

BRISTOW MAKES REPORT ON FRAUD

Continued From Page One.

Machen probably did not receive more than \$25,000 from the Groff fastener. Yet the government has paid approximately \$130,000 for that device, which represents a net loss, since the department continued, by the terms of the contract for letter boxes, to pay for the original fasteners.

Beavers and his associates received less than \$20,000 from the automatic cashier. Yet the department expended \$74,275 for this wholly unnecessary machine.

The total amount that the perpetrators of these frauds themselves received cannot be definitely learned, but it will aggregate between \$300,000 and \$400,000, while the loss to the government, considering the unnecessary supplies that have been purchased and the inferior quality of those furnished by fraudulent contractors, cannot be estimated with any degree of accuracy.

As the gross abuses have been brought to light they have been promptly corrected by the proper departmental officers. Contracts where fraud had been discovered have been annulled.

The brazen frauds worked by A. W. Machen have been rehearsed for many months but not until Bristow's report was made public did the gigantic nature of them appear.

"So carelessly did Machen work his games," says Mr. Bristow, "that he not alone made his detection sure, but the detection of others."

Recounting a few of the schemes to which Machen resorted the report has this to say:

"Carriers' satchels were neat bits of graft that Machen carried through. He let the contract for these to a plumber in Baltimore. There came the satchel and strap contract, in which William C. Crawford, who was deputy auditor for the postoffice under the last Cleveland administration, was mixed up in it. Mr. Bristow says of this:

"This was probably the most skillful and complex scheme invented by any of the postal grafters. It consisted of a double conspiracy: First, Lorenz and Machen conspired with Crawford to defraud the government out of the price of the straps; then Crawford conspired with Machen and Lorenz to defraud his own company out of the profits on the manufacture of the satchels, while on the side was Long and Machen receiving a graft on straps from Lamb.

"The Groff fastener was a patent device for attaching street boxes to posts. No contract was ever executed for these fasteners. They were bought by Machen direct. This method of attaching letter boxes was not a necessity, and in many places postmasters did not consider it satisfactory. The cost of the manufacture of the patent fastener was 35 cents each. For many years the department paid \$1.50, but the price was afterward reduced to \$1.25.

"Of the \$124,851.25 that during eight years has been paid the Groff by the department, Machen and Lorenz have received \$51,460.

"One of the most important contracts for free delivery supplies is that for street letter boxes. These contracts are let periodically, every four years. In February, 1893, the contract was awarded to Maybury & Ellis of Detroit, Mich. Machen became superintendent of free delivery in the following September, six months after the contract had been executed.

"Maybury states that not many months after Machen's appointment Eugene D. Scheble, a dentist of Toledo, O., called on him and interested him in a patent he had acquired for a new letter box. Maybury agreed to give Scheble a 25 per cent interest in the contract which he then held. Maybury, when asked why he gave Scheble an interest in this contract, stated that he thought there was merit in Scheble's box, and that it might in the future become a troublesome competitor.

"It is not reasonable to suppose that a man of affairs like Maybury, who had at that time secured two terms in congress and is at present mayor of the city of Detroit, should voluntarily deliver to a stranger from Toledo, O., one fourth of his profits in so valuable a contract because he favored Scheble. Three years hence that man might become a dangerous competitor for another contract.

"One Year's Profits. During the first year, that is, before Scheble had interested himself in the contract, there were 2,740 boxes ordered for which the department paid \$8,189.40. Maybury's profits, as near as can be estimated, amounted to \$2,425 on that year's business. During the second year, after Scheble had interested himself, 16,490 boxes were ordered, at a cost of \$52,526.25. The total profits of the second year's business was \$20,500, of which Maybury received three fourths, or \$15,375, and Scheble one fourth, or \$5,125.

"One Solomon. Wynn submitted a proposal to furnish the various-sized boxes at \$1.75, \$2.25 and \$2.75, as against the Scheble box at \$2.60, \$3.25 and \$5.25 each. Wynn, therefore, became an embarrassing competitor. But Machen, equal to the occasion, he stated to Postmaster-General Wilson that he had a cousin, Arnold J. J. Machen of Toledo, O., who was interested with Wynn in this box, and that he did not think it proper for the contract to be awarded to a firm in which a relative of the superintendent of free delivery was financially interested. The postmaster-general evidently was impressed by the unselfish devotion of Machen to the public interest. For Wynn's bid was discarded, though in doing so the cost of letter boxes during the contract period was increased \$51,552.80. The profits on this contract to Maybury & Ellis aggregated something over \$50,000, of which was given to Scheble, which the evidence indicates was divided equally with Machen.

"During the past four years 27,000 letter boxes have been distributed on rural

routes. They are unnecessary, since every farmer's letter box serves the purpose of both a deposit and a collection box. Postmasters wrote frequently stating that the boxes were of no use, that in many of them there was not a letter deposited once a month. Nevertheless Machen continued to have them erected, and during the last four years over \$70,000 has been paid for letter boxes on rural routes.

Health Brought In. Going into the Montague-Beavers deal, which implicated Perry S. Heath, the report has this to say:

"The Montague indicator is a device attached to street letter-boxes showing the hours of collection. It was procured by W. W. Montague, postmaster at San Francisco, Cal., and D. S. Richardson, a cashier in that office.

"A company was organized in 1899 with a capital stock of \$100,000, consisting of 20,000 shares, par value \$5. Immediately after the company was organized Richardson and James W. Erwin, at that time a postoffice inspector, visited Washington for the purpose of securing the adoption of the device by the postoffice department. Richardson consulted George W. Beavers, who told him that to insure success he ought to distribute stock among the officials who had charge of the matter. Acting upon this suggestion Richardson gave Machen 1,000 shares of the stock, which was issued in the name of H. C. Seger, and Beavers 2,000 shares that were issued in the name of Richardson. A short time after this gratuitous distribution of stock an order was given for 7,000 indicators, at \$5 each.

"Seger, in whose name the stock donated to Machen was issued, says he bought this stock from Machen and paid him \$1,200 for it. There is a mystery about the true ownership of the 2,000 shares given to Beavers. It was issued in the name of D. S. Richardson, and Beavers' suggestion assigned to John R. McElonough. The first dividend, consisting of \$130, was forwarded to Beavers February 6, 1901, and acknowledged by him in the following letter:

Will Find Health. (Personal.) Washington, Feb. 20, 1901—My Dear Mr. Richardson: Yours of February 6, with inclosure, duly received. I will hold the papers in your name for the present until something decisive is known. I am glad to know that the matter promises so well. I have not seen Mr. Heath, but will make another effort today. He is mighty hard to locate just now, being busy on national committee matters. Give my regards to all inquiring friends, and believe me, very truly yours,

G. W. BEAVERS, Superintendent. Mr. D. S. Richardson, Room 7, Mills building, San Francisco, Cal.

"This letter was received by Machen and the stock was still in Richardson's name and apparently in Beavers' possession. In August, 1902, Beavers again wrote: (Personal.)

Washington, Aug. 21, 1902—Dear Richardson: Our friend in Salt Lake who has the inclosed stock drawn in the name of Edwin B. Bacon. Kindly issue new certificates and have these destroyed. Forward same to me by registered mail. Yours very truly,

G. W. BEAVERS, Superintendent. Mr. D. S. Richardson, care Postmaster, San Francisco, Cal.

"These letters were secured from Richardson by the inspectors. On the face of the last letter is indorsed in lead pencil in the handwriting of R. H. E. Bepko, secretary of the company, 'Editor Salt Lake Tribune,' and on the back, '133 E. West Temple' and '9th E. and Brigham,' the first being Perry S. Heath's office address and the second his home at that time. The inclosed stock referred to in the last letter consisted of 1,000 of the shares given to Beavers on December 27, 1899.

Perry Heath's Uncle. "Edwin B. Bacon is a citizen of Louisville, Ky. Heath's uncle by marriage, and said to be one of his most intimate friends. This 1,000 shares issued to Edwin B. Bacon was returned to the company anonymously in a blank envelope after this investigation began. Bacon states that he never saw the stock, and did not know that it was in existence. Heath refused to make a written statement, but stated verbally to Inspector Simmons that he never heard of the stock, and had no interest in the company directly or indirectly.

"Machen alleges that what he did for this company was at the earnest solicitation of an old man, Louis Richardson states that Mr. Loud had no pecuniary interest in the company; that he never offered \$500 any stock, because he thought such an offer would be resented, but that he did give 150 shares to H. E. Dodge, clerk to the house committee on the postoffice and postroads, but that Loud had no knowledge of such donation."

PRESIDENT'S COMMENTS. Roosevelt Highly Commends Report and Points to Reformation Necessary. President Roosevelt, after careful perusal of Fourth Assistant Postmaster-General Bristow's report, approved it and commended Mr. Bristow and his inspectors on the manner of their thorough work and its value. The president, after commenting on the different features of the report, concludes in the following words:

"The immediate reformation of the service by the turning out of the offenders is not in itself enough to meet the demands of the public office. The case against both those within and without the postoffice department, who by their acts have brought themselves within the grasp of the law, will be pushed with the utmost vigor. Every effort must be made to see that both the delinquent official and the outsider who shares his guilt are punished to the limit of the law. In pursuance of this policy the individuals above enumerated have been taken into the different features of the report, concludes in the following words:

"No crime calls for sterner reprobation than the crime of the corruptionist in public life, and of the man who seeks to corrupt him. The bribe giver and the bribe taker are equally guilty. Both alike sink against the primary law of the state's safety. All questions of difference in party policy sink into insignificance when the people of this country are brought face to face with a question like this, which lies at the heart of the honest and decent government. On this question, and on all others like it, we can afford to have no division among good citizens. In the last resort good laws and good administration are the only rest upon the broad basis of sound public opinion. A dull public conscience, an easy-going acquiescence in corruption, infallibly means the ruin of free institutions. Self-government becomes a farce if the representatives of the

people corrupt others or are themselves corrupted. Freedom is not a gift which will tarry long in the hands of the disinterested or of the foolish or so income-petent as to tolerate dishonesty in their public servants. Under our system all power comes from the people, and all punishment rests ultimately with the people. The toleration of the wrong, not the exposure of the wrong, is the real offense.

CONSIDERS THAT HE IS EXONERATED BY REPORT, WHICH HE WILL PUBLISH. Salt Lake, Nov. 20.—Perry S. Heath, proprietor of the Tribune here, and ex-first assistant postmaster-general, in an interview today, said: "I have read the report from beginning to end and am in no way surprised in its dealing with my administration. It is clearly shown that I cannot be truthfully accused of 'favorable acts,' as they are called, and this should be considered, even by my enemies, as an exoneration. The president's comments I understand and apply as an exoneration. It seems to be the burden of the author of this report to regret that I am not in the service at this time, or left, rather, before the frauds were uncovered.

"There is nothing for which I need plead extenuating circumstances for irregularities which began when I was in office. It must be remembered that during my incumbency the rush of business occasioned by the Spanish-American war was immense. I will publish the full report, but further I have nothing to say."

REPORT UNJUST TO HEATH. Printing Ink Manufacturer Says Statement Made by Bristow Not Right. Cincinnati, Nov. 20.—Mr. Wyborg of Ault & Wyborg, printing ink manufacturers, this morning declares that the Bristow report was entirely unjust to Heath. He says Heath and Louis should have life positions for their selection of ink. He says the statement made by Bristow in his report, that Heath bought in excess of \$1,000,000 of concave ink in one year, was not true, the greatest amount he ever sold in one year being \$100,000. He admits that he paid several cents a pound higher than the regular price. He also said that he bought an ink of secret process which was also entirely indelible and which saves the government thousands of dollars each year.

CITY POLITICS THE STIRRING SUBJECT (Journal Special Service.) Albany, Or., Nov. 20.—The city election occurs one week from today, and the next seven days will witness one of the liveliest city election campaigns ever held in Albany. The contest is over the office of city recorder, with the promise of a neck-and-neck race between the two candidates. The friends of both are hard at work and it will take the returns to decide. The three-cornered fight over commissioning the third ward, where Worrell and Marshall are the republican candidates and Farrell is the democratic nominee, is being watched with interest throughout the city. Marshall declined the republican nomination in the city convention, but afterward a petition was circulated and signed by Democrats and Socialists, together with a few Republicans, nominating him for the place. The petition of Worrell was being circulated at the same time and bears the names of a majority of the Republican delegates to the city convention from that ward. Both petitions were received by the recorder at precisely the same time and both names appear on the ticket as Republican. At first glance it is thought to insure the election of Farrell, but when the two parties completed their polls of the ward it was learned that the Democrats had barely 100 votes out of a total of about 400. This does not augur well for Farrell, and during the past few days the Worrell stock has had a decided boom.

Not the Only Pebbles. City political "scraps," while absorbing the greatest attention just at the present time, are not the only pebbles along the troubled seas, for state and district moves are being watched. Next spring two circuit judges and a prosecutor will be elected, and a nominee for the third district, embracing the counties of Linn, Marion, Polk, Yamhill and Tillamook. The offices are good ones, both from the standpoint of honor and salary. Many a man with a sheepskin coat looking with longing eyes toward these plums and wondering whence and whether they will go. Linn county Republicans will have at least one candidate for circuit judge, in the person of

Formed New Organization. In the year just mentioned Senator Percy R. Kelly, assisted by friends, formed a new organization with N. M. Newport as chairman, completely eliminating Hardman from the fight, and he shortly afterward removed to Portland and received the nomination for state senator, but Hardman and Cusick are credited with fighting him to the last ditch and he was defeated by one vote. Their opposition was based chiefly upon the fact that Kelly supported McBride when McBride was out of the way refused to enter the republican caucus, but followed Mitchell and Fulton. Wyatt and Dawson, the latter an ex-senator, supported Kelly throughout the campaign, and now in turn it is said that Kelly will help Wyatt to secure the judgeship. Kelly is deputy district attorney under J. N. Hart of Dallas, and is a warm friend of the latter. It can be surmised that Kelly will "kill two birds with one stone" by supporting Wyatt, secure a delegation for the latter, and also block any attempt to turn Linn county against Hart. It may mean a combination with H. L. Eddy of Tillamook or James McCain of Yamhill with Judge George H. Burnett of Salem, if the latter overcomes the McNary opposition in Marion county. Many pretty situations will follow, because there are other interests at stake and the politicians will have their hands full. Kelly hopes to retain control of the county organization, although at the

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present time he is not a candidate, he says, for any office. It may have some bearing on the campaign in 1904, when Supreme Judge Wolverton and State Printer Whitney, both of Albany, will seek re-nominations. Whoever controls the local delegation at that time will feel safer, as the state convention will hardly give two-far offices to Linn county. The primaries of next spring will elect the committeemen who will have charge of the preliminary fight in 1904, hence the early activity of the politicians.

STIRS THE TROOPS AT VANCOUVER

RUMOR THAT THE NINETEENTH INFANTRY IS TO BE SENT TO PANAMA FOR DUTY—MAJOR MOORE THINKS SOLDIERS WILL GO FROM ELSEWHERE.

A report was in circulation in army circles today to the effect that the Nineteenth Infantry, now stationed at Vancouver Barracks, would be sent to Panama for patrol duty. Major Moore, chief clerk of the adjutant general's office, department of the Columbia, said that there was no likelihood, as far as he knew, of this organization being sent to the Isthmus.

"I have heard indirectly," said Major Moore, "that three organizations would be sent to Panama, but these, as I understand the situation, are to go from the Atlantic seaboard and San Francisco. Two organizations will probably be sent from the Atlantic coast and one from San Francisco.

The distance from these points to Panama is much less than from Vancouver, and the government would probably not authorize the longer journey when it is not necessary. Then, too, the departure of the Nineteenth Infantry from this post would strip Vancouver Barracks of its garrison, leaving only the two batteries here.

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