968), the Service also investigated some 3,327 names which were referred to INS by the OCRS. Most (2,573) were found to be native-born citizens; only 199 were found to be aliens, most of whom had previously been investigated by the Service, and the balance were naturalized citizens.

Under the organized crime program the Service has investigated some 6,979 persons, of whom 2,057 were found to be aliens, 959 were naturalized citizens, and the balance were native-born citizens. Since 1950 at least 50 members of various organized crime groups have been deported. These are included in a total of some 13,044 aliens who had been deported because of criminality, immorality, or for narcotic reasons. During the 10 years prior to the hearings, the Service conducted investigations of 1,453 naturalized citizens to determine if sufficient evidence could be obtained upon which to revoke naturalization.

It would appear from INS testimony that out of the organized crime figures it has investigated since 1950—in addition to the 24 mentioned in the Kefauver committee hearings who were deported—deportation proceedings have been successful against 26 racketeers.

According to the INS witness, the Service has been a part of the "special task force" of the OCRS, and has worked in close coordination with it; it also has close liaison with the FBI, the narcotics, customs, and other enforcement agencies on a continuing basis; and is alert to all activities involving racketeers and criminals so as to investigate their backgrounds to determine if they are deportable.

TREASURY DEPARTMENT

INTELLIGENCE DIVISION—IRS

The Intelligence Division (ID) of the Internal Revenue Service enforces the criminal laws applicable to Federal tax laws—income, estate, gift, employment, and certain excise taxes—with the objective of achieving maximum voluntary compliance. As of May 1967, the ID had about 1,700 special agents operating in 58 district offices spread throughout the Nation and in Washington.

The IRS has had what it calls an "inservice racketeer program" since the prohibition era. The program was stepped up following the Kefauver committee hearings, the Apalachin meeting and the McClellan committee hearings. As a part of its program, the IRS maintains a continuing information file in its offices on all identified racketeers. The ID reviews the tax returns of these hoodlums each year, and may audit them every 2 years.

The ID's special attention to the tax affairs of racketeers and other persons operating in illegal activities proceeds on the premise that such persons are motivated to obtain profits illegally and without regard for sharing their portion of the tax burden.

In 1961 when—as IRS views it—the Department of Justice's organized crime drive began, the ID established a special group in its Washington office to coordinate organized crime cases nationwide; and, in the field it established the position of regional coordinator for each region. The ID maintains coordination with the attorneys from the OCRS of Justice, at the field level throughout an investigation. Commencing in 1961, in addition to the names of organized crime fig-

ures provided by the OCRS the ID developed an expanded or liberalized definition of persons to be investigated by including people operating in a continuous fashion to violate the laws in a manner deemed detrimental to the community in which they resided. The ID still investigates such individuals, but since 1967 has conformed to the designations made by the OCRS of organized crime figures for investigation.

The ID finds the Criminal Division, and its OCRS, an excellent focal point through which it obtains information which may be pertinent to its investigations which OCRS has obtained from other investigative agencies. The ID also furnishes information to OCRS to the extent that such exchange is not prohibited by the nondisclosure provisions of tax laws. The ID witness testified that the coordination and cooperation of the Department of Justice is most helpful. It has found, for example, that frequently there have been prosecutions of organized crime figures which were based on evidence that was developed by ID, but disclosed crimes which were not under ID jurisdiction. The reason that the ID feels the role of the OCRS has been most helpful is that OCRS operates from the top, and helps to direct efforts. ID recommends that OCRS's operations be strengthened.

Since February 1961, the ID has made over 5,000 investigations in the organized crime area, with 20 percent of its manpower being concentrated therein. By the spring of 1967, this work resulted in 2,198 convictions, with 1,338 other cases pending prosecution. Fines totaling about \$3 million had been imposed, and recommendations for tax assessments of \$295 million in cases involving income and wagering tax violations had been made. During this period 60 percent of all Federal convictions against organized crime figures resulted from ID investigations.

ID's investigation of organized crime racketeers is of greater depth than its usual investigations. The ID looks for unusual angles in such cases. The instructions for the commencement of an investigation go to the district director from the Assistant Commissioner for Compliance, who is the only official that can authorize the release of tax information to the Department of Justice. Every 45 days a report is written on the progress of an investigation, which is reviewed by the IRS Regional Organized Crime Coordinator and the organized crime coordinator in Washington, and then it is sent to the OCRS.

If an IRS special agent recommends prosecution, the report goes to the Assistant Regional Commissioner of Intelligence in the region for review. The report must then go to the regional counsel, even if the Assistant Regional Commissioner of Intelligence does not concur in the recommendation for prosecution. If he agrees with the recommendation for prosecution, the regional counsel sends the case to the Tax Division of the Department of Justice, with a copy to the Criminal Division; otherwise he sends the case to the Criminal Division with a copy to the Tax Division of the Department of Justice. These cases are not closed without the approval of the OCRS of the Department of Justice. In wagering cases, the reports have been sent directly to U.S. attorneys.

ID has found that some whose names appear on the OCRS organized crime list recently have become active in counterfeiting and forging of Government bonds. These activities are carried out not by syndicate

leaders but by "fringe" figures, who engage in them as individual enterprises, and not as a part of the syndicated crime operations.

It was pointed out by the Director of the ID that organized crime is successful because it makes tremendous profits through monopolistic methods, terror, and corruption of officials, while staying unseen in the background. He said that--

Gambling, the financial support of organized crime, has the potential to destroy our democratic way of life if we do not control it, and contributes to the poverty which exists in many parts of the country. * * *

A basic must in combating organized crime is more stringent enforcement of gambling laws at the local and State levels. These governments have the laws and the machinery to curb and control gambling. If the gambling profits which finance most, if not all, organized crime activities were eliminated or materially reduced, mobsters would have difficulty financing their other nefarious enterprises such as loan sharking, prostitution, and so forth. It would also substantially reduce the extent of corruption of public officials, for without huge gambling profits, there would be little incentive to corrupt police and public officials.

Another reason, he said, for the success of mobsters is public apathy, and the failure of the citizenry to understand the nature of the stranglehold that organized crime puts on their daily life. This indicated, he said, the necessity that the public needs to have officials appointed and elected who would not get involved in corruption. He agreed with the conclusion of the President's Crime Commission that most of organized crime gambling profits go untaxed, and that the proceeds are difficult to follow because they are handled as cash.

He gave as his opinion that ineffective local enforcement constitutes the weak link in the battle against organized crime, and recommended intensified law enforcement at all levels. He favored the use of the OCRS to stimulate enforcement intensification. He recommended also that action be taken to protect witnesses; that a statute which would provide immunity from prosecution under the tax laws without excusing the payment of taxes would be helpful; that the Department of Justice should collect data concerning the infiltration of organized crime into legitimate business in order to determine the nuances thereof; that a continuing congressional committee operating in the oversight area to keep abreast of the crime problem would be helpful; and he favored the continued use of undercover agents unless it should be determined that the Congress does not support this investigative technique.

The Director stated he was not opposed to legalized gambling if it could be properly supervised, but he professed some doubt that this could be done. He gave his personal view that supervised wiretapping would be very helpful to the investigation of organized crime cases, particularly with reference to cases involving the use of the telephone by gamblers in "laying off" bets on an interstate basis.

He gave as his opinion that we are losing somewhat in the fight against organized crime, apparently because organized crime tax violations are increasing.

ALCOHOL AND TOBACCO TAX DIVISION—IRS

The Alcohol and Tobacco Tax Division of the Internal Revenue Service has the responsibility for administering the Federal laws and regulations with respect to revenues related to liquor, tobacco, and firearms. The Division maintains a "permissive" branch, which attempts to protect revenues derived from the manufacture and sale of liquor and tobacco, and an "enforcement" branch which investigates violations of the statutes.

Sales of guns are not now prohibited by Federal law; however, there are some Federal firearms statutes which are directed toward keeping the some 100 millions of guns in this country out of the hands of criminals.¹⁸ In that connection the Division has become involved in investigations of what its witnesses described as paramilitary groups and groups like the Ku Klux Klan, and the Minute Men. Among problems the Division deals with are such as locating arsenals of weapons—they found one organized crime figure shipping guns to Latin America; they have identified one gun that was used in a Boston gangland murder; and they are concerned that organized crime figures make guns that are used in gangland slayings.

The Division has approximately 975 special agents, with an average age of 38 years, and specially fitted to do the work in which they are engaged, including undercover operations. The Division works closely with the Intelligence Division of the Internal Revenue Service.

In 1966 the Alcohol and Tobacco Tax Division investigated 7,500 cases, seized 5,000 illicit distilleries and arrested over 6,000 individuals. As of November 1966 it "formalized" its operations in the organized crime area with the OCRS, and printed guidelines and other instructions for handling organized crime investigations and information, in supplements to its manual. Prior to then it had cooperated with the Department of Justice on organized crime matters for 5 or 6 years, on an informal basis.

The Division's experience with racketeers goes back to the days of the prohibition era. In 1933 the Division began a crusade against racketeers who were distilling liquor illegally after the repeal of the prohibition laws. In 1958 it launched a round-the-clock program against illicit distillery operations in the northeastern part of the United States. This activity was later coordinated with OCRS personnel. This effort, its witnesses said, has resulted in racketeers pretty much getting out of the distillery business, and shifting their operations to illegal gambling, loan sharking, and narcotics.

During the period 1961-65, the Division made investigations of hidden ownerships of apparently legitimate retail and wholesale liquor business by major criminals. Eleven of such investigations were conducted at the request of OCRS. The Division also performed some undercover investigations of gambling operations for the Intelligence Division of IRS.

Between the end of November 1966, when the Division's organized crime activities were defined in the Division Manual and coordination worked out with the OCRS, and March 1967, when the Division's witness testified before the subcommittee, the Division had opened 28 additional organized crime cases.

¹⁸ Title 15, U.S.C. Sec. 902; Title 18 U.S.C. Sec. 3611.

The Alcohol and Tobacco Tax Division expressed pride in the good relationship it enjoys with State, local, and Federal enforcement agencies. It has operated on the basis that coordination of effort and exchange of intelligence makes for better overall results. It has also embarked on various programs to enlarge its own operations, as well as those of the local agencies with which it cooperates. As examples, it has made several large-city firearms surveys, such as in Washington, D.C., Chicago, and Boston; it developed Operation Daylight in South Carolina, which, by publicizing the numerous deaths that resulted from lead salts contained in moonshine whiskey, helped to overcome public apathy and resulted in increased convictions of moonshiners in jury cases; and it established metro squads, that is combinations of State, county, and local liquor enforcement personnel to combat illicit moonshine operations.

The Division feels that its relationship and liaison with OCRS, FBI, and other agencies has been helpful. However, at the subcommittee hearings its representatives agreed with subcommittee member Congressman St Germain that the pooling of intelligence and the utilization of resources of all Federal agencies on a coordinated basis does not yet exist to its maximum amount; and that a great deal has yet to be done to improve such pooling and coordination.¹⁹ Congressman St Germain further pointed out that OCRS' personnel strength of some 60 attorneys did not constitute sufficient manpower to enable it to coordinate all of the information available on organized crime and to act as liaison with the Federal agencies and their agents—of which there are some 2,600 investigators in the IRS Intelligence and Alcohol and Tobacco Tax Divisions alone.

A further weakness in OCRS' coordinating functions was pointed out by the subcommittee chairman in the following testimony:

Mr. FASCELL. * * * The real point is that the Organized Crime Section cannot coordinate, because they have no line authority with respect to investigations.

Mr. CASEY. That is correct, sir.

Furthermore, as pointed out by the subcommittee chairman, when a Federal agency, on a case-by-case basis, requests investigative information that is in the file of another investigative agency—the FBI, for example—the requesting agency might get a flow of information, but it does not have access to the investigative file. The further testimony on this point was as follows:

Mr. FASCELL. How about with other agencies that have investigative information that might be of value to you? Do you have the same kind of difficulty? Is it on a case-by-case basis with specific requests for evidence?

Mr. CASEY. In our own family of the Treasury Department, no sweat, sir.

Mr. FASCELL. But you go outside of Treasury, and you have a problem. An operational problem.

Mr. CASEY. That is why I think this section over here has been invaluable to us in Justice, because they have been able to get information from all of the agencies, I expect, and we

¹⁹ The Committee on Government Operations has heretofore discussed the need for improving coordination of investigations, e.g., H. Rept. 196, 89th Cong., 1st sess., "Operations of Billie Sol Estes," p. 27.

go to them, if there is a missing link in our case, to see if they have something we need.

Mr. FASCELL. And if they can get it. We are talking about the Organized Crime Section.

Mr. CASEY. Yes, sir.

Mr. FASCELL. And if they can get it. Because they probably cannot get the file either.

The Division gave as its opinion that public apathy has been a factor in organized crime's success. The Division detailed several efforts it has made for overcoming public apathy toward moonshining and possession of guns and weapons. Organized campaigns to alert the public to the dangers of moonshine whisky—although the manufacture and consumption of such liquor had for generations been a way of life in some areas—were conducted in 1957 and in 1961. The Division employed all the communication media facilities which it could marshal, and obtained the assistance of members of medical associations, and of other groups, with the result that sales of tax-paid whisky—indicating a diminution in moonshining—soared, and as a side effect, in the city of Columbia, S.C., homicides decreased by 71% in a 3-month period.

Examples were cited by the Division's witnesses, following which there was this testimony:

Mr. Edwards: * * * I am impressed with what appears to me to be an ongoing program in your particular division, trying to stop the crime before it starts—a public relations program, and your pilot project in South Carolina apparently has had some good results. I would hope not only your division, but other divisions and agencies involved in this would carry out similar type programs to get to the people. This seems to be the great problem—at the local level, we must work with the police departments, and the local citizens, in creating interest in not participating, whether it be buying or producing or selling or what not, in this illegal whiskey business.

Mr. SERR. We agree with you, sir.

The Division is of the opinion that the OCSR "task force" technique is an excellent weapon for use in the fight against organized crime and that the technique could be put to use at local levels in other areas of criminal activity. Its opinion is expressed in its statement "* * * that by pooling our intelligence and by utilizing our resources on a coordinated basis, we can increase the sum of our individual endeavors."

Court decisions with respect to individual rights, and their protection, have generated the need for the development of more scientific methods and techniques of obtaining appropriate evidence, according to the Division. Innovations have been developed by the Atomic Energy Commission, as well as developed in its own laboratory in this forensic scientific field.

UNITED STATES SECRET SERVICE

In addition to its protective responsibilities relating to the offices of the President and Vice President, the U.S. Secret Service is author-

ized to investigate and arrest persons committing offenses against the laws of the United States with respect to coins, obligations and securities of the United States, and of foreign governments. This includes forgery and counterfeiting of Government checks and bonds. The Secret Service also has delegated responsibility to conduct investigations required in the administration of the Gold Reserve Act and the Government Losses in Shipment Act, and special assignments from the Secretary of the Treasury.

The Service has 576 enforcement agents and supervisors, in 64 field offices and a national office. The Service says it has been fighting organized crime for many years. Organized crime did not operate to any significant extent in areas of Secret Service responsibilities during the period between Prohibition and World War II. The Service attributes this lack of activity to the Service's enforcement efforts, the fear of racketeers of substantial sentences, and the difficulty of acquiring materials and machinery necessary for counterfeiting activity.

In 1950 the Secret Service seized \$800,000 in counterfeit currency and apprehended some 31 persons, one of whom was associated with the ruling syndicated crime family in Buffalo. In 1966 the Secret Service participated in the OCRS pilot "task force" which resulted in indictments, including that of a racketeer who had been apprehended in 1950 for the counterfeiting of currency. Six of the defendants indicted as a result of "task force" activity have already been tried and convicted, including the racketeer and another lieutenant of the ruling syndicated crime family who received 20 year sentences each.

The Secret Service has been cooperating with the OCRS since 1961. It has received the names of 6,200 persons from the OCRS and has furnished OCRS information on some 772 persons included on the list. Since January 1965, the Service has designated a supervisory agent as coordinator for the organized crime program to work with the Department of Justice and other Federal agencies. Up to February 1968, the Service has participated in 74 organized crime cases.

In accordance with the directive of the President of May, 1966, the Secret Service transmits comprehensive quarterly summary reports on organized crime investigations to OCRS, and regularly submits investigative reports on persons on the organized crime list who are involved in pending Secret Service investigations. Information from OCRS pertinent to Secret Service investigative activities is received from OCRS as it becomes available.

In 1967 the Service apprehended 35 persons in a forgery conspiracy involving Series E bonds, postal money orders and Israel Government bonds, spread over 27 States, and involving burglaries in over 100 locations. The conspiracy included an organized crime figure. All these persons were indicted. The Service also apprehended an organized-crime figure and eight other persons in a conspiracy to counterfeit \$150,000 of Federal Reserve notes. All were convicted. In another case the Service apprehended an organized-crime figure and his associates in connection with a conspiracy to market more than \$1 million of \$10,000 Treasury notes.

As of early 1968 the Service was investigating 23 cases involving organized-crime persons.

BUREAU OF CUSTOMS

The Bureau of Customs is the oldest enforcement agency in the Federal Government. Its functions, with respect to the enforcement of the Tariff Act and related statutes, largely have to do with export controls, foreign assets controls, and neutrality laws (international arms and munition traffic). Its principal activities related to organized-crime matters are those which involve smuggling and frauds to evade customs laws and duties.

The Bureau has nine regions under regional commissioners, and 42 districts. Its Division of Investigations is a separate organization within the Bureau, supervised from Washington, with five domestic investigative regions, each headed by a supervising customs agent, and two foreign investigations regions.

The Bureau has approximately 330 customs agents and 450 customs port investigators, with the agents usually being appointed from the ranks of the customs port investigators. The principal criminal activities investigated are the smuggling of narcotics, marihuana, and dangerous drugs, and cases which involve substantial undervaluations of goods, in fraud of tariff provisions.

The Bureau witness stated that the Bureau has always enjoyed good coordination and cooperation with other Federal, State, and local law enforcement agencies, and with Mexican and Canadian authorities, and that it has worked closely with other agencies in some of its investigations.

Customs says it enjoys excellent relations with the FBI, and has been receiving information memorandums from them, with copies going to the Bureau of Narcotics, Immigration and Naturalization, or others. It also receives frequent calls from FBI liaison officers, and has called on the FBI for information. It has a division head working as a liaison officer with the OCRS, and has also assigned a division head to work on the OCRS pilot "task force" for a 6-month period.

The OCRS has furnished Customs with its list of organized crime figures, and that Bureau furnishes copies of information it obtains regarding organized-crime figures to the OCRS. It has developed procedures for supplying this information, including guidelines to its employees. The Bureau also reports to the Attorney General in accordance with the President's memorandum of May 1966, which is done through the Office of the Special Assistant to the Secretary of the Treasury.

The Bureau finds organized crime involved mainly in the narcotics and marihuana traffic, and because alltime highs in seizures and arrests have been reached, the Bureau is of the opinion that organized-crime activity in these areas has increased.

The Bureau points out that smugglers usually are not ringleaders but merely persons who are paid by principals, or agents of principals, to bring the merchandise into the country. Because of this, the Bureau works closely with the Bureau of Narcotics and other Federal, State, and local police agencies with a view to following contraband to its ultimate destination, so as to try to apprehend the persons behind such crimes.

The Customs representatives at the subcommittee hearings, in response to questioning, indicated that organized crime is not found in gun smuggling, gold smuggling, or in fraudulent import schemes.

The Bureau finds heavy activity at the Mexican border in narcotics, marihuana, and recently in the abuse drugs. They do not have many problems along the Canadian border. They have found recent changes in activity along the Mexican border, in that more Americans, particularly young Americans, including college students, have become involved in smuggling.

Small but organized groups smuggle dangerous abuse drugs over the Mexican border. Customs, however, has been unable to find any tie to organized crime in this activity.

The Bureau uses electronic surveillance within legal limitations and to a limited degree, mainly to protect its agents. It counts its marihuana seizures in tons, having seized some 12 tons in the first 5 months of 1967.

BUREAU OF NARCOTICS

The Bureau of Narcotics was created in June 1930, in the Treasury Department, and operated therein until it was transferred to the Department of Justice in April 1968. (See footnote 4.) At the time its witnesses testified, it was an agency of the Treasury Department. For convenience it will be referred to herein as the Bureau of Narcotics. It administers laws in the Internal Revenue Code with respect to narcotics, with enforcement responsibility for the investigation and prevention of violations of Federal narcotic and marihuana laws and related statutes. It shares responsibilities with the Bureau of Customs in connection with restrictive prohibitions of the Narcotic Drugs Import and Export Act.

In its 38 years of existence it has been the prime Government force in the drive against illicit narcotic traffic. Its major concern is with heroin, most of it which originates as opium in Turkey, is converted into heroin in France, and smuggled into the United States by organized crime figures. The Bureau has 301 enforcement agents in 16 districts including the United States, Europe, the Near, Middle, and Far East, and in Central and South America.

Over the years, the Bureau witness said, it has been responsible for the apprehension and conviction of more top-echelon members of organized crime than any other agency. Between 1951 and 1966 it apprehended some 110 such figures. Their names and a description of the circumstances under which they were apprehended were made a part of the subcommittee hearings record, which has been printed.

The Bureau stated that 30 years ago addiction was widespread in the United States. Heroin was then of such high purity that addicts who gave up the drug suffered severe withdrawal symptoms. The number of addicts has decreased from some 250,000 about 40 years ago to some 60,000 at present. The Bureau attributes this to: (1) effective enforcement, (2) less profits in narcotics as compared, that is, to gambling, (3) adulteration of the heroin, and (4) transition to, and use of, other drugs.

The Bureau concentrates its activities at higher levels of narcotics distribution. It normally does not work at the addict level, leaving the enforcement of lower strata distribution and user violations to State and local officials.

When queried on whether there is a real need to double the number of its agents, the Bureau's witness testified that it is difficult to estab-

lish the point of diminishing returns on personnel increases, but that it had a real need for a few more men; that by and large under its structure the Bureau has been able to accomplish its purposes, but that it necessarily must also depend on local and State agencies, because the enforcement problem is not entirely a Federal problem.

From 1956 the Bureau has operated a training school for narcotic agents, in which State and local police, and selected foreign officers have been trained. The Bureau relies on the State and local officers to handle violations by users, and cooperates with such officials through the exchange of information. The Bureau maintains criminal files and addict files, the contents of which it makes available to law enforcement agencies when requested.

The Bureau worked in close cooperation with the Bureau of Customs (Treasury) and the Bureau of Drug Abuse Control (BDAC) of the Department of Health, Education, and Welfare. Even prior to the formation of the OCRS, the Narcotics Bureau exchanged information with the FBI, the Alcohol and Tobacco Tax Division, and with other Federal agencies.

The Bureau advised the subcommittee that it receives information from the FBI with respect to narcotics matters and assumed that this information is furnished when it comes to the attention of the FBI since it is information within the responsibility of the Bureau of Narcotics.

Since the formation of the OCRS there has been an exchange of information between the Bureau and the OCRS on organized crime figures. The Bureau furnishes the OCRS with a status report every 90 days, describing its activities and operations with respect to organized crime figures, and used the OCRS list of organized crime figures. The Bureau also furnished periodic reports to BDAC with respect to organized crime activities.

The Bureau states that the OCRS does not have an investigative function as such. OCRS has been helpful to the Bureau in connection with complicated cases, by furnishing prosecuting attorneys who were particularly expert in such cases—as compared to attorneys in U.S. attorneys' offices who may not have had such experience. Also, the Bureau finds the OCRS helpful as the driving force, keeping all law enforcement agencies alerted to the fight against organized crime. The Bureau has participated with the OCRS in its special "task force" on organized crime units.

Except as above indicated, there apparently was little change in the Bureau of Narcotics modus operandi after the formation of the OCRS. This may be partly due to the fact that the Bureau conducted investigations of organized crime activities for many years prior thereto, and that its activities are of a specialized type, often involving the use of undercover agents and informants.

All licensed imports of crude opium are restricted to three U.S. pharmaceutical manufacturers who extract opium alkaloids therefrom, such as morphine. They furnish such products to drug manufacturers who are also federally licensed, to incorporate them into pills, compounds and medications. All this is done under strict control of the Bureau of Narcotics. Heroin is completely outlawed. Cocaine, a narcotic derived from the coca plant, is under similar strict control. According to the Bureau's witness, marihuana has no legitimate or medical use.

The Bureau stated that in its opinion it maintains effective control over opium and cocaine, and that such drugs move only in legitimate channels, except for occasional diversions by unscrupulous doctors and druggists, or through thefts from legitimate sources. The Bureau is also of the opinion that this same system could be extended to cover other drugs which are now being traded in illegitimately.

Marihuana usually comes into the country illegally, chiefly over the Mexican border. The Bureau does not believe that organized crime is involved in this traffic, because of the low returns possible therefrom, as contrasted with profits from handling heroin. A kilo (2.2 pounds) of marihuana costs about \$40 in Mexico. That quantity can be converted into approximately 2,000 cigarettes, which can be sold for as much as \$1 each. A similar quantity of heroin would cost from \$12,000 to \$18,000, but the profits possibilities therefrom are astronomical.

Under the Marihuana Tax Act of 1937, any person who desires to use marihuana legally must register with the Bureau of Internal Revenue, and pay a tax. There also is a tax on the transfer of marihuana, amounting to \$100 an ounce. The usual violations are possession of marihuana without payment of the transfer tax, or without being registered to use the drug. The maximum penalties are: First offense, imprisonment for not less than 2 nor more than 10 years; second offense, not less than 5 nor more than 20 years; and third offense, not less than 10 nor more than 40 years imprisonment.²⁰

The Bureau of Narcotics usually does not proceed against users, leaving such action to State and local officials, in which cases penalties vary, depending on the local laws. Every Federal marihuana offense, however, is a felony. The severity of these penalties, coupled with the claim of many that marihuana's effects are not narcotic but are similar to those from alcohol, has resulted in considerable urging for lessening the Federal penalties, particularly as regards possession of marihuana for personal use.²¹

Subcommittee chairman Fascell asked the Narcotics Bureau witness whether in view of the claims that marihuana might be less (or no more) dangerous than alcohol, and in the interest of efficiency and economy, less time possibly could be spent in enforcement of marihuana laws. The witness stated disagreement with the theorists who make such claims. He pointed to the Bureau's experience that showed that marihuana users are frequently involved with LSD; that of the 60,000 drug addicts whose names are in files which it maintains, a great number have cited use of marihuana as their first step in the use of heroin; and that while marihuana is habituating rather than addicting, no proper use yet has been found for it. Also, there is an international Single Convention on Narcotic Drugs of 1961 which prohibits worldwide use of marihuana because of its harmful effects on the user and the antisocial conduct it encourages.

A paper prepared by the Bureau's chief counsel (printed in the hearings) makes the point that the marihuana used in the United

²⁰ The Wall Street Journal of May 1, 1968, reported that IRS is levying taxes of \$100 an ounce on illicit marihuana dealings; that revenue from this source increased in the last fiscal year; and that in one case the lien exceeded \$1 million. The Washington Post of Apr. 29, 1968, reported a tax lien of \$1,622,000 in a single case involving 600 pounds of marihuana.

²¹ While marihuana violations were not under its supervision, Dr. James L. Goddard, then Commissioner, Food and Drug Administration, when asked at the hearings for his opinion as to whether marihuana should be treated as a medical or a law enforcement problem stated that there is a need for more research before a conclusion can be made on this question.

States is of low potency; and that to legitimize the use of marihuana would necessarily legalize its more potent forms, which have been found to be quite dangerous in those countries where it is so used. The article also states that marihuana does not produce "motor incoordination" as rapidly as does alcohol—however, any factor which adds to the dangers from motor accidents in our highly mechanized society cannot be ignored.

The marihuana problem is far from solved. As is evident from newspapers and periodicals, the drug is easy to obtain, even on the public streets, and its use has steadily increased, particularly among young people, in the colleges, the military, the high schools and even into junior highs. Also, many persons (some with very respectable scientific credentials) publicly make claim that its effects are not harmful—or at least not permanently so. The plain fact seems to be that there is not yet enough information available to establish that marihuana is harmless, or even relatively so, or that the marihuana control laws should be abolished or amended as they relate to possession for personal use.

In that regard the Legislative Reference Service of the Library of Congress in a paper entitled "Marihuana: Derivation, Use, and Effects" concluded that "The effects of the drug marihuana on a user, and the resulting consequences for society, have long been a subject of controversy. It is evident that there are still great differences among respectable authorities. With regard to the long-range effects on human beings of habitual use, in particular, there appears to have been little substantial investigation, and consequently little evidence in support of any of the various leading positions. Almost all scientific and medical writers on the subject point to a need for additional research." Among current research on various phases of the marihuana problem is that being conducted or programed by the National Institute of Mental Health.

In *Scott v. U.S.*, No. 21,016, decided April 29, 1968, the U.S. Court of Appeals for the District of Columbia Circuit upheld the conviction of the possessor of fertile marihuana seeds as being in violation of the District of Columbia Code "narcotic drug" prohibitions. On appeal, counsel for the appellant urged that a statute which treats marihuana as a narcotic drug is unconstitutional, as being in contravention of due process of law; that, since first amendment rights of privacy allegedly afford a right to the personal use of marihuana, a regulatory statute imposing penal sanctions for possession or use is too broad in its reach to be compatible with due process; and further that, because of asserted analogies between marihuana and alcohol, it is a denial of equal protection to outlaw possession of the one and not the other. The court refused to decide these issues because the evidence to support the contentions was too sparse. The court said, however: "There are perhaps many searching questions to be asked about the structure and foundations of existing narcotics laws, but, if they are to be answered by judicial invalidation rather than by legislative reexamination, it could only be upon the basis of information assembled and tested within the framework of the judicial process. Without it, the deference in terms of assumptions of rationality which traditionally extend to congressional enactments must prevail." According to newspaper articles, these comments by the court have been thought to indicate that the court is pre-

pared to consider the issues if they are properly developed for the record; also, defense counsel are reported to be taking steps in that direction.

The Bureau of Narcotics gave as its opinion that much of its success has been due to its use of underworld informants, and it recommends changes which could improve this utilization, as follows:

Incentives could be in the form of immunity from prosecution; the establishment of facilities to house and safeguard informants; ^{21a} funds to provide for the individual and his family after his period of usefulness, and severe punishment for those who threaten or otherwise attempt to obstruct anyone from assisting the Government.

In the witness' statement he quoted an excerpt from the report of the President's Crime Commission that "law enforcement's way of fighting organized crime has been primitive compared to organized crime's way of operating." He stated that he believed this to be an accurate statement and that the balance of power must be shifted. When asked by subcommittee member Congressman Edwards what was needed to shift the balance of power the witness stated "I wish I had the answer to that, sir. I think this is what we are seeking. What the answer is going to be is a variety of things."

The witness stated that the Bureau maintains information files on criminals engaged in the drug traffic and on addicts. When the Bureau gets information that is not necessarily pertinent to its operations, but is to that of other agencies, the information is passed on to such other agency. However, information that is pertinent to the Bureau's operations is given out only upon the request of another agency. From the Bureau's standpoint the OCRS maintains a central filing system where all information from all of the investigative agencies is brought together, but the witness indicated that that statement was an assumption, based upon the fact that the Bureau furnishes the OCRS with a copy of every case report on every criminal case that the Bureau makes. However, the witness did not know what the OCRS did with that information.

The Bureau witness stated that electronic devices are used in a limited degree in its work, with the prior consent of one of the parties to the conversations. As regards wiretapping, the Bureau witness said that the Bureau does not utilize such devices; however, he said:

Well, I would like to see a clarification of the laws. I think that, speaking from the enforcement viewpoint, I think it is quite obvious that any additional tools that you have would be helpful, including being able to tap a telephone. But, of course, there are other considerations involved here beyond the needs of enforcement.

The Bureau was of the view that public apathy gives impetus to organized crime. Among the recommendations of the President's Crime Commission, with which it agrees, is the recommendation that there be a Joint Congressional Committee on Organized Crime. It

^{21a} An agreement has been entered into between the Department of Defense and the Department of Justice under which military facilities are made available for secreting and protecting Federal witnesses pending their testifying for the Government in prosecutions of organized crime.

also endorses that Commission's statement that the advantages which organized crime enjoys over primitive methods of law enforcement must be overcome, and the overall advantage be shifted to the Government. The Bureau's statement concluded:

In the final analysis, no one action or one item of legislation will destroy this evil. To combat organized crime effectively, it is necessary to strike at all the individual components. This involves the combined efforts of Federal, State, and local governments, with the complete cooperation of the concerned professions as well as every citizen of the United States.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

BUREAU OF DRUG ABUSE CONTROL—FOOD AND DRUG ADMINISTRATION

The Food and Drug Administration's experience with illicit drug traffic goes back to 1940 when sulfonamides and other prescription "wonder drugs" were illegally distributed without prescription. After World War II illicit trafficking in amphetamines (stimulants known variously as bennies, hearts, copilots, pep pills, and the like) and in barbiturates (depressants, commonly called goofballs) became widespread among the criminal element because of the opportunities for large profits.

Drug manufacturers have been required to register with the FDA since 1962. Under amendments which became effective in 1965, the registration of firms and individuals producing or beginning the production of depressants and stimulants has been required.

In the drug abuse control amendments to the food and drug laws, passed in 1965, effective February 1, 1966, the Congress stated its recognition "that there is a widespread illicit traffic in depressant and stimulant drugs * * *." These amendments prohibit (1) the unauthorized manufacture or processing of specific drugs; (2) their distribution to unauthorized persons; (3) their possession except for personal use; (4) the refilling of prescriptions for such drugs more than five times, or after more than 6 months after issuance; and (6) the making, selling, keeping, or concealing of counterfeit drugs.

These amendments eliminated the necessity to prove interstate shipment to establish a violation. They require the registration of wholesalers as well as manufacturers of controlled drugs, and provide for specific notification when a manufacturer begins production of depressant or stimulant drugs. Detailed records of inventory and distribution of controlled drugs, from production to retailer, are required, and must be maintained for inspection.

The Bureau of Drug Abuse Control (BDAC) was established in the FDA²² to administer and investigate violation of the 1965 amendment provisions. Its personnel numbers some 254 special agents, working out of nine field offices. Through educational programs and other media, BDAC informs the general public on the hazards of drug abuse. It works with various groups in the medical and pharmaceutical professions and with hospitals. Its prime responsibilities are to

²² When the Bureau of Drug Abuse Control testified before the subcommittee it was under FDA in the Department of Health, Education, and Welfare. Although it has since been transferred to a Bureau in the Department of Justice, it will be referred to herein as the Bureau of Drug Abuse Control, for convenience. For details of the transfer, see footnote 4.

regulate the traffic in controlled drugs, and to prevent illegal sales and the counterfeiting of such drugs. As a part of its function it investigates infiltration of legitimate drug industries by organized crime.

Mrs. Margaret Kreig, author of "Black Market Medicine," worked with the FDA as an undercover agent. She testified before the subcommittee that the drug industry is being infiltrated by organized crime in connection with both the manufacture and distribution of drugs in the United States; that of the 1 billion prescriptions filled annually, nobody knows how many were filled with counterfeit, contaminated, outdated, or otherwise substandard black market medicines which should not be in the channels of distribution; that syndicated crime figures operating in the drug industry are much better organized than the Federal and State law enforcement agencies dealing with drug abuse and control; that Federal and State control laws are inadequate; and that the law enforcement agencies at the Federal and local levels lack sufficient manpower to do the job properly and to protect the public. Among her recommendations were uniform State laws, patterned after the FDA Act; and that pharmaceutical plants and all who have anything to do with changing a drug, repackaging it or labeling it be licensed by the FDA. The details of her testimony have been printed in committee hearings.

BDAC has three divisions: (1) Division of Drug Studies and Statistics; (2) Division of Case Assistance; and (3) Division of Investigations. The Division of Investigations has the principal responsibility for the investigation of violations, and of organized crime activity. It collects, reports, utilizes, and disseminates information concerning the involvement of organized crime in the drug field.

The Investigations Division has a drug accountability branch, which reviews records of properly registered manufacturers, wholesalers, and repackagers, with a view of ascertaining any possible diversions of such drugs into illegitimate traffic. Its agents devote about 40 percent of their time to such activities.

BDAC attempts to work closely with State and local agencies which have functions related to it. Because of resources limitations, it attempts to concentrate its forces on identifying the initial sources of illicit drug traffic, and to leave the handling of cases of individual users and smaller distribution activities to State and local authorities. The agency has a cooperative pilot program which, at the time of the subcommittee hearings (June 1967), was operating in 18 States, under which a State assumes the primary responsibility for regulating drug distribution at the retail level, while BDAC concentrates on wholesale distribution and large-scale drug diversion.

BDAC maintains a continuous interchange of information with State agencies. It sponsors training sessions for State officials, in the pilot programs, and for State and local law enforcement officials. Cooperation between BDAC and local officials is essential to BDAC, because there are some 55,000 retail drug outlets in the United States which are required to maintain accountability records for controlled drugs.

BDAC has an educational program which is used in elementary, junior high schools, and high schools. It has special films on LSD, "bennies," and "goofballs." One of its objectives is to develop educational programs regarding enforcement, training, education, scien-

tific studies, and the collection of statistics concerning drug abuse. It works cooperatively with the National Education Association, the Office of Education of IIEW, and the Association of Deans.

The agency averages about 60 speeches a month at service clubs, colleges, churches, high schools, and national organizations. It issues bulletins which are distributed to law enforcement agencies and to 2,300 colleges and college deans, and maintains communications with pharmacists throughout the United States.

During 3 months in the first part of 1967, the agency conducted conferences in which 1,500 college deans participated, and it worked on preparing a handbook on drug abuse for the use of college counselors.

Through its early experience with illicit activities in "wonder" drugs, and in stimulants and depressants, the Food and Drug Administration had established liaison with the Criminal Division of the Department of Justice. In 1958, FDA cooperated with the special unit that had been set up in the Department for combating criminal racketeering.

In March 1967, BDAC established the positions of national organized crime coordinator in its central office, and of regional crime coordinator in each of its nine regions. Each regional crime coordinator has a full-time assistant. The FDA's electronic data processing system was used by BDAC to record all reports it received which deal with criminal organizations that concentrate on trafficking in, and manufacturing drugs, some of which are extremely sophisticated in the use of modern, scientific, and technical methods of operation.

Since its formation, BDAC has maintained liaison with the OCRS, through its national coordinator for organized crime, at the policy level, and there is continuous transmission of intelligence data from BDAC to OCRS. By the time of subcommittee hearings in 1967, BDAC had provided data to OCRS on some 300 organized crime figures or situations, and had received leads and information from OCRS, particularly at the field level. The Agency described as excellent its relationship with the FBI. It has found that the existing arrangements in relation to the exchange of information to be a "two-way street" which has resulted in prosecutions being concluded successfully through the efforts of both agencies.

The BDAC also maintains close working relationships with the Bureau of Narcotics, Bureau of Customs, Alcohol and Tax Unit, and Secret Service, particularly at the field level. Its agents were recruited from FBI, Narcotics, and other law enforcement agencies, which fact has helped them develop cooperative arrangements.

The Agency's witness stated the opinion that the operations of the OCRS had permitted BDAC to intensify its activity and to become more aware of situations related to organized crime.

The Agency's witness testified that the infiltration of organized crime into the illegal trafficking of drugs has created serious problems, including the illegal diversion of drugs out of legitimate channels through hijacking or other thefts, and distributing them outside the registered and ethical routes. The Agency statement reported that, based on 1964 production levels, some 10 billion capsules of dangerous drugs had been illegally diverted in that year. At the time of the hear-

ings, the Agency was not certain that organized crime was established in the illegal manufacture and counterfeiting of controlled drugs.

BDAC has found organized crime improperly dealing in controlled drugs and also associated with overseas connections for the supply and distribution of such drugs. Organized crime figures also had been found to be connected with some of the 17 firms which BDAC had then encountered in the illegal manufacture of LSD. Such racketeers also were found to be connected with a legally registered drug manufacturer. Through its undercover activities, BDAC has learned that some of such persons under investigation had arranged for "hit" contracts to be made to eliminate (murder) some BDAC special agents.

LSD did not become a controlled drug until May 1966. It is a misdemeanor to sell, distribute, or hold LSD for sale, but possession of LSD is not a violation of Federal law if the possessor has it for the personal use for himself, a member of his family, or for an animal.²³ In actual practice, BDAC generally does not pursue possessors. Its interest lies in making cases against illegal manufacturers, sellers, or distributors. The statute under which the BDAC operates permits the agency to seize LSD for confiscation.

The only legitimate distribution of LSD is under an investigational plan monitored by the U.S. Public Health Service mental health groups. At the time of the hearings, there were about 40 studies in progress which were exploring the therapeutic potentials of LSD. The Joint Review Committee of the FDA and the National Institute of Mental Health (the latter holds the legal supply of the drug) passes upon the acceptability of the plans submitted for research. Some studies have been discontinued because of the lack of good scientific plans.

In addition to the FDA's general inspection authority and controls that are applicable across the board to drug manufacturers, the BDAC amendments require firms which handle the "abuse-type" drugs to register. However, they do not require that the firms be inspected before they start to manufacture or distribute drugs. The BDAC is obligated to inspect every drug manufacturer once every 2 years. However, because BDAC has a limited number of agents, it recognizes that the present law provides a "loophole" by permitting individuals and firms to register and to start manufacture without being inspected. The agency seeks to implement a program which would provide inspection immediately upon the receipt of the registration application.

Subcommittee member Congressman St Germain inquired as to the need for legislation to require inspection of drug manufacturers before they are permitted to manufacture, and also to require the inspection of firms which had registered and which had started manufacture without first being inspected.²⁴ At the time of the hearings, there were 5,700 registered firms, of which 1,600 to 1,800 were producers—and of this number, 647 had been inspected.

BDAC made no specific recommendations for improving the Federal effort against organized crime, but it stated that the task of com-

²³ Proposed legislation would increase penalties for the illegal manufacture of LSD, other hallucinogenic drugs, depressants and stimulants, and make possession of such drugs a misdemeanor unless prescribed for personal use by a licensed person. Such legislation had been called for by the President when transfer of the Bureau of Narcotics and BDAC to the Department of Justice was announced.

²⁴ Congressman St Germain introduced H.R. 13710 on Oct. 26, 1967, to impose such requirements. The bill was referred to the House Interstate and Foreign Commerce Committee.

bating that enemy is so great that it is necessary to involve all enforcement agencies therein and to work with them constantly.

When asked what needs to be done to stop the diversion of drugs through illegal channels, former FDA Commissioner Goddard testified that—

* * * I think the most effective step is to bring the manufacturers in compliance in terms of the recordkeeping practices, preventive diversion from wholesale establishments, making certain that there is an inspection carried out prior to issuance of registration—we think this is an important step to be followed through—and the retail level should involve the State boards of pharmacy and licensing authorities throughout the States in improving the recordkeeping practices of the pharmacists—holding that source of diversion to a minimum. These are the obvious steps. I think there is a much more fundamental kind of issue that we haven't solved, and this again is what I was alluding to earlier. We need badly to carry out studies to find out why people are willing to risk their health by using drugs that are produced for legitimate purposes. What is there in society that can be altered? What educational programs can be developed by us to bring us back a little more to where we were 20, 30 years ago when drug abuse was a minimal problem in our society?

The agency stated that it is having a study made by an outside management consultant firm to determine the most critical elements of an inspection with a view to making its inspection service more efficient and productive. The agency also said that it lacks funds to provide needed training to State and local officials who are charged with supervising all the drug outlets in the United States.

SOCIAL SECURITY ADMINISTRATION

The Social Security Administration has investigated allegations of false wage reporting by corporations in Connecticut and New Jersey, some of whose officers and employees were on the OCRS organized crime list. The administration believes (and is exploring the possibility) that spurious social security account number cards are being prepared in prison print shops for use by underworld figures in establishing false identities for criminal purposes.

The administration has made information available to the Treasury Department and to the Department of Justice when requested in cases involving violations of the Social Security Act, the Federal Insurance Contributions Act, the Self-Employment Contributions Acts, the Federal Unemployment Tax Act, or the income tax law. (Information in the records of the Social Security Administration is confidential under section 1106 of the Social Security Act, and may be disclosed, as in the above cases, only to the extent permitted by its regulation No. 1.)

The Social Security Administration has never been provided with a complete list of persons identified as being associated with organized crime. The administration has been informed on a number of occasions when information was requested by the Department of Justice or the Internal Revenue Service that the person who the request concerned was connected with organized crime. In addition, on a number of occa-

sions the administration has consulted with representatives of other Government agencies and, when not permitted by law to furnish information has recommended other possible sources of information to them.

U.S. DEPARTMENT OF LABOR

OFFICE OF LABOR-MANAGEMENT AND WELFARE-PENSION REPORTS

This office (LMWP) administers the Labor-Management Reporting and Disclosure (LMRD) Act of 1959, the provisions of which were intended to help eradicate abuses and keep crooks and racketeers out of the labor movement; provide standards of fiduciary responsibility and make embezzlements of union funds felonies under Federal statutes; and bar persons convicted of specific crimes from holding union office for 5 years. More than 50,000 labor unions report under this act.

The office also administers the Welfare and Pension Plans Disclosure (WPPDA) Act, principally a reporting and disclosure act, designed to safeguard the interests of participants and their beneficiaries in welfare and pension plans. By 1962 amendments, bribery, kickbacks, and embezzlements were made Federal crimes if they occurred in connection with the management of union welfare and pension funds.

Union welfare and pension funds assets have grown to about \$100 billion. They are stated to be the largest single source of equity capital in the economy, and amount to about 50 times more than the total assets of all labor unions combined. Their size makes them attractive targets for attack by organized criminals.

The office receives some 250,000 reports annually. Staff limitations prevent the examination of all reports filed, but by the use of accounting-type personnel, in-depth analyses are made on a sampling basis, particularly of the reports of the larger labor organizations. The Office, with the help of experts, is now attempting to develop a system of computerizing its operations for greater efficiency.

The Office stated that in making its audits it does not rely entirely on the records, but makes third-party checks to determine whether funds shown on books actually are in the bank. Union officials are required to file statements regarding conflicts of interest; however, there is no requirement that they report debts they owe. This conceivably is an area in which organized crime could exert pressures, by making loans to union officials, thus putting them under obligation.

The director of the Office gave as his opinion that the types of abuses with respect to union funds which were disclosed in the 1950's, and which were the basis for much of the legislation the Office administers, have been eliminated to a great degree. His Office has been finding an average of about two embezzlements per week, by individuals who in most cases were not associated with organized crime. In many instances the amounts involved are so small that U.S. attorneys decline to prosecute. The Office obtains approximately 65 to 70 convictions per year.

The agency's full awareness that organized crime would like to infiltrate the legitimate labor union movement, and to attempt to manage assets of welfare and pension funds, was expressed at the sub-

committee hearings. The statutes which this Office administers were not intended to combat organized crime as such, but are useful in aiding in the overall Federal fight against organized crime. After the passage of the LMRDA in 1959, the Department of Labor recruited a special group of highly trained investigators, to identify and to assist in prosecuting corruptors of trade unions. That group, now called the Branch of Special Investigations, Compliance Division, has the responsibility for representing the Department of Labor in the overall effort to combat organized crime.

The Office states that it has cooperated with the OCRS of the Department of Justice since its formation. It operates under a formal agreement with the Attorney General, which was made in 1960. Section 607 of the LMRDA Act requires the Office to supply the Department of Justice with evidence of, and intelligence concerning, illegal activities of any kinds which are disclosed as a byproduct of its investigations. (In cases involving possible violations of Sec. 302 of the Taft-Hartley Act or Sec. 203 of the Landrum-Griffin Act, having to do with payments to union officials by employers, the Office usually defers to the Department of Justice's jurisdiction.)

The Office is of the opinion that the OCRS is the focal point for gathering of evidence for criminal prosecutions. Through its own 24 area offices, intelligence reports are submitted to the OCRS, much of it on matters which are not under the Office's jurisdiction but which may constitute useful information to other investigative agencies. The Office also makes investigations at the specific request of the OCRS, and is in constant, almost daily, contact with the labor unit of OCRS on current matters and future plans. The Office also cooperates with other Federal and with State and local enforcement agencies, and makes investigations jointly with such agencies.

When that Office gets information from any source concerning organized crime and racketeering's influence or corruption in a labor organization it checks its own files and discusses the matter with the OCRS before it does anything more. It cooperates and works with the OCRS and feels that OCRS has the prime responsibility to chart the course in investigations of this kind.

The Office finds some weaknesses in the present legislation it administers. It points out, for example, that the present law gives greater protection to the assets of unions than it does to those of welfare and pension funds, even though the total union assets are only about one-fiftieth the size of assets of welfare and pension funds. As an indication of the need to equalize the protection given such funds, the Office stated that several dozen persons with criminal records of the kinds that would debar them from acting as union officers are, nevertheless, holding positions in which they are involved in the handling of union welfare and pension plans.

To correct the weaknesses, the Office recommends passage of legislation which was recommended by the President in 1967 and introduced as S. 1024 and as H.R. 6498 and H.R. 5741, on which the House Education and Labor Committee has held hearings.²⁵ The legislative proposals would amend the Welfare Pension Plans Disclosure Act so as to require; (1) standards of fiduciary responsibility for persons

²⁵ House Education and Labor Committee has held hearings on H.R. 5741. No further action is presently scheduled. No action has been taken on S. 1024.

handling welfare and pension funds; (2) expand the investigatory and enforcement powers of the Department to permit investigations of probable violations without a prior showing that investigation will produce evidence of violations; and (3) disqualify certain persons convicted of serious crimes not now specified in the statutes from serving in a fiduciary capacity with respect to welfare and pension funds. Also, LMWP's investigatory authority under the WPPDA is much more limited than it is under the LMRDA. The proposed legislation would give the Department of Labor the same power to investigate welfare and pension plans that it now has to investigate labor organizations. Also, by prescribing the prudent man rule to govern investment of welfare and pension funds—organized crime may be inhibited from getting funds under the disguise of legitimate business activity if this legislation were enacted.

While the LMRDA, according to the witness, is already a strong law in deterring organized crime from infiltrating labor unions, there is a loophole—section 504 bars convicts from union office on conviction of certain specific crimes, but it does not bar persons who have been convicted of other serious crimes—so that several dozen persons still hold union office although they have been convicted of crimes which appear to be as serious as many of those enumerated in section 504. The witness therefore suggested that consideration be given to amending this provision of the LMRDA to enlarge the list of crimes.

NATIONAL LABOR RELATIONS BOARD

The National Labor Relations Board (NLRB) has but limited investigative authority. It is not authorized to investigate criminal activities unless such activities are charged to be elements of an unfair labor practice or are relevant to investigation of a representation proceeding. As examples, violations of sections 8(a)(1) and 8(b)(1)(A) of the National Labor Relations Act, which make it unlawful for an employer or a union to restrain or coerce employees in the exercise of their rights of self-organization, or to refrain therefrom, may involve acts which constitute crimes, such as personal assaults, property damage, threats, and bribes. Similarly, violations of section 8(a)(2) which prohibits employer assistance to employee representatives may involve collusion between employers and unions in the form of "sweetheart" agreements or employer assistance to or domination of unions which may have criminal aspects. According to the NLRB witness, if any evidence of criminal activity is developed during the investigation of charges of such violations of the National Labor Relations Act, the NLRB transmits it to the appropriate law enforcement agency.

In 1960 the NLRB prepared a handbook on racketeering abuses under the National Labor Relations Act, which it disseminated to its personnel in the field. However, very little information was obtained by NLRB as a result of that program against organized crime.

The NLRB reported to the subcommittee that since January 1, 1965, it has referred some 51 situations indicating possible violations of criminal Federal statutes to the Department of Justice and to other Federal law enforcement agencies. It has designated the special assistant to the general counsel as its liaison officer with the Department

of Justice since receiving a communication from the Assistant Attorney General in charge of the Criminal Division in March, 1967, which referred to the President's directive of May, 1966. The agency, however, did not receive a copy of the directive. Its witness stated that NLRB has always had instructions outstanding to the effect that information regarding criminal activity was to be furnished to the Department of Justice or to other appropriate law enforcement agencies.

Upon request, the agency makes its investigation files available for inspection to the Department of Justice and to the Office of Labor-Management and Welfare-Pension Reports of the Department of Labor. As an example of its aid, the agency mentioned a case in which it cooperated with the Department of Justice and was able to disqualify an employer-dominated independent union which the McClellan committee hearings of 1958 and 1959 connected with a prominently mentioned labor racketeer.

According to its testimony, there is a substantial question as to whether the NLRB has the power to refuse to provide its representation services to a union or an employer even if it should find that the union or employer is dominated by organized crime figures.

The agency expressed its desire to cooperate in the fight against organized crime, but with the caveat that if it feels that there is any extension of responsibility and authority for such efforts, it should be lodged in other agencies, not in the NLRB. This is so, it says, because the Agency has no authority to conduct investigations on its own motion; before an investigation may commence, there must have been an unfair labor practice charge or a representation petition filed; and the investigation thereafter conducted must be confined to matters relevant to the allegations of the charge or to the representation petition. In other words, as stated by the witness "our investigative powers are neither self-starting nor freewheeling."

To Congressman Edwards' question "You just don't think that fits in with your overall objectives?" the Board's witness replied:

Mr. GORDON. Yes, I could see the point of amending the law so that upon certification by a proper authority that a labor organization is infiltrated by organized crime, such a labor organization should not have access to the Labor Board, but I would argue that the original determination of this should be within the Department of Justice, Labor Department, or some agency equipped to do this.

SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission (SEC) reported to the subcommittee that it received a list of organized crime figures from the OCRS in 1961, which it incorporated into its enforcement index filing system: It also had a search made through its files for information relative to such names, and checked the names against broker-dealer and investment-adviser applications, registration statements for sales of public securities, as well as other annual and periodic filings made by corporations. Information obtained was turned over to the OCRS.

Since the President's recommendation for agency cooperation in 1966, the Commission reviewed its organized crime program and estab-

lished a new system for periodically reporting on organized crime investigations. It also established a more direct liaison with OCRS through its Division of Trading and Markets (which has an Assistant Director in charge of an Office of Criminal Reference and Special Proceedings). The Division receives on a day-to-day basis, and also quarterly reports from SEC regional offices, which after coordinating, it forwards to the Department of Justice.

The Commission has also computerized the organized crime list. The appearance of such names in any SEC matter is immediately reported to OCRS, and triggers an investigation or inquiry in order to provide further information to OCRS. The SEC, in turn, is provided with information by OCRS.

The SEC witness pointed out that the Commission has always coordinated its investigations with other Federal and State agencies which have an interest in the subject; that in the past few years its efforts to coordinate regulatory and enforcement programs with stock exchanges, the National Association of Security Dealers, State securities commissions and others have been expanded, and that the SEC provides enforcement training facilities to State personnel, and to others.

The Commission states that it gives high priority to all cases where there is any indication of the involvement of organized crime. However, according to the witness, organized crime is by its very nature covert and clandestine; consequently, it is difficult to estimate with any measure of certainty the degree of its penetration into the securities markets. Nevertheless, the SEC feels that it has been successful in dealing with the organized crime elements in every instance that it has been aware of activity in the securities markets.

The SEC witness stated that—

Since we encounter relatively few instances of organized criminal involvement in the securities markets, perhaps the more important contribution we can make to the drive against organized crime is to be a source of information for other agencies that are more directly involved in the program.

He said that information contained in material filed with the SEC, such as broker-dealer and investment-adviser applications, registration statements covering the public sale of securities, annual and periodic reports of insurers, proxy statements and other documents, may contain information of interest to the OCRS in their surveillance of both the legal and the illegal business activities of the organized criminal element.

The SEC has over 500 attorneys and investigators who are engaged in regulatory work, who can be drawn on in enforcement work, but its witnesses did not know how many were engaged in attempting to determine whether organized crime had made any inroads in the market, because SEC's major service in the organized crime area is more in the nature of strategic intelligence than it is on actual cases.

The SEC in the past has had cases of stolen securities which ultimately were found in the hands of people connected with organized crime. Recent cases of stolen securities indicate that an organized element is participating in some of the thefts, such as an organized burglary ring, but the witness was not aware of how far these are

organized crime operations. Stolen securities are not ordinarily attempted to be sold; the scheme normally used is to pledge the securities with a bank as collateral for loans. In such cases, some period of time will elapse before the bank will become aware that it is holding a forged or stolen security. The investigation of such crimes is not within the SEC jurisdiction but with the Justice Department.

Because of the heavy load of paperwork that the volume of securities trading raises, the New York Stock Exchange is working on an electronic central certificate clearance system under which certificates would not move but records thereof would be kept through a computerized operation. This raised the question which Congressman Edwards put to the witness, as follows:

Do you think that going to a computer system of some sort in lieu of stock certificates would cut down on theft, and would this be of any particular value as you see it?

Mr. POLLACK. It may help in the theft area. I think counterbalancing that, they will have to work out some system of somebody artificially manipulating the computer so somebody turns up owning securities he doesn't own.

The witness was not aware of organized crime working its way into mutual funds—the disclosure requirements of the securities laws work against organized crime's desire to remain undercover—however, he said it is possible that organized crime could provide "seed money" for mutual funds.

With respect to the problem of keeping organized crime out of the securities operations and the securities business, the following testimony is relevant, as developed by subcommittee member Congressman Wright:

Mr. WRIGHT. Is there any feasible method of keeping organized crime figures and their associates out of the marketing and trading of securities?

Mr. POLLACK. You mean completely, sir?

Mr. WRIGHT. Yes.

Mr. POLLACK. I should say no.

If organized crime figures or their associates were among the principals or directors of a corporation which ostensibly met all the requirements for the marketing of a security, the SEC would not have the power to prevent that security from being marketed publicly. It would, however, have the power to force disclosure to be made in a public prospectus of any indictments or convictions that occurred which were relevant to the sale of the security.

The SEC found evidence of organized criminal operations in the evasion of the interest equalization tax laws and regulations which information the SEC made available to the Treasury Department—the enforcement agency in tax matters.

At the hearings Subcommittee Chairman Fascell pointed out that in the normal course of its business affairs organized crime would use "front money" or nominees, and thus the SEC's chances of finding organized crime involved in securities transactions, or in the securities business, would be limited; but with the billions that organized crime has, the possibilities exist that a large part of its money has found its way into the legitimate markets of corporations and other

agencies that are regulated by the SEC—the trick is to pierce that veil. As stated by the chairman:

Mr. FASCELL. It seems to me what we need is sufficient information from the SEC on how organized crime fits its money into legitimate business. The link to front money and nominees is control. If I am an organized crime head the main things I want to know are where is my money and how much am I getting back? That means a set of books by which my nominee can be identified. Once we crack that, we have no problem.

The SEC witness agreed and said that that was an appropriate description of what the SEC is trying to develop.

FEDERAL BANK SUPERVISORY AGENCIES

COMPTROLLER OF THE CURRENCY

The Comptroller of the Currency advised the subcommittee that his office has the responsibility for examining 4,800 national banks at least three times every 2 years; that a very important part of such examinations is to attempt to determine any violations of Federal civil and criminal laws. If any are found, they are investigated and criminal reports thereof are referred to U.S. attorneys, the FBI, and the Criminal Division of the Department of Justice.

The Comptroller stated that his Office has liaison with all sections of the Criminal Division of the Department of Justice. His Office checks the applicants, organizers, and proposed directors and officers of national banks with the Internal Revenue Service and the FBI, and with local law-enforcement officials.

The Comptroller said his Office was not aware of any organized crime problem in the national banking system, and knows of no case where individuals who are allegedly part of organized crime have become involved in the ownership or management of a national bank. He also said:

We also are not aware of any information in the possession of the Organized Crime and Racketeering Section of the Criminal Division indicating that there is any problem with organized crime in the national banking system.

He also said that—

We are, of course, fully prepared to do anything within our powers to assist other Government agencies if an organized crime problem should appear in our area of responsibility. We wish to assure you that if the subcommittee has information concerning organized crime operating in any national bank, we would, when apprised of such information, take the necessary supervisory action.

The Comptroller testified that his Office is sensitive to changes of ownership of banks or of any persons becoming dominant in banks and that in his opinion the forms used by his Office to get biographical and financial information regarding new owners are "airtight." These

forms are an outgrowth of several earlier cases in which unscrupulous and corrupt persons had acquired controlling interests in banks. According to the Comptroller, there has since been much tightening of procedures.

The Comptroller of the Currency's Office receives names of organized crime figures from the OCRS, which it sends to its national bank examiners, pretty generally by telephone. With reference to the possibility that a bank examiner could finish examination of a bank one day and its management could "rob it blind" 15 minutes later, the subcommittee chairman inquired whether the OCRS's names should not be sent directly to banks, or be made available where they could be checked out immediately. The Comptroller of the Currency testified that the system has worked pretty effectively up to now.

FEDERAL DEPOSIT INSURANCE CORPORATION

The Federal Deposit Insurance Corporation (FDIC) administers the laws which govern the insurance of bank deposits. It has 1,030 examiners whose function is to examine, at least once each year, some 7,700 insured State-chartered banks which are not members of the Federal Reserve System. National banks and State banks that are members of the Federal Reserve System are insured, but not examined by the FDIC. Such banks are examined by the Comptroller of the Currency and the Federal Reserve System, respectively.

The FDIC advised the subcommittee that it is a bank supervisory and insuring agency, and not a law enforcement agency; and that the detection of crimes and violations of law are just a part of its basic examination responsibility, which has to do with such things as verification and evaluation of assets, the adequacy of capital, and evaluation of bank management and its operations. Included in the performance of such function is appraisal of a bank's physical security, and alertness to transactions of a type which would indicate dishonest or improper influence. In this connection, the FDIC stated that—

* * * our responsibilities, together with the other Federal banking agencies, require constant alertness and continual vigilance against the possibility of criminal infiltration of banks or influence upon bank management as well as diligence in dealing with the more common problems of internal and external crime against banks.

The FDIC makes full investigations of applicants for deposit insurance, and utilizes the assistance of the FBI for name checks, where the need therefor is indicated. No person convicted of a criminal offense involving dishonesty or breach of trust may serve as a director, officer or employee of an insured bank without FDIC's written consent. Investigations are also made by FDIC of information in reports required by statute when there is a change in ownership or control of an insured bank, or where loans secured by 25 percent or more of the stock of an insured bank are made, where the stock was transferred to the borrower in the preceding year. It also administers the regulations and reporting requirements of 171 insured State non-member banks which (under 1964 Amendments to the Securities Act, applicable to such banks having 500 or more shareholders) must file

reports of beneficial ownership by directors, officers, and large stockholders, as well as other items of disclosure.

While the FDIC cooperates with State authorities, law enforcement agencies, and other banking agencies, it has no formal mechanism for exchanging information. It has made arrangements with the FBI for obtaining information on a confidential basis and also name checks of individuals. Where the FDIC finds possible violations of criminal statutes, it prepares a letter report which, after review by its Legal Division in Washington, is transmitted to the appropriate U.S. attorney, with a copy to the Criminal Division of the Department of Justice in Washington.

The FDIC reports that its staff has a working relationship with the Criminal Division of the Department of Justice and other Federal investigative agencies. In its experience, organized crime has not been significant in banking due in part, at least, to the Federal and State supervision to which banks are subject. Nevertheless, whenever FDIC discovers or is informed of possible criminal violations, its practice is to notify the proper enforcement agency promptly so that appropriate action may be taken, and to extend to the agency its fullest cooperation.

The FDIC gave as its opinion that the existing arrangements have worked most satisfactorily. "While dishonesty in bank management cannot be completely eliminated, examinations and our investigative procedures serve as a most useful and effective deterrent to crime in banks. Moreover, these examinations and investigations are safeguards against the likelihood of major undetected infiltration by criminal elements."

One area in which banks occasionally encounter names that have come to them through crime commission reports and intelligence activities is their appearance as customers of banks. If the FDIC encounters such names on the loan side of the banking business it may criticize the loan and classify it as a substandard asset, but it has no powers to go beyond that. Such transactions would cause the FDIC to take a close look at bank management.

FEDERAL RESERVE BOARD

The Federal Reserve Board's primary responsibilities relate to monetary policy and bank supervision. In its banking supervisory function, the Federal Reserve Board has the responsibility of seeing to it that banks are operated in a sound manner. Some 1,300 State banks, about one-tenth of the commercial banks in the United States, holding about one-fourth of their assets, are members of the System. Each is examined once a year by Federal Reserve examiners.

The System's bank examinations include procedures for the detection of the internal crimes of embezzlements, defalcations, and fraudulent and unlawful loans, and reviews of the safeguards against the external crimes of robbery, theft, and burglary. Criminal violations detected are reported to the FBI and to U.S. attorneys for investigation and possible prosecutive action.

Since 1964 the Federal Reserve Board has had contact with the OCRS of the Department of Justice, but it did not appear that it had OCRS' list of organized crime figures, or that it distributed the names

thereon to its examiners. The Board also has information exchanges with the bank agencies, and some law enforcement agencies.

The Board believes that organized crime has not attempted to penetrate banks because (1) large deposits or withdrawals in a single bank would be suspect; (2) business ventures probably provide more profitable use for organized crime funds than commercial banking does; (3) Public Law 88-593, which requires the reporting to the appropriate supervisory agency of changes in control, or of loans on 25 percent of the stock of an insured bank deters organized criminals from gaining control or using banks for their own purposes; (4) Federal bank supervisors have powers to issue cease-and-desist orders and to remove bank officers and directors under the provisions of the Federal Financial Institutions Supervisory Act of 1966; and (5) coordinated action between Federal-State law enforcement and supervisory agencies deters manipulation by organized crime of the resources of commercial banks.

The Board's witness stated that one of the most effective deterrents to manipulation by organized crime of the resources of a commercial bank is item (5), above; that is, the coordinated action between and among State law enforcement and supervisory authorities.

The Board is not aware of any penetration of its State member banks by organized crime; while in a given instance an examination of a member bank could present facts that would establish conclusively that organized crime had penetrated the bank, more than likely an act of an apparent criminal nature could not, with certainty, be associated with organized crime.

The Board believes that identification of organized crime in a given situation is a major problem for personnel without law enforcement training. With respect to any crime or suspected criminal activity in a bank, the conclusion that organized crime was not involved usually follows upon identification of a malfeasor with motives apparently unrelated to organized crime.

When crimes are detected, or are suspected, immediate reports are made by the Board to the FBI and the Department of Justice, with requests for appropriate action. However, as best as the Board can ascertain, these crimes seldom involve organized crime. In the very few instances where the presence or the backing of organized crime in a member bank was suspected, that suspicion and the circumstances giving rise to it were known, or made known, to the Criminal Division of the Justice Department and to the OCRS, with which the Federal Reserve System established liaison in 1964 for the exchange of information.

FEDERAL HOME LOAN BANK BOARD

The Federal Home Loan Bank Board (FHLBB) charters and regulates Federal savings and loan associations, directs the operations of the Federal Savings and Loan Insurance Corporation (FSLIC) which insures both Federal and State savings and loan institutions, and regulates the 12 Federal home loan banks which provide credit to the savings and loan industry. As of December 31, 1967, there were 4,919 member associations of the Federal Home Loan Bank System with assets of \$141.6 billion. Of these, 4,487 with assets of \$138.6 billion were insured by the FSLIC.

The Board advised the subcommittee that it has no authority, nor is it equipped, to investigate organized crime. The FHLBB maintains liaison with the Department of Justice, chiefly by reporting apparent violations of Federal criminal statutes to U.S. attorneys. The Board "presumes" that the OCRS is informed, if the matter involves the OCRS' area of responsibility. The Board apparently has no direct liaison with the OCRS, nor does it make use of the OCRS list of organized crime figures. It has adopted procedures to identify persons with criminal records who are attempting to acquire positions of responsibility in savings and loan associations. It requires that a criminal record check be made through the FBI of applicants for a Federal charter or for insurance of accounts of a State-chartered association.

Prior written consent of the Board or the FSLIC is needed, under the Financial Institutions Supervisory Act of 1966, before a person convicted of a felony involving dishonesty or a breach of trust may serve as a director, officer, or employee of an insured association. In addition, the Corporation may, by written notice, suspend any director, officer, or other person participating in the conduct of the affairs of the association who is charged on an information, complaint, or indictment authorized by a U.S. attorney, with commission or participation in a felony involving dishonesty or breach of trust, until the information, indictment, or complaint is finally disposed of.

The Board stated that it has "found no probative evidence of organized crime infiltrating the savings and loan industry in terms of acquiring control of associations." In a few isolated instances, it has found indications of dealings by associations with borrowers who are reported to have a criminal background. In most of these instances, however, the Board said, "such background is not known to the association at the time of the loan origination and may only come to light if the loan proves to be unsound or is in default." Such information may be revealed during periodic examinations by its 667 examiners working out of 20 field offices. In some other cases, it obtained such information from newspaper articles.

Subcommittee Chairman Fasel commented at the hearings with reference to the testimony by the bank supervisory agencies while their witnesses were before the subcommittee that—

* * * * *

Gentlemen, it appears to me that there seems to be a thread running through all this, which says if the crime is committed or the criminal is known, the banking agencies all do a good job, and we have no problem.

But it also indicates two areas which obviously are problems. One is the use of the funds of the institution, not by the management, either directly or indirectly, but in some way manipulated or controlled by organized crime elements. That seems to me to be a matter for investigation by the regulatory agencies. The other is that organized crime is not going to tell you they are in there (as was pointed out by the testimony concerning nominees and other methods) but the logic does not follow, that with probably the biggest plum in the whole country, \$50 or \$60 billion, to play around with, the racketeers haven't managed some way to get their sticky fingers in it.

The FRB witness, in response, stated that, essentially, banking is a recordkeeping business; that we live in a world of paper and paper trails and auditors—and people who are looking at the paper—and people who look at the paper and people who look at the people who look at the paper; that we have evolved a complex method of record-keeping; and that for the most part the mere fact that it is a record-keeping industry is an element of protection.

The fact was pointed out by the subcommittee chairman that organized crime does deal with and through banks and savings and loan associations, and obviously uses every known part of the Nation's financial set up—and the problem is to find out if there is any way of closing those avenues to organized crime. For example, loan transactions may ostensibly be legitimate, in which bank managements operate in absolute good faith and in compliance with all rules and regulations; yet, nevertheless, the proceeds of such loans can be put to such illegal uses by organized crime as loan shark rackets. He stated that the possibility of tightening controls on the use of banking facilities and on the end uses of bank loans by organized crime required further study.

Despite the ever-present danger, according to the testimony, that banking institutions could be cleaned out by organized crime in very short time, not all the banking supervisory agencies furnish their examiners with the OCRS' list of organized crime figures. When character checks are made of persons taking over management or control operations in banks, each supervisory agency checks the names against its centralized files. However, there is not full exchange of names between the bank supervisory agencies, the names are not kept under any computerized system, and in some instances it is necessary to check with the OCRS, a procedure which is relatively slow. The agencies maintain no routine of checking every major stockowner or every official's name periodically; if the name of one of them were to be added to the OCRS list, that information might not come to the attention of the agencies. Nevertheless, the banking agencies, while striving to improve their techniques, have not felt that their system lacked efficiency. In that regard there was the following testimony:

Mr. EDWARDS. You feel, then, in your opinion that you have a sufficient system as efficient as you have been able to develop to keep tabs on organized crime and those participating in it?

Mr. CAMP. Sir, I think we are as efficient—I will not say we are perfect. We are trying harder. I don't think in any segment of Government * * * that you can ever say you are efficient. * * *

POST OFFICE DEPARTMENT

The Postal Inspection Service conducts the law-enforcement activities of the Post Office Department. In addition to noncriminal audits and investigations, the Inspection Service is responsible for investigations of alleged violations of more than 60 Federal statutes, the "postal crimes" such as robberies, forgeries, mail fraud, embezzlements, burglaries, and the mailing of obscene, defamatory, and scurrilous materials. Postal inspectors are required to gather evidence, locate witnesses and present cases to the appropriate U.S. attorneys, and to

cooperate with both Federal and State prosecutors in the presentation of evidence to the appropriate forum.

The Service has 1,134 inspectors in 15 field divisions and 390 cities. During fiscal 1967, 54 percent of its manpower was spent in criminal investigative work, making 134,540 investigations, and 13,734 arrests—for alltime highs.

The Service does not have jurisdiction in such areas of organized crime activities as gambling, loan-sharking, narcotics, and labor racketeering. However, it has found organized crime infiltrating into legitimate business areas—particularly in insurance, merchandise, real estate and credit financing—and operating fraudulently, within its jurisdiction under the mail fraud statute. At the time of the hearings—February 1968—the Service had under investigation 33 mail fraud cases which involved 18 subjects on the OCRS organized crime list, and others known to have organized crime relationships. These cases include insurance company frauds, involving a “suitcase company in the Bahamas,” or elsewhere outside the United States.

In the past 5 years over 40 mail fraud prosecutions have taken place in the Greater Chicago area, alone, in connection with merchandise frauds, many of which have been syndicate related. Witnesses have been murdered in gangland style. A brother of one of the reputed heads of a large criminal syndicate or “family” was sentenced to prison at New York, N.Y., in September 1967 on the basis of several Federal charges including mail fraud growing out of a large “bust out” or bankruptcy merchandise fraud.

There is increasing use by criminals of stolen, counterfeited, and other dishonestly obtained credit cards, in violation of the postal fraud statute. The almost infinite quantity of goods and services obtainable through credit cards is a fact of economic life not lost upon professional criminals with organized crime affiliations. Minor criminals use the “hot” cards for personal travel and living expenses and to finance criminal sprees, increasingly being loosely interlocked into conspiratorial groups of as high as 21 members mailing illegally obtained credit cards to one another from coast to coast—groups which are involved in such other crimes as armed robbery, burglary, grand theft, and so forth. The greatest return at the least risk, however, comes from counterfeit cards, which bring as high as \$200 each on the criminal market, and certain organized crime members have become involved in their distribution.

Postal inspectors in the field present evidence to the appropriate U.S. attorney. Two copies of their reports are forwarded to headquarters in Washington, which immediately refers one copy to the appropriate section of the Criminal Division, Department of Justice—fraud cases to the fraud section, and all others to the general crimes section. The OCRS is telephonically notified when a criminal report reflects intelligence judged to be of interest to that section. Upon request, copies of reports are furnished directly to the OCRS. In conformity with the President’s memorandum of May 5, 1966, summary reports are supplied at 90-day intervals to the Attorney General with respect to current investigations dealing with individuals of interest to OCRS.

BUREAU OF CHIEF POSTAL INSPECTOR

Over the years, the OCRS list of organized crime figures has been periodically referred to the inspection service for review and comment. An arrangement has recently been completed whereby the OCRS has transferred some 2,500 names, addresses, and OCRS numbers to index cards supplied by the inspection service for filing in the service's own name index filing system, so that as routine name checks are made in the day-to-day review of reports reaching the inspection service's headquarters, connections of interest to OCRS can be immediately detected and reported to that section.

Inspectors participate in regional organized crime conferences arranged by the Department of Justice in various parts of the country. Attorneys attached to the OCRS, both in the field and at Washington, participate in and sometimes lead in the prosecution of certain Post Office Department cases that are of particular interest to OCRS. For example, during the past year, several professional groups of post office burglars systematically struck post offices in 10 States obtaining large amounts of cash, stamps, and blank postal money orders. The stamps were converted into cash through underworld fences, with the stolen money appearing as far away as Mexico City. Attorneys from the OCRS joined in these investigations and in four cases 14 convictions have thus far been obtained.

Under 39 U.S.C. 4005, mail addressed to a person who the Postmaster General determines is conducting a fraudulent scheme may be returned marked "fraudulent." A legislative proposal (H.R. 1411) which passed the House of Representatives on October 4, 1967, and Senate, with amendment, on December 11, 1967, would remove the present requirement that "intent" to defraud be proven in an action, and according to the witness would make it an even more potent ally in the fight against fraudulent use of the mails.

OTHER DEPARTMENTS AND AGENCIES

In addition to the departments and agencies whose witnesses testified at the subcommittee's hearings, various others were requested to inform the subcommittee, by statements for the record, of the part (if any) each takes in the overall Federal effort to combat organized crime. Each was requested to detail the nature and extent of the organized crime problems it encountered and how they are dealt with; the nature, extent, and results of its participation in the overall Federal effort against organized crime (including how it assists in the effort, its relationship with the Organized Crime and Racketeering Section of the Department of Justice, and with other Federal and State and local law enforcement agencies as regards organized crime; and the cooperation given and received therefrom).

Each such department and agency was also requested to give the subcommittee any suggestions, comments, or information for improving the Federal Government's fight against the menace of organized crime. The responses received by the subcommittee are summarized below. The full statement made by each department and agency is included in the printed record of the subcommittee's hearings.

DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

The Bureau of Prisons reported that it has no direct involvement in the apprehension or prosecution of organized crime figures, as it becomes involved only when organized crime offenders are convicted by Federal courts and committed to its custody for service of sentence, at which time, in determining the institution to which such offenders will be committed, the Bureau considers information available as to background, degree, and type of criminal involvement, and possible criminal associates who are in custody.

DEPARTMENT OF STATE

The principal role of the Department of State in the overall Federal effort against organized crime relates to obtaining the return, through the extradition process, of fugitives from the justice of the United States or of a State of the United States. Extradition is accomplished primarily pursuant to some 80 extradition treaties between the United States and foreign countries where the fugitives are found. The extraditable offenses are the more common serious crimes, many of which are common in the operations of organized crimes, although a number of the older extradition treaties, particularly those concluded prior to 1920, do not include narcotics offenses as extraditable crimes. Narcotics offenses are included in all treaties recently negotiated, and the Department is seeking to add them to the older treaties by amendment.

In negotiating extradition treaties, the Department attempts to include Federal offenses to the extent possible. However, often this is not possible; the other country may not have separate Federal criminal laws such as ours, nor, consequently, offenses having as an essential element a connection with interstate commerce or transportation (e.g., interstate transportation of a stolen vehicle). In these circumstances, the other country is unwilling to make extraditable a type of conduct which is not a crime under its legal system.

The Department also tries to assist Federal and State law enforcement agencies in locating persons abroad who are charged in the United States with crime. When the fugitive is a U.S. citizen and, particularly, where extradition may not be possible or feasible, his U.S. passport may be withdrawn at the request of State or Federal authorities pursuant to Department passport regulations.

The OCRS furnishes the State Department on a continuing basis with names of individuals identified as organized crime figures. At OCRS' request, the Department notifies that section of passport applications by, and passport issuances to, persons named. In addition, OCRS may request, from time to time, that passports not be issued to (or that existing passports be revoked from) persons with respect to whom there exists a Federal warrant of arrest for a felony, or with respect to whom there exists a court order forbidding departure from the United States. Denial of a passport or revocation of a passport in these instances is specifically provided for in the Department's passport regulations published at 22 CFR 51.70.

The Department stated that inasmuch as it is not an investigative or law enforcement agency, its participation in the Federal effort against

organized crime does not include periodic reporting to the Attorney General described in the President's memorandum.

AGENCY FOR INTERNATIONAL DEVELOPMENT

The AID agency is the part of the Department of State that has responsibility for carrying out U.S. nonmilitary foreign assistance programs. It reported to the subcommittee that it has not encountered any organized crime problems in connection with the criminal violations (such as bribery, kickbacks, false statements, and overpricing) which it has found in connection with fraudulent shipments of AID-financed commodities from U.S. suppliers to foreign importers.

When its investigations which involve U.S. citizens indicate violations of U.S. criminal statutes, reports are transmitted to the Department of Justice for possible prosecution or civil recovery actions. AID gives consideration to administrative actions it can take, such as suspension of the firms or individuals from engaging in AID-financed transactions. AID reported that there is close cooperation between its inspections and investigations staff and the FBI, the Inspector General's Offices of the Departments of State and Agriculture, the Internal Revenue Service, and the Bureau of Customs in criminal fraud cases.

AID was not designated by the President to participate in the Federal organized crime drive and, therefore, according to its statement, the President's memorandum of May 5, 1966, requesting heads of departments and agencies to so participate, was not directed to AID. The agency had no occasion to have direct contact with the OCRS of the Department of Justice. However, after the subcommittee called AID's attention to the OCRS list of organized crime figures (Jan. 15, 1968), AID requested the Department of Justice to provide such list to AID on a regular basis to be utilized in its procedures for assuring the "integrity and propriety" of AID-financed transactions.

DEPARTMENT OF THE INTERIOR

The Interior Department stated that its functions are not such that it has extensive involvement in the enforcement of criminal laws; consequently, its knowledge of organized crime activities and its opportunity to assist in the Federal effort against it are quite limited.

The law enforcement responsibilities of the Department are concentrated in two general areas: (1) execution of Federal statutes, maintenance of law and order, and protection of persons and property on Federal lands administered by the Department (e.g., national parks); and (2) supervision over the essentially municipal functions of territorial government in the Virgin Islands, Guam, American Samoa, and the Trust Territory of the Pacific Islands, the police responsibility of which is essentially local in character, i.e., under control and direction of the Governors and legislative bodies of the territories.

The Department is not aware of any significant problems or concern posed for the territories by organized crime; however, each of the Governors is constantly on the alert for any signs of this phenomenon, and vigilance has been exercised to avoid developments that might provide an opportunity for its entry. For example, the Department

said, this is one of several considerations that have prompted rejection of periodic proposals to legalize gambling as an attraction to tourism.

In the other areas of Interior's jurisdiction, the Department has no indications of criminal activity that would suggest involvement of large-scale syndicates or national networks under that definition of organized crime. However, there are evidences that organized criminal activity on a smaller scale has selected national park areas as a target. In particular, the magnitude and frequency of larceny from automobiles (so-called car clouting) and the techniques used (including specialized tools and master key series) point strongly to organized effort on a professional scale. In most cases, there are no reports of losses filed, or they are filed too late, or given to authorities who do not have jurisdiction over the offenses. It appears that there is little detection or apprehension of the persons responsible for these crimes.

The 1967 summer season also produced evidence of what the Department characterized as a "disturbing" rise in the use of park areas for illegal drug and narcotic activities. In many parks, the concessionaires hire large numbers of young seasonal employees. This group in turn attracts a sizable number of "friends" who tend to congregate in the park. The peddler of drugs and narcotics finds the situation ideal for his work. Into this situation comes a bona fide visitor, relaxed and often less than careful with his property, offering opportunities for theft by addicts to satisfy their need for drugs.

The cooperation between the National Park Service and State and local law enforcement agencies is outstanding. However, most of our park areas are located in isolated areas, where there is a shortage of law enforcement personnel, making it difficult, and sometimes impossible, for local authorities to render assistance on call. Compounding this problem are the various types of jurisdiction under which the park areas are administered.

DEPARTMENT OF AGRICULTURE

The Department of Agriculture's Office of the Inspector General (OIG) has the audit and investigative responsibility within the Department, and maintains liaison with the OCRS and with all Federal investigatory agencies. The OIG receives OCRS lists of organized crime figures, which are processed into the OIG's index system. There is communication between the OIG and the OCRS on any pertinent information which becomes available to OIG from investigations and audits, whether or not it is an Agriculture case. The OIG performs a similar service for other Federal agencies, furnishing pertinent information indicating violations which appear in the course of its activities. Similar information is received from other agencies.

The Department reported to the subcommittee that the various regulatory agencies within its jurisdiction have not found any civil or criminal violations which appear to have been the result of organized crime activities. The Department is of the opinion that the meatpacking industry may possibly be an area in which organized crime might operate. However, no branch of the Department, including the compliance and evaluating staff (CE) of the Consumer and Marketing Service (which is responsible for obtaining compliance with the Wholesome Meat Act, the Poultry Products Inspection Act, and the

Agricultural Marketing Act of 1946) has found any such activity. The CE unit has available to it OCRS' list of organized crime figures, which it utilizes in its administration, and refers any pertinent information to the Office of the Inspector General. That Office deals with the Federal, State, and local enforcement agencies with respect to organized crime information.

DEPARTMENT OF COMMERCE

When the Department of Commerce responded initially to the subcommittee, it stated that it had no activity which was specifically directed at organized crime activity or the problems it creates, although the Department carried out several programs which tried to combat the social and economic conditions which contribute to crime.

The Commerce Department later advised the subcommittee that it had received the listing of organized crime figures from the Department of Justice and that, in June 1966, an Assistant Secretary of Commerce had advised the Department of Justice's Criminal Division that it was not engaged in investigative activity which would normally bring it into contact with organized crime and, therefore, that it had no organized crime program as such. Also, that the OCRS list of organized crime names had been checked against the Department's investigative files with negative results, but that the names were being added to its index for further reference.

The Department further advised that since that time none of the names have come to the attention of investigative staffs of the Maritime and Economic Development Administrations, the Bureau of International Commerce, or the Office of Investigations and Security, in connection with any transactions involving the Department. The Department stated further that these names would also be made available to the Office of Foreign Direct Investments, now in its formative stages, for use in connection with its work in aid of the balance-of-payments situation.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

The Federal Aviation Administration (FAA) has as its principal responsibilities the regulation of air commerce with a view to promotion of safety, the development of civil aeronautics, the control and use of navigable airspace of United States by civil and military operations in a safe and efficient manner, research and development of air navigation facilities, and other purposes.

The FAA responded to the subcommittee's inquiries that it has liaison with the OCRS of the Department of Justice and that the "agency has provided information from our records to other Federal, State, and local agencies in connection with investigations involving organized crime activities of specific individuals and will continue to provide such assistance to the overall Federal effort against organized crime." However, it stated, it has not encountered any problems with organized crime in connection with programs which it administers.

It stated it is "keenly aware of the importance of a unified effort to combat organized crime and will remain sensitive to the areas where

we may become directly affected or where we may be of assistance to other agencies."

U.S. COAST GUARD

The U.S. Coast Guard has no direct enforcement responsibility requiring the investigation of organized crime, and becomes involved only upon the request of an enforcing agency. Its involvement in the syndicated crime problem has been "so minimal" that the Department of Justice waived the requirement for submission of periodic status reports—instead, it is to submit reports only when it engages in investigative and enforcement efforts upon the request of an enforcing agency.

Coast Guard involvement extends to maintenance of a listing of individuals of interest to the Attorney General, and the reporting of any information received on such persons. The initial listing was furnished by the Department of Justice in 1960 and supplemental listings have been furnished from time to time. Names appearing on the list have been checked through Coast Guard files, and tickler files were established for those individuals in whom the Department of Justice had expressed interest.

From 1959 to the mid-1960's Coast Guard intelligence personnel in Washington, D.C., and district offices within the United States actively participated in meetings sponsored by the Treasury Department Office of Law Enforcement Coordination. The Coast Guard was then in the Treasury Department. Among the topics discussed were organized crime matters.

The Coast Guard has had situations in which it has cooperated with other law enforcement agencies, such as the Internal Revenue Service, the Bureau of Customs, and State authorities, in connection with possible organized crime activities. It provides air and water transportation to agencies involved in the organized crime program, on request, and its intelligence staff also furnishes to other Federal agencies appropriate information derived from its operations in connection with the processing of merchant seamen documents, port security cards, and its usual investigations.

DEPARTMENT OF DEFENSE

The Department of Defense advised the subcommittee that it has no information to indicate that organized crime rings function within the defense structure, or influence contractual activities. Most crimes within the jurisdiction of the respective military services involve the action of individuals or small groups operating on their own, and as far as the evidence suggests, having no connection with organized crime.

The Office of the Army Provost Marshal General, the Office of Naval Investigations, and the Air Force's Office of Special Investigations maintain active liaison with the FBI, Bureau of Narcotics, Bureau of Customs, the Internal Revenue Service, the U.S. Secret Service, and the Departments of State, Justice, and Treasury. There is also what the Department describes as a cooperative relationship with the OCSRS and other Federal and local investigative and law enforcement agencies.

The military investigative agencies have access via teletype data link to the National Crime Information Center computers of the FBI and to the Defense Control Investigative Index, the National Agency Check Center, and the Criminal Investigative Records Repository.

There are various forms of liaison and participations with the various law enforcement agencies, Federal, local, foreign and international, depending on the nature of the activity involved and its extent.

The Defense Department has made military facilities available to the Department of Justice for the safekeeping of witnesses who are waiting to testify in Federal prosecutions of organized crime.

The Defense Department provides specialized facilities to aid in the criminal investigative effort, and training facilities and assistance of various kinds for its own personnel and for other law enforcement agencies. As examples, laboratories are made available to other agencies; also, military units have been trained for the control of smuggling where the Bureau of Customs may have no agents available. The Department is assisting in the recruitment of civilian police, providing cooperation and assistance to local police departments in filling vacancies. More effective programs are being developed to deal with narcotics and drug abuse problems in the services.

CIVIL SERVICE COMMISSION

The Civil Service Commission advised that it has no function directly related to combating organized crime. Its investigative program is primarily concerned with the suitability and integrity of the Federal work force.

The Commission states that it cooperates fully with other Federal investigative and law enforcement agencies by making available to them, upon request, information from its personnel investigative files which they need in fulfilling their responsibilities. In addition, whenever its investigations disclose unfavorable matters coming within the jurisdiction of other Federal agencies, it furnishes a special report to the interested agency. Included are such matters as fraud in obtaining citizenship, false representations concerning selective service matters, evasion of income tax payments, desertion from the Armed Forces, and fugitives from justice.

The Commission's general role is not law enforcement; therefore, it says, it did not receive the President's memorandum of May 5, 1966, requesting heads of departments and agencies to participate in the Federal organized crime drive. Nor does it receive the OCRS names of organized crime figures.

CIVIL AERONAUTICS BOARD

The Civil Aeronautics Board (CAB), under the Federal Aviation Act, has the responsibility for the economic regulation of air transportation and air carriers. In carrying out its duties under this act, the Board has not encountered any problems which appear to involve organized crime. For this reason, the Board says it has not participated in any overall effort devoted to this problem.

From time to time, the Board has received from the Justice Department the OCS list of organized crime figures, and a list of individuals and companies that have been associated with such persons. These lists have been reviewed but the CAB has not been able to make any identifications from such lists of persons presently involved in air transportation activities.

The Board has closely followed the recent reports of hearings conducted by the New York State Investigation Commission on the possible infiltration of organized crime into the handling of cargo at the New York area airports. Although the initial information on this indicates that the criminal aspects primarily involve matters which are not subject to the Federal Aviation Act, it has requested its Bureau of Enforcement to familiarize itself with the hearings to see if there are any criminal aspects which may come within the Board's jurisdiction.

GENERAL SERVICES ADMINISTRATION

The General Services Administration (GSA) was established to provide for the Government an economical and efficient system for the management of its property and records, including such phases as construction and operations of buildings, procurement and distribution of supplies, disposal of surplus property, traffic and communications, management, stockpiling of strategic and critical materials, and creation, preservation, and disposal of records.

In response to the subcommittee's inquiries, the GSA stated:

General Services Administration has a small investigative staff. They have not encountered syndicated crime problems. We have not participated in the Federal effort against organized crime; however, we do cooperate very closely with other Federal investigative agencies, such as the Federal Bureau of Investigation.

We have no suggestions, comments, or information for improving the Federal Government's fight against organized crime.

* * * * *

General Services Administration was not named among the departments and agencies to participate in the Federal effort against crime. Therefore, we did not receive the President's memorandum regarding organized crime addressed to participating departments and agencies. The Department of Justice did not furnish us listings of individuals and companies to which you refer.

COMPTROLLER GENERAL OF THE UNITED STATES

The Comptroller General of the United States is the head of the General Accounting Office (GAO) which audits Federal agencies to determine the economy, efficiency, and effectiveness of their operations in accordance with declared congressional policy. Its review of the functions of that office did not disclose any problems encountered by the GAO in the area of organized crime.

A general order of the Comptroller General, entitled "Policy and Procedures for Handling Information Indicating Violations of Fed-

eral Criminal Laws," provides for the transmission of information concerning violations of Federal criminal laws to the Federal Bureau of Investigation and to appropriate agency officials, except in specified conflict-of-interest cases where the information is reported to the Criminal Division of the Department of Justice.

The Comptroller General reported that the current OCRS list of organized crime figures has been checked against the GAO files. Some names were found in the files of GAO's Claims Division, and the Department of Justice was informed that the files were being held for examination. There is no indication that any system exists for continuing such name checks, or that there is an established liaison with the OCRS.

The Comptroller General stated that because of the nature of that Office's duties no specific action was taken with respect to the President's message and memorandum of May 5, 1966, with respect to the fight against organized crime. No suggestions for improving that fight were offered.

FEDERAL TRADE COMMISSION

The Federal Trade Commission maintains liaison and coordination with the Department of Justice and refers to it any pertinent information indicating possible criminal conduct. The Commission maintains similar coordination and liaison with other Federal agencies having related responsibilities. The Commission stated that it does not often encounter suspected criminal activity.

The Commission is aware of, but does not have, a copy of the OCRS list of organized crime figures from the Department of Justice, and believes that incorporation of such list into its indexes "of persons and business concerns which are alleged or suspected to have engaged in deceptive or restrictive trade practices would seem to duplicate our existing coordination with the Department of Justice and other agencies."

FEDERAL COMMUNICATIONS COMMISSION

The Federal Communications Commission (FCC) advised the Subcommittee that measured by the extent of the organized crime problems encountered, the Commission plays a relatively minor role in the war on organized crime. However, its staff has established liaison with the OCRS and other Federal law enforcement agencies for the exchange of information and consultations on the relevancy of provisions in the Communications Act in particular cases.

One area in which the Commission plays a more active role is in denying to organized gambling interests the use of radio facilities for the transmission of wagering information. Broadcast stations have been warned that in their broadcasts of horse race information they must be on the alert that they do not aid illegal gambling activities, and broadcasters have been generally cooperative, although one station was ordered to show cause why its license should not be revoked—one of the charges being the aiding of illegal gambling activity—and its license was revoked on other grounds.

Further, on occasion FCC's field engineers provide technical assistance in tracking down operators of low power transmitting equipment being used to transmit horse race information from tracks prior to the time permitted by State law.

The Commission has received from the OCRS the list of individuals who have been identified as organized crime figures and, generally, applicants for radio station and operator licenses are screened against this list as a part of the application processing procedure in order to forestall any infiltration of the communications area. An application by one on the list is checked further in the light of available information to determine qualifications as a licensee in the particular service for which application is made, and the fact that the application has been filed is made known to the OCRS for its information and consideration as to whether the application might involve violations of law. As appropriate, the Commission staff checks with the Department on information with respect to individuals not on the list.

The most important contribution by the Commission in the war on crime is in providing radio frequencies and the necessary regulatory framework for nonfederal Government police communications. The President's Crime Commission had called police radio communications "crucial" to effective police work, and had recommended improvements. The FCC is studying the Crime Commission's recommendations to determine the areas in which it can move toward their implementation, as well as any new areas in which FCC might devise new regulations, and procedures to make police communications more effective in consonance with the Crime Commission's objectives.

For example, the FCC is exploring the possibility of providing needed additional radio channels to police and other land mobile users by the shared use or reallocation of the frequency spectrum now allocated to television broadcasting. The Commission has already permitted police to use certain mobile police frequencies for special activities, such as surveillance and stakeouts, without requiring prior FCC approval. Other items under consideration involve the use of police patrol cars as automatic relays and the use of mobile teleprinters.

The Associated Public Safety Communication Officers, Inc., under a grant from the Office of Law Enforcement Assistance of the Department of Justice, has prepared a manual of procedures designed to improve efficiency, intelligibility, and security in communications. The Commission is considering endorsing the manual's provisions as standard operating procedure in the police radio service.

FEDERAL POWER COMMISSION

The Federal Power Commission, which administers the Federal Power Act and the Natural Gas Act, has not encountered any problems relating to organized crime in its activities. The Commission states that should any information relating to organized crime come to its attention in connection with its activities it will be reported promptly to the OCRS.

SMALL BUSINESS ADMINISTRATION

Since the early 1960's, the Small Business Administration (SBA) has had a direct liaison with the OCRS. During this period it has maintained the list of cataloged individuals identified as organized crime figures furnished by the Department, and the names of all applicants for SBA assistance have been, and continue to be, screened

through this list. Since 1960, the names of some 24 applicants have been found on the above-mentioned list.

Information concerning these individuals furnished to SBA by OCRS has resulted in SBA's declining financial assistance to the applicants, and has helped insure the integrity of SBA loans. Information submitted to the SBA by these persons has in turn been made available to the OCRS, and according to the SBA's statement, has been of considerable benefit in the fight against organized crime.

This cooperation has resulted in the indictment of one of the SBA applicants for submitting false statements in his request for an SBA loan. The SBA says it is "acutely conscious of the serious threat of organized crime to our society in general, and in particular to its effect upon the small businessman. We will continue to cooperate with the Department of Justice in the free interchange of information concerning this criminal element, working toward the increased securing of indictments and convictions in organized crime cases."

NATIONAL SECURITY AGENCY

The National Security Agency (NSA) has not been assigned law enforcement missions; its responsibilities are concerned with obtaining intelligence information deemed essential to the national security and with providing the greatest degree of security for U.S. communications. The conduct of these functions does not involve the Agency in problems of organized crime. However, NSA provides the Department of Justice indications of violations of Federal criminal laws obtained through security clearance investigations.

In carrying out its missions, the NSA maintains a computing facility which it states employs the most advanced computers and computing techniques. At the present time, the Agency is serving as a consultant to the Assistant Attorney General in charge of the Criminal Division of the Department of Justice in the development of computing techniques for the handling of information concerning organized crime. Except for providing such consultant service to the Department of Justice, NSA is not otherwise directly involved in the organized crime program which the President directed in his memorandum, nor does NSA use the OCRS list of organized crime figures in the conduct of NSA activities (although the Department of Justice has informed NSA that it maintains the list) because, NSA says, its activities are not directly related to law enforcement.

U.S. ATOMIC ENERGY COMMISSION

The Atomic Energy Commission (AEC) advised the subcommittee that it has not encountered any problems of organized crime. The Commission is not a Federal investigative agency and none of its units are engaged in law enforcement activities. In close cooperation with law enforcement agencies the AEC, however, has conducted a neutron and photon activation analysis program which it says has substantially improved crime investigation and detection techniques, as well as courtroom trial proceedings. This program, according to AEC, has been used effectively for several years by the Internal Revenue Service, as well as in cases involving narcotics. Activation analysis is also being used in compiling a catalog of statistical data on materials nor-

mally used as evidence, such as paint, glass, paper, gunpowder and lead. This data will be made available to Federal, State, and local law enforcement agencies.

Since 1961, the OCRS has sent AEC five lists of individuals of interest to the OCRS. In checking these names against the central index of all persons processed for Atomic Energy Commission clearance, no individuals were ever determined to be identical with those on the list. AEC has not received lists from the Department of Justice which identify companies having association with persons of interest to the organized crime program.

INTERSTATE COMMERCE COMMISSION

The Interstate Commerce Commission (ICC) advised the subcommittee that its staff has only encountered organized crime in a few instances; and that although there is evidence that organized crime does exist in a few motor carrier and pipeline operations, the extent of such influence does not appear to be substantial.

Generally, any encounter with criminal elements in transportation will be through ICC's field staff. Therefore, the ICC says, it has issued appropriate instructions to its bureau directors to be followed in the event criminal influence is suspected during the course of routine investigations of carriers.

As a participant in the overall Federal effort against organized crime, the ICC advised that it has established procedures whereby all information pertaining to organized crime coming to the attention of its staff is immediately transmitted to the Department of Justice through ICC's Bureau of Enforcement. In addition, the OCRS provides the ICC with a catalog of all individuals who have been identified as organized crime figures and, also, individuals in companies that have had association with such persons, which lists are made available to ICC enforcement personnel for ready reference.

The ICC also advised that it has received specific requests from the Attorney General's special group to investigate organized crime to obtain access to Commission records and other information made available through ICC investigative process. These special requests dealt with an intensive investigation into trucking in the New York area, particularly with respect to the garment industry.

CONCLUDING REMARKS

The Federal effort against organized crime is not a single coordinated venture which is conducted under the management and direction of any one department or agency. It is, rather, the sum of the Federal prosecutions, investigations, administrative proceedings and judicial actions, plus the aid extended to State and local law enforcement.

Organized crime operates throughout most of this country. Its direct victims are those persons who are caught up in its gambling, loan sharking, narcotics, or other criminal activities. Its indirect victims are that large portion of the citizenry who suffer financially or because the quality of their lives is diluted through the corruption that organized crime works on law enforcement officials or on business and labor organizations.

The most effective way to stop the syndicated crime menace is through diligent, conscientious, effective, and coordinated Federal, State, and local law enforcement. Organized crime cannot exist in any community that is determined that it shall not exist, and which backs up that resolve with effective action. In addition, the Federal Government has obligations for committing its capabilities to that fight in the following instances: (a) where the subject matters involved are peculiarly within the jurisdiction of the Federal Government, or some agency thereof; (b) in aid of, and in cooperation with, community law enforcement efforts; (c) where the problems exceed the capabilities or jurisdictional powers of community law enforcement. The Federal capabilities are distributed among some two dozen or more investigative, administrative, and regulatory agencies and the Department of Justice, including the U.S. attorneys and the Organized Crime and Racketeering Section.

FEDERAL ENFORCEMENT

The Federal Government has not borne its obligations with the constancy and force that its role in the overall battle against organized crime demands.

The investigative, administrative, and regulatory departments and agencies possess a wealth of weapons that can be used against organized crime, including their investigation forces and facilities, and the denial of access to the contracts, licenses, privileges, and services that are within the controls of the Federal agencies. Each agency, however, operates independently as a rule, and within the rather narrow limits of its responsibilities, whereas a full-scale tactical and strategic drive against organized crime requires the concerted and coordinated action of every agency that can contribute intelligence or operations to the fight; and that, of course, requires direction.

No statute specifically imposes on any Federal official the obligation of leading such an overall fight. **In the absence of statutory directives, leadership should have come from the Department of Justice**, the Government's chief law office, and the only department with jurisdiction and responsibility for criminal prosecutions of offenses against the Government.

The Department of Justice began actions against organized crime almost a half century ago, when it prosecuted the prohibition era crime czars, but in the intervening years, until recently, its efforts at a concerted Federal combat of that foe were spasmodic and puny. True, there were some noteworthy exceptions, such as the Attorney General's 1950 State-Federal conference on organized crime (chiefly gambling) problems; the establishment, in 1954, of the Organized Crime and Racketeering Section; the effort that followed gangland's 1957 Apalachin meeting; and the buildup of the OCRS, beginning in 1961; but even these moves were intermittent. Spurts of activity invariably were followed by decreased operations, and never was a battle plan drawn up for an overall Federal effort, which stated the specific objectives

and responsibilities that were expected from the departments and agencies that would be involved.

The Department of Justice generally does not have line authority over the investigative and law enforcement operations of the Federal departments and agencies. The Department has depended upon the cooperation given it by the departments and agencies in its attempts to coordinate operations against organized crime. This was true of the task force approach discussed earlier in this report—where agencies felt they could participate or not as they willed, or participate on their own terms.

Apparently no similar lack of organization and direction hampered the spread of syndicate crime operations, because organized crime grew despite the Government's efforts against it. **Presidential action was necessary to stimulate efforts against the menace.** It took such forms as (1965) instructing his Crime Commission to study the problem and its needs; (1966) designating the Attorney General the "focal point" of a Federal drive against the enemy; (1965-68) requesting legislation to aid in the fight; and (1968) issuing an Executive order requiring every Federal department and agency to cooperate with the Attorney General, who is to facilitate and coordinate their criminal law enforcement and crime prevention activities, and issue such rules and regulations and take such actions as are necessary and proper to carry out his functions.

The Department of Justice has not yet promulgated any rules or regulations for the coordination of agency operations against organized crime pursuant to the President's Executive order. Every department and agency undoubtedly desires to maintain to the maximum its freedom to direct its own activities free from restraints or obligations that the Department's rules might impose on them. However, the lack of authority in OCRS to direct agency action, when essential, or to establish policy decisions to govern them, could deter achievement of the high quality of performance that is necessary against organized crime. The cooperation and coordination that has heretofore existed between OCRS and the agencies, and between the agencies themselves, has rested largely upon personal relationships—a slim basis upon which to build a continuing program, and smacking too much of a government of men rather than of laws.

Several questions are raised by the failure of the Department to formulate a plan of attack, and to implement the Executive order with detailed operational guidelines for all the agencies that have resources to put into the fight:

Can there be any valid doubt of the President's authority to order a coordinated attack on organized crime by all of the executive branch agencies?

Cannot an improved technique for coordinated efforts under the Department's direction be developed to effectively employ the facilities and capabilities of the various agencies without severe impingement upon their prerogatives and without the "Federal police force" effect, but with a positive program which is capable of being clearly stated and defined?

ORGANIZED CRIME AND RACKETEERING SECTION

The OCRS is charged by the Attorney General with "coordinating generally enforcement activities directed against organized crime and racketeering." Its functions are to accumulate and correlate data, to initiate and supervise investigations, to formulate general prosecutive policies and to assist U.S. attorneys in preparing indictments and conducting trials in the organized crime and racketeering field. Considering the broad problems discussed above, the question is raised whether the obligations that were imposed on OCRS exceeded its capabilities.

(a) Its staffing problems have been with quantity, not the quality, of its personnel. From all indications the OCRS has had the good fortune of having drawn to its rolls persons of outstanding character, ability, and loyalty, devoted public servants who are intensely aware of the menace that organized crime presents, and who labor long hours under difficult, sometimes dangerous, conditions to accomplish their mission. The rate of turnover of its young lawyers has been almost 20 percent, an obvious waste of experienced manpower. The battle against organized crime can be expected to continue over many years. **It would appear that the OCRS would be a more vital force in that fight if it were able to offer career incentives, through more liberal pay, promotions, or retirement plans to continue to attract high-caliber personnel, and to hold them.**

(b) For many years, including now, the OCRS criminal intelligence collecting and correlating operation has been handicapped by its own antiquated system. This has required the recording and filing of intelligence input on index cards, and the laborious search through such cards in its analyses processes. A study now underway for the OCRS to determine the feasibility of applying automatic data processing to the intelligence operations could result in elimination of these mechanical deficiencies. This study, however, is limited to a possible computerization of OCRS criminal intelligence. **It would appear desirable to extend the ADP study to survey the possibilities of incorporating therein the entire Department's intelligence with respect to organized crime; and to the possibilities of the use of such equipment in the analysis process, including the personnel and equipment requirements thereof.**

Possibly even greater intelligence deficiencies present themselves: The intelligence flow into OCRS depends wholly upon what information each reporting agency decides to report. There is no way of knowing whether OCRS is getting all that the agencies have. Also, there is no uniformity of systems among the agencies for handling intelligence. Some are computerized; others are manual; and there are few guidelines. **The question is raised, should consideration be given to development of a uniform inter-agency organized crime intelligence system for greater efficiency and for avoidance of duplication, but containing adequate safeguards against misuses of such information?**

In the past several years the number of Federal prosecutions against organized crime figures have increased. Certainly, they far exceed the results of earlier years. However, whether they are making any significant dent in organized crime operations is impossible to determine,

because there are no standards against which to measure the success or failure of such efforts. Department of Justice officials themselves have no way of determining whether, on the whole, organized crime is increasing or decreasing. **Statistics which with reasonable reliability estimate the full scope of organized crime activities and the number of persons involved are needed before any meaningful judgment as to the effect that the Federal effort is having on organized crime can be made.**

By the same token, the numbers of indictments and convictions obtained by the OCRS is not a valid measure of its effectiveness—there are no standards of comparison except the number obtained in earlier years, which really mean little, because a single particular conviction in a year may do greater damage to organized crime than a multitude of convictions in another year. The impact of a year's efforts cannot be known in the absence of more reliable data on organized crime. Further, in a year in which convictions and indictments are low, the OCRS effort might have been at its greatest effectiveness because new weapons were being developed, or greater community law enforcement efforts through OCRS cooperation might have resulted, and the like. **All this points to the fact that there is need for attempting to devise some means for measuring OCRS effectiveness in the various aspects of its operations.**

(c) Several means of improving the Federal effort were suggested at the subcommittee hearings, some of which are the subject of legislative proposals now pending in the Congress, such as witness immunity legislation which would compel testimony but render the witness immune from prosecution, gun controls, authorized wiretapping and electronic eavesdropping, and establishment of a congressional committee on organized crime. Attempts to increase OCRS's performance in the overall effort by merely increasing its personnel would at some point reach diminishing returns. As the testimony made clear, what is needed is new ideas. Organized crime can be expected to keep plotting to extend its domain and to diversify its operations. New techniques for dealing therewith will have to be developed. The regulatory agencies should be used to their fullest capacity in the fight. For example, there is need to probe further into the extent and nature of organized crime's infiltration into businesses, like securities and banking, and into the means of ascertaining the identity of the crime figures who cloak such infiltrations through nominees or "front money." **It would appear that the OCRS should establish a unit for planning and developing new and improved techniques for fighting organized crime.**

(d) The responsibilities of the OCRS relate to particular statutes assigned to it for administration, but organized crime may be found in criminal and civil matters administered by other divisions of the Department. To maximize the OCRS effort, **should not all cases in the Department of Justice of whatever kind which involve organized crime figures be assigned to the OCRS for handling?**

FEDERAL ADMINISTRATIVE AND REGULATORY AGENCIES

The President's Crime Commission was convinced that the devices available through the administrative and regulatory agencies for

thwarting the activities of criminal groups, especially in the areas of legitimate business, have not been adequately explored. The subcommittee's study shows that some of the agencies have contributed to the overall Federal effort. Some others reported that they have encountered no syndicated crime problems, had not participated in the Federal effort against organized crime, and had no suggestions to offer for improving that effort. More than one agency strengthened its participation as a result of the subcommittee's interest in the problem. There is still a reluctance on the part of a few, however, to join in, or to increase their roles.

Some Federal agencies spend huge amounts of money on behalf of the Government by contracting for the purchasing of materials, supplies, and services. Other Federal agencies decide who will receive various charters, licenses, permits, and grants which are within their domain to disperse. Many of these agencies, however, indicate a lack of comprehension of the potential danger that organized crime may present in areas of their operations. The plain fact is that organized crime is moving into legitimate businesses of every kind, through nominees and through apparently respectable associates. Quite obviously, all agencies should be alert to that fact—particularly since the operations of those agencies are responsible for the regulation, and frequently the creation, of businesses in every line which involve multi-billions of dollars of commerce annually. The public interest requires that the agencies not only protect themselves against being used to expand the operations of organized crime but that they also aid in the overall Federal effort to defeat that enemy in every way they can.

Many agencies maintain staffs of investigators, analysts, lawyers, inspectors, auditors, and other professionals who are trained to probe into and to ascertain the truth of stated or apparent conditions. These could assume extremely important roles in the overall effort, as for example, in determining the extent to which organized crime has infiltrated particular businesses, or particular lines of trade, commerce, industry, and labor. For instance, there are hundreds of Federal bank examiners. It would appear that their objectives readily could be enlarged toward greater searching into organized crime's penetration into the banking industry and its use of that industry for its nefarious purposes. The same seemingly is true of NLRB employees, who, although not permitted to conduct investigations until a complaint is filed, nevertheless would appear to be favorably situated in positions to collect intelligence which the OCRS and other crime-fighting agencies could put to good use. **The full possibilities available through the administrative and regulatory agencies for aiding the combat of organized crime should be fully explored by the OCRS and the agencies themselves.**

ASSISTANCE TO COMMUNITY LAW ENFORCEMENT

To materially strengthen the effects of community law enforcement, the Congress in September, 1965, passed the Law Enforcement Assistance Act of 1965, Public Law 89-197. Pending "safe streets and crime control" legislation would further help remedy deficiencies that States and their political subdivisions may have in planning, training, manpower or technical and other facilities for crime prevention, and for

the apprehension and prosecution of criminals, including organized crime figures.

There are other areas of possible Federal aid that should be explored. For instance, the establishment by each State of an organized crime unit probably would best enable it to contend with that menace. The willingness of OCRS to help in that regard has been expressed; in fact it has already given such assistance to one or more States. **It is hoped that States will request such assistance and that the OCRS' resources will be adequate to render assistance in establishing State organized crime units.**

In cooperating with State and local law enforcement by exchanging information, Federal law enforcement agencies do so largely on an investigator-to-investigator basis. In some instances remarkable results are achieved in community law enforcement through such pooling of information. **It would appear that greater overall (Federal, State, and local) results would be possible if the OCRS issued guidelines for such exchanges in cases which involve violations that are usual in organized crime operations, such as gambling, narcotics, dangerous drugs, and racketeering.**

The possibilities of developing better understanding of organized crime as it affects the entire Nation, for adapting to meet any changes in its operations, and for greater unity in Federal-State operations were discussed at the conference of State law enforcement officials which was convened by the President in Washington in 1967, shortly after issuance of his Crime Commission's report. **It would seem that conferences of that nature could so significantly contribute to defeating organized crime as to warrant being held on an annual or other regular basis.**

Public apathy towards some crimes on which organized crime feeds (most notably gambling) accounts for much of organized crime's success.

In the last analysis it is the attitude of the public and the extent to which people will cooperate that dictates the extent of crime and lawlessness which will be tolerated or defeated in any community.

Some Federal law enforcement agencies, particularly those with close mutualities of interest with community law enforcement operations (such as, in liquor, narcotics and dangerous drug cases); conduct educational programs which are directed both toward informing the public and in improving the capabilities of community law enforcement. The OCRS has no such program of substantial consequence. **The question arises of whether the combined knowledge and experience of all Federal agencies, including OCRS, should be put into a national coordinated educational campaign to relieve public apathy; and, if so, how can that best be done?**

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