1948

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Lieut. Stanley S. Smith has been a member of the Pennsylvania State Police for twenty-seven years during which time he has handled and supervised all types of criminal investigation. Upon the establishment of the Technical Laboratory Lieut. Smith assumed the duties of document examiner and has devoted his entire time to this work. With this varied background of experience He is well able to appreciate the problem of those who are called upon to investigate the present day lottery rackets. In this second part of his article, which is continued from the January-February issue, he describes modern day operations and points out the application of technical evidence to the prosecution of operators of gambling rackets.—EDITOR.

(Continued from the January-February Issue)

OPERATION OF MODERN LOTTERIES

Lottery Ticket Numbers. Some very ingenious means are employed in numbering lottery tickets which must serve a two-fold and in some cases, a three-fold purpose. The first purpose, of course, is to supply the means as a basis for distributing the prizes; the second is to provide a check against fraudulent claims; and for the third, many operators utilize the numbers to make systematic withdrawals or "kick-outs" to reduce the probability of a top-line winner being sold. Of course, the operator cannot foretell the future winning number on a Treasury Card, but if he systematically breaks up a certain number of five-digit combinations, he reduces the buyer's chances certain percentages. Particularly is this true since all, or every one in a "set" will not be sold. In many cases approximately 20% of the total out-put may be returned unsold.

The lottery ticket bears two numbers, one, the larger (in size) is the "Play" number on which prizes are distributed; and the other is the "Office" number, also a five-digit number usually smaller in size and often of a different color. (See Figure 1.) The office number is the "check-number" against fraudulent or uncertain claims, perhaps due to poor imprint. Every so often, in some cases with the co-operation of a printer, the winning number is imprinted (fraudulently), or "doctored" on a duplicate ticket, but since the correlation of the office number with the play number is unknown to the "outsider," the fraud is discovered. The operator has a listing of every play number with its assigned office number, which are frequently ingeniously correlated. Table IV illustrates how one outfit "ties-in" office and play numbers.
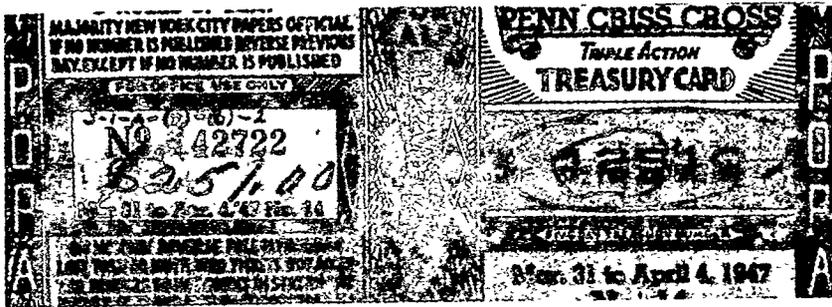
Figure 1.

The reproduced lottery ticket is one of the winners for the week March 31-April 4, 1947, the 14th lottery week of the year. (See Table III.) The winning number, paying $700.00, was 12928 from the U. S. Treasury Balance of Wednesday, April 2, $6, 909, *412, 928*.36. The Play Number of this ticket, 12910, is found in the right hand section. Only the first three numbers are correct, i.e. 129??, which have been circled in pencil. By referring to the win sheet it is found that the ticket paid off only $1.00 rather than the $251.00 noted in pencil in the left hand section, which is a possible total pay-off notation for a batch of tickets, this one having been on top. The number, 42722, is the Office Number, which in this lottery was disassociated from the Win Number by a coded secret arrangement. In some systems the first three Office Numbers constituted the Block Number.

The Ticket bears the notice: "On Monday reverse following day," which was originally intended to circumvent the Treasury's practice of delaying the release of the Treasury Balances. Actually, this plan was nót carried out, but the procedure described in the section, Treasury Card Win Numbers, was used instead.

In each set of office group of 10 numbers: 0 to 9 endings, the play number has these constants: -7-9- at the top and -6-0- at the bottom of the ten rows; the seven (7) increases and the nine (9) decreases, within the column of ten digits. However, from one set of 10's to next the same ten numbers in each first, third, and fifth column progress as follows:

1st column (by columns) 3, 2, 1, 0, 9, 8, 7, 6, 5, 4.
3rd column (by columns) 4, 5, 6, 7, 8, 9, 0, 1, 2, 3.
5th column (by columns) 8, 3, 7, 6, 1, 9, 5, 2, 4, 0.

This fifth column erratic sequence is established by a secret code card. It is interesting to note that what causes the uniform progression in column and yet apparently showing very little order in the following whole numbers to a puzzling degree is

Table IV

METHOD OF NUMBERING	OFFICE	PLAY	METHOD OF NUMBERING
	63700	37498	This side:
	63701	38488	1st column same, in next set
This side	63702	39478	of 10's it will be 2.
progresses	63703	30468	2nd column increases by 1.
naturally	63704	31458	3rd column same, in next set
as a check	63705	32448	of 10's it will be 5.
number.	63706	33438	4th column decreases by 1.
	63707	34428	5th column same, in next set
	63708	35418	of 10's it will be 3.
	63709	36408	(Erratic progression)

due to the fact that every play number in sequence is determined by the addition of 990 to the preceding number, except that no carry-over to the first column is made in the addition when the 2nd column exceeds the 0 of 10. Given the play number you not only will have the office number as a check, but by subtracting any multiple of 990 you can determine the preceding office numbers; and by adding you can obtain the successive office numbers.

This manner of printing automatically achieves a "mix" of numbers, and in many systems the first three digits of the office becomes the "Block" number, which, in the case of the joint table shown would be Block No. 637, within which group the tickets could be additionally mixed without losing track of them, because that block intact (100 tickets) would go to a certain Agent. However, as shown in the illustrated Criss-Cross Lottery, that system does not use the first three office numbers for a block number, because while it is the easiest to set up it is also easy for someone to counterfeit a ticket with both agreeing numbers (play and office). When a "Win" number is produced, the operators know to what Agent that ticket was sent in the proper block, and if a claim is made in another section of the state or in another state, they would hold up payment until double-checked.

Block numbers 000 to 999 would, of course, at 100 tickets each, account for 100,000 tickets. Some lotteries, perhaps most, employ a secret code distribution of block numbers so that they can keep track of them and at the same time avoid an easily discoverable pattern. This accounts for the fact that block numbers in transport will have no orderly sequence.

Printing Lottery Tickets. The printing of lottery tickets is done clandestinely. As a protection against the discovery of the office and play number "tie-ins", and also to save time, lottery tickets in the same "set" may be printed at two or more print-shops. There are several ways in which lottery tickets may be printed, but one of the more usual is to print a block of 8 to 12 tickets at one impression on sheets of paper of the suitable size. The paper is usually Kraft, tan, unbleached, in color, and of strong resistance to tear. It is not usual for the same printer to imprint both the office and play number, in order to guard against an effort to counterfeit a win ticket by correctly coupling both numbers. These two numbers will be duplicated on strips at the time they are impressed on the sheets of tickets and will so automatically set up a check list for the operators. After

the first impression of the only partly completed printing with the one number, the stacks of sheets are taken to another printer with the second style of numerals to impress the second number and complete whatever may be lacking on the ticket which is sometimes a two-color job.

Depending upon the available willing printers and other factors, the printing of about 6 weeks supply of lottery tickets may take about 3 weeks. Some operators try to turn out a six-month supply at one printing and store until needed. This reduces the chances of discovery and police confiscation to twice a year. The numbering devices are so arranged as to control systematically the rotation of each number before imprint, so as to, in the case already cited, cause a jump of 990 numbers with each imprint, or for whatever other plan may be in use.

After the tickets are fully imprinted on both sides of the sheets with the two numbers and the correlated strips the sheets are usually taken to another plant. Here, the tickets are cut to size, folded, and fastened either by stitching or stapling. The strips are separated from the sheet for use by lottery headquarters to check pay-offs.

"Win" sheets are weekly imprints of the daily "hit" numbers for the information of the players and are dashed off as soon as Friday's win number is known. Printers have the plates and only need to change the date, lottery week number, and the correct figures for each day's play.

Organization. The general organization of a lottery operation breaks down into three divisions:

1. The Operators, headquarters, "big shots". They may consist of one dominant person with a staff of well paid assistants, or a syndicate of several persons in partnership. They collect between 60 and 70 percent of the gross ticket sale. This, however, is not all profit. They must finance the following purchases and activities:

   A. Purchase large quantities of suitable paper.
   B. Printing.
   C. Cutting, folding and fastening.
   D. Hauling.
   E. Sorting, checking.
   F. Storing.
   G. Distributing.
   H. Protection. Pay "graft" to police and other law enforcement agencies, as well as "donations" to political parties and politicians.

I. "Square squawks", i.e. buy off complaints, wives of losers, etc.

J. Provide "Delivery" and "Road-men" and/or "Collectors" or "Fieldmen". In some cases the man who delivers tickets (when not shipped) to a district is also the Collector who makes financial settlement with the Agents and Distributor. Often, the Fieldman will not haul tickets that would incriminate him while carrying large sums of money. The man who delivers tickets will usually have a two-story garage, the lower part for his car and the upper to store tickets for future delivery.

K. In some case there will be a "Drop" or storage place. The person who provides this may not in any manner be involved other than to provide a place for storing tickets in packages for future pick-up. He may know little or nothing—and does not need to. He may be a farmer who rents a barn loft, a garage man, or a private dweller in an out-lying section. Again, a back room in a legitimate place of business may be used.

L. Pay all expenses incident to the handling of the tickets which may include:

    (1) Attorney hire, fines, costs, etc. of agents. In the case of imprisonment of a seller, a donation weekly to wife or dependents. (In one case a wife got $50.00 a week while her Agent husband sat in jail, and was much better off financially.) Bribery of police and other witnesses.

    (2) Pay off all "Hits". In some set-ups this may be about 20% of the gross "take". Incidently, unless ready to terminate activity, all wins are paid off, sometimes on "phoney" tickets if necessary to avoid a "squeal". They cannot afford to give their lottery a bad name—there is too much competition.

2. The second division represents the Distributor, or General Agent, the middleman. He obtains tickets in large lots for district distribution among agents. He may cover a city, county, or state district. The Distributor then sells blocks of tickets from perhaps 100 to 5,000 tickets to an agent on consignment, that is he will either credit or refund for all unsold tickets turned in. The Distributor gets the small-

est per ticket profit, but his total is large because of the large number of tickets he handles. He must also function as a secondary (primary for the area) headquarters and often finances the payment of "hits", later, making a final settlement in person at Lottery headquarters, or with the official Field-man. In some lottery systems the Distributor gets a bigger "cut" when he functions as a complete lottery unit financing all "hits" himself, and taking full area responsibility for "protection" and all the other incidentals accompanying an illegal activity. In this case the Main Headquarters only provide the tickets and system and in some cases "insure" the Distributor against big, or too many "hits".

3. The third division represents the Agents, or sellers of individual tickets. However, if an Agent handles less than about 1,000 tickets a week, he in all probability is selling them in person or with a minimum of assistance. If he handles more, he probably works with sub-agents who will sell smaller quantities of tickets, perhaps, fifty to several hundred each. This, of course, means that the agent must divide his share of the profit per ticket with the sub-agent. Agents may be barbers, saloon and road-house keepers, factory and office workers, and others who make many personal contacts.

The "Take". If a lottery outfit had good sales and disposed of all tickets in a 50¢ ticket lottery "set" the finances per week involved would be as follows:

		Cost	Profit
100,000 tickets ("set") @ 50¢ ....$ 50,000.00			
Cost and profit to distributors		$ 32,000.00	$ 8,000.00
Cost and profit to agents....		8,000.00	10,000.00

Operators therefore gross about $32,000.00 a week to meet all costs, payouts, and profits.

On an operation including two "sets" of 25¢ and 50¢ tickets in the Empire lottery some few years ago, the following approximately correct breakdown was made. It will be noted that there was a 20% discount made for unsold tickets which may apply to most systems (See Table V).

When running "full-blast" the income is greater, of course. Another factor involved in the profits are the number of top-line winners that have not been sold. As already mentioned, an effort is made to reduce the probabilities of big prizes being sold by systematic "kick-outs" of lottery tickets. Where a 20%

Table V.

100,000 tickets @ 50¢............................	$ 50,000.00
100,000 tickets @ 25¢............................	25,000.00
Public pays per week (gross)...............	$ 75,000.00
Less 20% unsold............................	—15,000.00
Net to agents..............................	60,000.00
Distributors settle with house as follows:	
100,000 @ 32¢ (50¢ ticket).....................	32,000.00
100,000 @ 15¢ (25¢ ticket).....................	15,000.00
	47,000.00
20% unsold	—9,400.00
Paid to Operators........................	38,600.00
The Weekly "Overhead" :	
Top line winners (50¢ ticket)...................	7,400.00
Top line winners (25¢ ticket)...................	4,000.00
Lesser "hits" on both........................	14,000.00
	$ 25,400.00
Fixed expenses	3,200.00
Weekly expense	$ 28,600.00

<div align="center">RECAPITULATION</div>

Weekly gross income from sale of tickets................		$ 60,000.00
Weekly income from sale to distributors.	$ 38,600.00	
Less total expenses....................	—28,600.00	
Profit to Operators weekly.............................		$ 10,000.00
Annually		$520,000.00

unsold number of tickets remain there would be considerable leeway in the operator's favor, ratio of 1:5.

For other operations the income from sale of 50¢ tickets has been reported to run this range: 40¢, 38¢, 37¢, 34¢, 32¢, 30¢ each ticket sold. The 25¢ ticket brings the operators a price that hovers around 15¢ each, while the 35¢ ticket, about 20¢.

The middleman, the Distributor or General Agent, makes the least per ticket, from about 2¢ to 10¢ each, depending upon conditions peculiar to his area, but his overall profit is large because he deals in large numbers. If he functions as a district sub-owner, assuming all local outlays including "hits", etc., his "cut" per ticket is greater to meet the added overhead.

The seller-agent receives about 5¢ each for the 25¢ ticket and about 10¢ for the 50¢ ticket which is affected by local conditions including on whether or not a sub-agent is involved.

"Smart" Operators. Careful and conservative lottery operators currently strive to observe these general rules:

A. Avoid use of the mails, and so federal prosecution.

B. Avoid interstate traffic in tickets, for the same reason.

C. Use cash, no checks, and only telegraphic drafts when necessary.

D. Avoid all records possible.

E. Burn and destroy all records and tickets not currently required. (All big "hits" are usually sent to main office for check.)

F. Employ code references in all telephonic and telegraphic communication.

G. Pay all "hits" even some doubtful ones, where defective tickets are submitted, if a troublesome complaint to officials seems imminent.

H. Handle as standard "overhead" requisite official bribery, either direct or to organizations.

I. Make "good will" donations to charitable and benevolent causes.

J. Give legal and financial aid to all members embroiled with the law, including aid to dependents in case of imprisonment.

K. See that minor personnel in the three general divisions: 1. Headquarters, 2. Distributor's sub-headquarters, and 3. Agents and sub-agents, know as little about the interlocking membership and activities as possible. This is a protection against "squeals" and threat to the system from a minor arrest.

LOTTERY CASE HISTORY

A case in which considerable print identification was made in the Document Section of the Pennsylvania State Police Laboratory is one which was investigated by members of the State Police in every part of Pennsylvania and in many other states under the personal direction of Colonel Lynn G. Adams, retired Commissioner of the Pennsylvania State Police.

The head of this lottery racket was a Louis Cohen, alias Lou Cole and Marks, who, in association with his brothers Frank, Joseph and Charles, and brothers-in-law Seymore Burns, right name (Samuel Bernstein) and Arthur Burns (Bernstein) and Joseph C. Ginsberg, operated the large "Empire" lottery, and the smaller ones: "Universal", "Colonial", "Old Reliable" and "Peoples Club". This group operated lotteries throughout the

eastern seaboard from Boston, Massachusetts, down to Miami, Florida, and also in Pennsylvania, West Virginia, and Ohio.

The syndicate grew from a modest beginning in the Frank-ford section of Philadelphia about 1925 when Lou Cohen started out in partnership with Sydney Werner, who died in 1931, to the position in 1940 when it was estimated it netted approximately a million dollars annually. The operators made strong political and other "connections" in the various states. They were shrewd, crafty, and careful, paying off all "hits" and avoiding all "squawks". Theretofore, while the overall picture was known or suspected by the investigators, direct evidence against "the body of the octopus", whose operating tentacles were in so many states, was lacking.

Curiously, for all their care and business-like management, they committed the blunder of summarily "firing", or as they put it, "retiring" an elderly bookkeeper and accountant who worked for them for the past twelve years and knew their complete operations in all its involved intricacies. In all probability the purpose was to eliminate the only non-member of the family in the managerial circle after having groomed the younger and newer members to take over the bookkeeper's duties. The bookkeeper was told that he was "through" in October, but he insisted that he should be paid to the end of the year and then receive a $25.00 a week annuity for life in the form of an insurance paid-up annuity. This annuity might have cost between $10,000 and $12,000, but the racketeers reneged and failed to satisfy the bookkeeper's demands. After about a year of fruitless negotiating and waiting, the bookkeeper started "talking," and kept on "talking," practically "gushing like Niagara"; to the various attorneys he consulted, at first, then to the various state and federal officials: The State Police, city police, District Attorneys, Treasury Agents, FBI Agents, Postal Inspectors, etc. He even started a civil suit for breach of verbal contract (the $25.00 weekly annuity he said was promised him). He was a "Johnny Bull" from England—and proved it.

The bookkeeper's information, while of the greatest value, of course, had to be corroborated and established by investigational evidence of present as well as of past criminal activities. Numerous Troopers from every Squadron were assigned from time to time to check out the manifold lottery operations in all parts of the state. Up to this time only the local agents and sellers could be prosecuted. The pursuit of this investigation now led the State Police to all parts of eastern United States,
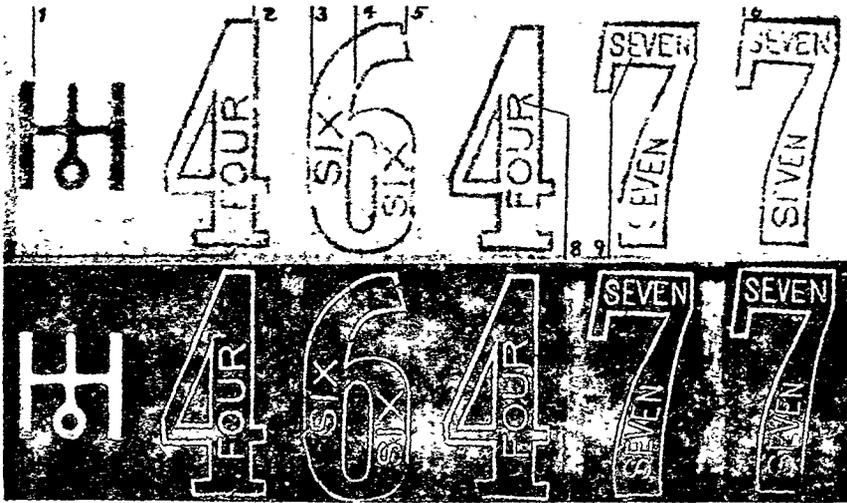
Figure 2.

The upper half is an enlargement of Serial No. 46477 on one of many lottery tickets purchased by investigators throughout Pennsylvania. The lower portion is an enlargement of numbering machine Block #2, one of many devices confiscated at a Philadelphia lottery printing plant. Nine of the individualities of this number as stamped on the lottery ticket are indicated by the numbered rulings. These same individual defects can be seen by careful study of the numbering machine block below and formed the basis upon which the writer was able to link the printing of this lottery ticket to the particular printing plant.

co-operating, meanwhile with the various Federal agencies interested.

Eventually, numerous raids and arrests were made in all parts of the state and one of the syndicate's main printing plants in Philadelphia was included in the "round-up". The police raiders confiscated huge quantities of lottery tickets, presses, dies, paper, steel tape, etc., estimated to be valued at $50,000.00.

The Document Section of the Pennsylvania State Police Laboratory was handed the problem of establishing by collateral and corroborative evidence, if possible, the fact that this particular printing plant definitely and specifically was used in the printing of illegal lottery tickets and associated items in a violation subject to criminal prosecution and to establish legal justification for confiscating the costly printing equipment. Too much reliance was not placed on the fact that the crime was "obvious" in view of the reputed powerful and influential "connections" these men had.

Numerous identifications of the printed matter involved was made. These included comparative proof that the printed notices, "Win sheets", announcements and lottery tickets in vari-

ous stages of completion were imprinted from the identical press forms and plates found set up in the plant.

Sergeant Sam Garvin, Laboratory Photographer, did a particularly fine job of making numerous critical photographs required to examine, compare, and illustrate the identifications and conclusions. (See Figure 2.) A high degree of accuracy with controlled lighting and use of filters was demanded in making comparable enlargements on film and paper. Special treatment of the numbering device digits was resorted to avoid obscuring high-lights and shadows through the use of applied lamp-black and controlled wiping. "Cameo" prints were likewise prepared by printing a negative of the block numbers with the corresponding printed ticket numbers in positive to illustrate why and how Block #2, for example, by being in perfect register with the ticket number in the figure and written numerals was the specific device which printed the questioned ticket number. Contrariwise, similar photographic treatment of the same ticket number with each of the other numbering blocks showed that they were not in register and therefore could not have imprinted that ticket number.

Numerous arrests branched from this investigation and local, state, and federal prosecutions were initiated in Pennsylvania, New York, New Jersey, and Delaware.