



# NEWS

From the Office of the New York State Inspector General  
**Joseph Fisch**

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## Waterfront Commission Plagued By Abuse and Corruption

The Waterfront Commission of New York Harbor failed in its duty at the Port of New York and New Jersey, allowing “numerous abuses of authority in hiring, supervision and fiscal oversight,” according to a report by Inspector General Joseph Fisch.

In a report released today, the Inspector General concluded that former New Jersey Commissioner Michael Madonna, former New York Commissioner Michael Axelrod and former Executive Director Thomas De Maria failed to “adequately or responsibly oversee” operations. The 60-page document details the licensing of a convicted felon, misuse of federal Homeland Security funds and the failure to issue a single permanent license to harbor companies for more than a decade.

“This was a total agency breakdown,” Inspector General Fisch said. “Instead of ridding the waterfront of corruption, this agency itself was corrupt.”

The bi-state Waterfront Commission was created in 1953 to deter criminal activity reflected in the classic film “On the Waterfront” and to ensure fair hiring at the Port of New York and New Jersey. Each state appoints one commissioner to the commission, which licenses companies operating in the harbor. The Commission has about 100 employees and an annual budget of more than \$11 million.

Inspector General Fisch praised Governor David A. Paterson for appointing Ronald Goldstock as New York Commissioner last year; a move which Fisch said sparked a reformation of the Waterfront Commission. He also commended New Jersey Governor Jon S. Corzine, who, when advised of the Inspector General’s findings, fired Commissioner Madonna.

The report concludes that improprieties flourished under Commissioner Madonna and catalogs abuse at the highest levels of management. They include:

### Commissioner Madonna

- Commissioner Madonna forced unqualified applicants on the police department. He recommended James Sutera, who failed the required test

twice, then scored the highest mark ever recorded by an applicant on his third try. Sutera boasted to Commission staff that Madonna had given him the answers, which he then gave to another would-be detective.

- Despite an obvious conflict of interest, Commissioner Madonna oversaw employees of the Commission's Police Division while at the same time serving as their bargaining boss for the seven years he was president of the New Jersey State Policemen's Benevolent Association.
- Commissioner Madonna interfered with an internal investigation by ordering the police chief to retract findings. He then punished the whistleblower, a police lieutenant, with a retaliatory transfer from Brooklyn to New Jersey.
- Commissioner Madonna had an employee deliver building materials from the port to his home.

### **General Counsel Jon Deutsch**

- Former General Counsel Jon Deutsch, in direct violation of the Waterfront Commission Act, helped felon Frank Cardaci concoct a scheme to keep his port business despite a federal racketeering conviction for storing illegally diverted international goods in his port warehouse.
- Deutsch, who was "plagued by conflicts of interest," engaged in a series of violations involving the Cernadas family. He leaked confidential information to his friend, Al Cernadas, Jr. He improperly intervened in a police probe of a Cernadas family friend arrested on a weapons charge. And, he took a primary role in an investigation of union official Albert Cernadas, Sr., his friend's father, before Cernadas, Sr., was indicted in a contract-steering case.
- Deutsch disguised the drug-related conviction of a longtime acquaintance, Brendan McDermott, to help him get a port job.

### **Other Officials**

- Commissioner Axelrod gave official "police" placards to his wife and a wealthy personal friend with no link to the Commission and kept his placards after leaving his job.
- As stevedore audits lapsed more than a decade behind schedule, Director of Audit and Control Frank Nastasi often kept his door closed, ran a private tax preparation business at work and accessed pornography on his office computer.
- Then-Acting Chief of Police Kevin McGowan regularly diverted two detectives from law enforcement duties in Brooklyn to guard choice parking spots in lower Manhattan for executive staff.

In addition, the Waterfront Commission failed to keep track of more than \$600,000 in Homeland Security grant money. It used a patrol boat – paid for by a second \$170,000 Homeland Security grant – to escort guests and VIPs during Fleet Week and other events. The boat was supposed to be “capable of early detection of a waterborne attack” and used to “deploy officers...at high risk target locations such as the NYC Passenger Ship Terminal, Cape Liberty Cruise Port in Bayonne.”

Throughout the investigation, the Inspector General alerted Commission Ronald Goldstock and the new Executive Director Walter Arsenault of the most egregious abuses so that reforms could begin immediately. During that time, a number of changes took place. In March 2008, Executive Director De Maria resigned. In October 2008, General Counsel Deutsch was fired for misconduct.

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