

Investigators Seek Fraud and Mismanagement in Highway Work

BY DANIEL RAPOPORT
United Press International

Washington — (UPI) — In a dingy suite on the fourth floor of a rickety onetime hotel, investigators are beginning their fourth year of detective work on one of the government's richest programs.

They are the staff of the House Highways subcommittee, a special unit set up to keep watch on a multi-billion dollar road-building plan that by 1972 is supposed to crisscross the nation with 41,000 miles of high-speed, limited-access expressways.

The subcommittee began its digging after the program had been going four years. It soon discovered that some parts of the big highway project were mired to the axels in mismanagement and in some cases fraud.

It is impossible to estimate how much money the subcommittee will save federal and state treasuries. But one subcommittee source says the savings already run well into the millions.

Waste Lessened

What is more important is the belief that from here on the amount of waste in the program will be lessened considerably.

"The greatest good we've done," said one subcommittee staff member, "is that we're in business and in the field. It has a deterrent effect."

The subcommittee is headed by Rep. John A. Blatnik, D-Minn. Its staff of 17 former FBI agents, ex-detectives, lawyers and secretaries has headquarters in the George Washington Inn, a ramshackle, white stucco building that has been taken over by Congress. It is marked for destruction. But meantime it is used for office space by several House subcommittees.

Money Involved

Huge amounts of money are involved in the highways investigation.

"Since the enactment of the Federal-Aid Highway Act of 1956 more than \$20 billion has been committed to highways projects in the United States," according to a committee report.

Of that total the Federal government has put up \$20.5 billion under formulas by which it supplies anywhere from 50 to 95 per cent of the funds. The states make up the difference.

During the next seven years the federal government will spend nearly \$27 billion more on the highway program. Most

of it will go toward completion of the interstate system, now targeted for completion in 1972 at a total of \$41 billion.

From the size of the money figures alone, it is apparent that there is much room for waste. But the possibility becomes even more likely when it is seen how thinly the supervision is spread.

While the federal government supplies the bulk of the money to finance the road work, almost all of the construction is supervised by the states. And the states, even more than the federal government, were totally unprepared for the avalanche of funds and road-building activities that overwhelmed them with the launching of the interstate system.

Poor Management

As a result, more money was spent than should have been on rights-of-way and construction. Usually this was because of sloppy management. Sometimes it was because of dishonesty.

In one state the investigators discovered that important field testing was not carried out because state employees were not qualified for the work. In several states it was found that the men who appraise rights-of-way lacked the necessary experience.

More glaring were the instances of corruption unearthed. There were payoffs to state inspectors who passed substandard work. There were private deals between appraisers and property owners.

The Blatnik investigators realized at the outset that they could not check the whole program. So they resorted to concentrate on categories, for example checking on right-of-way acquisition in two or three states. They did the same with other big expenditures in road construction.

Patterns Seen

They found that patterns existed. One report said: "In the subcommittee's hearings concerning the state of New Mexico the subcommittee found conditions in that state to be virtually a carbon copy of those previously exposed in Oklahoma and Florida."

In addition, it was found that "contractor influence" over the policies of the state highway department reached such a degree that there was evidence that one contractor was able to choose what engineer was assigned to his project.

The same report noted that the subcommittee uncovered a pattern in Massachusetts "similar to the one previously

disclosed in Florida in the matter of state disposition of improvements taken in connection with right-of-way acquired for federal aid projects."

Hearings Held

The subcommittee has held hearings on highway work in five states: Oklahoma, Florida, New Mexico, Massachusetts and West Virginia. A hearing on Arizona began April 30. Others can be expected. Here are the highlights of hearings already held:

Oklahoma — This was the first state investigation for the subcommittee staff. It chose for close scrutiny a section of the inter-state system known as the Skelly bypass at Tulsa. Looking into complaints of inferior construction it found that "controls were so lax that they were in fact almost non-existent in some phases and of questionable value in others." One expert witness said deficiencies in the road totaled \$524,000. The staff also found that a highway commissioner had a hidden interest in a subcontracting firm which reported above-average net profits.

Contractors Involved

Florida — Here the subcommittee concentrated on the relationship between contractors and state personnel. It found that supervisors "accepted tens of thousands of dollars in money and other things of value from contractors performing work under prime or subcontracts involving more than \$60 million worth of federal aid highway projects."

The subcommittee heard of one case in which the supervising state engineer on a \$6.2 million bridge project was paid more than \$3,000 for "professional services" by the contractor. "The end result," the subcommittee reported, "was a structure with decks so rough that the (Federal) Bureau of Public Roads and the state have been receiving complaints ever since the bridge was open to the traveling public."

Falls Apart

New Mexico — The investigators discovered conditions in this state "to be virtually a carbon copy of those in Oklahoma and Florida." In addition, it was found that "contractor influence" over the policies of the state highway department reached such a degree that there was evidence that one contractor was able to choose what engineer was assigned to his project.

The subcommittee thus described the state's most publicized road failure — "the highway literally fell apart at the very time the state was accepting it."

Massachusetts — This hearing exposed the state's right-of-way acquisition operation as pockmarked with incompetence and wrongdoing. Very few appraisers were qualified to do their job, and "the vast majority were employed on a temporary basis and obviously on the basis of the political strength they could command," the staff noted. "This was a situation of long standing and prevailed during both Democratic and Republican administrations." Hearings

showed that state negotiators were shaking down property owners by offering them a higher price for their property if they would pay part of the additional money to the employee. The staff also noted that up until 1958 the state's right-of-way engineer was an acknowledged expert who had set up excellent procedures. The difficulty, the subcommittee discovered, was that no one followed up to see that the procedures were carried out.

West Virginia — This, the most recent hearing completed, also concentrated on right-of-way acquisition. Here the investigators found that "purported appraisals were a con-

glomeration of deliberately distorted figures completely disregarding the essential and recognized approaches to determination of fair market value." Subcommittee members were critical of the fact that neither the state nor the bureau of public roads had done much about a 1959 bureau appraiser's report that described the West Virginia system as "without doubt the least efficient right-of-way operation I have ever encountered."

Subcommittee investigators are convinced that similar practices have existed in many other states. But at the same time they are not condemning all of them and acknowledge that there are good highway administrations.

In criticizing the manner in which Florida sold the homes that it obtained during right-of-way acquisitions, the subcommittee staff said the state's record "contrasted sharply with the experience of the federal government with the same problem in California." Through the resale procedure, California was able to pay back 6 per cent of the money the federal government invested in the state's rights-of-way, while the Florida return was less than 1/2 of 1 per cent.

Hearing Results

What have been the results of the hearings so far?

In all the states that the subcommittee looked into, action has been taken on a state level. Procedures have been tightened up, personnel replaced and in some cases reorganization has followed. There have also been state prosecutions but the most significant legal steps taken have been by the federal government.

The Justice department obtained indictments against 14 individuals and two corporations in connection with the administration of the Massachusetts highway program. All but one case has been heard and all of the defendants were convicted of either

perjury or conspiracy to defraud the government.

The department started its investigation before that of the Blatnik subcommittee but a Justice department official said the evidence turned up in the congressional probe was instrumental in winning convictions.

Hold Up Funds

The federal government is also holding up the payment of \$7 million to Massachusetts for property the state acquired in building highways. The bureau of public roads is with-

holding the funds until an independent firm reappraises the property.

In the bureau itself there have been some changes. Its supervisory branch has been beefed up and the bureau is demanding more substantiation from the states than it did in the past before it allocates funds. In addition, according to a subcommittee investigator, the "bureau's attitude has definitely changed." He said the bureau, originally dubious about the need for a broad inquiry, now is giving

the subcommittee the fullest cooperation and has shown that it wants "to put its house in order."

The most important result of the hearings, in the opinion of the staff, is the effect that it has had on the states that have not been studied.

"A lot of state officials have gotten out of their ivory towers," as one investigator said, "and have come to the conclusion that it could also happen in their states. They're going through a period of self-examination."



COMPANION—Del Davidson, a veteran of World War I and a victim of arthritis, has been confined to a wheelchair for about 13 years. A constant companion of Davidson's is "Blackie," a cocker spaniel who was abandoned as a puppy. The dog is always seen with Davidson, a companionship encouraged by the Southern Oregon Humane Society during Be Kind to Animals Week this week.

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