

OCTOBER 5, 2011

818 CHURCH STREET  
MOSCOW, PA 18444

HOUSE GAMING OVERSIGHT COMMITTEE  
HOUSE OF REPRESENTATIVES  
ROOM 236 ROB  
HARRISBURG, PA

DEAR COMMITTEE MEMBERS:

THANK YOU FOR INVITING ME TO APPEAR BEFORE YOU TODAY TO  
SHARE SOME OF MY EXPERIENCES WITH THE PENNSYLVANIA  
GAMING CONTROL BOARD.

IN JUNE 1973, I STARTED MY STATE LAW ENFORCEMENT CAREER AS  
A SPECIAL AGENT WITH THE PENNSYLVANIA CRIME COMMISSION.  
THE COMMISSION WAS PART OF THE DEPARTMENT OF JUSTICE  
CHARGED WITH INVESTIGATING ORGANIZED CRIMINAL ACTIVITY  
AND PUBLIC CORRUPTION. THE ATTORNEY GENERAL, APPOINTED  
BY THE GOVERNOR, WAS THE CHAIRMAN.

IN 1978 THE LEGISLATURE MADE THE COMMISSION INDEPENDENT OF  
THE GOVERNOR AND CREATED AN ELECTED ATTORNEY GENERAL,  
OSTENSIBLY TO MAKE IT LESS POLITICAL. THE IDEA WAS TO HAVE  
THE COMMISSION AS A CHECK AND BALANCE OF THE ATTORNEY

GENERAL AND THE ADMINISTRATION. THE COMMISSION'S FOCUS REMAINED ORGANIZED CRIME BUT POLITICAL CORRUPTION WAS LIMITED TO THAT INFLUENCED OR IN FURTHERANCE OF ORGANIZED CRIME ACTIVITY.

I MOVED UP THE RANKS AND IN JULY 1990 WAS PROMOTED TO SPECIAL AGENT-IN-CHARGE OF THE NORTHEAST AND CENTRAL REGIONS. THIS AREA STRETCHED FROM THE HARRISBURG AREA NORTHEAST AND SOUTH TO THE STATE BORDERS.

THE COMMISSION WORKED CLOSELY WITH THE US ATTORNEY'S OFFICES, US STRIKE FORCES, PENNSYLVANIA STATE POLICE, FBI, DEA, IRS AND OTHER LAW ENFORCEMENT AGENCIES

INVESTIGATING ORGANIZED CRIMINAL ACTIVITY. IN JULY 1990 UNTIL THE COMMISSION'S FUNDING ENDED IN JUNE 1994, I SUPERVISED INVESTIGATIVE ACTIVITIES IN THE NORTHEAST AND CENTRAL REGIONS WHICH SPECIFICALLY INCLUDED THE PENNSYLVANIA ATTORNEY GENERAL ERNEST PREATE JR. THIS INVESTIGATION STEMMED FROM THE COMMISSIONS INFORMANT COOPERATING WITH THE FBI TO CONVICT ELMO BALDASSARI OF EXTORTION. BEFORE LEAVING FEDERAL PRISON BALDASSARI TOLD

MYSELF AND SPECIAL AGENT PAUL SPEAR HOW HE “MADE ERNIE  
PREATE ATTORNEY GENERAL”. THIS ALLEGATION BEGAN AN  
INVESTIGATION WHICH WAS LATER JOINED WITH THE US  
ATTORNEY OF THE MIDDLE DISTRICT OF PENNSYLVANIA AND  
INVOLDED THE COOPERATION OF IRS AND PSP.

FROM JULY 1994 UNTIL JULY 2006, I WAS EMPLOYED AS AN  
INVESTIGATOR WITH THE PENNSYLVANIA OFFICE OF INSPECTOR  
GENERAL, RETIRING AS THE INVESTIGATION MANAGER OF THEIR  
NORTHEAST REGION.

BECAUSE OF MY BACKGROUND IN ORGANIZED CRIME  
INVESTIGATION AND INTELLIGENCE, I WAS CONTACTED BY AN  
INVESTIGATOR WITH THE GAMING CONTROL BOARD FOR  
INFORMATION ON AN APPLICANT. I DECLINED TO PROVIDE ANY  
INFORMATION AND DIRECTED THEM TO THE PENNSYLVANIA CRIME  
COMMISSION FILES, WHICH WERE MAINTAINED BY THE  
PENNSYLVANIA STATE POLICE. THERE ARE SEVERAL REASONS WHY  
I DECLINED.

1. AS A PRIVATE CITIZEN I HAD NO PROTECTION AGAINST  
RETALIATION BY AN APPLICANT. I ALSO HAD NO IMMUNITY

THAT WOULD PROTECT ME LEGALLY FROM ANYTHING I MAY HAVE TOLD HIM.

2. THE GAMING BOARD INCLUDED AT LEAST ONE MEMBER WITH TIES TO THE APPLICANT. MOREOVER, ONE OF THE FIRST INVESTIGATORS HIRED WAS THE FORMER POLICE CHIEF IN THE APPLICANT'S HOMETOWN. I ASK YOU, WAS A FORMER SMALL TOWN POLICE CHIEF THE MOST QUALIFIED APPLICANT TO CONDUCT INVESTIGATIONS OF SOPHISTICATED ORGANIZED CRIME? IN ADDITION, THE APPLICANT HAD BEEN NAMED AS THE ANNOYMOUS DONOR WHO BUILT THE POLICE STATION WHERE THIS MAN WAS THE POLICE CHIEF.

3. THE LAW CONTAINED A PROVISION LIMITING A CONVICTED FELON FROM OBTAINING A LICENSE FOR 15 YEARS. THIS APPLICANT HAD A FELONY, NO CONTEST PLEA CONVICTION, OVER 15 YEARS PRIOR FOR A CRIME INVOLVING THE FRAUDULENT THEFT OF FEDERAL FUNDS.

4. THE INVESTIGATORS WERE NOT LAW ENFORCEMENT OFFICERS AND AS SUCH HAD NO ACCESS TO LAW ENFORCEMENT FILES. THEY COULD NOT EVEN RECEIVE INFORMATION OBTAINED

FROM NCIC THROUGH A CLEAN MACHINE. HOW COULD THEY CONDUCT A THOROUGH INVESTIGATION WHICH WOULD REQUIRE ACCESS TO INTELLIGENCE FILES, GRAND JURY TESTIMONY, WIRE TAPS, ETC, WITH OUT ACCESS?

5. FOR THESE REASONS I HAD NO CONFIDENCE IN THE BOARDS DESIRE OR ABILITY TO PROPERLY INVESTIGATE AN APPLICANT. IN SHORT, THE GAMING COMMISSION WAS DESIGNED TO FAIL.

I WAS CONTACTED BY A PENNSYLVANIA STATE TROOPER, A PROFESSIONAL LAW ENCFORCEMENT OFFICER, FOR INFORMATION ON ANY ORGANIZED CRIME TIES OF THE SAME APPLICANT. I DIRECTED HIM TO THE PENNSYLVANIA CRIME COMMISSION FILES AND OTHER SOURCES OF INFORMATION. I SUBSEQUENTLY TESTIFED BEFORE A GRAND JURY. THIS INVESTIGATATION WAS, AS IT SHOULD BE, INDEPENDENT OF THE CASINO GAMING COMMISSION BOARD.

I WOULD RECOMMEND THE FOLLOWING CHANGES:

1. APPLICANT INVESTIGATIONS BE CONDUCTED BY A PROFESSIONAL LAW ENFORCEMENT AGENCY, LIKE THE STATE POLICE. JUST AS THE LEGISLATURE, IN 1978, RECOGNIZED THAT THE INVESTIGATORS SHOULD BE INDEPENDENT, I.E. THE CRIME COMMISSION WAS NOT PART OF THE OFFICE OF ATTORNEY GENERAL, AS EVIDENCED BY THE PREATE CASE,

2. THEY SHOULD SEPARATE THE INVESTIGATIVE FUNCTION FROM THE ADMINISTRATIVE FUNCTION IN THE CASINO GAMING COMMISSION. THIS WOULD BE ALONG THE LINES OF REP VEREB'S CALL FOR REGULATORITY CLARITY ABOUT THE ROLE AND FUNCTION OF BIE.
3. APPLICANTS FOR A CASINO GAMING LICENSE SHOULD BE REQUIRED TO WAIVE ALL RECOURSE AGAINST INDIVIDUALS PROVIDING INFORMATION TO THE INVESTIGATORS UNLESS GROSS INTENT TO PROVIDE FALSE INFORMATION TO HARM IS EVIDENT.
4. MEMBERS OF THE CASINO GAMING BOARD SHOULD HAVE NO RELATIONSHIP TO ANY APPLICANT, BUSINESS OR SOCIAL. THIS AVOIDS EVEN THE APPEARANCE OF A CONFLICT AND PROMOTES CONFIDENCE IN THE VETTING PROCESS.
5. I WOULD ADD TO REP CLYMER'S RECOMMENDATION FOR DIVERSITY THAT AT LEAST ONE MEMBER OF THE BOARD COME FROM A FEDERAL OR STATE ORGANIZED CRIME INVESTIGATION BACKGROUD. IT IS NOT ENOUGH TO HAVE BEEN AN INVESTIGATOR IF YOUR EXPERIENCE IS NOT RELEVANT TO THE MISSION OF THE BOARD.
6. ELIMINATE THE 15 YEAR LIMIT ON A FELONY CONVICTION AND MAKE IT ANY FELONY CONVICTION INVOLVING A CRIME OF MORAL TURPITUDE.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

SINCERELY,

JAMES KANAVY