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by Bob Ray



A Sunday Report: Digging into white collar crime By Wanda Cantrell

Combating fraudulent schemes difficult task

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Pick up any major Sunday newspaper and find under Business Opportunities in the classified section schemes that promise to make an investor the next Rockefeller. But many of the offerings may not only make one rich quick, they may also send one to the poorhouse or to jail, according to one Alabama white collar crime investigator.

"This area alone could keep a state task force busy fulltime," says Sgt. John Maddux of the Birmingham Police Department white collar crime unit. "And fraudulent business opportunities are only a small part of the world of white collar crime."

White collar crime is not necessarily perpetrated by those who wear white shirts, who work on Wall Street. Nor are their victims always wealthy investors looking for tax loopholes.

And just as the con men themselves or their victims cannot be clearly defined, neither can the broad term "white collar crime" be explained in a catch phrase.

U.S. Attorney General-designate Benjamin Civiletti defines white collar crime as "those nonviolent offenses which principally involve deceit, deception, concealment, corruption, misrepresentation and breach of trust."

The vast area of white collar crime — as opposed to street or violent crime — is so inclusive that many people are unaware of the complex task investigators face in detecting and prosecuting the crime.

"When you're talking about white collar crime, you're talking about the gamut from employee theft to influence peddling and bribery at the highest levels of our government," Maddux says.

Alabama Securities Commission Director Thomas Krebs defines white collar crime simply as "lying, cheating and stealing without a gun."

But the task of wiping out economic crime is as complex as Krebs' description is simple.

'A white collar crime investigator must have a great deal of expertise in several areas, especially in accounting and banking — and must be able to recognize a con scheme no matter how complex it may be.'

—Montgomery DA Jimmy Evans

"Just as a con man must be inventive in perpetrating his fraud, the investigator must also be inventive in detecting the fraud," Krebs says.

Investigators face pyramid and advance fee schemes, planned bankruptcy and check kiting.

There is also land, computer, bank, wire and securities fraud. Add to that, fraud against the government, bid rigging and commercial and political bribery.

The list goes on and on. The citizen who may have no funds to invest is not immune to the consequences of white collar crime.

"The general public has a tremendous amount of apathy toward

economic crime," Maddux says, even though the billions bilked from consumers, business and government have a direct effect on the economy.

Although there are no bleeding victims or smoking guns in white collar crime, the long term effect on the general public is substantial, according to Krebs.

"The market is the greatest manmade asset this country has," he says, "and the abuse of the market has a chilling effect on the economy."

'White collar crime is lying, cheating and stealing without a gun.'

—Tom Krebs

U.S. Attorney Barry Teague says that white collar fraud and political corruption were made priorities for prosecution when outgoing U.S. Attorney General Griffin Bell came into office in the aftermath of Watergate.

Teague categorizes economic crime with three targets — fraud against the government, fraud against business and fraud against the consumer.

The General Accounting Office reports that fraud against the government costs taxpayers \$26 billion dollars annually — and this does not include violations of antitrust laws and defense contract operations.

"We found that in all levels of the U.S. government there is corruption . . . We need to clean our house as badly as anyone," Civiletti comments.

Project Match is one example of attempts to weed out corruption that costs taxpayers millions of dollars each year.

The Department of Justice with the Department of Health, Education and Welfare began the program to determine the number of government employees who might also be on welfare payrolls. A region by region comparison of government payrolls with welfare payrolls revealed that hundreds of U.S. employees also received welfare benefits in Alabama and Georgia alone.

Thousands of cases were made nationwide, Teague says.

Project Integrity was an attempt by the Department of Justice to detect fraud within the Medicare and Medicaid systems. Computer guidelines were established to check the number of feasible working hours against the cases turned in by doctors. Hundreds of cases nationwide were rendered where persons in the medical profession were charging the programs for work they could not possibly have accomplished.

Alabama Attorney General Charles Graddick's office was one of the first in the nation to have certified a Medicaid Fraud Unit. Officials in Graddick's office estimate that about 5 percent of last year's \$220 million program was fraudulent.

As Krebs points out, businesses which sustain large losses annually affect the stock market which in turn directly affects the country's citizens. "Industry needs capital to develop so that the Gross National Product (GNP) will be boosted."

The image of the wealthy, dark-suited banker in his plush office being taken for large sums annually through bank fraud may not arouse much sympathy in the general public. However, federally insured banks lose three times as much annually through bank fraud as they lose through armed robbery, Teague says.

And the entire system — including the taxpayer — absorbs the loss.

Consumers are approached daily nationwide with schemes that promise glittering tomorrows — provided the victim wants to make an investment today.

Montgomery County District Attorney Jimmy Evans defines the "most common element in economic crime — money is paid by the victim in exchange for a promise."

In the case of Christopher John Blasi, the victims were promised return tomorrow for an investment today.

But Blasi never moved an anhydrous ammonia plant from Australia to Washington County and investors in several South Alabama counties never saw those promised returns.

Charged with 21 counts of securities and mail fraud, Blasi pleaded guilty in federal court in May to securities fraud after he used the proceeds from the sale of the securities for personal debts.

The state Securities Commission is presently investigating the business dealings of a man who promised Centreville citizens substantial returns for investment in a cable television operation. More than 20 Bibb County residents invested more than a quarter of a million dollars in the operation.

Richmond Eugene Leigh eventually collected well over a million dollars — with about \$990,000 coming from a Dallas bank — for the operation of CBL-TV.

Leigh is reportedly back in Missouri now, the cable television is not in service, and investigators from Krebs' office are going through a maze of bank accounts and corporations to determine where the money is.

'My office is committed to prosecuting crimes among those who have the public trust.'

—U.S. Attorney Barry Teague

But white collar crime investigators do not stop at fraud against the government, businesses and consumers.

"My office is committed to prosecuting crimes among those who have the public trust," federal attorney Teague says.

Presently, some Tuskegee officials are under the scrutiny of his office for questionable accounting procedures. Tuskegee Mayor Johnny Ford and City Clerk Mildred Moore were found wanting when the State Auditor's office released an audit of the city's fund handling several months ago.

Teague commented only that the matter is still under investigation.

District Attorney Evans says grand jury proceedings are continuing in an investigation into alleged misconduct by some former members of the State Building Commission.

Depositions gained by The Advertiser from an investigation by Finance Director David Bronner's office reveal that testimony was given to Bronner to the effect that contracts to architects were awarded with political strings and kickbacks.

One target of the allegations is former commission director Hugh Adams.

One of the major cases to come out of Evans' office last year was the conviction of former State Treasurer Melba Till Allen. Mrs. Allen was convicted in 1978 for using her office for personal gain.

The State Ethics Commission, after a two-month investigation in late 1977, presented evidence to the district attorney that Mrs. Allen had borrowed \$2.9 million in 130 loans from 38 banks while in office.

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and that 74 loans were unsecured.

Max Allen was charged with depositing state funds in banks in exchange for personal loans. Some of the state funds drew no interest, and the loss to the state is estimated at about \$1 million.

Evans describes this type of political corruption as "unearned compensation" coupled with "discretionary powers."

Even though street crime is visible while white collar crime is "by design hidden," according to Evans, "This office has made white collar crime a major priority for prosecution."

Evans has the only fulltime white collar crime district attorney's unit in the state, and it was partially funded with a federal grant.

"A white collar crime investigator must have a great deal of expertise in several areas, especially in accounting and banking experience — and he must be able to recognize a con scheme no matter how complex it may be," Evans says.

"Normal investigative channels don't combat it as well" as specialized units, says John Black, lone white collar crime investigator for the Jefferson County district attorney's office, adding that economic crime involves "terribly complex investigations."

"Most police officers are not trained to recognize or investigate white collar crime," Birmingham PD's Maddux adds. "And many agencies do not have the time or manpower for white collar crime investigations."

Evans adds that a prosecutor must keep in mind that there is more area for confusion to a jury in economic crime than in street crime.

While Maddux and Evans both criticized Alabama's white collar crime laws, Krebs pointed out that the state has plenty of statutes on the books and that "we need to enforce the laws that are on the books."

Krebs cited several state laws which deal with white collar dealings, even down to the regulation of the sale of brake fluid and linseed oil.

But both Krebs and Maddux agreed that Alabama could use a racketeering (RICO) statute, a wire tap law (to enable investigators to detect schemes by phone) and a statewide grand jury.

Last week the Alabama Legislature passed a bill for stronger securities violations laws and defined the crimes more clearly.

"Now we can get a person who sells millions of dollars of fraudulent stock the same penalty as a car thief," Krebs said.

The commission director said that the economic crime investigator "is not dealing with lightweights," and that his office is committed to prevent ongoing frauds, preserve the money of investors, indict and convict the criminals, and return the funds to the victims.

He adds that a phone call to the Securities Commission by potential investors — to see if the salesman is selling registered securities, for example — could prevent many illegitimate securities schemes. Or one could check with her or his district attorneys for information, he added.

All the investigators interviewed by The Advertiser agreed that cooperation among investigative agencies is essential in tracking the usually elaborate schemes con men perpetrate that so greatly affect the economy. And they all agree that it's not an easy task.

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