

MEDICARE AND MEDICAID FRAUDS

HEARING
BEFORE THE
SUBCOMMITTEE ON LONG-TERM CARE
OF THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
NINETY-FOURTH CONGRESS
FIRST SESSION

PART 3—WASHINGTON, D.C.

DECEMBER 5, 1975



NCJRS

JUN 26 1978

ACQUISITIONS

Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1976

Sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402 - Price \$1.40
Stock Number 052-070-03614-1

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Medicare and Medicaid Frauds:

Part 1. Washington, D.C., September 26, 1975.

Part 2. Washington, D.C., November 13, 1975.

Part 3. Washington, D.C., December 5, 1975.

Part 4. Washington, D.C., February 18, 1976.

(II)

CONTENTS

	Page
Opening statement by Senator Frank E. Moss, chairman.....	287
Statement by Senator Charles H. Percy.....	288
Statement by Senator Lawton Chiles.....	290

CHRONOLOGICAL LIST OF WITNESSES

Trainor, James L., director, Illinois Department of Public Aid, Springfield, Ill.....	291
Simon, John B., former special assistant to the director, Illinois Department of Public Aid, Springfield, Ill.....	324
Edelman, Joel, executive director, Illinois Legislative Advisory Committee on Public Aid; former director, Illinois Department of Public Aid.....	348
Moore, Donald Page, lawyer, Chicago, Ill.....	376

APPENDIXES

Appendix 1. Material sent to U.S. Department of Justice by Senator Frank E. Moss, chairman, Subcommittee on Long-Term Care, Senate Special Committee on Aging.....	387
Appendix 2. Telegrams and statements from individuals:	
Item 1. Telegram from James L. Trainor, director, Illinois Department of Public Aid, Springfield, Ill.; to Senator Frank E. Moss, dated November 14, 1975.....	404
Item 2. Telegram from John B. Simon, Chicago, Ill.; to Senator Frank E. Moss, dated November 14, 1975.....	404
Item 3. Statement of Richard Edward Dunn, investigator, Illinois Department of Law Enforcement.....	404
Item 4. Statement of Father George H. Clements, pastor, Holy Angels Church, Chicago, Ill.....	405

MEDICARE AND MEDICAID FRAUDS

FRIDAY, DECEMBER 5, 1975

U.S. SENATE,
SUBCOMMITTEE ON LONG-TERM CARE OF THE
SENATE SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 235, Russell Building, Hon. Frank E. Moss, chairman, presiding.

Present: Senators Moss, Chiles, Clark, and Percy.

Also present: Val J. Halamandaris, associate counsel; William A. Recktenwald and David L. Holton, investigators; Margaret Faye and Gerald Yea, minority professional staff members; Eugene Cummings, printing assistant; and Dona Daniel, assistant clerk.

OPENING STATEMENT BY SENATOR FRANK E. MOSS, CHAIRMAN

Senator Moss. The hearing will please come to order.

We would like to welcome here this morning, on behalf of the Subcommittee on Long-Term Care, all of those who have come to testify and to be in attendance as we continue our examination into the alleged medicare and medicaid abuse.

The purpose of this hearing is to allow the Honorable Daniel Walker, Governor of Illinois, or his representatives, to respond to charges of political interference in the operation of the Illinois welfare program. The charges were leveled under oath by Mr. John Goff, former section chief in the Illinois Department of Public Aid.

In his testimony, Mr. Goff charged in part that:

One: Political interference by Governor Walker in welfare administration. Goff was ordered not to cancel payments to 3,000 recipients who were fraudulently receiving aid in Chicago before the primary election. Goff was threatened with being fired if he canceled the cases before the election.

Two: Personnel of the Governor's office attempted to recruit staff of the IDPA to work in political campaigns in Chicago, in violation of the Hatch Act.

Three: The quality control sample submitted to HEW for January-June 1975 was altered to mark the number of ineligible recipients lower.

Four: The Illinois Department of Public Aid wasted one-quarter of a billion dollars in fiscal year 1975 in payments to ineligible persons.

Five: The director of the Illinois Department of Public Aid, James Trainor, told him not to share information with the U.S.

General Accounting Office, the Department of Agriculture, and other Federal agencies.

EFFORT MADE TO CORROBORATE ALLEGATIONS

Obviously, these are serious questions and the committee staff made an effort to corroborate much of Mr. Goff's testimony prior to recommending his appearance before the subcommittee. We insisted that Mr. Goff be placed under oath. Since receiving this testimony, Senator Percy and I have made every effort to give the Governor or his representatives an opportunity to respond to the charges. Our efforts to arrange a November 18 hearing failed because of a conflict with the Governor's schedule. We are more than happy to have Mr. Trainor and Mr. Simon here today to respond to Mr. Goff's charges.

Before we proceed, I want to make it clear that this is a Senate hearing and not a court of law. We seek to learn the facts. We seek to learn of problems in the operation of the Government health care programs, particularly as they relate to the elderly. Our goal is legislation which will bring about some improvement in the system and make quality health care a right for all Americans. I hope our witnesses will keep this thought in their minds today. I do not suggest that they fail to respond to the charges that have been made. A response is necessary and proper but, at the same time, we would particularly welcome comments on how the operation of the medicare and medicaid programs can be improved.

That will be the purpose of the hearing this morning, and we will try to stay close to that subject matter and deal with it succinctly.

Senator Percy, the ranking member of the minority on the subcommittee, I ask you if you have any opening comments.

STATEMENT BY SENATOR CHARLES H. PERCY

Senator Percy. Mr. Chairman, I have only this comment. In the years I have been on the Special Committee on Aging, we have never gotten into this kind of a situation. And the character of the subcommittee and the overall committee certainly is not changing.

We are not the Senate Permanent Subcommittee on Investigations. And I want to reiterate your words, Mr. Chairman: This is not a court of law.

The hearing today was arranged as a courtesy to the officials of the State of Illinois, against whom allegations have been made.

The presumption is that of innocence, unless and until proven guilty, and we do not have the facilities for doing that.

If there is conflicting testimony, and if, in the opinion of our respective counsels, that possibly constitutes the basis for perjury, then I think we have no recourse, other than to turn the matter over to the Department of Justice.

We do not have the facilities nor the intention to pursue it. Ours is a legislative intention: to develop legislation that will enable the Nation to better carry out the social welfare programs that are deemed necessary. We do have some oversight responsibility,

and it is in that capacity that we certainly want to move ahead, and be sure that programs are not abused. We also have the long-range responsibility as a Congress to see whether or not we can develop financially viable health insurance programs. In bringing out into the open abuses in a relatively small program which we now have on the books, we will hopefully find a better basis and better procedures for carrying out a larger scale program.

SERIOUS ALLEGATIONS MADE

But I think in retrospect, should we ever be faced with a situation like this again where we see serious allegations made against the character and reputation of a public official, or others, that it might be well to refer that testimony to those against whom allegations are made and to give them an opportunity to respond at the same hearing. Probably that is why, Mr. Chairman, both you and I were extremely anxious, when we heard these charges—to afford, on an emergency basis, an early opportunity for those against whom charges were made to respond. It was simply our inability to schedule a hearing at a mutually convenient time that caused this delay. But I would hope to have it clarified now that, in the future, it might be best in all fairness, to always have both sides of the story presented at the same time. But certainly time must be made available to those against whom allegations have been made so that they have every opportunity to respond to them.

I would suggest that all witnesses be placed under oath today, inasmuch as Mr. Goff was placed under oath.

Senator Moss. Thank you.

As the Senator will recall, we did arrange within the same week an emergency hearing for Governor Walker, and the Governor was unable to attend.

He called me on the telephone yesterday, the record should show, saying he would not be able to attend, but hoped we could hear others who work in his administration.

I told Governor Walker we wanted to afford him every opportunity to be here to respond, and we would be glad to hear his representatives if he was unable to come.

He will not be here today and, therefore, we will hear the witnesses whom he has designated to appear and testify.

[A letter from Gov. Dan Walker follows:]

STATE OF ILLINOIS,
OFFICE OF THE GOVERNOR,
Springfield, Ill., December 3, 1975.

HON. FRANK E. MOSS,
Chairman, Senate Special Committee on Aging, Subcommittee on Long-Term Care, Washington, D.C.

DEAR SENATOR MOSS: I am writing in response to your letter dated November 26, 1975. I am pleased that there will be a hearing on December 5 at which Mr. Trainor and Mr. Simon will testify to set the record straight.

It is unfortunate that Mr. Goff was allowed to testify without contacting my office. The charges leveled by Mr. Goff received widespread publicity. Nothing we can do now will undo the damage resulting from the charges.

Mr. Trainor and Mr. Simon will demonstrate the overall falsity of Mr. Goff's testimony. Mr. Goff testified to a conversation between him and Mr. Edelman in which, according to Mr. Goff, Mr. Edelman made certain statements about a conversation with me. Mr. Goff's testimony is, of course, hearsay insofar as it relates to me. To my knowledge, I have never met or talked to the man. I

never even heard his name until the day he testified before this committee. I categorically deny having any conversation with Mr. Edelman in which I gave him any order not to cancel ineligible cases and I categorically deny ever giving any such orders. In fact, I have devoted countless hours and have continuously urged responsible members of my administration to take all appropriate steps to eliminate welfare fraud.

I have not released this letter publicly. However, if you wish, I would be pleased to have it included in the record of the hearings on this matter.

Sincerely,

DAN WALKER, *Governor.*

Senator Moss. Senator Chiles?

STATEMENT BY SENATOR LAWTON CHILES

Senator CHILES. Mr. Chairman, I am delighted to hear the Chair and the ranking minority member say that they do not feel that this committee is a permanent investigative committee. I am glad to hear the chairman's remarks that we are concerned primarily with legislative changes.

I think the committee has been used to air charges—as serious as these were. As I read the charges that were made, I think there would be sufficient grounds for the impeachment of the Governor, if the Governor actually did try to keep people from being taken off the roles for political purposes. It seems to me, if charges this serious are going to be made in this committee, certainly an opportunity should have been afforded for response. I cannot understand—as a member of the committee, I certainly want to know when charges like that are going to be leveled against an elected official, and I think he certainly should be afforded an opportunity to answer those charges in the same hearing.

I read the headlines in the Washington paper the day after the first hearing, and those headlines were a couple of inches high. I could imagine what they were in the Illinois papers for those kinds of charges.

It seems to me, now that those charges have been leveled in the committee, to be kind of late to say we are just interested in legislation.

I also am a little bit concerned at what our Committee on Aging, and specifically our Subcommittee on Long-Term Care, is doing with what appears to me to have been welfare charges. It would seem to me that is not even in our jurisdiction. So I am going to listen with interest today as to what does come out. And I would hope that any time that charges are going to be leveled against an elected official of a State, that that elected official and his administration would have an opportunity to know in advance that we intend to put on witnesses that are going to make serious charges, and have an opportunity to respond at that hearing.

As I said, the headlines, regardless of what is said today, cannot be erased. I will bet there will not be a story on the front page of the "Washington Post" tomorrow about what is said today.

Senator PEROX. Mr. Chairman, possibly the general counsel would respond to Senator Chiles' question as to how we happened to get involved in matters of public aid.

Senator Moss. I don't know. It seems to me we are going very far afield. As a matter of fact, Governor Walker did know the night

before what was going to happen, and as a matter of fact, he did have a representative here.

Now, we were not at all trying to surprise any elected official. It is just that when we go into problems as we found in New York, where we had the speaker of the assembly before us there, when we find these situations do exist, and the witnesses come forward and they do testify under oath, there is no way we can shut his mouth right there and say: "No, you cannot testify now until we go and get the official."

Now, all of us are in a degree of peril, I guess, in holding public office, because it is news if something like that comes out. But I want to deny very vigorously that any effort was ever made to embarrass or to do anything against the régime in Illinois or in New York, or any of the other States in which we have held hearings.

MUST NOT PROFIT AT PUBLIC EXPENSE

I think it is rather well known that there are inequities that are going on within medicare and medicaid—which apply principally to the elderly—where many, many things are happening that need to be aired. We need legislation to try to form a system that will operate, so that those who choose to do so may not profit at public expense. That is the sole objective of this committee, and I do not think we should be quarreling internally about whether or not we found something or that we should stop there and go after something else.

We have tried to do our job, straight down the line, and that is what we have been doing right up to now.

Does the Senator from Iowa have anything to say?

Senator CLARK. I would simply join with you, Mr. Chairman, Senator Percy, and Senator Chiles, in saying that obviously it would be better to have the charges, and the rebuttals, insofar as either of those exist, as closely together as possible, and, if possible, I think in the same hearing. But serious charges have been made, and I look forward to what the witnesses have to say today.

Senator MOSS. Thank you.

The witnesses we have before us this morning will be seated at the table where the microphone is situated.

Our first witness will be Mr. James L. Trainor, director, Illinois Department of Public Aid, Springfield, Ill.

Mr. Trainor, will you raise your right hand?

Do you solemnly swear the evidence you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. TRAINOR. I do.

Senator MOSS. You may proceed.

STATEMENT OF JAMES L. TRAINOR, DIRECTOR, ILLINOIS DEPARTMENT OF PUBLIC AID, SPRINGFIELD, ILL.

Mr. TRAINOR. Mr. Chairman, members of the subcommittee. I want to thank you for arranging this hearing so we could respond to the allegations that were made on November 13.

Perhaps before I start my statement, it would be valuable for you to understand a little bit of my background.

I am a 1957 graduate of the U.S. Military Academy. I worked for the National Aeronautics and Space Administration. I was special assistant to Mayor Jerome P. Cavanagh and worked for his successor.

I worked for the city of Detroit as director of commercial and industrial development and I was also the executive director for the Southeast Michigan Counsel of Governments.

I came to Illinois in July 1974, and became director of the Illinois Department of Public Aid on August 14, 1974. I was confirmed by the Illinois Senate by a vote of 52 to 0 earlier this year.

This morning I would like to review with you the status of the department's increasingly effective efforts to police the medical assistance program in Illinois. Following that, I would ask the committee's indulgence to reply to the false testimony that was given on November 13, 1975, by Mr. John Goff, an ex-employee of the department.

In August of 1974, when I became director of the department, Gov. Dan Walker emphasized his two goals for the Department of Public Aid: To provide prompt payments, support, and services to eligible recipients, and to eliminate waste and fraud on the part of both recipients and medical vendors.

Upon assuming the job, it was immediately apparent that little had been done to develop systematic methods to determine the validity of payments to medical vendors of the department. It was also apparent that there was little coordination among the State agencies who were attempting to investigate various aspects of the medicaid program.

MEDICAL PAYMENTS TASK FORCE

In order to resolve the latter problem, Gov. Dan Walker established a medical payments task force under the direction of Mr. Donald Page Moore, head of the office of special investigations within the State. To staff the task force, auditors were borrowed from the department of revenue and investigators from the Illinois Bureau of Investigation and the State Police. Employees of the department of public aid were also assigned to the task force.

Recognizing that this initiative would require an outstanding individual to direct the day-to-day activities of the task force, the department of public aid employed, under contract, Mr. John Simon. Mr. Simon's qualifications are above reproach. Of particular value to the State was his 7 years of experience as an assistant U.S. attorney for the northern district of the State of Illinois. Since I understand Mr. Moore and Mr. Simon will offer their own statements to the committee. I would like to cover some of the achievements of the Illinois Department of Public Aid in the last year.

From the beginning, the medical payments task force was recognized as a special effort—an effort that could not be sustained indefinitely. Therefore, almost from the day the task force became operational, there were discussions among myself, the deputy director for medical programs for the department, Thomas P. Storer, and Mr. Simon, on ways in which the task force work could be

"institutionalized" within public aid to provide an ongoing and effective means of discovering vendor irregularities and taking corrective action against them. What evolved from this process was, among other things, the bureau of medical audits and review. This unit consists of auditors who conduct onsite reviews of vendor records in order to determine whether the department received value for the money which it has expended. Also, within this bureau, is a medical analysis unit whose job it is to continuously develop more sophisticated, computer-based analysis systems through which we can enlarge the scope of our examinations into potential medicaid irregularities.

In the period of time in which we have been functioning, we have examined by computer the payment patterns of 2,400 providers who, over an 18-month period—July 1, 1973, to December 31, 1974—were paid \$78 million by the department; 1,510 of those providers, based upon computer analysis, have been asked to repay to the department a total of \$690,000. Seventy-three others have been referred for detailed field audit as a result of the initial computer review. As of October 31, 1975, 10 audits have been completed.

In addition, the department has developed the capability to audit medical laboratories and, again based on computer analysis, 18 laboratories have been referred for audit and 4 audits have been completed by October 31, 1975. Overall, as of November 11, 1975, the department has asked for repayment of \$1,329,770 from medical providers. Of that, \$625,000 has already been paid to the department either by check or by future credits against billings.

Since January 1975, we have opened 10 investigations with respect to medical-vendor fraud. Two have been closed with an indication of no irregularities. The other investigations are being actively pursued at this moment and it appears that investigative matter will be turned over to the State's attorney or the attorney general with respect to at least six of these investigations.

Twelve medical-vendor fraud investigations carried over from 1974 are under active investigation. Six cases were referred to the U.S. attorney in early 1975; he retained three, and evidence has been presented to a Federal grand jury for prosecution purposes in a rapidly expanding probe of fraudulent medical practices. Three of the six cases have been returned to our bureau of special investigations for further investigation and development of leads.

COMPUTERIZED AUDIT DEVELOPED

We have developed a computerized audit package which will enable us to examine pharmacies being paid by the department. In addition, we will be able to examine patterns of drug usage on the part of recipients in detail. In my opinion, the drug audit system offers the most significant advance for the department of anything that we have done over the last year. It is part of the surveillance and utilization review system for the medicaid management information system which will be operational early next year, beginning in April 1976.

One of the most persistent and significant difficulties in effectively monitoring providers of service to the department is in enlisting

the cooperation of professional associations with the department in policing that particular profession. While in the past it has, on occasion, been difficult to obtain that cooperation, it now appears there is a general recognition by the provider community that their own interests are being served by cooperating with the department in weeding out people who should not be receiving money from the State for Medicaid.

As a result of the audit analysis system which is now operational, we have identified a number of providers who are scheduled for peer review on December 13, 1975. This peer review process will be an ongoing, cooperative effort on the part of the department and the medical profession. In addition, based on the department's analyses and, in some cases, field audits, four laboratories are under investigation for what appears to be fraud against the department.

SURVEILLANCE AND UTILIZATION SYSTEM

This has been a brief summary of what has been a monumental task—the development of a surveillance and utilization system in a department which had none just a year ago. While no one is satisfied with the results so far, least of all myself, I do believe that, in a very short time, the State of Illinois has acted to correct many of the problems with which it was plagued just a year ago. This is a tribute to the task force and to members of the department.

I would now like to address the false testimony of Mr. John Goff on November 13, 1975, before this committee.

The most serious charge made by Mr. Goff was that, on my orders, the department failed to cooperate with, or withheld information from, the U.S. Government Accounting Office, the Department of Health, Education, and Welfare, and the Department of Agriculture. This is totally and completely false. If there were a stronger way of saying it, I would do so, but to emphasize the point, let me repeat my statement—Mr. Goff's testimony was totally false and totally without merit.

In fact, an examination of the time period August 1974 until now, by GAO or any other group, will show a consistent willingness to share information with any agency which had a proper interest in such information. That cooperation will continue as long as I am director of the department.

In addition to the GAO, Mr. Simon, myself, members of the task force, and other members of the department—in the 6 months between September 1974 and March 1975—shared information with the U.S. attorney, James R. Thompson, members of his staff, the Department of Justice, the Organized Crime Strike Force, the FBI, HEW, the State Department, the DEA, and staff of the Senate Finance Committee. Within the State of Illinois, we met with members of the attorney general's staff and with the State's attorney in Cook County.

CONTACTS WITH GAO

The department's cooperation with the GAO is indicated by the fact that between September 9, 1974, and February 25, 1975, John Simon had 26 contacts with the GAO staff on 21 separate days.

These ranged from telephone conversations to meetings of 3 and 4 hours. In addition, I met with GAO formally on two occasions and informally much more often.

One such meeting in late 1974 was called at my insistence to inform the GAO auditors of the department's detailed plans to internalize the Medicaid task force. During that meeting, the progress of the task force to date was reviewed, the status of the computer run was discussed, and the means by which we would insure continuation of the work of the task force within the department structure were outlined.

Again on February 25, 1975, Mr. Simon and myself met in Washington to discuss with the GAO the findings of the task force and the department's plans for continuation of that work. Mr. Simon had already gone over much of this material the day before with GAO. The combination of those 2 days totaled 9½ hours of meetings and conferences with GAO officials on the work of the task force. All of this information, plus much more detail on individual contacts GAO had within the department, is readily available from the auditors who conducted the investigation.

Finally, I would ask this committee to weigh its knowledge of the competence of the GAO in the work that it has done for Congress over the years and balance that against the unsubstantiated and false charges of one witness.

FRAUD CHARGES DENIED

Charges that the GAO auditors were not allowed access to computer programs that purportedly would have shown them widespread fraud in Illinois are also false. Each of the programs that were developed by the department were discussed with GAO as well as the results that we hoped to achieve. The following statement from an individual who developed most of our computer programs tells what actually happened.

During the period of the General Accounting Office (GAO) audit, I was supervisor of the technical support unit. This unit had the responsibility of developing and coordinating all computer systems for the Bureau of Quality Control. One such computer system was developed at the request of the Governor's Medical Task Force; its purpose being to select medical providers for audit and investigation through use of provider statistics. The unit had developed nine computer listings to accomplish this purpose by the time of GAO's arrival. Each listing was open to review by the General Accounting Office representative, Mr. Cliff Melby. Mr. Melby was given an orientation, during which listings were taken from the storage cabinet, exhibited, and explained. The listings exhibited included: the vendor interrelated provider program (030), the potential duplicates for select vendors (002, 005, 003), the analysis of vendor drug dispensing program, the downstate drug abuse program, and the factor non-factor comparison program. Other computer listings in the possession of technical support could be accessed by Mr. Melby at any time; however, they were not part of the presentation as I believed they were failures. These listings all had either some defect with the logic or production.

Subsequently, other computer listings have been developed. These listings were labeled the 500 series.

Report 1 (505) calculates the distribution of a specific provider for the most common procedures; if the provider's procedures exceed group norms, an exception utilization indicator appears.

Report 2 (510) enforces the procedure code definition with relation to time parameters.

Report 3 (515) checks for multiple "ectomies" or amputations.

Report 4 (520) scans a physician's record to assure the department payment for postoperative procedures has not been made.

It must be noted that the 500 series of computer printouts was not totally developed or programmed until the end of April 1975. These listings presently comprise the core of the department's interim surveillance and utilization review program.

In addition, Mr. Simon reviewed with Mr. Cliff Melby, of GAO, all of the computer programs that were under development or which had been developed. He explained the purpose of the program, what he had hoped to achieve, and cited examples of the results. In instances in which a program was not effective, the reasons for its failure were also discussed with Mr. Melby. Finally, the 500 series runs, while they were not fully operational until April 1975, were discussed with GAO by Mr. Simon under their generic title, "The Utilization Exceptions Listing."

Mr. Goff's statement that "The Federal quality control sample for the January to June 1975 period was altered" is totally false. In the first place, his testimony is based upon snatches of information which he has distorted in his own mind—a commonplace in his testimony. By that time he had already left the agency. The situation that actually occurred involved a disagreement between the Illinois Department of Public Aid and the Regional Office of the Department of Health, Education, and Welfare on what was required to complete the sample for that period.

"HONEST DIFFERENCE OF OPINION"

Federal regulations require that public aid complete quality control reviews of 1,200 cases during each 6-month period. Because some of the cases are no longer on the rolls by the time the review is made, a larger sample is normally required. During the period January through June 1975, the department reviewed more than the 1,200 cases required. We informed HEW that our interpretation of their regulations required that we submit only the 1,200 cases reviewed, plus the cases that were dropped. HEW contended that we had to submit the entire sample, even though it was an excess of their review requirements. This was an honest difference of opinion between the department of public aid and HEW on interpretation of quality control policy. HEW subsequently determined that we should submit our entire case sample, which we did.

As a result of Mr. Goff's allegation, one of the participants in this dispute was recently quoted in a Chicago newspaper as charging that public aid officials "purposely misunderstood" Federal guidelines in submitting samples of welfare recipients to HEW. Based on that article, the individual involved sent a letter to the city editor of that newspaper in which she said the following:

The Saturday, November 15, 1975, issue of the Chicago Tribune carried an article which used my name and contained statements which are misleading—and she had attached a copy of the article—

I did not make the statements attributed to me in your newspaper.

The subject relates to a quality control process which is very complex. During the completion of the State's recent quality control sampling of welfare

recipients under the aid to dependent children program, the Illinois Department of Public Aid (IDPA) disagreed with our interpretation as to the number of cases to be submitted to the Federal agency.

Through discussions with IDPA staff, this issue was resolved to the satisfaction of HEW, and all sample cases were submitted.

May I request that action be taken to correct the erroneous impressions made in the November 15 article?

In other words, on transcript pages 71 and 72 of his testimony, John Goff lied when he said the quality control cases "were not given to the HEW office."

In addition, in an August 27, 1975, letter to me as director of the department of public aid, the Acting Regional Commissioner of SRS indicated HEW's overall satisfaction with the State's quality control and corrective action process.

Specifically, the Regional Commissioner stated:

The agency maintains an independent bureau of quality control, containing an efficiently managed quality control unit. This staff is sufficiently trained and experienced in conducting investigative reviews and knowledgeable in application of State policy.

The statistical capabilities of the State agency are more than sufficient, as exemplified by the quality of sampling techniques and data analysis.

From these comments, I think that the committee must reject as false the allegation that the department "deliberately misunderstood" quality control regulations. It is simply not true, and is in total variance with the memories of all direct participants in those particular discussions.

One of the difficulties with Mr. Goff's testimony is trying to inject reality and rationality into his statements. Nothing is more typical of this problem than his allegation that he was instructed not to share any specific or technical information with U.S. Department of Agriculture auditors who were attempting to audit the Illinois food stamp program.

ALLEGATIONS DIFFICULT TO UNDERSTAND

Therefore, it has been particularly difficult to understand sufficiently what he is talking about, in order to make an intelligent reply. However, the department did contact the Regional Director of the U.S. Department of Agriculture in an attempt to determine if there were any instances in which they felt that we had obstructed their progress in auditing the Illinois food stamp program. In response, the Regional Director, Dennis M. Doyle, was provided me with this statement on the cooperation of public aid with the Department of Agriculture:

This is in response to an inquiry from a member of your staff this date (November 18, 1975) concerning possible refusal by State personnel to provide information in connection with audits of the food stamp program in Illinois.

We consulted our Regional Office of Audit to determine if there were any problems. That office assured us that they have never been refused access to records when requested. Likewise, our office has not been denied access to records in connection with enforcement of food stamp program regulations and instructions.

In a further attempt to discredit the department, Mr. Goff claims that regional audit staff from HEW were denied specific informa-

tion, based on my orders. Interestingly, he expressed puzzlement that they "went away and never requested any more information." The reason for his puzzlement is not hard to determine. Mr. Goff did not know that, in fact, HEW was continuously and fully informed of the activities of the medicaid task force, and was furnished with any and all information which they requested and they took advantage of our efforts to cooperate by requesting a report on computer utilization which we furnished to HEW auditors on January 10, 1975.

This fact can be easily verified by discussions with the Regional Director of region 5 of HEW. In addition to other contacts, on two different occasions, November 27, 1974, and February 14, 1975, Mr. Simon, who was managing the medicaid task force, and I met with HEW regional officials in their offices to discuss the progress of their investigations, and to report completely on the progress that we were making. We shared with them our activities, and to the extent they felt they could, they covered what they were doing with their audits. Again, rather than a lack of cooperation, we actively sought to share our progress and our knowledge with all involved Federal officials. Again Mr. Goff lied on transcript page 42 when he claims we did not cooperate with HEW.

REASON FOR RESIGNATION QUESTIONED

While I have no direct knowledge—and neither does Mr. Goff—of the incident referred to by Mr. Goff concerning Barbara Wright and Richard Dunn, I would point out that the testimony, from what knowledge I do have, is not correct. The implication of the testimony was that, because of the "threat," Mrs. Wright resigned and left the State. This is simply not the truth. When I became the director of public aid in August 1974, Mrs. Wright informed me that she intended to resign and, in fact, on September 18, 1974, she submitted a formal letter of resignation which would be effective November 20. My understanding was that she had already decided to accept a position in Washington, D.C., effective December 27, 1974. Therefore, there would appear to be no connection between the conversation reported by Mr. Goff and Mrs. Wright's resignation which took place months before the supposed Dunn-Wright conversation.

In discussing John Simon's salary, the statement was made that Mr. Simon was paid over \$100,000 for his work on the task force. This is also untrue. Mr. Simon was paid a maximum of \$52,000 at a billing rate of \$50 per hour and, in fact, he worked more hours than those for which he was paid. Mr. Simon was employed not for 10 or 11 months, but for 6 months.

In his testimony, Mr. Goff related an incident of alleged political recruitment of staff. The implication clearly left in Mr. Goff's testimony was that, while he reported the situation his immediate supervisor, nothing was done about it, and that the employees subsequently involved themselves in political activity. In fact, when Mr. Goff's supervisor was informed on February 21, 1975, he immediately telephoned me and related the information from

Mr. Goff. I directed that Mr. Goff's supervisor explain the rules about political activity and the consequences of breaking those rules to the employees involved. My instructions were carried out that same day. Subsequently, we checked payroll records and found that the employees in question were recorded present each day for the 3-week period following the February 21, 1975, incident. Therefore, it would be totally improper to indicate that no action was taken, or that, in fact, those employees engaged in political activities while employed by the department, or used any of their "sick" time for such activity.

Any such political activities would be in direct violation of the Governor's Executive Order No. 3, issued on February 8, 1973. In that order, the Governor forbids any employee from asking or requiring "any other employee, whether in an exempt or nonexempt position, to do political work."

One of the vicious falsehoods in Mr. Goff's testimony is the allegation that Donald Page Moore, an anonymous member of the Office of Special Investigations, and I blocked his attempt to investigate "certain individuals" who had more "significant contributions" to Donald Page Moore's political campaign for State's attorney in Chicago. Mr. Moore will be able to defend himself with regard to those charges. However, my involvement is of importance to the committee's understanding of the type of unsettled and confused individual with whom we are dealing in Mr. Goff.

"UNAUTHORIZED" INVESTIGATION CONDUCTED

In November 1974, it became apparent to Mr. Simon and me that Mr. Goff was neglecting his duties in developing computer programs for the task force. Subsequently, we discovered that Mr. Goff had decided to conduct his own unauthorized investigation of an exemployee of the department, and a responsible and respected resident of the city of Chicago. In order to do this, he enlisted members of his staff to conduct a surveillance of the residence of the exemployee. At about the same time, Mr. Goff decided that he needed information from the State Department of Banks and Trusts in order to determine what he felt might be improper relationships between the board of directors of a bank and individuals doing business with the department. Although he contends that "in his 10-second conversation" I authorized him to do this, I do not ever recall having done so. But, based upon his desire to obtain such information, he represented to an attorney on my staff and to my secretary that I had authorized this action, and by such means obtained a letter with my signature that was intended to give him access to the department of banks and trusts. As soon as I discovered what had happened, I informed Mr. Goff that his action had been unauthorized, and made the following comment:

While I highly regard the use of initiative, it must be channeled within a proper administrative framework. Pursuing rumors is to no advantage, especially where it takes attention away from the development of investigative techniques, and the pursuit of specific cases in which fraud is strongly indicated. I, as well as you, am greatly interested in protecting "... the integrity of the State government in Illinois." No one in IDAP will be diverted from that

goal. However, that goal is not attained by escaping administrative channels in order to obtain confidential information for which no specific need is shown. Provide the basis for that need, and I will be happy to oblige your request. The basis must be facts, and data, and their source, together with a justification and rationale for the obtaining of whatever information you seek.

Mr. Goff's reply is interesting, and provides, I believe, an insight into his true thinking at the time, rather than his recollection of events 10 months after the fact. He said:

I received, reviewed, and am responding to your December 20, 1974, memorandum concerning my section's request for information from banks and trusts commission. My confidence in your leadership ability and fairness was reaffirmed by your memorandum. You questioned only my judgment in a particular set of circumstances, in fair and straightforward language, not my overall management ability, my loyalty to this agency or yourself, nor my desire to help bring management techniques into common usage in the department of public aid; I sincerely thank you for that.

DOCUMENTS SUBMITTED TO U.S. ATTORNEY

This, however, did not end Mr. Goff's questionable activities, nor his proclivity to pursue his own concept of reality. In January 1975, John Simon and I became aware that Mr. Goff had assembled the material that had been collected from his unauthorized surveillance activities. We demanded he submit that documentation to us. He did. After reviewing the material, I felt that it should be transmitted to appropriate law enforcement officials, and I so informed Mr. Goff personally and by memorandum of January 14, 1975. At that time, I told him:

I cannot condone, nor will I condone, the actions you have taken in this regard. However, because of the potential importance of the allegations or innuendos contained in the material which you submitted with your memo, I do agree with you and with your staff that they should be turned over to the proper State or Federal authorities. Therefore, today, January 14, I have directed that all the material which you furnished me be turned over to the U.S. attorney in Chicago with the request that it be investigated and, if appropriate, presented to a grand jury.

In a letter to U.S. Attorney James T. Thompson on the same day, I suggested that—

... any necessary amplification of the information in the reports be obtained from employees who undertook preparation of the reports. You are assured of the complete cooperation of the Illinois Department of Public Aid in this matter.

We received a signed receipt from an assistant U.S. attorney, Thomas P. Johnson, of the material, which he accepted. In order to preclude any subsequent allegations that either I or Mr. Simon had removed any of the material given to us by Mr. Goff, Mr. Simon informed Mr. Goff on January 24, 1975, that:

the information he—Goff—supplied, while consisting of Xerox copies, had original typewritten letters upon them, and that certain of the items contained deletions.

I told Mr. Goff that the items containing deletions were appendix 19, appendix 24, appendix 26, and appendix 27. Mr. Goff expressed concern over this, and I informed him that I was certain that since the items which I had had the original typewritten letters on them, I assumed that they were received from him in

that condition, but that he should check each of these items, and if he desired, forward them directly to the U.S. attorney, with a copy to us, or to provide the material to us and that we would forward it to the U.S. attorney. Mr. Goff said that he would look into the matter.

Subsequently, I received a letter from Mr. Thomas P. Johnson, assistant U.S. attorney from the northern district of Illinois, in which he said:

We have reviewed this material and have concluded that the allegations contained therein do not warrant investigation by our office at this time.

Thus, as you can see, there was no "coverup," no obstruction of justice, no attempt to deceive or withhold—and Mr. Goff knew this. On January 14, I told him in writing, and on January 24, he personally thanked John Simon for forwarding the material to the U.S. attorney.

Therefore, Mr. Goff lied on transcript page 76 when he says that he does not know, "if that has been referred."

One of the more bizarre comments in the testimony of November 13 was the assertion that factoring firms received a much higher degree of special treatment than non-factors. What makes this a surprising statement is that Mr. Goff participated in the development of a special program which examined just that question. Both the task force and I had persistently heard that allegation, and attempted to determine if it were true.

LITTLE DIFFERENCE SHOWN

In order to verify it, we developed a computer program which identified factoring companies along with all other providers for the period February through August 1974. The results were rather surprising. They showed no measurable difference in the number of bills submitted by individual providers and those submitted by factoring companies. They also showed that the interval between the date of service and the date of processing a bill for an individual provider was slightly shorter than that of bills submitted by factoring companies.

While factoring companies received a slightly higher percentage of payment in relation to the amount billed the individual providers—3 percent higher or 74 cents on the dollar received by factoring companies as compared to 71 cents received by individual providers—factoring companies experienced 20 percent more of the bills submitted by individual providers. The results of this analysis belied the common assumption that factoring companies received special treatment from IDPA.

From this analysis, you can see that just the opposite conclusion was reached from that put forward by Mr. Goff, and let me remind you again that Mr. Goff participated in the development of this specific program. Thus, I cannot account for his statements before this committee or for his assertion that factoring firms received one-third higher amounts of these overrides than did nonfactors. The actual figure on override codes was only 2 percent higher.

On transcript page 39 and again on pages 50 and 51, John Goff charges that my predecessor ordered him not to cancel over

3,000 ineligible cases, "until after the primary election being held next week." This order supposedly came directly from Gov. Dan Walker.

In reviewing the documentation of the income verification program during that period—February 1974—I find nothing to support Mr. Goff's charge.

Quite the reverse. Recipient checks for the 3,000 cases in question were held, not mailed, until the department could verify the eligibility of the clients.

Not a single dollar, certainly not \$100,000, was lost by the State or Federal Government under this procedure.

The reason for withholding checks and verifying eligibility was expressed by the then-Director Joel Edelman in a press release:

We are concerned about why families have not reported to public aid offices if they have not received their checks. If they know they are no longer eligible for assistance, that is one matter. But we want to be absolutely certain needy families do not suffer because of some misunderstanding about what is required.

CASE SAMPLINGS AND "HOTLINES" INSTITUTED

Three telephone "hotlines" were set up to answer questions about the income reporting form. In addition, a sample number of cases were visited to determine why the forms were not returned.

All of this stemmed from the concern of the Governor, Director Edelman, and Father George Clements, pastor of Holy Angels Church in Chicago, that welfare clients not suffer because they did not understand the form or never received it. Father Clements' recollections of this incident are attached.*

The point is clear. Concern for human beings, not politics, motivated all three men. Also, there was no whispered order from the Governor, but rather a press release from the department appealing to community groups, welfare rights groups, clergy, and everyone else to assist in preventing hardship to welfare recipients who were not receiving their checks.

Parenthetically, the Federal district court in Illinois on August 1, 1975, ruled that nonreturn of the income-verification form is not sufficient reason to cancel a recipient's grant. The client's eligibility must be verified.

John Goff knew all of this. And he also knew no money was lost because of this procedure. Yet, in his mind, due process and the rights of others, are unimportant. Fortunately, Father Clements, Joel Edelman, and Governor Walker did not, and do not, believe as he did.

On transcript page 39, Goff states Joel Edelman resigned "several weeks later." Perhaps, in Mr. Goff's world, it was several weeks later. In fact, it was 6 months after these events.

Again, I submit that Mr. Goff purposely misled this committee by completely distorting the truth surrounding the February 1974 income verification program.

It is essential, I believe, for the committee to understand with what kind of individual we are dealing. For this reason, I want

*See appendix 2, Item 4, p. 405.

to cover some of the events that have taken place since his testimony on November 21, 1975. We discovered that Mr. Goff was suborning employees of the department of public aid. He was seeking highly confidential computer runs, analyses, and reports on medical vendors which are under examination by the department. Several employees may have cooperated with him.

I use the word "may" because, in spite of this intolerable situation, the department has suspended its internal investigation. The U.S. attorney for the southern district has informed us that he does not wish Public Aid to pursue the matter. While I find this request objectionable we will honor it.

POLICE PROTECTION PROVIDED

One other factor is important in this regard. The person who provided the information concerning Mr. Goff's subornation was so fearful of physical attack by Mr. Goff that police protection had to be provided.

I wish to thank the committee for the opportunity afforded to me to refute the charges made on November 13, 1975, by Mr. Goff and the opportunity to tell you a little bit about what we have been trying to do to improve our surveillance of medical providers of service. More has been done over the past year than ever before in the State of Illinois. Our progress has been examined by Government agencies, and has been found to be significant. Future programs will make the department even more effective in monitoring the medicaid program.

Therefore, I welcome any examination by GAO of our activities because I firmly believe that while we have a long way to go, we can be extremely proud of what has been built over the last year.

The only remaining question is the motivation that might have prompted Mr. Goff's testimony. I cannot even speculate on what that might be.

However, I would like to quote from a memorandum that Mr. Goff sent to me early this year. In reviewing the alternatives for a decision, he said:

If the banks are not reviewed and a subsequent review in the coming months shows them to be conducting, or at one point in time to have conducted, illegal activities, then the question is immediately raised in the minds of the citizens of this State, and perhaps in other States: "Why was not this review conducted by the acting director or the Governor at the time when significant questions were raised concerning the banks activities?" The press can then bally-hoo such terms as "cover-up," "conspiracy," "obstruction of justice," etc., against the agency, my section, yourself, and the Governor. While the charges would be ridiculous, it would weaken the Governor's position and would further lessen the confidence of the citizens in the governmental institutions of this State.

I agree with the statement that the charges would be ridiculous but I would submit that perhaps this is the scenario that Mr. Goff has chosen to follow.

No one covered anything up. We cooperated in every way with all Federal agencies, and particularly with the U.S. Government Accounting Office and with the Department of Health, Education, and Welfare. John Goff has lied to this committee, under oath, both in general and on specifics.

Thank you, Mr. Chairman.

Senator Moss. Thank you for your statement. We appreciate your coming and presenting to the committee your position, and we are anxious of course to get everything on the record that we can.

You have challenged categorically many of the things that Mr. Goff said under oath before this subcommittee and, therefore, that presents us with a direct conflict, of sorts.

On page 5 of your prepared testimony, Mr. Trainor, you stated in the past it has been difficult at times to get cooperation from professional associations.

I wonder if you could tell us what took place in the November 1974 meeting that you had with the Illinois Medical Society Advisory Committee, through the department of public aid?

As we all know, this is a panel made up of physicians who are members of the Illinois State Medical Society.

I have here the October 16, 1975, testimony of Dr. George Mitchell, who appeared before the Illinois Legislative Advisory Committee, and I would like to read you a little section from his testimony to get your reaction, and I quote:

Over the years, this committee has responded to the department's request to look into questionable practices of physicians and to make recommendations. They also advised in other matters regarding services provided to recipients.

Their investigations were always conducted thoroughly and fairly. If there was any question whatever, the committee recommended immediate corrective action. In many instances physicians were denied payments, removed from the program, or required to make restitution to the State of Illinois on recommendation from this committee.

In other words, the Medical Advisory Committee was an effective, hardworking committee which enjoyed a good working relationship with IDPA—that is, until its November 1974 meeting. At that meeting, the newly appointed director, Mr. James Trainor, threw the committee into a turmoil . . . and rendered it a useless, ineffective, do-nothing group. Here's why!

UNUSUALLY LARGE BILLINGS

Prior to this meeting, the committee had conducted in-depth investigations into the practice of 35 physicians who had billed the department for unusually large sums of money. This investigation was done at the request of the previous director of IDPA. Twenty-five physicians—in teams of two—had visited the office of each high-volume doctor, observed his practice, reviewed his records, and questioned him thoroughly about his practice.

The primary purpose of the November meeting was to discuss the findings and to make recommendations to the department.

The first case was presented to the committee and—after full discussion—a motion was made and seconded to withhold payments from this doctor until it could be determined by the department whether or not he had performed the services for which he had billed.

At this point, the director interceded and stated that he was not going to permit this. The members of the committee were stunned; the chairman pointed out that this had been the practice in the past. Furthermore, this was only a recommendation. It would be entirely up to the department to take any action it deemed necessary. The director said he would not even permit the committee to make such recommendations because it constituted a denial of the judicial process to the doctor concerned. The director's attorney, who also was present, concurred. I then asked the director what the purpose of the committee was. His reply was: "When I need advice on medical matters, I will call on you." With this we adjourned. No further meetings were scheduled for this committee.

It is my understanding that the director dissolved the committee or just let it fade into the sunset.

In the spring of 1975, I was advised that the director was planning to reconstitute the committee—not with candidates nominated by the Illinois State Medical Society as was customary in the past, but from a list of 30 names he had solicited from the former committee chairman.

Could you respond to that?

I have here the 35 cases* which we received from the advisory committee. Why did you refuse to allow the committee even to make recommendations for disciplinary action by the department? Why did you not follow up when the medical society did its work for you, and handed you 35 cases of possible fraud committed by its own members?

Mr. TRAINOR. To answer your first question, Senator Moss: I would submit that those 35 documents that you have in your hand and which I have personally read, although it is now about a year ago since I have, do not provide an adequate basis for taking action.

One of the problems that the department has had, and we were very much aware of, is that it had no system of administrator review—no due process for providers against whom it was taking action.

NO LEGAL BASIS FOR CHALLENGE

It would take an arbitrary action based upon its own reading of the circumstances involved, and what would happen was the minute there was a challenge, the minute it was challenged in court, the minute an attorney came in and asked on what basis I made this judgment, and what are my remedies—there were none; and those recommendations are not in a condition to provide a valid basis upon which a responsible official can act. They just are not.

We have now rules and regulations; we have processes and, parenthetically, they were supposed to have reviewed all 200 of the high-volume providers—in fact, they reviewed 35. And if you examine those documents you will see they vary in quality tremendously and I submit to you that it was not the reluctance to use the medical profession, it was a reluctance not to penalize providers who had done no legal wrong at that point without giving them some administrative due process prior to such action.

My position, sir, is set out in a letter** to the chairman of that committee. I believe the date of that letter is November 16, 1974.

I will be glad to furnish it to the committee. Dr. Mitchell's recollections of that meeting are not my recollections, and the attorney he refers to is Mr. Simon and he is in the room.

Senator Moss. It seems to me passing strange that this committee made up of medical practitioners, chosen by the Illinois Medical Association, which had been doing this sort of investigation heretofore, on the very first meeting that you have with them, they present to you some cases and you simply say that you are not going to do anything with those cases. In effect, you indicated the committee was not going to continue any longer and, indeed, it was not re-appointed; is that right?

Mr. TRAINOR. In the first place, this meeting was not the first one, and it was not the first time I had seen those cases.

* Retained in subcommittee files.
** Not received at time of publication.

I had seen those cases earlier, perhaps as early as October.

I could refresh my memory on that, but we had reviewed those cases and we had reviewed what had been done, and we had reviewed the recommendations. As far as a pattern of operation of the advisory committee in the past, I would be happy to furnish this committee detailed minutes of what actions they actually had taken over the past years and, in fact, what specific actions they were recommending on some of those cases—some of which was that there be no action.

Senator Moss. The testimony that I read to you is:

At this point, the Director interceded, and stated he was not going to permit this, and the members of the committee were stunned.

"DENIAL OF JUDICIAL PROCESS"

The chairman pointed out that this had been the practice in the past. Furthermore, this was only a recommendation, and it would be entirely up to the department to take the action deemed necessary. The director said he would not even permit the committee to make such recommendations, because it constituted denial of judicial process to the doctor concerned.

Now, I have one of those reports here, signed by a medical practitioner, who is one of the two on the team that went to see the functions of Dr. Arturo Del Real. The question is: "Why does Dr. Del Real, with a large practice at 3810 Broadway, have another office so far away at 63d Street, with a correspondent, a heavy office practice? Why does Dr. Real pay such a large surgical insurance premium to do 10 tonsillectomies in 1973? The cost of malpractice insurance exceeds the income from the 10 tonsillectomies.

Is that not a matter to be looked into by the department?

Mr. TRAINOR. Yes, and it was, but it was looked into in a proper way.

Senator Moss. In a proper way?

Mr. TRAINOR. Yes, sir.

Senator Moss. Well, this is a recommendation they wanted the department to do.

Mr. TRAINOR. No, sir; I disagree with Dr. Mitchell's recounting of that meeting. There are minutes of that meeting.

There is a letter* from me to the chairman of the committee explaining what our position was and why we were taking it. I would ask that I be allowed to furnish that to you, because my memory is at variance with Dr. Mitchell's.

Senator Moss. Well, you certainly will be permitted to furnish any documentation that you would like.

I am simply reading the testimony of Dr. Mitchell when he appeared before the Illinois Legislative Advisory Committee on Public Aid.

Mr. TRAINOR. Yes, sir, and I would like to point out that Dr. Mitchell, in spite of his unkind words about me, is on our new medical advisory committee.

*Not received at time of publication.

Senator Moss. Well, that is what he testified to, and that is what makes me wonder about this situation that you describe in your statement to us.

I also am a little bit concerned about your characterization of Mr. Goff as an unsettled, confused individual. This is on page 17 of your testimony.

Was Mr. Goff a successful employee of the department?

LETTERS OF REPRIMAND

Mr. TRAINOR. He was a successful employee, for I believe he was in the department about 3½ years and, during that time, he had several merit increases and he had several superior performance increases, but interlaced with those in his personnel record are letters of reprimand.

In the period of time in which he worked for me, the only increases which he received were those which were automatically given to all State employees.

Senator Moss. Well, did he not, in a period of 3 to 4 years, advance from a \$12,000 salary to \$23,000 and, ultimately, he had \$23,000 salary in the department?

Mr. TRAINOR. Yes, sir.

Senator Moss. During this period of time, was he rated by his superiors as he made each of these advances?

Mr. TRAINOR. Yes, sir, he was.

Senator Moss. And well—

Would you say that he was an unstable and confused individual during this time?

Mr. TRAINOR. He was during the latter part of 1974 and, obviously, continuing to today.

Senator Moss. Do you think it came on abruptly, then, after he had attained that high position?

Mr. TRAINOR. Well, Senator, Mr. Goff is an extremely intelligent young man. He is a hard-working young man, but I guess he is fanatical in his pursuit of his own goals, and resents the imposition of any authority or administrative control over his activities. As I said before, if you examine his personnel record, you will find the merit increases, the superior performance increases, but you will also find continuing letters of reprimand.

Senator Moss. Well, did Mr. Goff resign, or was he fired?

Mr. TRAINOR. Mr. Goff resigned.

Senator Moss. Now, on page 5, you also note that Mr. Goff charged you and the department for failing to cooperate with the GAO, HEW, and the Department of Agriculture, and you deny each of these allegations.

First, about the Department of Agriculture. Despite your denial, is it not true you were present at a meeting along with IDPA attorney, Dave Rakov, and told IDPA employees not to share information with the Department of Agriculture, the reason being that your department was undertaking litigation against the U.S. Department of Agriculture, and there was concern that IDPA officials talking might jeopardize the suit?

Mr. TRAINOR. No, sir, I do not recall that conversation at all.

Senator Moss. You were not present then?

Mr. TRAINOR. Well, there may have been such a meeting, it might well have concerned a lawsuit that we have with the Department of Agriculture, but I do not recall that being said during that conversation.

Senator Moss. As to the GAO, did you personally tell GAO about the existence of computer runs and their significance, and whom did you tell, and what do you know about it?

REPORT GIVEN TO GAO

Mr. TRAINOR. I know nothing about the mechanics of computers. I do know what runs were developed, and in the meetings to which I referred and in which we informed GAO on how we were going to internalize the task force—a meeting took place, I believe, in November 1974. I personally handed Mr. Cliff Melby of GAO the November 22 version of our computer-run status report.

Senator Moss. Did you offer Mr. Goff's services as the computer expert to the GAO?

Mr. TRAINOR. Mr. Goff was part of the medicaid task force; Mr. Melby talked to Mr. Goff on several occasions. There was never any need to offer in the sense that you are using those words. Mr. Melby had complete run of the agency.

Senator Moss. Did you tell Mr. Goff to volunteer any information?

Mr. TRAINOR. No, sir, I did not.

Senator Moss. Who is the individual who helped develop the most computer programs?

Mr. TRAINOR. His name is Mike Tristano.

Senator Moss. Now, on HEW—on the quality control sample—although the official you quote denies making the statements, she does not contest its accuracy.

We have a statement from her superior, Mr. Clyde Downing, in which it is clear the department had an opportunity to file 1,300 cases and, coincidentally, the remaining cases which you finally did file had a much higher percentage of ineligibility and overpayment.

Could these facts be interpreted to the effect that the remaining cases were purposely held back?

Mr. TRAINOR. No, sir, they could not.

Senator Moss. On the documentation on this that I have, the cases that went in, there were 10.75 ineligible, 25.2 overpayments, and 4.3 underpayments, and then on the 65 cases that were submitted immediately afterward, everything went up; ineligible, 11.4, overpayments, 27.5, and underpayments remain the same, 4.3.

In order for the total to be raised in this amount, we must examine the 65 cases. Were they just normal random cases or were these 65 special cases?

Mr. TRAINOR. They were 65 random cases.

Senator Moss. And they just happened to be that much higher?

Mr. TRAINOR. Yes, sir, what happens in a quality control sample is that you have to select 200 cases per month to get your 1,200, and based on drops, where we cannot find the person, they are no

longer on the rolls, or they are in a special category, you have to select a larger sample.

Illinois experience had been that you had to over-sample approximately 10 percent. This sample period, we had fewer drops; therefore, we were able to complete the sample with about 1,258 cases.

We had our 1,200, and during this whole thing, we had been arguing with HEW over whether or not we had to go to the full limit of 1,336, when we had achieved the 1,200 with 1,258. That was the basis for the argument. There was ample strength for our position in a quality control manual that HEW puts out, and I would like to add that the quality control program as it is being conducted is a matter of concern to all of the States.

There are 14 States at the moment in litigation with the Secretary of HEW on the validity of the quality control process, and the actions that the Department of HEW are taking against States on the basis of that program.

ACCURACY OF FEDERAL QUALITY CONTROL QUESTIONED

The oversight committee of the House Ways and Means Committee is also examining these questions. There is a great deal of concern about the validity and accuracy of the quality control program as it is being administered by the Federal Government, and I share that concern.

Senator Moss. Well, of the additional 55 cases that were added, the ineligibility cases were 114 percent higher than the 1,200 originally submitted, and the overpayments were 180 percent higher than the 1,200 originally submitted which, of course, brings us to the question: Was the sample tampered with, as testified by John Goff under oath, or is his testimony false?

Mr. TRAINOR. His testimony was false.

Senator Moss. Was there any attempt to place political appointees on the IDPA payroll?

In fact, was this not the reason Joe Edelman resigned?

Mr. TRAINOR. Mr. Edelman is in the room now, and I believe he will testify today.

I believe he should be allowed to testify to that point, rather than my attempting to characterize his reasons for resigning.

May I respond to a more basic question though, Senator?

Senator Moss. Yes.

Mr. TRAINOR. The Illinois Legislature, as a result of its review of the Governor's budget for fiscal year 1975, eliminated funds for four agencies that had been funded previously.

The Governor had, as I understand it, a statutory basis for continuing those agencies, and publicly, and with no secrecy, announced that he would continue those operations, because in the main they were essential to the effective management of government in the State of Illinois.

At the same time, the budget bureau prepared and released publicly the fact that the employees of what was called the Governor's office on human resources would be transferred to the Illinois public aid payroll.

The reasoning behind that was that at that time, the public aid system in Illinois was at a point where most of the complaints—and this is an agency that involved an ombudsman-type process—was at such a point that the No. 1 complaint that the employees in the Governor's action office dealt with was public aid, by an overwhelming percentage; therefore, it appeared logical that public aid should be the agency to pick up those employees.

In addition to that, there were certain money liabilities set against all of the department's—again, all of this was in the public realm and has been thoroughly examined by the auditor general in Illinois, by HEW, and by the Legislative Advisory Committee on Public Aid.

When I was appointed director, those employees were on the payroll; yes, sir.

Senator Moss. Did you not insist that these people actually do some work for IDPA?

COMPLAINTS DIMINISHED

Mr. TRAINOR. Yes, sir.

Well, they did work for IDPA, and I forgot the percentage figures in the beginning, but through the year complaints about IDPA kind of fell off of the hit parade.

We had been No. 1. Sixty or seventy percent of their business dealt with problems people were having with the department of public aid.

That diminished over a time to 20 or 30 percent, something like that, but I insisted on two things: First, under the personnel rules of the State of Illinois, you can make temporary appointments for a 6-month period. I insisted that anyone who was appointed temporarily would get only one such appointment during that period of time, and they must qualify for civil service, they must pass a test, and they must be in a reachable position to be hired as a permanent employee. Second, I required periodic reports from the director of the Governor's action office, on problems the people were having with the department of public aid.

Senator Moss. I think you mentioned, Mr. Trainor—why did you not press charges against Mr. Kilbreth?

Mr. TRAINOR. When I arrived at the department on August 14, as I recall, Mr. Kilbreth and Mr. Evoy were already in the process of being discharged; they were, in fact, discharged on August 21.

My understanding of that situation was that all of this material was in fact turned over to the Sangamon County State's attorney for whatever action he would choose to take.

Senator Moss. But not by you, or by your predecessor—is that right?

Mr. TRAINOR. No; we turned it over.

Senator Moss. You turned it over?

Mr. TRAINOR. The sequence of events, Senator, is that the office of special investigations, the internal investigative unit of the Governor, looks into the employee's misconduct.

My memory of those events was that Mr. Kilbreth's files were turned over to the Sangamon County State's attorney for whatever

prosecuting action that he might want to take by the office of special investigations.

Senator Moss. The Senator from Illinois.

Senator Percy. Thank you, Mr. Chairman.

Mr. Trainor, you have reference to charges that were made in the past. I noticed this morning in the Chicago Tribune of yesterday, Thursday, December 4, an article by George Bliss, who is, I believe, a two-time Pulitzer Prize winner, and highly respected investigative reporter.

The headline is: "Doctors Urge State Welfare Fraud Probe."
[The article follows:]

[From the Chicago Tribune, December 4, 1975]

DOCTORS URGE STATE WELFARE FRAUD PROBE

(By George Bliss)

The State legislature was urged Wednesday to assign the Illinois Legislative Investigating Commission to look into reports of vast fraud and conspiracy in the Illinois Department of Public Aid.

The request came from three doctors representing physicians' unions and associations in the State at a meeting with Senator Richard Newhouse (D., Chicago) in the State of Illinois Building.

Newhouse agreed afterwards to present a resolution to the general assembly calling for an investigation.

Attending the meeting were: Dr. George Legorio, president of the Illinois Physicians Union; Dr. Carrell Hutchison Jr., chairman of the political action committee of the Cook County Physicians Union; Dr. Vivencio Battuy, of the Philippine Medical Association of Chicago, and a representative of the Prairie State Medical Association.

The physicians told Newhouse they believe there is evidence of criminal conduct on the part of employees of the public aid department, and urged the department to clean house.

Hutchison, who with others last year presented evidence of fraud to Joel Edelman, director of public aid, asserted Edelman was fired by Gov. Walker 2 days after beginning an investigation of the charges.

Hutchison also charged vendors (hospitals and physicians) have made huge sums of money off vouchers that had been altered before being sent to the comptroller's office for payment.

Legorio said many other hospitals and doctors, meanwhile, are faced with bankruptcy because the State is slow in making payments to vendors because of the State's financial condition.

All three doctors told Newhouse there are people in the public aid department involved in a conspiracy with factoring (billir) companies, to deliberately slow down payments to physicians and other vendors who do not hire the factoring firms to handle their work.

Legorio said a Senate committee in Washington is already investigating the department, but urged the Illinois Legislative Investigating Commission to "get into the facts involved" in a possible coverup within the department itself.

Senator Percy. There seems to be a pattern. First, I would like to give you a chance to comment on this article, because these allegations are not made by the witness, Mr. Goff, but by doctors. Apparently, respected members of the State legislature think enough of these charges to introduce a resolution just this week into the assembly.

Mr. TRAINOR. Well, Senator Percy, I will be happy to reply.

Two of the individuals I know. Neither individual at any time have said things like that to me. One of the individuals has had a dispute with his factoring firm and, in fact, lost the case, and that has cost him a fair amount of money. Part of the reason he

lost was the department, under subpoena, furnished records that proved in fact he owed the factor a sum of money.

The second individual, in fact is attempting to unionize doctors in a county in Illinois, and the department has refused consistently to recognize him as a bargaining agent for physicians in that county, or the State of Illinois.

The more basic problem is slow payment. Let me talk about that.

A year ago, doctors were waiting—as a matter of fact, I reviewed the descriptions of the early 1973 time period prior to coming here yesterday—and they were waiting anywhere from 50 to 120 days to get paid.

Now, in fact, that gives rise to the factoring situation. It was recognized very early in the game that one of the most effective ways of cutting down the factoring practice would be for the department to pay its bills on time, so while Mr. Simon's task force was working on the utilization aspects, we had a separate effort going to reduce the payment time. One of the interesting problems of this was that it was not until November of last year that we even knew we had a backlog of 3.3 million bills in the payment cycle. So we made changes; we staffed for a 15-day payment cycle, whereby a vendor on a clean bill would get paid in 15 days.

That payment cycle—and I get weekly reports on this—that payment cycle in terms of average work days for a physician, in the week of November 24 through the 26, was 14 days.

Now, I submit to you the statements in that article are not true—the statements by Dr. Hutchison. The department is paying within 14 days, and we are.

Senator PERCY. Mr. Trainor, on page 24 of your testimony, you said it is essential, I believe, for the committee to understand what kind of individual we are dealing with.

You are referring to Mr. Goff, and I agree with you. I was very much interested in the chairman's comments about the series of promotions and merit increases that Mr. Goff has received. I think it is quite pertinent to find out what kind of an individual he is.

HIGH MERT RATINGS

As I understand it, in his personnel folder there are the personnel evaluations that have been made of him. In these evaluations he is either rated as an excellent or a highly satisfactory individual; is that not correct?

Mr. TRAINOR. I would assume so; yes, sir.

Senator PERCY. And he was employed over a period of how long?

Mr. TRAINOR. About 3½ years, I think.

Senator PERCY. About 3½ years, and all of his evaluations are excellent—all highly satisfactory.

Mr. TRAINOR. Yes, sir.

Senator PERCY. Would it be possible for you to submit to this committee, under the committee's rules of confidentiality, his entire personnel file including any letters of reprimand, so that we may evaluate it?

Mr. TRAINOR. I would be happy to do that, Senator.

Senator PERCY. All right. Fine.

Mr. TRAINOR. I would also like to submit a statement* from his last immediate supervisor, which was furnished to me just before I came here. I could read part of it now, but perhaps it would be better just to submit the whole thing to you.

Senator PERCY. I would like to have that incorporated. I also ask unanimous consent that the exact wording of Mr. Trainor's testimony with respect to what he saw wrong with Mr. Goff be put in the record again at this point. But perhaps you could paraphrase it better than I could. How would you describe him as a man? As a supervisor, what is your principal complaint about him?

Mr. TRAINOR. Mr. Goff had, and has, little regard for administrative practices, for priorities of the department or its work, other than his own.

He will absent himself and use department resources to pursue what objectives he thinks are important, rather than what organizational objectives might have been determined to be important by his superiors.

Senator PERCY. In other words, he was not a good team player; he too often went out on his own?

Mr. TRAINOR. The concept of a team I do not think is valid, Senator. An organization as large as public aid does not operate on a team basis.

I think an organization that is as large as the department of public aid very much operates on a structured basis, in which the goals and objectives are clearly understood, and there is an accountability to insure they are achieved.

Senator PERCY. How many years, Mr. Trainor, did you spend in the military? You were a graduate from West Point, weren't you?

Mr. TRAINOR. Yes.

Senator PERCY. Four years there, and you served how many years?

Mr. TRAINOR. Four years.

Senator PERCY. So that you served 8 years in the military?

Mr. TRAINOR. Yes, sir.

MILITARY OBEDIENCE?

Senator PERCY. Are you suggesting that a public aid department be structured with a chain of command, and demand the clicking of the heels that is necessary in the military?

I served in the Navy, and I can tell you, I sure clicked my heels a lot more times on things I would not have accepted if I were serving in any other capacity. I would not have taken that stuff from anyone other than a military superior who has unquestionable authority and who could throw me in the brig.

You do not question or think, you just obey. because in times of war, you do not have time to think and you cannot have individual discretion. The military, however, is an absolutely unique kind of organization.

Maybe the CIA is, as we found, different also.

*Not received at time of publication.

Mr. TRAINOR. Senator, may I respond to that?

Senator PERCY. We have a live quorum.

Mr. Chairman, I would be prepared to just skip that if someone else wants to answer it and just continue on. I would be happy to accede to whatever your wishes are.

Senator MOSS. I would be happy to have you take over the chairmanship. I think this is just prior to the cloture vote.

Senator PERCY. If you would give me a few more moments. I would just continue this line of questioning before yielding to the majority to take over the chair.

Senator MOSS. I would think so, and then if the time comes that we have to be voting, we would have to recess for a brief time.

Senator PERCY. Very good.

Senator CHILLES. If it is that close to getting a quorum—

Senator MOSS. I will call back.

Senator PERCY. Would you want to expand on it? I do not mean to infer that that was the standard. But I do want to be awfully sure that was not the standard you were expecting in a department such as a public aid department.

Mr. TRAINOR. Well, Senator, I think it is unfair to characterize it as "heel clicking," or an instant-obedience-to-order type situation.

I do feel that the military, and my experience in the military, has valuable principles and management techniques—accountability and responsibility, and goals and objectives—that can be applied in any organization, no matter what it is, but I also think that in a department such as public aid—and particularly where I as an individual have not spent my entire life in that system, therefore, there are many things I do not know—I think it is incumbent upon me to solicit and encourage the widest possible debate before a decision is made, and I do.

Senator PERCY. Mr. Goff described the job as section chief of special projects, Bureau of Quality Control, Illinois Department of Public Aid. In that capacity, he says he supervised over 200 staff, including auditors, investigators, case reviewers, data analysts, computer specialists, and statisticians.

Now, we are all creatures of our past, and when I see those words "quality control," I think back to the day when that became a new concept in industry.

PRODUCTION COUNTED MOST

Always before, factories and plants were run by the work managers, or by the production manager, anxious to get out production. It did not matter whether the cars were safe or not; what mattered was to get them out, get them on the street. That was until Nader came along and until we developed the concept of quality control about 20 years ago in industry.

I was president of a company and there was no one who could shut that company down other than the director of quality control. He could override the production manager if he did not feel that product was proper and right. He could shut the plant down.

Our auditing department was never restricted from moving any place, including the office of the president. If they felt something

was wrong with the expense vouchers, or anything else submitted by the president and chief executive of the company, they moved in. I think they ought to be fired by the board of directors if they did not come in and audit. So I am wondering when a man is in the job in charge of quality control, with 200 people under him, including auditors—

Mr. TRAINOR. That is a misstatement. He did not have 200 people under him. He said he had 200 people under him. I know he did not have that.

Senator PERCY. How many did he have under him?

Mr. TRAINOR. His peak strength, probably, was 60 people at the most, and that would include support people.

Senator PERCY. So your categorical sworn statement is that he had 60 people at the most—

Mr. TRAINOR. Senator—

Senator PERCY. Whose activities he supervised?

Mr. TRAINOR. I will furnish details on his staff,* the whole thing, but that would be typical, the 60 people.

Nowhere could he have had 200 people if we took everybody in quality control, and you are right about quality control, that there has to be a quality control system, Senator, but that is not what his job was.

Senator PERCY. Did he have under him any auditors, investigators, or case reviewers under his strict line of supervision?

Mr. TRAINOR. At various periods of time there were special projects running in the department, and again, I think my predecessor would know that better than I, and the one time when I think that probably would be a true statement was when a group of case workers went into Cook County in an action to weed out ineligible cases—at that point, perhaps.

Senator PERCY. If a man has auditors and investigators under his supervision, how much leeway should he be provided to investigate allegations of wrongdoing or charges that he feels he has knowledge of?

RESPONSIBILITIES QUESTIONED

Mr. TRAINOR. Senator, if he had auditors and investigators, it was prior to my being in the department, and obviously it must have been connected with some sort of special project, because that was not Mr. Goff's job.

Mr. Goff was to develop special projects, such as the income verification program that he talked about, such as the cross match with the Department of Labor on earnings information, such as cross-match programs between Illinois and other States—these were technical systems types of functions. They were not quality control in the sense that you were using quality control with regard to your firm.

Senator PERCY. That will help us. It will help because, if an employee has an inquiring mind or if he continues to use personnel which were assigned to him to discharge a responsibility he no longer holds, then I think that would constitute a breach of the line of authority. It would be understandable.

*Retained in subcommittee files.

Are you prepared to say categorically, at no time when you had direct supervisory responsibility, did he ever have under him investigators, case reviewers, or auditors, and that at no time while he worked for you did he ever have a responsibility of quality control, investigative work, auditing, or case review?

If that is true, that helps me clarify in my mind—to understand, as you say—what kind of a man he is.

If he is carrying on something for which he has no responsibility and for which he has been deprived of responsibility, then certain statements you made would have a different connotation with me than otherwise.

I want to be certain, and I remind you that this must now be very factual. This is sworn testimony.

Mr. TRAINOR. Yes, I understand that.

Senator PERCY. I want to warn you of that. Thank you.

Mr. TRAINOR. Well, I guess the response I would make is that Mr. Goff was three levels removed from where I am, but to the best of my knowledge—I cannot use the word “categorical”—but to the best of my knowledge, and my knowledge of what his job was and what his function was, he would not have had those types of individuals working for him.

POSSIBLE HATCH ACT VIOLATIONS?

Senator PERCY. Now, let me just take some cases from your own testimony. Allegations were made that public aid produced personnel for election day work. Obviously when Federal funds are involved, such a thing as election day work constitutes an offense.

An investigation was apparently made of allegations along these lines. Your statement is that subsequently you checked the payroll records and found the employees in question were recorded present each day for the 3-week period following the February 21, 1975, incident.

Does that constitute, in your judgment, an adequate investigation to see whether or not people were present? Your statement is that they were recorded present.

If there is a coverup, obviously they are smart enough to be recorded present, maybe even come in in the morning and then duck away.

The question is: Where were they physically? Were they out doing election work, or were they doing the work for which they were being paid, partially with funds that come from the Federal Government, in order to investigate cases and to cut down fraud? Did that constitute, in your judgment, a clear enough statement?

Mr. TRAINOR. Senator, that statement, plus the assurance of the supervisor of those individuals, that they were in fact present on the job during that period of time, is sufficient for me; yes.

Senator PERCY. I am sorry. I did not hear that.

Mr. TRAINOR. Well, not only the statement, but the assurance on the part of the supervisor of those individuals that they were in fact present on the job during that period of time is sufficient for me; yes, sir.

Senator PERCY. In your statement on page 17, you indicate that: "It became apparent to Mr. Simon and me that Mr. Goff was neglecting his duties in developing computer programs for the task force."

Again, clearly, if he had no authority to get into these other areas, and he was doing it on his own, without authority, and without any responsibility, that might be one thing. But looking at the nature of the problem, the allegations and charges made against the department, and so forth, would you consider developing computer programs to be a matter of higher priority than thoroughly investigating allegations and charges that had been made? If it is a choice of whether he does one thing or the other—particularly when we are not categorically sure he did not even have some responsibility—which is more in the public interest?

Mr. TRAINOR. In this instance—this time period—I am absolutely sure he had no responsibility to conduct any investigative activities.

Now, to answer your question. It is not a matter of priorities, it is a matter of structure and organization.

We had State police, we had people from the Illinois Bureau of Investigation, we were working with the FBI, we had investigative resources, and if there are leads to be followed, or the computer programs pointed us in a particular direction, we had investigative resources so that in that frame, and in that context, it was extremely important—extremely important—that those computer programs be—

SWORN STATEMENT CITED

Senator PERCY. I would like to read to you and ask you for your comment on a sworn statement by William Recktenwald, investigator for the U.S. Senate Special Committee on Aging. This was sworn before a notary public in the District of Columbia on December 3, 1975. [Reading:]

Statement: On December 2d, 1975, at approximately 7:45 p.m. EST, I had a telephone conversation with one Phil Gekas (217) 522-2050, a former member of the Medical Analysis Section of the IDPA. He told me that he was acquainted with one Mike Curran who he knew to be an official of the Illinois Democratic Fund. Gekas said that Curran had asked him to help with some political work for the campaign of Steve Shamberg who he described as the cousin of Ms. Jean Erkes, of the IDPA in Chicago, and that he worked one weekend passing out literature for the Shamberg campaign. The Monday following the weekend, Gekas was read a copy of the Hatch Act by his supervisor, Jerry Slavin, and warned not to continue these activities. Gekas says that he did not see Curran again until about a month later when he met Curran near the chamber of the legislature. At that time Curran asked Gekas if he would be interested "in a job where you'll do straight political work for the Governor and we'll give you a complete cover." Gekas went on to describe the job as "a mystery employee type of job," which he declined.

During this conversation, Doug Balfour, a member of the staff of the Committee on Aging, with the consent of Mr. Gekas, listened on the extension telephone.

Signed: William A. Recktenwald, Investigator, U.S. Senate, Special Committee on Aging.

Senator CHILES. Now, this sworn statement by our investigator is hearsay—secondhand—not what this man heard; but what somebody else told him he heard. So we have a sworn statement of secondhand hearsay testimony.

Senator PERCY. I had not seen this before. Perhaps Mr. Recktenwald would care to comment on it.

Senator CHILES. My only concern is, if we are going to go into this, then the parties themselves ought to be put under oath, and then they are the best people to go into this.

If we are going into items like this, it would seem whomever this party is questioning, whomever he is talking about, he ought to be brought in personally.

We have this witness here who is under oath, and now sworn statements of a secondhand variety and then of third distance allegations, are brought up. It just does not seem to me that this is the way you investigate a charge.

Mr. RECKTENWALD. This is supportive of the Goff charges, made under oath, that the people in the department of IDPA were in fact solicited to do political work. This is a conversation I had overheard by another member of our staff, and this confirms that the man was solicited to do political work.

TESTIFYING UNDER OATH REQUESTED

Senator CHILES. You are an investigator. I do not understand that this confirms anything. I accept your testimony that you heard this conversation over the phone, but what we are talking about here is that we have a man who has been sworn under oath. If he perjures himself, we can take some action against him.

None of these other people you are talking about are under oath. They have not made any kind of statement under oath. They are making a charge that goes out on television—it goes out to the newspapers. They are not under oath. They can make any kind of statement they want to on the phone. I do not think this committee ought to be the kind of place you do business in that way.

If you want to bring these people in, bring them in; put them under oath, and let us see what they have to say under oath, and then each part sits equally. But to say this is any kind of corroboration—hearsay corroboration, that is what it amounts to. It is hearsay on hearsay.

Are you an attorney?

Mr. RECKTENWALD. No, sir.

Senator CHILES. I am. At least I used to be, but this is not proper for any kind of corroboration, not at all. And again, you have a man that we are carefully questioning and who is under oath, and that we can charge with perjury, if he makes a false statement. If we are going to have people accused by somebody else, then I want him in here, and I want him under oath.

I do not want to go into anything about charges that someone else wants to make unless you are going to put that person under oath. I think the parties ought to be under oath, all on an equal standing.

Senator PERCY. Mr. Chairman, I have a series of questions that I want to ask of Mr. Trainor, which will sharpen his responses to the allegations that were made, which will give him a chance to respond directly to the charge, so that we can be perfectly clear about his response.

We have a vote on now, and I could start in after the vote, but I would be happy to yield to you, if you would like to make any comments.

Senator CHILES. We have got a vote on the floor now. Senator Moss says he thinks we ought to recess the hearing for the time being, and go ahead and get over there and vote.

I think we should recess for lunch.

Senator PERCY. I could be available at 2 o'clock.

Senator CHILES. Fine.

[Whereupon, the subcommittee recessed at 11:30 a.m.]

AFTERNOON SESSION

Senator Moss. The hearing will come to order.

Mr. Trainor, I believe you were on the witness stand. Mr. Trainor, will you please come forward?

Senator Percy has not quite completed his questioning.

Senator PERCY. Mr. Trainor, I think this could be done very quickly. It would just help us on some of these contradictory statements to see if we could clarify some of these issues.

Did you ever talk personally with John Goff about the GAO audit of the Illinois medicaid program?

Mr. TRAINOR. Not a conversation just between him and myself. It always would have been in larger meetings with other people.

Senator PERCY. Do you recall who would have been with you?

Mr. TRAINOR. Perhaps with Mr. Wessel, assistant to the director—any number of other people.

Senator PERCY. You have never been alone with him to discuss the GAO audit, but you did meet with other people?

Mr. TRAINOR. Yes, sir.

Senator PERCY. Did you tell Mr. Goff not to share or volunteer specific technical information concerning those who were being audited or investigated by the department of public aid?

Mr. TRAINOR. No, sir, I did not.

Senator PERCY. Did you ever tell Mr. Goff that you wanted no names of particular vendors under investigation or under audit to go to any Federal audit group?

Mr. TRAINOR. No, sir, I did not.

Senator PERCY. Did you ever tell Mr. Goff not to share any specific or technical information with the U.S. Department of Agriculture during the audit of the Illinois food stamp program?

Mr. TRAINOR. No, sir, I did not.

Senator PERCY. Did your deputy, Robert Welsh, ever order Mr. Goff not to share information with the U.S. Department of Agriculture, HEW, or GAO auditors?

Mr. TRAINOR. That would be Robert Wessel, Senator, and to my knowledge, I have not discussed this specific thing with him, but I am confident that he could speak for himself, but I am also confident he did not.

Senator PERCY. To your knowledge, did the auditors of the U.S. Department of Agriculture, HEW, and GAO have full and complete access to the information they needed to fulfill their mandates?

FREE ACCESS FOR AUDITORS?

Mr. TRAINOR. Yes, sir, during the audit, and subsequently, I do believe that was the case.

Senator PERCY. To your knowledge, were the auditors or investigators of any Federal agency denied access to or not given copies of computer runs which would have been helpful to them in identifying vendor or provider fraud?

Mr. TRAINOR. There was never any such restriction on any Federal agency to my knowledge. All information to which a request—

Senator PERCY. In other words, you are not limiting your answer to just information they requested; they were given all of the information relevant to their investigation. All of it was provided?

Mr. TRAINOR. Yes, sir, it was.

Senator PERCY. Did you direct anyone at any time to alter or manipulate in any way the Federal quality control sample for January through June 1975?

Mr. TRAINOR. No, sir, I did not.

Senator PERCY. Did you direct Laura Staples to tell Mr. Goff or his colleagues not to pursue the investigation of certain individuals?

Mr. TRAINOR. No, sir, I did not.

Senator PERCY. Did you receive a report from Mr. Goff concerning threatening statements made by Ms. Staples to members of his staff? What action did you take on this report?

Mr. TRAINOR. I received no such report from Mr. Goff. I was aware of supposedly such a situation had taken place. Mr. Simon, I believe, can testify more fully on that.

Senator PERCY. Were you aware of any attempt by the Illinois Democratic Fund to recruit staff in the management analysis section of your department to work in primary campaigns earlier this year?

Mr. TRAINOR. I covered that in my statement, Senator. In one instance, I am aware we took corrective action. That is covered in my statement.

Senator PERCY. I want to be sure I understand your answer to that question.

Were you aware of attempts?

Mr. TRAINOR. There was one instance in which Mr. Goff informed Mr. Slavens that there were several individuals that were supposedly being asked.

WARNED ON POLITICAL ACTIVITIES

I instructed Mr. Slavens at that time to advise them of the limitations of political activities of employees, and as I testified, I had his assurance, and our subsequent check of the records in the subsequent 3 weeks showed that they had been present on the job. The records showed that the staff had obtained a number of position statements of services rendered, and I would like to quote for you, as just an example of the type of confusion we had, of the physician's statements in this particular case—this physician, Dr. Hutchison, sent an invoice statement of services rendered for \$200 to determine whether or not there had been a payment made. We had his address—it was on Jeffrey Street in Chicago—and when it came

back, it indicated that payment had been made, and a superimposition appears on the invoice, the post office box, the address, which apparently is the address of a factoring company—and I just wondered, perhaps someone from the staff could give this to you.

Senator PERCY. Mr. Trainor, maybe you could tell us how, administratively, that happens, because it is not an isolated case. Apparently we have about 80 different ones like that. How does the factoring company address get apparently superimposed on the doctor's address?

Mr. TRAINOR. Well, Senator—

Senator PERCY. The doctor sent that bill in to be paid directly to him?

Mr. TRAINOR. Yes, sir. Senator, I would much prefer to give you a detailed written answer, but let me try to respond while I am here.

The doctor entered into an agreement with a factor—he entered into a contract. He assigned his rights to those moneys to that factor, for which he has received money in return.

Previous policy of the department—well, we tried to change it in July, August, and September of 1974, but we were enjoined by the courts, and we have not been able to, but the doctor was to advise us in writing that rather than the bill being paid to him, it is to be paid to the addressee he designates.

In this case, an alternative would be for the billing company who has the assignment to notify the department, that they have the right to these moneys.

I would suspect that the latter is what happened in this case, but I would, Senator, like to supply that in writing to you.*

Senator PERCY. Fine.

There was some ambiguity this morning about whether or not Mr. Goff's responsibilities, while under your direction, did embrace and include auditing, investigative work, and case verification. I wonder if you were able to ascertain over the lunch break whether or not categorically you could state he did not have such responsibility.

Mr. TRAINOR. I could not categorically state that. As I said, prior to lunch, as far as I am concerned, and as far as I know of Mr. Goff's responsibilities and functions, they did not include that type of activity.

Senator PERCY. All right.

Thank you very much, Mr. Trainor.

Senator MOSS. Mr. Trainor, when you make your written report on that form that Senator Percy sent down, could you also ascertain whether or not there had been any alteration in the amount?

Mr. TRAINOR. If the committee would like to furnish any of the other 80, we would do the same thing for that.

Senator MOSS. We would appreciate that.

We appreciate your testimony and your appearance here, Mr. Trainor.

You have answered very straightforwardly. There are obviously some conflicting areas in what was given by the previous witness, and by you, but our job is not to handle it as far as whether or not

*Not received at time of publication.

there is any violation of the law as between the two witnesses, and we do not intend to get into that position.

We simply want the record made straight, and we appreciate your coming to do that for us.

Mr. TRAINOR. Senator Moss, if I may—

Senator PERCY. I would like, before you make a statement, to ask one more question. I have just been handed from our own files a document that perhaps you would want to see before deciding whether or not you want to modify your answer to an earlier question.

I asked you the question: "Did you receive a report from Mr. Goff concerning threatening statements made by Ms. Staple to members of his staff? What action did you take on this report, if you did?" and you replied—I believe you did not receive any such report.

REPORT APPARENTLY RECEIVED

I have here, dated January 6, 1975, a document addressed to Mr. James L. Trainor. It appears to be from John W. Goff, and includes attached correspondence. [Reading:]

As per my conversation with you today, I received on this date from one of my staff members attached memorandum. I see no reason why section staff should be threatened by "Going down with the ship."

I am forwarding this memorandum to you for your perusal, and there is a document attached of conversation with Ms. Laura Staples on December 27, 1974.

Would you care to examine this to see if you could refresh your memory?

Mr. TRAINOR. Yes, sir.

Senator PERCY. Do you recall receiving that?

Mr. TRAINOR. No, sir. If it says what you are saying, I must have received it.

Senator PERCY. Maybe you would like to look at it—examine it—and then, once again, I will give you an opportunity to reply to the question.

Mr. TRAINOR. Obviously, I did receive a copy of that document, and I would have to look back now and see what I did about it.

Senator PERCY. I would request that the staff furnish to you, Mr. Trainor—at the earliest opportunity—a transcript of your answers to all of our questions. Should there be any reason to believe they should be changed, in the light of whatever further evidence you could bring to bear, we would like to be notified. Otherwise, those answers will stand as your sworn testimony.

Mr. TRAINOR. Thank you.

Senator Moss. Thank you.

I think you were about to say something and we cut you off.

Mr. TRAINOR. Just quickly, there is one allegation that was not addressed in my statement and that did not come out in the questioning.

In the November 13 testimony, there were questions raised about the \$250 million and \$100 million in fraud and waste in public aid. I would like to briefly cover that.

INDEPENDENT CHECK ON LOSS

When I read this, I was surprised; I had the statistical people in the department attempt to determine independently from other

sources what kind of figure they could come up with as maximum loss. The figure they came up with was based on fiscal 1975 and is the same period Mr. Goff is talking about. It was about \$151 million. Now, this checks very closely with a release from the Department of HEW, about 3 or 4 weeks ago, in which they set forth the quality control figures for all of the States of the Union.

In their release, they estimated payments of \$147 million, so the two are very close to one another.

The problem with that type of analysis, and one of the problems with the whole quality control program, and this is one of the things that the House Ways and Means Committee is looking at—is that such estimates assume a static situation over those 12 months.

It assumes the picture taken of the case load during any particular sample period is static, or on those particular cases, that no action will be taken.

In fact, the ADC case load is essentially volatile. This month, we had 7,000 cancellations of ADC cases in Illinois. We have been averaging between 5,000 and 6,000 case cancellations a month, so you can see there is a large turnover.

Also, such figures do not take into account corrective actions that are being taken. These figures represent a picture at a point in time, so while those figures appear hard, I do not think they accurately reflect the situation as it exists.

We never knowingly pay anybody money because they are ineligible. There is ineligibility, we all recognize that, and we all try to reduce that, but the figure of \$150 million is just way too high.

In terms of the \$100 million medicaid fraud, that is an estimate that has been kicked around without any sort of verification, and even Mr. Goff's testimony acknowledges that that is the estimate of another body, the legislative advisory committee on public aid.

It has not been subject to any scrutiny, or any examination, and you, Mr. Chairman, were somewhat surprised of the high dollar total in relation to your past experience and your past knowledge of hearings.

I was surprised too. We spend approximately \$700 million a year on medical assistance. If you exclude institutional providers, which is 60 percent of the dollars, then you are talking about almost 40 percent of the dollars that are remaining being fraudulent.

SYSTEMS CHECK UNDERWAY

Our examinations of medical providers today would not support that figure. I cannot give you a figure, because we are very much in the process of trying to build a system that will give us this kind of information, but so that neither the \$250 million figure nor the \$100 million figure would seem to have any great degree of validity within the context of the Illinois Public Aid program.

Thank you.

Senator Moss. Well, thank you, Mr. Trainor, and we appreciate your testimony and your being here, and your offer to furnish additional data, as you have been requested, and you are excused now.

Thank you very much.

Mr. TRAINOR. Thank you, Mr. Chairman.

Senator Moss. Before I call our next witness, I should point out that those likely to be another interruption. There is a live quorum

now in progress, and a vote will come shortly thereafter, so it may be necessary to interrupt; however, I am most anxious to complete this hearing today as early as we can, because we will not be able to get back to it for some considerable period of time unless we do that.

Our next witness will be Mr. John B. Simon, former special counsel for the director of the Illinois Department of Public Aid, Springfield, Ill.

Senator PERCY. Mr. Chairman, I would suggest, when the vote bell rings, I will be happy to go right down and vote, and then be back in time for you to make your vote. We can just keep on going, then.

Senator MOSS. All right. We will alternate that way. You may go ahead, Mr. Simon.

Mr. SIMON. Thank you, Mr. Chairman.

Senator MOSS. I have not sworn the witness. Will you stand please, Mr. Simon, and be sworn?

Do you swear the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SIMON. I do.

Senator MOSS. Please proceed.

STATEMENT OF JOHN B. SIMON, FORMER SPECIAL ASSISTANT TO THE DIRECTOR, ILLINOIS DEPARTMENT OF PUBLIC AID, SPRINGFIELD, ILL.

Mr. SIMON. My name is John B. Simon. Since 1967, I have been an attorney licensed in the State of Illinois.

I would like to point out I am here, Senator Moss, pursuant to my request, and to your kind acquiescence that I appear. I am not here at the direction of any person.

During portions of 1974 and 1975, I was under contract to the State of Illinois to act as special counsel to the director of the Illinois Department of Public Aid. In testimony offered before your subcommittee on November 13, 1975, John Goff made numerous statements relating to my actions while in that capacity which were totally false.

The sweeping generalization, innuendo, and lack of specifics hampers response, but some criticisms voiced by Goff are sufficiently identifiable to conclusively rebut. Much of his testimony is rebutted by documents in the possession of the Illinois Department of Illinois Public Aid. These documents are described in appendix A.* I had seen, prepared, or maintained many of these documents while under contract with the Illinois Department of Public Aid. They were made available for my perusal in connection with my preparation of this communication. I understand that Mr. James L. Trainor, director of the Illinois Department of Public Aid, has made these documents available to the subcommittee. Since they are in your possession, I will make reference to them in my statement.

*Retained in subcommittee files.

ALLEGATIONS OF COVERUP AND INTIMIDATION

Goff alleged that an investigation conducted by him and his staff was covered up by Donald Page Moore, former director of the Illinois Office of Special Investigations, and that he and his staff members were intimidated by some individuals working for Moore, one of whom had been assigned to assist me. Goff identified the investigation as involving individuals who had made contributions to Moore's campaign for State's attorney of Cook County. Included in the documents described in appendix A is a letter—item 1—dated January 14, 1975, addressed to James R. Thompson, U.S. attorney for the northern district of Illinois. I prepared the letter and it was signed by Director Trainor. In it, reference is specifically made to the information supplied by Goff. The letter states, in part:

The reports contain serious allegations and are given to you for any action you deem appropriate.

It is suggested that any necessary amplification of the information in the report be obtained from employees who undertook preparation of the reports. You are assured of the complete cooperation of the Illinois Departments of Public Aid in this matter.

Forwarded together with that letter was a receipt—Appendix A, item 2—listing in detail 43 separate enclosures which had been furnished to the director and me by Goff. The enclosures were described as to sender-recipient, subject matter, the number of pages each contained, and the portions Goff had deleted from the information provided to us. This receipt was signed by an assistant U.S. attorney for the northern district of Illinois on January 14, 1975. All of the documents described in the receipt were submitted to the U.S. attorney's office together with Mr. Trainor's letter dated January 14, 1975.

Goff knew this information was sent to the U.S. attorney. Included in the documents described in appendix A is a memorandum which I originated following a telephone conversation I had with Goff on January 24, 1975—appendix A, item 3. In that conversation, Goff acknowledged that the information he and his staff gathered had been furnished to the U.S. attorney's office. This contradicts Goff's sworn testimony at page 76 of the transcript of his testimony before the subcommittee where he states he did not know whether this material had been referred to a proper investigatory group. It also contradicts his testimony at page 61 that no cases had been referred to the Attorney General. I assume that Chairman Moss, in interrogating Goff on this subject, was referring to the Attorney General of the United States, whose representative in the northern district of Illinois was, at that time, James R. Thompson.

TRANSMITTAL OF INFORMATION

It is clear that the transmittal to the U.S. attorney's office of all of the information generated by Goff and others working with him was not a coverup at all but, on the contrary, a method of giving it scrutiny by those having prosecutorial authority outside of the State Government. An agency seeking secrecy or mainte-

nance of influence would not have sent this information to the U.S. attorney's office.

On January 27, 1975, a letter was received by Director Trainor from the U.S. attorney's office—appendix A, item 4. In that letter the U.S. attorney's office acknowledged receipt, and went on to say:

We have reviewed this material, and have concluded that the allegations contained therein do not warrant investigation by our office. * * *

The information and the material submitted by Goff did not contain any evidence supporting his conclusion that improper or unlawful acts had taken place. All of the documents Goff submitted are identified in appendix A, items 5 through 47. What the documents did show was a lack of balance on the part of Goff and his associates in spending numerous man-hours pursuing ideas of grand conspiracy among people and using dastardly and improper techniques of surveillance in an attempt to do so. The material furnished by Goff and submitted to the U.S. attorney's office demonstrates Goff's penchant for intrigue and cloak-and-dagger spying techniques. Goff leaves the impression that it was such techniques that led him to discover that a campaign contribution had been given to Donald Page Moore. Page 7 of item 5, appendix A, contains Goff's admission that Donald Page Moore himself volunteered to Goff that he had received a campaign contribution from an individual identified by Goff. Some coverup!

Instead of providing badly needed computer programs for continued implementation by the medical payments task force which I was directing, Goff, unbeknownst to anyone else, was following people around the State of Illinois. His initial target was a former employee of the Illinois Department of Public Aid who had been fired following his admission that he had accepted favors from the representative of a factor company that did business with medical vendors to the Illinois Department of Public Aid. At the time, the former employee was legally contesting his termination. Also, as is indicated by a copy of a letter which was forwarded to me by Donald Page Moore on March 5, 1975, the State's attorney of Sangamon County, located in Springfield, Ill. was evidently himself conducting an investigation of this same individual. You can find that as item 48 in appendix A.

Even so, Goff and some of those working for him embarked upon a so-called investigation of the individual's current employment, certain that his new employer must be defrauding the Illinois Department of Public Aid. The "Keystone Kops" scenario of the information furnished by Goff which involved tailing people through grocery and drycleaning stores in Springfield, then to the John Hancock Building, Bonwit Teller's, and Chicago's Gold Coast, using numerous vehicles, including a "van with curtains," would be just a zany exercise but for the unconscionable and possibly unlawful intrusion into the privacy of those involved. To get the flavor of this, I refer you to item 15 of appendix A.

NO FACTS WARRANTING ACTION FOUND

When Goff's conduct was discovered, he stopped it, assembled what information he had thus far acquired, and submitted it to the director for forwarding to the U.S. attorney. An examination

of the material he furnished shows what the U.S. attorney's office concluded: no facts warranting any investigative action. There was not one fact which demonstrated that any of those Goff identified were participants in a "political" and "syndicate" conspiracy to defraud the Illinois Department of Public Aid.

I have purposely avoided naming any of those who were identified by Goff in the material he submitted. They are people who, unknown personally to me, are prominent in Chicago business, cultural, and charitable activities. This seemed to intrigue Goff who often made reference to this in his reports. Their names have not been divulged, heretofore, by law enforcement officials.

They have not been shown to have done anything wrong—with the exception of the one former Illinois Department of Public Aid employee—and should not be exposed by this shoddy attempt by Goff to publicize and reawaken an investigation which the Federal Government has already determined to be without merit. Therefore, I respectfully recommend that the subcommittee give consideration to maintaining the confidentiality of the documents which have been provided.

If Goff had additional information, he could have transmitted it directly to the U.S. attorney's office, as I suggested to him that he do. Evidently, there was and is no other information. Goff's purpose is not to pursue truth but to bring charges which he himself identified as being "ridiculous." In his January 9, 1975, memorandum to Director Trainor, which is appendix A, item 5, which was furnished to the U.S. attorney's office on January 14, 1975, Goff stated at pages 5 and 6:

*** the question is *** raised *** "why was not this review conducted by the acting director or the Governor at the time when significant questions were raised . . . ?" The press can then hoo-hoo such terms as "coverup," "conspiracy," "obstruction of justice," et cetera, against the agency, my section, yourself, and the Governor. While the charges would be ridiculous, it would weaken the Governor's position and would further lessen the confidence of the citizens in the governmental institutions of this State.

In that memorandum, Goff also said that "questions such as these become distorted through time, and tend to pop up at the most inopportune time." And that:

It is truly not my intention, nor my staff's intention, to embarrass yourself or the Governor, nor to become involved in matters of a political nature, unless such matters hinder or obstruct the investigation we are or were (as the case may be) charged with.

Goff was never charged with performing what he refers to as an investigation and the fact that all of the information he forwarded was given to the U.S. attorney's office together with memorandums explaining his view of the director's, and my, reaction to it, and the response of that office clearly demonstrates that Goff's assertion that there was a coverup is done solely for the purpose of embarrassing others.

MATERIAL SHARED WITH AGENCIES

Contrary to Goff's testimony, all information which was developed by the Medical Payments Task Force was shared with Government agencies responsible for its handling. I spent many hours with those in the U.S. attorney's office, U.S. Department of Health,

Education, and Welfare, U.S. General Accounting Office, Federal Bureau of Investigation, U.S. Drug Enforcement Administration, U.S. Department of State, State's attorney of Cook County, and others. I gave them access to all of the information collected by the Medical Payments Task Force and explained in detail the nature of its operation and the information it was gathering.

To demonstrate this, I point to correspondence with the office of the U.S. attorney for the northern district of Illinois in which I discussed our investigations and sought their support and assistance. This correspondence revealed that I referred to the U.S. attorney a number of matters for investigation involving factors companies and providers of service and contradicts Goff's answer to Chairman Moss at page 61 of the transcript of his testimony that no case was ever referred to the Attorney General. These documents can be found as items 49 through 56 of appendix A.

Incidentally, I have reviewed my reports, which indicate I had 35 meetings with various people in the U.S. attorney's office while I was special counsel to the director of the department of public aid. The purpose of those meetings was to obtain their assistance, and to give our assistance to them.

There is also correspondence with the U.S. Department of Health, Education, and Welfare which furnished that Agency with the current computer programs conceived of and/or implemented by the Medical Payments Task Force. These documents also reveal that the Medical Payments Task Force offered to share computer technology with that Agency, including our best method of determining duplicate payments to medical providers. These documents belie Goff's statement that computer programs showing duplicate payments, multiple procedures, and cluster analysis of addresses was not furnished. It most definitely was.

Also available is correspondence referring a case for investigation to the State's attorney of Cook County—appendix A, items 60 through 61; a memorandum evidencing the submission of documents of the Medical Payments Task Force to the U.S. Department of State which that Agency had requested—appendix A, item 62; correspondence seeking the cooperation and assistance of the Chicago Police Department—appendix A, items 63 through 66; and correspondence and a memorandum evidencing the cooperation given to other State agencies in conducting related investigations.

ACCESS GIVEN TO TASK FORCE FILES

There is no correspondence showing submission of documents to the U.S. General Accounting Office. I spent so much time explaining the Medical Payments Task Force to GAO personnel and supplying them with the documents requested that there was no need to formally forward that information. Some of the GAO people I dealt with and supplied information to were Mr. Melby, Mr. Lee, and Mr. Boehno, and Mr. Kielpinski. They, as was true in the case of the FBI and any other agency which requested it, were permitted access to the Medical Payments Task Force office and files. They availed themselves of that opportunity.

All of the documents identified in appendix A demonstrate the falsity of Goff's assertion that no information was shared or that cooperation was not extended to Government personnel. Contact with personnel in those Agencies and examination of their files will disclose that Goff has not told the truth. Federal agencies in the northern district of Illinois now have a national reputation for the decisive and persistent way in which they deal with illegal and corrupt acts. During the 7 years I was with the U.S. attorney's office, I observed and participated in the development of this strategy. No one should be naive enough to accept Goff's unsubstantiated and false belief that all of the Federal and State officers involved were fooled into failing to find that evidence gathered by the Medical Payments Task Force had been withheld from them. Not only were they given access to such information, I pushed it upon them and actively solicited their interest and assistance in pursuing investigations up to the day I stopped working for the Illinois Department of Public Aid.

Goff's criticism of the report I prepared in March 1975 is certainly belated. The report is entitled: "Report of the Medical Payments Task Force of the Illinois Department of Public Aid." It has been furnished to the subcommittee as appendix B* to this statement. Goff charges that the report is ". . . inaccurate, biased, and purposely erroneous." No explanation is given in Goff's prepared statement as to what in the report fits these categories other than his assertion that the quality control staff of the Illinois Department of Public Aid had shown that special treatment was given factor companies who were under investigation. This is totally false. An employee assigned to the quality control staff developed the computer program which revealed the information contained in the report that factor companies may not have received favored treatment. An explanation of that computer program is contained at pages 15 through 19 of the report. The report is careful to state that the contrary assumption was the basis upon which the investigative method was devised—for example, that factoring companies did receive favored treatment from the Illinois Department of Public Aid—but that the analysis done by Goff's data analysts showed that another possibility existed. It was also an attempt to demonstrate the fallibility of assuming facts while investigating instead of questioning everything.

PROBLEMS CITED IN REPORT

The report admits problems and errors in the Medical Payments Task Force. Its purpose was to give an overview of the methods developed to avoid waste and attempt to stem fraud in the medic-aid system which had never before addressed itself to those problems. The report does not, contrary to Goff's statement, contain a denial that Illinois Department of Public Aid personnel had no involvement in the losses incurred by the department. In fact, it specifically refers to employees who accepted favors from factor company representatives and the circumspection which was used

*Retained in subcommittee files.

in selecting those in the Illinois Department of Public Aid who could be trusted to perform work for the Medical Payments Task Force. I refer you to pages 2, 4, and 15 of appendix B to support that position.

What Goff next faults is that I did not bring charges against the employees of the Illinois Department of Public Aid who accepted gifts or favors from factor company representatives. I would like to add, I did not take it as my mandate to bring charges against anybody. I was not a prosecutor.

All relevant information I received was referred to prosecuting agencies. I was not there for sensationalism, and I was not there to mar the reputation of other persons.

The individuals referred to by Goff have been the subject of scrutiny by State and Federal prosecutors. Also, they were removed before I became special counsel to the director.

Goff then baldly states that "tens of millions of dollars, as opposed to the \$300,000 the report identified, are actually recoverable from medical vendors." I do not know with what or how he can support that statement. But it is not relevant since I never stated that \$300,000 was the only amount recoverable from medical vendors. That was merely the figure which had been arrived at by the time my report was prepared. I have been informed by Director Trainor, as you have been today, that the system I developed has ferreted out over \$1 $\frac{1}{4}$ million that has been improperly paid to medical providers by the Illinois Department of Public Aid. Over one-half million dollars has been recovered by setoffs against those medical providers.

I continuously stated, both in the report and before Federal and State agency personnel and legislators—before whom I voluntarily appeared—that I had been developing a system to curb abuses. I was not a prosecutor. I could not find every single penny ever taken from the Illinois Department of Public Aid and it was not my assignment to do so. In the limited time I was given I was able to, and did, develop a system for ongoing monitoring of payments made to medical providers and the factor companies they used. I developed methods of detecting improper utilization of the programs and, in some instances, developed information which revealed what could be past violations of law. That program was to continue following my departure and, to my knowledge, it has.

FACTORING COMPANIES UNDER INVESTIGATION

At my departure the medical vendors using one factor company had been investigated, those of another were being investigated, and those using a third factor company were scheduled for investigation. All factor companies were to be looked into. Wrongful conduct was discovered on the part of the first factor company investigated and the information gathered by the medical payments task force was turned over to the U.S. attorney's office before I left. I understand that the U.S. attorney still has this matter under investigation.

Goff mentioned that I received over \$100,000 for the work I did as special counsel to the director. This is another example of

his reckless disregard for accuracy. I was not paid that amount. My contract with the Illinois Department of Public Aid was for me to receive payment at a rate of \$50 per hour. This rate is a standard rate for attorneys who provide service to the State. The contract had a ceiling of hours which prohibited me from earning more than \$52,000. Actually, while I received \$52,000 for the work I performed, I worked well over 100 hours in excess of the amount for which I billed the State, bringing my hourly billing rate below \$45 per hour.

Goff supplies no reason for giving an inaccurately high account of the amount of money I earned or why he mentioned it at all. I assume it is to imply that for money I engaged in subterfuge. My past conduct and reputation belies such cheap innuendo. I have directed my life in what I believe to be an exemplary way and have achieved recognition in my profession as an attorney and in my leadership in charitable and civic activities. I was an assistant U.S. attorney for the northern district of Illinois. I was in that position for almost 7 years, serving under both Democratic- and Republican-appointed U.S. attorneys, and I will also add that while I was in that position, I was covered by the provisions of the Hatch Act, and adhered to the Hatch Act.

I engaged in no political activities, and am not now engaged in political activities.

I was deputy chief of the civil division for 1 year and chief of that division for 3 years, whereupon I left the office and entered private practice and undertook the organization of the medical payments task force of the Illinois Department of Public Aid. I believe that my familiarity with Federal agencies and their personnel is the reason I was offered the opportunity to perform this task. A memorandum—appendix A, item 69—prepared by Donald Page Moore—which recorded a meeting held on September 18, 1974, which was, I believe, a little over 2 weeks after I commenced my duties as special counsel to the director, between Mr. Moore, Director Trainor, Arthur Sinai, and myself—clearly indicates on page 5 that full cooperation with Federal authorities was to be a constant policy and that I was to ensure its implementation. I did so. Since concluding my contractual obligation to the Illinois Department of Public Aid, I have become a partner in a 50-person law firm and am currently a consultant to the Commission on the Review of the National Policy Toward Gambling. I have been a lecturer on various subjects and have spoken at the U.S. Attorney General's Advocacy Institute and most recently at the National Conference on Organized Crime.

FALSE TESTIMONY ALLEGED

I do not know or care about the motive Mr. Goff had in coming before this subcommittee. I trust that my statement demonstrates the distortion, innuendo, and falsity of Goff's testimony. I appreciate the subcommittee permitting me the opportunity to make this statement.

Senator Moss. Thank you, Mr. Simon, for your statement. We appreciate it, and we have a few brief questions, I believe. Hope-

fully, we will not be interrupted too soon, but it might come at any time.

Now, on page 4 of your prepared testimony, you address yourself to an investigation being conducted by Mr. Goff of a former employee of the department of public aid. The former employee had been fired by the department of public aid for accepting bribes from factoring companies. He subsequently was hired by a factoring company.

Are you telling the committee that this type of investigation is improper or unusual?

Mr. SIMON. No, Senator; what I said was that the methods he used were improper. He conducted a surveillance, which I would not condone at all, of an individual who had been shown to have done nothing wrong.

The information and the conclusions from the information were all drawn from the U.S. attorney's office. My action on this part was to make certain that everything that Mr. Goff had revealed, and forwarded to us, was given to the U.S. attorney's office. I did that. It was their determination, Senator, that this matter did not warrant further investigation. I never characterized that.

Senator MOSS. Well, I thought you referred to using a van with curtains.

Mr. SIMON. He said that, Senator.

Senator MOSS. He said that?

Mr. SIMON. That is from a report which Goff submitted, which was in turn submitted to the U.S. attorney's office.

Senator MOSS. Well, that is not too unusual, is it, in surveillance matters?

Mr. SIMON. Well, for men who were supposed to be doing computer programing and analysis, yes. Once again, I cannot condone the following of innocent individuals. If Goff wanted the FBI to do it, if he wanted the Illinois Bureau of Investigation to do it, if he wanted the Illinois State Police to do it, he could have asked them.

I do not think he had any right to do it by himself.

I do not mean to make a judgment as to his conduct. My only function was to make sure everything he did was made known to the appropriate prosecutorial authorities—and they happened to be outside the State government—so as to prosecute anyone, to take action whether or not Mr. Goff had discovered something improper.

Senator PERCY. Mr. Simon, I would like to say that I have enjoyed, over a long period, a very frank relationship with your father. It has always been a most pleasant relationship, and I hope our relationship will not be an unpleasant one. But I hope you know that we have a duty to perform. I have been in the same spot you are now sitting in and so have many of my former business friends. We have had to interrogate and question them. There is nothing personal at all about it.

We do have a dilemma though, and I think we have clarified certain aspects of it.

\$100,000 FEE QUESTIONED

I did question the payment of over \$100,000 for what was said to be 11 or 12 months' work. But as I read your testimony, there was a contract to consult on an hourly basis. The payment was \$52,000—not \$100,000. It was for a period for 6 months, and you actually worked some extra hours without pay.

You indicate that this is a normal hourly fee. I am not familiar with consulting fees in Illinois—with what is charged. But is it normal for someone to be paid on an hourly basis when you are taking on a contract that lasts as long as this?

I can understand a lawyer being hired on an hourly basis for shorter periods of time, possibly. I want to clarify for the record that your contract is not out of the ordinary, that we could find many such contracts in the State of Illinois, that these are for not just short periods, but for periods of 40 hours a week. You put in a working week, and it did go on for 6 months.

Mr. SIMON. Senator, especially in light of the Supreme Court ruling on the fees charged by lawyers—I don't know, they are not published any more—but I know many lawyers personally who are and have been contracted to the State as I was.

I was a professional, outside of the State government, and I was contracted for on an hourly basis, as you said.

Many lawyers have been hired at higher rates, at \$65 an hour and \$75 an hour.

When I negotiated this contract, this was told to me to be the rate. I was in the U.S. attorney's office at the time, and I left that office to undertake this task.

As to the number of hours, the contract is written in two parts. The first 3 months were for full-time work. The second 3 months was designed to be for whatever work was deemed to be necessary. As it turns out, on both parts of the contract I worked well in excess of those dollars that were needed.

I certainly took no mercenary approach to this. I have time records, and I can substantiate that I have worked those hours.

I was not limited by the clock, and I did not expect the State of Illinois to pay me to do the job I thought was right, because hours were no longer there to be paid. It did not mean I was not going to work the hours. I did work the hours.

DIVIDING OF TIME QUESTIONED

Senator PERCY. I think it would be helpful to clarify the record if I also ask this. As I understand it, you had no private practice; you worked for the State full time, and at no time during the period of time you were working for the State of Illinois under this contract did you have a private practice or engage in counsel with any firms. Is that correct?

Mr. SIMON. I started this contract in September. I opened my office in January after the first 3 months of the contract had expired, hoping that I would have some more free time to devote to my private practice.

I was never in a position where I had to divide my time. What had to be done for public aid took it all.

I was hoping I would be able to do both, but I never was able to.

Senator PERCY. So you had no time to engage in private practice or in any practice, other than what you performed for the State of Illinois while you were under this contract. Is that correct?

Mr. SIMON. Well, during the first 3 months, I believe that to be so, but I cannot recall exactly for the latter 3 months. I would have to check my records, Senator.

All I know is, I kept detailed records, according to 15-minute intervals, which is not required by the State but which I imposed on myself, so I would have a record that I had provided those hours to the State.

Senator PERCY. To save you the time of checking records, possibly you could answer this question. Would it be a fair statement to say that any income you might have received, in addition to income from the State of Illinois, would have been relatively minor? Is that a correct statement?

Mr. SIMON. I have other sources of income.

Let me put it this way, there were no—

Senator PERCY. Not dividends or interest.

Mr. SIMON. There were no duties I undertook during that time period that gave me any substantial income that were of a legal nature, and in respect to that, I certainly had no conflicts in representing others that have any business with public aid. I had not at that time, and I do not now.

Senator PERCY. Of your earned income—this was substantially it during that period?

Mr. SIMON. Yes.

Senator PERCY. And I think that puts it in better perspective.

Mr. SIMON. This was my primary livelihood; I was selling all of my hours to the State.

Senator PERCY. Could you describe the nature of the task force, and the key findings and recommendations of the task force's final report?

Mr. SIMON. The report I drafted was 34 pages long. It is appendix B* to the statement I have given this afternoon.

The first finding that I made was that there really was not enough information upon which to base a concrete conclusion.

DIFFICULTIES IN OBTAINING DATA

A great deal of my time with Mr. Goff was spent in developing the reliability of underlying payment information and background, and I would like to point out that the public aid department handled well over 1 million billing items per month.

It was not humanly possible to find out what people were paid, and what were the patterns of payment. What we had to do was resort to the payment information, using computers, into a format that could have statistical reliability.

*Retained in subcommittee files.

That was done over the first 2 months, and thereafter we used auditors and investigators to investigate those providers of medical service. The computers were to plot the providers on a scale showing deviancy from the norm, to see where they would fit—whether their patterns in rendering service and bills to public aid looked normal or not.

When we found people that did not look normal in the system, we would generate a document by computer and audit them. Based on these audits, we would come up with moneys owed to the department of public aid.

One of the findings that I made was that there was a distinction between the overutilization by medical providers, and actual frauds by the providers, and I explained that in the report in some detail.

When it comes to proving fraud, my experience as a prosecutor is that you would have to, of course, have a case that was provable beyond a reasonable doubt, and one in which the underlying data of payment could show that the individual was paid, but that he did not render the service for which he says he was entitled to payment.

It is a difficult process, and it is a difficult thing to do. The U.S. attorney's office has done it often, especially in the years I was there.

It takes painstaking development. The kinks were ironed out, the computers started to work, the auditors were effective, money was found, and instances of fraud were discovered and were referred to the U.S. attorney's office and to the State's attorney for Cook County.

Senator PERCY. Senator CHILES, we have been alternating in going down to vote. I would be glad to go down and vote now, and come back, if you would like to pick up the questioning.

Senator CHILES. That will be fine.

Mr. Simon, I wonder if you would tell us in a little bit more detail about your experience with the U.S. Department of Justice, particularly your work for Jim Thompson.

WORK EXPERIENCES RELATED

Mr. SIMON. Well, I started before that, Senator. I was here in 1967; the U.S. attorney at that time was Edward V. Hanrahan. He left in the spring of 1968, and Thomas A. Foran became U.S. attorney. After that, William J. Bauer, who since has become a Federal district court judge and is now a judge for the Court of Appeals of the U.S. Seventh Circuit—and then Mr. Thompson. I always worked in the Civil Division, but while I was there, I did a number of criminal cases.

I tried tax evasion cases, failure to file tax returns, mail fraud, and indicated many vote fraud cases. As a matter of fact, your investigator, Mr. Recktenwald, was one of the witnesses in those cases in which we obtained a conviction.

Mr. Bliss, who was previously mentioned, provided some information as to some of the almost 100 vote fraud cases, which I oversaw the indictment of and the convictions of, in the northern district of Illinois.

My experience also included being the Deputy Chief of the Civil Division for 1 year, and Chief of that Division for the 3 years.

I made approximately a dozen appellate arguments. During the time I was there, I can safely say I handled almost every type of litigation and trial work there was to do on behalf of the Government.

Senator CHILES. How did you happen to become head of this task force?

Mr. SIMON. In 1970, during the time that I was in the U.S. attorney's office, I was assigned a case called the *Stanler* case, and I represented the staff of the House Internal Security Committee, the Attorney General of the United States, and the U.S. attorney for the northern district of Illinois in that lawsuit. It was brought by witnesses who had been subpoenaed before the House committee, and had been held in contempt of Congress, and the case had been referred to our office.

There were two cases. There was a criminal case, based on the referral, and there was a civil case.

In the civil case, the plaintiffs were represented by the firm of Mr. Jenner—Albert E. Jenner III—with whom I believe you may have some familiarity.

One of the people in the firm who worked on the case almost constantly while I was defending it was Chester T. Kamin, a partner in that law firm.

We concluded that case, I think, in 1973—I do not know the exact time period—but during that time, Mr. Kamin and I developed a very high personal regard for one another's legal ability. We were not social friends, but we did have this professional friendship.

Since that time, he became special counsel to Gov. Dan Walker and I would talk with him infrequently by telephone, as to how he was getting along.

CALL FROM SPECIAL COUNSEL

We never did socialize together, but in the summer of 1974, while I was Chief of the Civil Division, I received a telephone call from Mr. Kamin who was at that time special counsel to the Governor. He asked me if I had been noticing newspaper articles containing allegations relating to the problems in the Illinois Department of Public Aid involving fraud, mismanagement, and waste. I said that I had, and he asked whether or not I would be interested in undertaking establishment of a program to find out the problems and deal with them. I told him I would discuss it with him. During the next 2 weeks, we did discuss it. We arrived at the terms of the contract which I entered into, and I resigned from the U.S. attorney's office and began my duties as a special counsel to the director.

Senator CHILES. Did you have any conversation with the Governor, or did you get any instructions from him in connection with your handling of your case?

Mr. SIMON. I talked to the Governor three times in my life. Once in 1968, after the Democratic Convention was held in Chicago—I was in charge of reporting civil disorders to the U.S. Department of Justice. I prepared a chronology of events that occurred during the week of the convention.

I received a telephone call from the U.S. attorney, Thomas A. Foran, and was asked to come to his office and bring that chronology with me.

I went to his office. He introduced me to a man I never met before, whom he said was Daniel Walker.

I handed the report to Mr. Foran, and I left, so the only conversation I had the first time was "Hello."

The second conversation was in October 1974, and it was after I had been in the position of special counsel to the director for approximately—well, I had started there September 9, so it was over a month, and it was a meeting in the Governor's office.

Mr. Donald Page Moore explained the program to the Governor, and the Governor said he thought the program was workable, and he said to go ahead and to pursue it.

The last conversation I had with the Governor was following Mr. Goff's testimony. We spoke by telephone—he was in Springfield and I was in Chicago. The Governor asked me whether or not I was going to respond to the statements that Mr. Goff made, and I told him that I was.

I do not recall anyone ever telling me what to do, or what not to do in the investigation—

Senator CHILES. And what did the task force do with the evidence of waste or fraud that you turned up?

Mr. SIMON. Well, it was disposed of differently. The actual fraud cases were referred to the State's attorney of Cook County, and to the U.S. attorney for the northern district of Illinois.

The correspondence which I have referred to—items in appendix A, which have been delivered to the committee—details some of those cases.

Those cases in the U.S. attorney's office, at least a number of them, I have been informed, are still under investigation.

DUE PROCESS PROCEDURE INITIATED

The cases of overutilization were kept within the department, so that the money could be collected on those cases. I wrote a hearing procedure for the department, which for the first time established a forum having due process. The procedure called for using hearing examiners before whom a doctor could come and have overpaid amounts administratively adjudicated.

That has been going on. The Illinois Department of Public Aid has collected over a half million dollars, based on that hearing procedure, and they have asserted over \$11¼ million in overpayments against providers.

Senator CHILES. How would you characterize the relationship between the task force and the other agencies of the Federal Government—HEW, GAO, the U.S. Department of Agriculture, and others?

Mr. SIMON. Well, Senator, I never dealt with the Department of Agriculture. They were not involved with my program. But the relationship with Government agencies was excellent.

I saw to it that they were. I can remember instances of having Government agents come into our office. I remember specifically one day an FBI agent came in. I took him into the file room of the

task force offices and showed him how the index system worked. I showed him the files and told him he could make copies of anything he wanted.

He went through the investigative files and he made a number of copies and took them back to his office.

Senator CHILES. Did anyone from the subcommittee here contact you in regard to the Goff charges prior to the time of your testimony here?

Mr. SIMON. No; the only communication I had from the committee was from Senator Moss. On Monday, I received a telephone call from Western Union telling me I would be afforded the opportunity to appear here today. I never had any other communication with the committee.

Senator CHILES. What were your reactions to Mr. Goff's charges?

Mr. SIMON. I believe what he has said is false, and I have said that in my statement. I just do not believe them. The documents show that they are false, and the documents are sitting in the U.S. attorney's office for the northern district of Illinois. So whether I believe it or not does not make any difference; it is there, and the falsehood is there, and the proof is in the U.S. attorney's office.

Senator CHILES. Thank you.

Senator Moss. Mr. Simon, what did the Governor's medical payments task force cost taxpayers?

Mr. SIMON. It cost them my \$52,000 salary. Other than that, every other person used in the program was borrowed. We used people from the Illinois Bureau of Investigation, Illinois State Police, Illinois Department of Public Aid. We purchased equipment only where we were absolutely forced to. That is, when we could not borrow or lease it. I think the cost to the taxpayer has been minimal.

PROGRAM "HAS PAID FOR ITSELF"

I can't think of anything more important than those investigators and auditors, who were presently working for the State and had been loaned to us, could have been doing than participating in this program. Even if you took into account all of their salaries and every cost you could possibly think of, Senator, you will find that we already collected back over \$500,000, and I do not think the cost would have exceeded that. So the program has paid for itself, and will pay for itself in the future.

Senator Moss. Well, I wrote the Governor, asking for the names and salaries and date of assignments of personnel to this medical payments task force. From what we were able to do, in adding the salaries, it was determined that \$413,475 was paid to personnel, in addition to the \$52,720 that you mentioned, and you were unable to determine what portions of the salaries of 28 other personnel should be attributed to the medical payments task force expense.

Do those numbers seem to be in accord with your recollection?

Mr. SIMON. The only figure I can vouch for is the salary which I received, and I have gone into detail on that. But, once again, I think that the amount that you mentioned, if that was the amount, even assuming these people had other things that were more pressing, this was not additional cost to the State. Assuming they had

things more important to do, the department of public aid, based on the system I developed, already collected over that amount, and has asserted twice against that amount against providers who have been overpaid. From what Director Trainor says, there is \$11¼ million claimed, and there has been over \$500,000 collected. That \$500,000 collected has already paid for the program. Everything above that is a plus to the taxpayers. In addition to that, Senator, being in law enforcement for 7 years, I found that no law enforcement is cost-free. It all has a cost, and the benefit of the cost is that those who are engaging in illegal and improper activities, even the overutilization of the medical program, are dissuaded from doing it, and there is a residual effect in savings to the taxpayer by the deterrent effect of such a program. I do not think there was any position that the Illinois Department of Public Aid could have otherwise had than to have devoted this manpower.

If they did not do it, somebody else would have done it, or been required to have done it.

Senator Moss. Could you tell how those individuals were selected—those that functioned on the task force?

Mr. SIMON. They were requested from State agencies. I believe Donald Page Moore was very helpful in obtaining the support of agency directors.

AGENTS REASSIGNED TO TASK FORCE

I had just come from the Federal Government; I was not that familiar with the State officials. A request was made for the assignment of 15 investigators from the department of law enforcement, directed by Harvey Johnson. Within the department of law enforcement, there is the Illinois Bureau of Investigation, which contributed 11 agents. They were under the supervision of Superintendent Wayne Kerstetter. Nine were contributed by the State police, who were under the supervision of Dwight Pitman.

In addition to that, a dozen auditors from the Illinois Department of Revenue were detached for assignment to the task force by Mr. Allphin, who is the director of the Illinois Department of Revenue.

The rest of the personnel, from my recollection, were made up of people already employed by public aid.

Senator Moss. I think you were present this morning when I questioned Mr. Trainor about a November meeting with the medical advisory group, made up of physicians from the Illinois Medical Society.

Dr. Mitchell's suggestion is that the committee had some 35 cases they wished to present to the Illinois Department of Public Aid for action and investigation.

Director Trainor refused to accept the cases—refused to permit the advisory committee to operate—and this troubled me considerably. This is even more true now, because I have information from the chairman of the medical advisory committee, and Roger White, the executive director of the Illinois Medical Society, that confirms the events of the November meeting.

Were you present at that meeting?

Mr. SIMON. I was.

Senator Moss. Can you explain why the department did not follow up on what the physicians suspected to be fraud—fraud committed by members of their own organization?

Mr. SIMON. No, because that is not what happened in that meeting. Contrary to the characterization given by the doctor, it was no quick meeting.

That meeting took 3½ to 4 hours. I was there during all that time. At that meeting there was a difference as to the priority of individual rights. I happen to believe very strongly in individual rights.

When we had the meeting, I informed the medical advisory committee that the procedure that they were using to deprive doctors of payments that they would receive from the Illinois Department of Public Aid was not a proper administrative procedure.

I represented Federal Government agencies for almost 7 years before I walked into that meeting, and I think I have a pretty good feel as to what is right and what is wrong—what you can win in court and what you cannot, when it comes to the Government depriving a right an individual has under a contract.

When a physician provides a service and presents a bill to the department of public aid, it is implied that there is a contract—that the department will repay that doctor for the services he has provided.

You cannot take that away from the doctor without telling him why, and giving him an opportunity to contest what is being done.

The procedure the committee had engaged in prior to this was that they would bring in the doctor and say: "Dr. X, we do not think you are doing things the right way; why don't you give the department of public aid back \$150?"

RETRIEVAL METHODS CHANGED

I explained in that context, that this was not going to happen any more. I explained to the doctors that we were talking about thousands of dollars asserted against medical providers in the future—not just \$150—and the individual doctors were not going to come in and, at their peers' suggestion in an informal proceeding like that, volunteer payment. Nor should they be required to in that fashion.

Senator Moss. Indeed not. You need not carry that on. I do not think the doctors ought to get to other doctors and tell them to pay back, but they made a recommendation to the Illinois Department of Public Aid, and they were thrown aside—and said they would not pursue the cases. That was the testimony—these were doctors who had received more than \$100,000 in public aid money in that time, and it seems to me that raises the question right there, because they received more than \$100,000 in salaries coming from public aid employment.

Now, I wonder, why was that committee cut off? Why were the doctors rejected?

I have dealt with a lot of doctors and I have spent my time on the bench. I know that doctors do not go around ratting on one

another. As a matter of fact, they tend to uphold one another, and that is the tendency I find all through the medical profession.

Senator PERCY. Something like Senators.

Senator MOSS. They have a fraternity of interest, and I do not say that disparagingly, but I do say that there is the inclination which is not to downgrade services of doctors, not to belittle them, not to try to take from them what they are due—their tendency is to uphold them, and try to justify what they have done.

Now, this thing smells very bad to me.

Mr. SIMON. Senator, there are two parts. I was explaining one part. As to the part of what was done with those statements—I reviewed all those statements.

Those statements are still in the office of the Illinois Department of Public Aid—those same medical providers, some of which have been subject to investigation.

As a matter of fact, there are some—while at that time undergoing scrutiny of the Medical Advisory Committee—unfortunately, are still undergoing scrutiny of the Medical Advisory Committee. The point is, what happened, a layman cannot make those judgments, as you have just pointed out.

If the director of the Illinois Department of Public Aid is to make a decision based on what the doctor said, it had to be a decision, to be borne out—as you said, doctors do stick together, and there must be uniformity in the type of investigations that were done, and it is very apparent when you read these 35 statements that some doctors were more critical than others—some less critical—and these reports are very subjective.

That does not take away the responsibility of the Illinois Department of Public Aid to look into it; that was never suggested.

What was done is that a subcommittee of the Medical Advisory Committee was convened to go over the portion I was talking about, which was the hearings and regulations procedure that would be followed by the Medical Advisory Committee in recouping these moneys.

“NO ONE WAS EVER CUT OFF”

In February 1974, Dr. Tworoger and other members of the Medical Advisory Subcommittee, the director, and I met and discussed this again. No one was ever cut off. No one was ever told not to bring any information to the IDPA.

Senator MOSS. Did you listen when I read the testimony of Dr. Mitchell appearing before the Illinois Legislative Advisory Committee this morning, in which Dr. Mitchell said:

At this point, the director interceded and stated he was not going to permit this—

To wit, the recommendation—

The members of the committee were stunned. The chairman pointed out that it had been the practice in the past; furthermore, this was only a recommendation. It would be entirely up to the department to take any action it deemed necessary.

The director said he would not even permit the committee to make such recommendations, because it constituted denial of judicial process.

Mr. SIMON. No; that is not my recollection at all, Senator. But as to the words he used, I do not know if we have any disagreement over that, between you and I.

The point is that the minutes of the meeting are very clear. I do not have the document, but Director Trainor can make the minutes available to you.

I know Director Trainor sent a letter afterwards. This was an attempt to cooperate. The point is that those investigations were not sufficient, in my view, upon which the director could base a decision, and all we were asking the Medical Advisory Committee to do, and what they subsequently did do by the formation of their subcommittee in following meetings with us, was to develop a method by which we could implement, in the proper administrative structure, a program of peer review, and give the director a recommendation in a form upon which he could properly act.

This is what we were searching for. We were not searching to aid doctors who were abusing the Department of Public Aid, or to tell doctors they could not participate in helping the Illinois Department of Public Aid.

I have a great deal of admiration for the members of the medical profession.

Senator MOSS. That was reconstituted later on, is that not so?

Mr. SIMON. I don't know. I was not in the administration of the department. All I can speak of is my participation in those two meetings.

Senator MOSS. That is part of the testimony. It was just allowed to die. That was the end of that committee, and later there was another one formed. Dr. White, of course, confirmed the recitation that I made, and what happened in that meeting. That is the reason I asked if you were there.

Thank you.

The Senator from Illinois.

TESTIMONY ANALYSIS REQUESTED

Senator PERCY. Mr. Simon, I have asked the staff, because there is very lengthy testimony on both sides and it is difficult to make an analysis—I have asked the staff to go over and analyze some of your statements, as opposed to what Mr. Goff actually said.

On page 1, for instance, of your testimony, you said that Goff lied when he said that an investigation conducted by him and his staff was covered up by Donald Page Moore, the former director of the Illinois Office of Special Investigations, and that he and his staff members were intimidated by some individuals working for Moore, one of whom had been assigned to assist you.

You went on at some length for four pages on this point.

The staff tells me in their rereading of the testimony of November 13, they can find no statement in which Goff directly or indirectly alleges a coverup by Donald Page Moore.

Nowhere did he say he personally had been intimidated by Donald Page Moore.

The question of a coverup of an investigation of the Moore campaign contributors was not even raised at the hearings. What was

raised, in response to a particular question I put, was whether or not the memo describing the threat by Laura Staples was forwarded to the proper authorities.

Goff said he did not know. In addition, Goff's testimony did not directly state or imply that there were any attempts to hamper the investigation which your testimony belittles.

Could you tell the subcommittee why you felt it was necessary to state that Goff had made certain charges, which I cannot certify to because he did not make them, so far as I know, at the hearing I attended?

Mr. SIMON. Senator, that is my impression from reading the testimony. I, of course, prefer the impression that you have, because the impression you have is the one that is true. There is absolutely nothing to support the inference Goff made.

Senator PERCY. On page 5, you indicated—in correspondence, that is—that you referred to the U.S. attorney a number of matters for investigation, involving factoring companies and providers of service, and that this refutes Goff's statement; on page 61 of the transcript, that no case was ever referred to the Attorney General.

POSSIBLE CONFLICT WITH GAO REPORT

I would like to read from the GAO report to see whether or not, in your judgment, the Comptroller General's report on the Illinois medical program then was wrong. That report of the GAO read in part: "The special counsel," that is yourself, "reviewed the information that was collected during the State's investigations, and concluded that previous investigative work was directed at isolated allegations, and the cases were not sufficiently developed, and, therefore, could not be referred for either State or Federal prosecution.

"Under the direction of the director of IDPA, the special counsel, and IDPA staff developed a computer program to produce recipient and provider profiles so that utilization data from IPDA payment records could be used to investigate fraud and abuse, and, finally, through use of information extracted from provider and recipient profiles, the special counsel referred the following three cases to the U.S. attorney for prosecution." There followed the details of those cases.

"These were the first cases of potential medicaid fraud ever referred to the U.S. attorney's office for prosecution since the Illinois medicaid program began in January 1966."

Would you care to comment on this report then?

Mr. SIMON. In relation to what, Senator?

Senator PERCY. As to whether or not there were any previous cases ever referred other than those cases that were cited.

Mr. SIMON. Well, I cannot any more.

I used to be able to go through the index of the U.S. attorney's office. I do not recall any such reference while I was in the office, and I left the office immediately before coming into this program.

I talked to James R. Thompson and Samuel K. Skinner about these cases. For those on the subcommittee who do not know, Mr. Thompson is the former attorney for the northern district of Illinois, and Mr. Skinner is the acting U.S. attorney for the northern

district of Illinois. It is my recollection from talking with them at that time that these were brandnew cases, that they had not had familiarity with them, and we treated them as such.

Before this, I don't recall any such cases ever being brought in o the U.S. attorney's office.

Senator CHILES. As I understand your testimony and the statement, when you first got there, you did not feel the records were sufficient; you did not think there was sufficient detail to warrant—to be able to prosecute, and that is why you set up the computer program.

Mr. SIMON. That is correct.

Senator CHILES. Then once you got that set up, you thought you could develop sufficient information—based on that, you did come up with some cases, and you did refer those to the U.S. attorney.

Mr. SIMON. That is exactly right, Senator.

Those cases were referred during the months of, I think, November, December, 1974 and January 1975, respectively. They were not referred at the beginning because they were not available.

Senator PERCY. The implication I got from the statement was that a number of matters were referred for investigation but only three cases for prosecution.

Mr. SIMON. That is correct, there were a number of matters. There were three specific cases and a number of matters.

GRAND JURY REQUESTED

Mr. Thompson, Mr. Skinner, and I had a conversation sometime either in October or November—maybe it could have been as early as September—and I asked them whether they would convene a general grand jury investigation to issue subpoenas to obtain documents and to allow us, under rule 6(e) of the Federal Rules of Criminal Procedure, to act and assist them, and to help the grand jury make these investigations.

The decision at that time was that they would only work on specific cases that were referred to them, and would not open a general grand jury investigation.

That is the procedure we followed. While I submitted three specific cases, there were other matters that were forwarded for other investigation.

The FBI itself pursued some investigators, and it is possible that through the cases and matters that were brought to their attention by the task force, criminal conduct by a number of people may be shown. They are still investigating those, so it was not just limited to the three.

As you will see in the items identified in appendix A to my statement, I even gave them all formal interviews that we had of the Illinois Department of Public Aid employees to see if they would want to pursue that.

I gave information to the drug enforcement administration, relating to pharmacies which we thought may have been doing something wrong. Besides specific cases, we had ourself done numerous interviews, and had the computer provide enough background for immediate presentation to a grand jury. We submitted

other matters which were developed to a lesser extent, but we still referred them.

Senator PERCY. Just before the vote, you described for the subcommittee the task force investigation—the nature of the key findings and recommendations.

Specifically, could you tell us if the task force had data which indicated that factoring firms were receiving special treatment by IDPA in the payment of bills?

Mr. SIMON. Senator, it was on the basis that factoring companies were abusing the IDPA that the task force method of investigation was created, and was still operating at the time I left. The study was to determine if that was valid.

At the time I left, I was not able in my own mind to ascertain which was the case. I do not know whether it is possible to say that the factoring companies have been abusing IDPA.

Let me give you in brief—the method by which the investigation was done, and then maybe it will put it in better perspective.

PATTERN MUST BE SHOWN

In order to establish fraud, you must show a pattern of activity that some one knowingly and intentionally engaged in such activity. That is why it is so hard to prove a fraud case.

Here our base data was originated by the medical provider who said he performed a specific service for a patient. When you involve a factoring company, you are involving another agent, and, therefore, if you find the patient did not get the service, you have two people to look to: the doctor who said he provided it, or the factoring company which may have altered the billing records.

That meant we had to audit clusters of doctors who used the same factoring company. If you could prove 35 or 40 percent of the doctors who used the same factoring company had mistakes in their bills, the 35 or 40 percent of the doctors would have to provide an excuse as to why they had that mistake. Their excuse could be that their bills were altered by the factoring company. That is the theory on which the investigation was based, and it is the one on which it was carried through, whether or not to accept the theory, or the belief, that factoring companies were abusing the department of public aid; the investigative method made it moot as to that argument.

The comparison of factored and nonfactored bills was just an attempt to determine by the use of our computers whether or not we were really pursuing something in the right way, or should alter our program.

It did not make us alter our course of conduct. It just shed some light.

Senator PERCY. I have had a chance in the last few minutes just to glance quickly through your final report. The scope of the operation you had was very broad. You were running a much larger organization than I originally thought, drawing a large number of people from various departments of the State. So it was quite an organization you were administering.

Mr. SIMON. Training and administering.

Senator PERCY. Your whole purpose was to determine whether or not there was a conspiracy?

Mr. SIMON. I will put it in very simple terms, Senator, Senator Moss, and Senator Chiles, for I have performed the same form of the factoring.

We are faced with a huge bureaucracy that befuddles the imagination, for an individual to get through, it is not that easy, and in our office we have assigned personnel to just do casework, and follow through on these things, and we know that we could get things done a lot faster if we could cut through the redtape and the problem, of course, is how to handle such things like this.

EXISTENCE OF CONSPIRACY QUESTIONED

I have never seen any evidence that it is a conspiracy to slow it down, so we have to do this work, and there is not any such thing. It is just the bureaucracy—you could put it that way—but here you have a real clear-cut choice that was made that there was a conscientious slowing down of the effort here, so that factoring companies would be required—but then there must be some incentive to the people who were slowing it down.

Now, this type of conspiracy would lead me to believe that you could determine fairly soon by normal standards of investigative measures whether such a conspiracy did in effect exist.

Senator PERCY. Are you able now, after all this effort, to state what conclusions there were, that is, whether you believed that such a conspiracy existed? Can you tell us whether or not factoring companies are necessary, not just because of the nature of the bureaucracy, but because of the conscious effort to withhold payments, so for the factoring companies, it would have to be a way of life for making payments on time?

Mr. SIMON. Senator, I could not agree that factoring companies are necessary to operate on behalf of physicians with the Illinois Department of Public Aid. Based upon Director Trainor's testimony, the payment only takes 15 days.

I think, compared with private insurance carriers, that is a good payment cycle. It was my advice to the director, while the attorney general to the State of Illinois was engaged in defending litigation which he referred to, in which the department took a position they did not want to deal with the factoring companies, but the courts said that we were forced to—forcing them to deal with factoring companies. I do not think there should be any middle man, and in my report I made a comment in that footnote that says if factoring must be dealt with—and by that, I would hope it would not be—that there should be certain changes made in identifying them and being able to control them better.

As to the general proposition as to whether or not there was a conspiracy among the factor companies, I cannot engage in a general portrayal of them.

Some of these companies were not investigated before I left, and I think it would be unfair for me to characterize them. As to the one company that I referred to the U.S. attorney's office for investigation, I found what I believe to be awful conduct on the

part of those involved. It is alleged conduct, since it has not been proven, and it is under investigation. But it was very, very disturbing to me, and I think on the whole it is a far healthier situation not to have that arrangement in the Illinois Department of Public Aid.

Senator PERCY. Did the task force investigate the existence of fraud by individual providers?

Mr. SIMON. Yes, it did.

Senator PERCY. What was the outcome of that investigation?

Mr. SIMON. Well, we found it is a lot easier to prove the problem of overutilization, that the physicians rendered a service which may not have been necessary. That is a peer review function.

CRITICAL OF POLICY

We also found evidence of fraud. We found in one instance, and it was referred to the U.S. attorney's office, which I mentioned in my report, an optometrist who was billing for glasses that he was not providing. In the report I was critical of the department of public aid policy which I thought was wrong and lent itself to such abuse.

There were other things. I recall a physician, whom I will not name. He was brought to my attention by an auditor. I looked through some of his patient records and I saw records for a child now 3 years old who, for the past 15 months, had been given shots for tonsillitis.

I am not a doctor, but I am a father. I would not take my child to a doctor to be injected once a week for that period without seeing to it that the condition was corrected.

Now, because I am not a doctor, even because I thought something was wrong, I could not say this doctor was defrauding the department of public aid. That was for peer review.

If he did provide that service, if he gave that shot, he was not defrauding the department of public aid. He was giving the service for which he was being paid.

Medical judgment: that is what would determine whether or not a service was absolutely necessary. I give the comparison of drug abuse in the report where the Government tries to prove doctors have illegally dispensed drugs. It is very very hard, because laymen are not sufficiently schooled to evaluate the necessity of dispensing drugs. The Government had to provide strong proof in those cases.

I think these two things portrayed the problem we ran into, and they do portray the ability of the task force to distinguish one from the other and properly act.

Senator PERCY. Did you ever direct members of the staff of the task force to share information with Federal auditors or investigators?

Mr. SIMON. Well, yes, I imagine I did. I gave much of it to them myself.

I remember telephoning an FBI agent one day and asking him to come over to look at some documents.

I took him to the task force office, as I recall, to assist him in finding and copying documents. Also, I told Ms. Staples—you will see a letter referred to in appendix 'A' showing that she, at my request, gave me a copy of the computer programs so that I could forward them to the regional director in the Department of Health, Education, and Welfare. Yes; I imagine I did give such instructions at one time or another.

Senator PERCY. Did any members of your staff tell you, he or she had received such instruction to share information?

Mr. SIMON. That I do not recall, Senator.

Senator PERCY. Is it possible, Mr. Simon, for you to tell the subcommittee if Mr. Goff ever, during the period that he worked under Mr. Trainor's supervision, had working for him investigators, auditors, people to analyze cases, and whether among his responsibilities he ever had an assigned responsibility for auditing or investigating?

WORKING RELATIONSHIP RELATED

Mr. SIMON. When I came into the Illinois Department of Public Aid, I knew nothing about its organizational structure; I did not have a chart. I could not tell you, Senator, what his functions were. I can tell you what my involvement with him was, and what I expected of him and his staff.

I spent many hours in Springfield and in Chicago with him and his staff, and my conferences with him were always devoted to working out an analysis of what programs could be run through the computers, so that we could get part of the analysis of the documents going.

I do know from looking through documents that were provided to me the first week I came into the IDPA, that at one time, Mr. Goff and those on his staff had conducted a very small audit in certain places of Chicago, and they probably doubled in the function of being auditors.

My only function with him and his staff was to devise computer programs.

Senator PERCY. I have no further questions. Thank you very much, Mr. Simon.

Our next witness is Mr. Joel Edelman, executive director of the Illinois Legislative Advisory Committee on Public Aid.

Mr. Edelman, will you raise your right hand?

Do you solemnly swear the evidence you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. EDELMAN. I do.

Senator PERCY. You may proceed.

STATEMENT OF JOEL EDELMAN, EXECUTIVE DIRECTOR, ILLINOIS LEGISLATIVE ADVISORY COMMITTEE ON PUBLIC AID; FORMER DIRECTOR, ILLINOIS DEPARTMENT OF PUBLIC AID

Mr. EDELMAN. I am Joel Edelman. At present, I serve on a part-time basis, as executive director of the Illinois Legislative Advisory Committee on Public Aid. In addition, I am a consultant in the

health and welfare fields. From February 1973 through mid-August 1974, I served as director of the Illinois Department of Public Aid.

My current position requires that I provide staff services and conduct research and investigations for the bipartisan Legislative Advisory Committee on Public Aid. It is a unique legislative entity, comprised of six members of the State senate and six from the house of representatives. It was created under the Illinois Public Aid Code to advise the department of public aid in all matters of policy in the administration of the welfare system in Illinois; to formulate legislation to improve services for and the administration of the welfare program; and to conduct investigations of public welfare and health programs and the manner by which these programs are administered.

I have been invited to testify before you today to respond to testimony presented by Mr. John Goff to this subcommittee on November 13, 1975. Mr. Goff served as a section chief in the bureau of quality control during my 18 months of administration of the department of public aid in Illinois. At that time, Mr. Goff reported to the bureau chief, Mr. Wayne Hamburger, who, in turn, reported to Mr. Norman L. Ryan, deputy director of the department. Mr. Ryan reported directly to me. My personal dealings with Mr. Goff were few and far between. I considered him a capable and dedicated employee.

Mr. Goff testified before this subcommittee to the effect that I had ordered him to defer the cancellation of ineligible cases on the welfare rolls and that I had threatened to fire him if he did not carry out my orders. He alleged that I told him I was under orders by Gov. Dan Walker to defer cancellations of these cases pending the conclusion of the primary elections then in process.

TESTIMONY CHALLENGED

To the best of my ability to recall and reconstruct those events, it is my opinion that Mr. Goff's testimony on these specific matters is inaccurate, incomplete, and confused. I believe he was referring to a situation which developed during the latter stages of our execution of a new and somewhat unique program of corrective action designed to cancel ineligible cases on the aid to families with dependent children program.

Actually, the program had its origins back in May of 1973 when we carried out our first crossmatch using the records of the Bureau of Employment Security of the Illinois Department of Labor. In this program, we compared computerized ADC rolls against the unemployment benefits records maintained on computer by the department of labor. A match of a name and social security number appearing on both computers suggested the possibility that the adult ADC recipient had been employed during the same period of time he or she was receiving public assistance. On our first crossmatch, we found 20,000 such potential cases. These findings had to be verified. We faced the enormous task checking each case to prove the recipient was actually employed at the exact same time he or she received welfare payments, that the income was not reported to

public aid by the recipient, and that the recipient knew of the requirement to report this income.

It became quite apparent to us that the most frequent cause of ineligibility in the ADC program was unreported income; that our computer crossmatch was useful, but could only provide names of probable cases of ineligibility; and that another, more direct method for discovering cases of unreported income must be developed.

Under the leadership of my deputy, Mr. Ryan, we developed an income report card. The card was first used in November 1973. Each ADC family unit received a card. They were required to provide information about income received from sources other than public aid—the amount and source of the income—and to return the card to the department. The recipients were advised that failure to return the card would result in cancellation of their benefits.

PROGRAM UPELLED BY COURT

This program was challenged in Federal district court by a class action lawsuit contending that the program violated provisions of the Social Security Act and that the report card was printed exclusively in English and that non-English-speaking persons were unfairly and adversely affected by the program. Ultimately, the Federal district court upheld the program and, in January 1974, we put the program into full gear. Late in February 1974, cards were returned from all but approximately 9,000 of the 208,000 ADC cases. It was then our decision to withhold the monthly welfare checks from those cases failing to return to the department of public aid the income report card. We felt we could not immediately cancel the cases not reporting because of our determination to avoid mistakes which might result in the cancellation of eligible cases and hardship to truly needy families. We recognized the possibilities that some cards could have been lost in the mail; some recipients might not understand the program; and some recipients may have inadvertently failed to comply. By withholding the checks, we would have the ability to void the State warrant at any time the family unit was determined ineligible and at the same time we would force the recipient to contact his caseworker to find out why his or her monthly check did not arrive. When the recipient inquired about the check, the caseworker could provide instructions about the income report card, and request that the recipient visit the district or county office to complete the card. We assured the court as part of the litigation I referred to previously in my testimony that we would release the withheld checks of any recipient who complied with the reporting requirement and that the check would be released within 72 hours after the cards was completed by the recipient.

I believe that during the month of February close to 6,000 of the remaining 9,000 families who had not complied with the program did, in fact, respond to the withhold of their check and did complete a report card. We released checks to those who did so. During this same period, and I am not certain of the exact chronology, Governor Walker was scheduled for an accountability session

on Chicago's South Side. These sessions have been scheduled around the State, at which time the Governor meets the people and answers their questions about his administration. A few days prior to this particular session on Chicago's South Side, I was visited by Mr. Squire Lance, who was then an aide to the Governor and has since resigned, about the check withholding program. He expressed the opinion that the Governor was in for considerable pressure at the accountability session about the welfare program in general, and the check withholding action, in particular. He asked me to agree to release all checks then being withheld so that the Governor could announce this action at the accountability session. I asked him if he was authorized by the Governor to make this request of me or whether he was acting on his own initiative. He admitted, as I recall, that it was his own idea. I refused to agree and I heard nothing further at that time.

COMMUNITY LEADERS URGED TERMINATION OF PROGRAM

Following the accountability session, a group of community leaders met with the Governor about the income reporting program. The most prominent member of the group, to my best recollection, was Father George Clements, pastor of Holy Angels Church in Chicago. I want to say emphatically, I have the greatest respect for Father Clements. He is a compassionate, intelligent, spiritual and social leader, who acts, in my humble opinion, out of pure motives in the best interests of his congregants, his community, and his race.

The community leaders urged the Governor to terminate the program and release all the checks being withheld on the grounds that they considered the program to be a form of harassment; that they contended many people on welfare were illiterate and could not understand the requirements for returning the cards.

The Governor, quite properly I believe, asked me to justify the program. He wanted to be certain that eligible families would not be removed from the program. He wanted to be assured, I believe, that I and my associates knew what we were doing. I felt the pressure to release the checks was unwarranted because I was convinced that our program was valid as it applied to those still failing, after 2 months of patience and persistence on our part, to comply. I was convinced that we would ultimately, properly cancel about 2,500 to 3,000 cases at a projected annual savings to the taxpayers of our State and Nation of approximately \$18 million. Although I was not pleased about the pressure, I came to the conclusion that I must accept the burden of validating what we were doing.

As I recall, it was toward the end of February when I and two members of my executive staff, Mr. Robert Wessel and Mr. Jesse Harris, were in Washington for meetings with officials of the U.S. Department of Health, Education, and Welfare. I called Springfield to instruct the staff that we would conduct a sample survey of about 300 recipient families in Chicago to determine, on a personal interview basis, why they had not returned the income report card. I planned to ask our bureau of quality control staff to conduct the

survey within a week to 10 days, during which time we would continue to withhold checks on those families not responding.

Normally, I would have dealt with my deputy, Mr. Ryan, who was in charge of these program, but he was, as I recall, on a brief vacation, out of State. I eventually spoke to Mr. Goff. He protested the delay, expressing the opinion, as I recall, that he did not consider this intermediate step necessary and recommended the immediate cancellation of the remaining cases. I do not recall the conversation in detail, but I remember giving Mr. Goff the opportunity to express his views and then deciding to proceed with the survey. He told me, as I recall, that he would not carry out my orders; that he worked for Mr. Ryan, and unless and until he received direct orders from Mr. Ryan he would continue to proceed with his actions to cancel cases. It was on the basis of disobedience that I threatened to fire him. I called Mr. Ryan, who was in Mississippi, I believe, and asked him to call Mr. Goff and advise him to follow my instructions. Mr. Ryan did that and Mr. Goff called me back to say he would proceed according to my instructions.

POLITICAL DISCUSSIONS NOT RECALLED

I do not recall, as alleged by Mr. Goff, discussing any matters of politics with Mr. Goff, nor do I remember any apology statement as to interference from the Governor's office, subsequently. I may have alluded to the primary election, explaining the pressure on the Governor and on me, but I did not make any of my decisions with political considerations in mind. I felt I had to prove the validity of our program to both the Governor and to respected community leaders, and we did. The results of the home-visit survey, as I recall, were that we were able to actually interview about 170 families and only 3 of those families could substantiate their continuing eligibility. The others were either concealing income or were prepared to admit they were either ineligible or receiving more assistance than they were entitled to or that their situation required additional study and verification. We presented this data to the Governor, Father Clements, and others, and they agreed we should continue our program. The next 2 months we canceled approximately 3,000 cases and voided the welfare checks withheld on those cases. I do not believe we lost or wasted funds due to the delay and I believe the delay was justified.

In support of my testimony here today, I wish to submit to the committee the following documents:

Exhibit I: A true and complete copy of a news release dated February 25, 1974, issued by our department about the program and Father Clements' role in it. Because of its germaneness, I wish to read it into the record, and I quote:

Chicago, Ill., February 25--The Illinois Department of Public Aid will operate an information "hot line" in Chicago from Wednesday, February 27, through Friday, March 8, to answer the questions of aid recipients about an income report form they received in November.

Father George Clements, pastor of Holy Angels Church in Chicago, said today that public aid director Joel Edelman agreed to set up the information "hot line" in a meeting last Thursday with Governor Dan Walker. The

three men discussed concerns about why some families may not have returned the forms. Several thousand welfare checks presently are being withheld because recipients of Aid to Families with Dependent Children (AFDC) failed to return the form or to report to local public aid offices to supply information required by law about their income.

Father Clements said he feared some families did not understand the new form or may not have been able to reach caseworkers to ask questions. Checks are released as soon as a responsible member of the family reports to the local public aid office and completes the form.

Three telephone lines will be manned by department of public aid staff at 209 W. Jackson Blvd., in Chicago, from 8:30 a.m. to 5 p.m. from February 27 through March 8 (excluding Saturday and Sunday). Personnel will be able to answer questions about the income reporting forms only. The numbers are (312) 793-2648, 2658, and 2659. Bilingual personnel will also be available to help Spanish-speaking callers.

Edelman comments: "We are concerned about why families have not reported to public aid offices if they have not received their checks. If they know they are no longer eligible for assistance, that is one matter. But we want to be absolutely certain needy families do not suffer because of some misunderstanding about what is required.

"I am again asking community organizations, welfare rights groups, clergy, and others who have contact with recipients to report to my office immediately the names and addresses of families who are experiencing hardship because they did not receive welfare checks in February and are unable to obtain information about the reason for the delay. We will act at once to assist eligible families in these circumstances."

Income reporting cards were mailed to approximately 208,000 AFDC families throughout the State in November. All but 31,000 were returned by February 1 when the withholding action began. Edelman said the exact number of checks withheld for the month will not be known until early March because mailing schedules are not completed until the end of February.

[Additional document follows which was included with exhibit I:]

RADIO PUBLIC SERVICE SPOT ANNOUNCEMENT

ILLINOIS DEPARTMENT OF PUBLIC AID: "HOT LINE" FOR HELP IN REPORTING INCOME, FEBRUARY 27 THROUGH MARCH 8

Announcer: An important message for public aid recipients: If you did not receive your February check from the Illinois Department of Public Aid, it may be because you did not return an incoming reporting card mailed to you in November. You can get information about the income report by calling a special "hot line" in Chicago between 8:30 a.m. and 5 p.m. from now through March 8. The numbers for the "hot line" are: 793-2648, 2658, or 2659. Spanish-speaking persons can also call these numbers for help.

Call the "hot line," or report to your public aid office, if you think you are eligible for public aid but did not get your February check. The telephone numbers again: 793-2648, 2658, or 2659.

Mr. EDELMAN. As exhibit II: An intraoffice memorandum issued to all staff, primarily caseworkers in the field, instructing them on the details of the income reporting program.

[The document follows:]

STATE OF ILLINOIS, DEPARTMENT OF PUBLIC AID

MEMORANDUM

Re: AFDC mailout, form DPA-43a, income report.

The Bureau of Quality Control will start mailing notices on November 8, 1973, to all AFDC cases regarding recipient responsibility for reporting income. The notice will explain the provisions of the public aid code and the legal remedies if violation occurs.

A new Form DPA-43a, Income Report, has been designed for use in conjunction with the mailout. AFDC recipients will be requested to complete Form DPA-43a cards and return them to the Bureau of Quality Control in Springfield. Stamped, self-addressed envelopes will be included for the recipients' use and any cards mistakenly sent to local offices should be forwarded to Springfield immediately.

Plans have been made to centrally suspend those cases in which the Post Office has indicated the Forms DPA-43a are undeliverable. The undeliverable cards will be cross checked with the Forms PA-5, Notice of Returned Public Aid Warrant, to obtain changes of address. The DPA-43a and notice will be remailed to those persons who have a new address.

The Bureau of Quality Control will maintain a file of the returned DPA-43a cards for statistical purposes. Form DPA-43a was designed for a single mailing and will not relieve the recipient from reporting his income regularly on Form DPA-43, Income Report, to the county/district offices.

JOEL EDELMAN,
Director.

Mr. EDELMAN. As exhibit III: A memorandum to Mr. Goff representing an informal disciplinary action in response to his expressed position that he would not accept orders from me as director of the Department.

[The document follows:]

ILLINOIS DEPARTMENT OF PUBLIC AID

INTEROFFICE MEMORANDUM

To: Mr. John Goff.

From: H. Wayne Hamburger.

Re: Auditing of withheld warrant cases.

I agree with you that the decision to make a home visit to each client who failed to return income report Form DPA-43a is unsound from the project manager's viewpoint. It could end up costing the State millions of dollars if handled improperly. I must remind you, however, that you are part of an organization, namely, the department of public aid. The one man who bears the total responsibility for this organization is the director, Joel Edelman. Your actions and decisions as well as mine finally become his responsibility.

If we choose to remain a part of the department of public aid, we will abide by Director Edelman's decisions. He has made a decision to visit all the clients whose checks were withheld and it is up to us to abide by it. He has permitted us to express our opposition and hostility and he is not obligated to tolerate any insubordination. The DPA-43a project is not your project. It is the department's project and you would do well to remember this.

I do not like to operate my bureau by putting all instructions in writing but I can if necessary. You are assigned to the bureau of quality control and you report to the chief, which happens to be me. Your orders do not come directly from Deputy Director Ryan and if you disagree with me I will refer you to Mr. Ryan.

I must insist, however, that there is only one bureau chief and until I am relieved, you will take your instructions from me. I hope you will accept this in the same candid and unemotional manner as I have accepted your memo of this date.

H. WAYNE HAMBURGER.

Mr. EDELMAN. Mr. Chairman, I have submitted these exhibits to the committee, such as exhibit II—the intraoffice memorandum—which was issued to all the staff, particularly to caseworkers in the field, instructing them on the details of the income reporting program so that they would be prepared to handle inquiries. The third and final exhibit is a memorandum to Mr. Goff which was issued by his immediate superior, Mr. Hamburger, representing an informal disciplinary action in response to his expressed position

that he would not accept orders from me, as director of the department.

I would simply point out to the committee that the large dark handwriting in the upper right hand corner of that original memo is my handwriting, and it reads "Confidential." I was returning a copy of the memorandum which Mr. Hamburger had sent to me, with this note on it: "Good. Sorry it was necessary. John has done a good job, otherwise—J. E." in those outlined initials.

I wish to thank the committee for the opportunity to present my best knowledge of these matters, and for your patience in receiving this testimony.

Mr. HALAMANDARIS. I am very pleased to have your testimony for the record. I think I would prefer to delay a few minutes until one of the Senators comes in.

TESTIMONY CORROBORATION IMPORTANT

The reason I say this is that your testimony is extremely important in many ways, and that you are corroborating what Mr. Trainor said, at least in reference to what Mr. Goff said about the cancellation of the 3,000 cases.

We received a document yesterday, supplied to us by the Governor and his counsel, which indicates that in February there was some 4,300 or some cases that were canceled—in that week of February—and it does tend to confirm what Mr. Goff had to say, so I am at a loss of trying to reconcile his testimony with yours.

Mr. EDELMAN. I am sorry. I did not follow.

Mr. HALAMANDARIS. I am at a loss to try to reconcile Mr. Goff's testimony on this specific point of the cancellation of the 3,000 cases and your specific testimony.

One question we might focus on for a minute is this: The cases were being held in abeyance, that is to say, money was not being paid, is that correct?

Mr. EDELMAN. The 3,000 cases?

Mr. HALAMANDARIS. Yes.

Was there any way in which money could be paid to those 3,000 cases? Of the individuals represented by those 3,000 cases, was there any way they could have been receiving money through any source?

Mr. EDELMAN. I know of none, other than the possibility—and this would raise a question of collusion—that a caseworker could have put an individual back on the rolls through what we call an emergency procedure—a one-month-only check which is issued on an emergency procedure under a different arrangement within the department. A caseworker who did this, knowing that this same individual has been on the rolls and was now subject to a withholding procedure—that caseworker would have acted improperly.

Mr. HALAMANDARIS. How does that work—would the caseworker necessarily know that there was a hold on a particular case?

Give me the mechanics of it. Let us assume I am one of the individuals involved—I am one of the 3,000 cases—suppose I show up at a local welfare office and I put in for emergency payment. How does that work?

Mr. EDELMAN. As I recall it, it was Mr. Goff, Mr. Hamburger, and, I think, Mr. Ryan who worked out the specific arrangements to prevent that from happening.

We did have a discussion of that potential leak in the system, and he assured me that they had taken steps to prevent it from happening.

I believe one of the procedures was to issue lists to the specific district and county offices of those persons whose check was being withheld, in direct relationship to the special income verification program.

NORMAL CASE CANCELLATIONS

I might point out that some of the discrepancies that you are concerned about may relate to the ongoing cancellation of cases, other than the income verification program.

As Director Trainor testified earlier, the department canceled anywhere from 5,000 to 6,000 cases a month for varying causes. Individuals calling up would ask to be taken off the rolls voluntarily because they found a job.

There are many other reasons why cases are canceled. So some of the cancellation of cases that you referred to may have been the routine ordinary cancellations.

I am limiting myself now to the special program.

Mr. HALAMANDARIS. Well, I am going to send this affidavit down to you. It is an interoffice memorandum and it indicates that a number of cases that were canceled beginning December 7, 1973, all the if I recall Goff's testimony, it indicated that about the last week way through March 1974—excuse me, through May of 1974—and in February is when he canceled those 3,000 cases. I want to send this down, to let you look at it and see if you think it might corroborate Goff in some way.

What is your reaction to that?

Mr. EDELMAN. Well, I have to assume that I was correct in my statement just a few minutes ago.

This is an enumeration of case cancellations, but it does not appear to limit it to the wage or income verification program. These may have been the ordinary normal cases that were being canceled for other causes.

I cannot draw the conclusion that there were any special case cancellations at that particular time.

Mr. HALAMANDARIS. How do you explain the discrepancy in the numbers in each of the other cases? We are talking about 1,000—at most, 2,000 cases that were canceled in any particular week. In the last week of February, there were over 4,000 cases canceled.

Mr. EDELMAN. Well, I think it is very possible that the program has some side benefits—that even those people who returned the report card may have decided that they should get off the rolls.

In other words, I cannot draw the conclusion from these data that this is a direct product of the income verification system. In fact, again, to the best of my recollection, we did not cancel those 3,000 cases in February. We specifically withheld the cancellation.

Now, there may have been some that were canceled before we got orders to the Quality Control Bureau that they were going to do a validation, and this is where Mr. Goff expressed his protest, and he felt it was an unnecessary additional step of validation.

He felt that we had spent a couple of months on this program, and that it certainly had proven itself.

Mr. HALAMANDARIS. Let me ask you this question, if I may. This morning we heard testimony concerning some 35 cases that were isolated by the Illinois Medical Advisory Committee, and Mr. Trainor allegedly did not do anything with the information that they accumulated. They had 35 cases that were not pursued, and they were not allowed to be presented to them, even for a recommendation that action should be taken by the Illinois Department of Public Aid.

Would you say that a reasonable man in that position would have acted the way Mr. Trainor did? Let me put it another way. If you were in Mr. Trainor's position, would you have acted in the same way?

Mr. EDELMAN. Well, let me answer it a little differently, if I may.

I was the one that requested the Illinois Medical Society cooperate with us—to make up those site visits.

My relationship with the Medical Advisory Committee was a very positive one. I would say we met almost monthly during my tenure in office, and that I attended probably 90 percent of their committee meetings which were usually held on Saturday.

ADVISORY COMMITTEE MEMBERS DESCRIBED

Many of those men came from central and downstate Illinois—a great inconvenience, giving up the opportunity to earn a living on that particular day. They were dedicated physicians.

I certainly would have very strongly valued their findings and their opinions, and I think I would have been very definitely persuaded by their findings and opinions.

Mr. HALAMANDARIS. You would have acted on material they gave you and referred it for further investigation within public aid?

Mr. EDELMAN. Well, I have a difference of opinion, both with Mr. Trainor and Mr. Simon, and I am not pitting my legal talents against Mr. Simon by any means, but I do not share his opinion about administrative process and administrative review.

I think that when doctors participate in a medicaid program, they do so under all of the terms and conditions which the program sets forth and, if you will look into the policy manual of the department of public aid, it very clearly sets forth grounds for termination. We are not talking about suspension—we are talking about definitive termination of physicians from the program, and those grounds are very broad.

They are so broad, you could terminate a man for delivery of service.

Now, Mr. Simon indicated that there is not much you can do about overutilization.

I disagree with him. There is a great deal you can do about over-utilization, and I for one—I actually did this, not as it related to physicians but as it related to pharmacists. I suspended payment on three pharmacies, based on the investigative work of my staff. I was convinced the irregularities were sufficient to warrant suspension of payment, and my theory is that we would then conduct a swift investigation and, if our findings could be substantiated, we would then bring those pharmacies before the appropriate drug and therapeutic advisory committees for their affirmation of our decision to either suspend or terminate.

In my capacity as executive director of the executive advisory committee—there has been confirmed even further on the basis of some investigations that we are doing—we know of one very large-scale pharmaceutical or medical clinic, or green card clinic, operator in the city of Chicago who has in excess of a dozen locations in the intercity. We have done a thorough study of his billings to the State for the current fiscal year, and based on only 3 of those 12 locations—and we believe he has more than 12, by the way—and on only 3 of those, we project annual billings in excess of \$1,200,000 for the current fiscal year.

INVESTIGATION SEEN AS PROPER

We believe that the operation may, in the aggregate, produce anywhere from \$2 to \$4 million a year.

We are told by suppliers—we take wholesale suppliers of pharmaceuticals, that they, in some cases, have already refused to supply the man with drugs because he does not pay his bills, and yet there is a cashflow to this operation on a monthly basis in excess of \$200,000.

We think these are sufficient grounds for a thorough investigation. We think that the department of public aid could very properly and very rightfully do an audit of acquisition costs—how much should that pharmacist pay for the material that he is using, and how the billing is paid for.

We think that they could very easily investigate patterns of acquisition.

Here is a pharmacy, for example, that produces a tremendous amount of Valium for public aid recipients. Valium is a trade name drug.

What we would like to do is talk to the supplier of Valium to see if, in fact, the pharmaceutical chain does purchase as much Valium as they bill the State for, because we suspect that they may be billing for the trade name at high cost, and supplying a generic substitute at a much lower cost. We think there are tremendous numbers of leads based strictly on the raw data of how much volume or how many dollars the particular vendor obtains from the medicaid program. Those clues alone would keep a competent investigation staff busy many, many days, months, and years.

Mr. HALAMANDARIS. I agree with you, particularly in this case. Were I in your or Mr. Trainor's position and the medical society came in with 35 cases and said: "Here, prosecutor, go out and investigate them; there appears to be some hanky-panky going on,

to me, based on our site visit by a team of physicians." I promise you I would do something about it, and I think you would too.

I am troubled by Mr. Trainor's response to that same question, and I am troubled by Mr. Simon's response to it, even though the administrative procedures argument sounds like it would be plausible—in this particular instance, I do not think it has much application when all you are talking about is whether or not you are going to recommend the department of public aid do something about those cases.

With that comment, let me ask this question. Mr. Trainor testified this morning that factoring companies do not get preferential treatment. Our friend, Mr. Simon, said he does not know whether they do or not.

Let me ask you this question: Do you think that factoring companies receive preferential treatment? In Mr. Goff's testimony is the assertion that they do and, as I recall, he said the Simon report said so. There is a statistical difference that Goff says is very significant—2 percentage points—and when you compare that, it is much higher.

What is your comment? Do you think that factoring companies receive preferential treatment, or is there any other explanation for this apparent discrepancy in the testimony?

Mr. EDELMAN. Let me answer it in a couple of different ways.

When the BGA, the Tribune and the other Chicago newspapers, and, I think it was NBC radio and television also, jointly picked up on some testimony, I believe, that Dr. Hutchison offered at a public hearing, they began to pursue and put pressure on the department of public aid with respect to all of the charges and allegations made about factoring companies. I did, in fact, look into the specific practices of the department of public aid which might have been vulnerable to criticism, and I will just cite a couple of the results of those inquiries.

READY ACCESS TO PAYMENT BUREAU

There was an allegation, for example, that several representatives of several different factoring companies have free and ready access—and I want to repeat this; this is during my administration, not Mr. Trainor's—had ready access to the medical payment bureau, medical payments section, which is located in a building separate and apart, and some several blocks away from the main headquarters in Springfield in the department of public aid. That they had free access to that medical payment section and that they hand-carried their bills on many occasions and would give those bills for prompt processing to the people who were, you might say, at the front end of the system—receiving the bills.

I called in the person whom I felt could answer the question, and I was told that that was true.

We immediately issued an order that no person had a right to access—physical contact—with our employees for the purpose of hand-delivered bills.

The second charge which greatly alarmed me was the allegation on the part of several physicians that they believed that their

individual and customary profiles, which were supposed to be confidential documents, were in fact made available to factoring companies for their use and exploitation. The allegation was that the representative of the factoring companies—the salesman, if you will—would approach the doctor in his office, and say: "Doctor, we would like to factor your bills, we can get you faster payment than you are getting," and the doctor might say: "Well, I am not interested." Then to whet his appetite a little bit further, he might say: "Well, you may not know this, but you are not charging the department enough, and we think if you increased your charges you could collect more." And he would say to him: "How do you know that?" And he would say: "We have access to the physicians' profiles."

Now, for those who are not familiar with the usual and customary fee—and I will do this as quickly and as simply as I can—as I understand it, each physician bills his usual and customary charges for the particular procedures.

The bill goes into the department of public aid; the department of public aid maintains basically three files: one which is the individual physician's billing file, his profile of billings over a period of time; community profile, which would be the billing practices of all other physicians in his community—which usually is the county; and then a third file, or a third reference, which would be a statewide file on that particular procedure.

Should all physicians bill, on the average, for that particular procedure, that would be the third one.

The department would then pay the lesser amount of the three, so that if by—I am sorry; they will pay at the 70 percentile of the community rate, or the statewide rate, and pay at the lowest level of those three profile findings.

If, for example, the 70 percentile in a given community, and for the State for a certain procedure is \$7 for an office visit, and if Dr. X, who happens to have been in practice for a long time and has not raised his prices that fast, is still billing at \$6, the department would pay \$6, rather than the 70 percentile, which would be the seventh dollar.

ADVISING PHYSICIANS TO RAISE BILLINGS

Now, if the factoring company has access to that confidential information, they could advise that physician to increase his billing to the \$7 level. Since that would still be within the 70th percentile, he would be able to maximize his billings accordingly.

Now, it has been alleged that the salesman, in the presence of one or two or several of these doctors that alleged this, actually picked up his phone, appeared to call Springfield or to have a direct line to someone in the medical payments unit—and we were never able to substantiate that—and say: "I want Dr. X's profile," and he would allegedly get this answer. He would turn to the doctor, and say: "Your profile is such and such, and we can raise it for you."

I was deeply concerned about those allegations, so I called in the same man whom I had inquired about the question of access,

and I said to him: "Do we make any of those profiles in a confidential manner?" And he said: "I am certain we do." I said to him: "I want to be doubly certain. Please go and check visibly yourself."

He came back, red in the face, and said to me: "Mr. Edelman, I am embarrassed to say that those profiles are maintained in the regular file cabinets, with no locks on them." I, of course, ordered that they be placed under lock and key.

These were events I personally experienced which began to cause me great concern about the potential, either by inadvertence or by actual collusion by employees within the department, that factors were, in fact, receiving preferential treatment.

In May 1974, after further investigation and based on an HEW regulation, I decided to issue a new policy for the State of Illinois: That we would no longer pay a medical services bill to anyone other than the provider of the service; that we would no longer issue checks to a post office box or to any third parties; and that the burden would be on the physician to prove to us that this policy did some harm in some way.

There was an immediate outcry from the factors. We were put under some pressure to back off of that position. We were put under pressure to make exceptions in some cases, but we felt that the decision was right.

One further event occurred which caused me some concern, and I do not want to suggest here that anyone did this deliberately, but I think it fits into the scenario.

RETROACTIVE POLICY OPPOSED

When we decided to adopt this policy of not paying anyone other than the provider of service, I was consulted by my staff as to the effective date of that new policy. I recommended, as I recall, that it be a date set prospectively to avoid the potential of having litigation based on ipso facto rulemaking, and I knew that there were bills in the system for services rendered for prior periods of time.

That would be an arbitrarily cutoff time, based on a new policy which did not exist at the time those services were rendered, and I thought we would be unfair to issue some policy change that would have a retroactive effect.

My staff left my office knowing that that was my opinion and my very strong feeling.

During the time that all of this was occurring, I was having some other difficulties, and I eventually decided to leave State office.

I learned later, after I was out of State Government—and I learned this by being served as a party in a lawsuit—that one of the main issues of that lawsuit, which was filed by one of the factoring companies, was that the policy had been issued on a retroactive basis.

Somewhere between the time that I expressed these very strong views about the importance of sending a prospective effective date, someone decided that it should be retroactive.

With respect to the report submitted by Mr. Simon—and I have had the opportunity to read it several times since it was made available to our legislative advisory committee in public aid—I have several comments, and none of these are meant to criticize Mr. Simon, but rather to question the validity of the content with respect to the findings that were drawn regarding factoring.

Point No. 1, and I am referring now to page 16 of the John Simon report—I am sorry, I am referring initially to page 15 of the John Simon report—the study that the task force made of factoring to try to determine whether there was any preferential treatment or not, covered the period of February through August of 1974.

It was my opinion that this is a very poor period of time to study this issue. The factors were under the gun at this time; they were under public pressure. It was in the middle of this period that I declared my new policy not to pay them any longer.

I just do not think it was a good sample period upon which to base an important judgment.

Second, in that same paragraph of the Simon report, they compared the date of service and the date of processing. They conclude that in those cases submitted by the factors, the margin of time is actually greater between the date of service and the date of processing.

ATTEMPTS TO CONFUSE DEPARTMENT

This does not prove anything, because many of these profiles are held back by doctors and factors who wish to confuse the department with respect to their patterns of care, so the date of services does not mean anything. The important thing is the date the bill was submitted to the department for payment.

This was a long period of time between the date the department received the bill and the date it processed the payment, as between individual's bills and those submitted by the factors.

That is the question—not the date of service.

Another point made on page 16 of the report talks about percentage of bills rejected, saying that the bills were submitted by factors—that actually there is a lower rate of rejection among those bills than the ones submitted by individual providers.

I would like to point out that this is meaningless because, in my judgment, the factors have no incentive; they have no incentive to avoid rejection.

Since they withhold from the doctor the sums of money against the possibility of a rejection, and if the bill is, in fact, rejected, they repeatedly charge a fee for resubmitting that bill. So quite the contrary, their incentive is to have a high rate of rejections.

It is the doctor's money that they are holding on to; it is the doctor's money that they continue to charge interest on. They have no incentive whatsoever to get a low rate of rejections; so I submit to you the point about rejected bills has no merit.

And finally, the point with respect to overrides of the computer—this was a very sensitive point, a very important point.

I do not have the answer to this question, but I think the question should be raised.

There was more than one level at which the decision to override the edits in the computer could be emphasized. One level of management within the medical payments section had a limited authority for overriding the computer. The next level up had an unlimited—or almost unlimited—authority, in certain circumstances, to override the computer.

My only question is: What did Mr. Simon's people study? Did they study both levels of authority, or simply the lower level of authority?

These are my concerns about factors. I believe it is a most serious problem in the State of Illinois.

COOPERATION WITH OTHER AGENCIES

I might tell the committee that our legislative advisory committee is presently cooperating with both the Attorney General and the U.S. attorney in matters relating to the business of factoring and we think that it deserves continued investigation.

Senator CHILES. Mr. Edelman, did the Governor, at any time, ever direct or suggest to you that the department not cancel ineligible, or do everything possible to eliminate fraud?

Mr. EDELMAN. No, sir.

Senator CHILES. In your experience, during the time of your directorship, what was the impression as to whether the Governor was interested in the elimination of ineligible?

Mr. EDELMAN. He was absolutely committed to running a good welfare program, to my knowledge.

Senator CHILES. Prior to the time of Mr. Goff's testimony, did you hear from anyone from the subcommittee to inform you of Mr. Goff's charges, or ask you to comment on the charges?

Mr. EDELMAN. Prior to his testimony?

Senator CHILES. Yes, sir.

Mr. EDELMAN. I actually met with some of the staff members in September for the purpose of offering some suggestions with respect to the nursing home industry.

It is possible that Mr. Goff's name came up during that period of time, but I do not think specifically on his testimony; no, sir.

Senator CHILES. At that time, did they give you any kind of idea, or were you told, that Mr. Goff was making statements to the effect, on direct order from you, that you had received from the Governor that you were not to cancel some ineligible?

Mr. EDELMAN. No.

Senator CHILES. That is all I have.

Mr. HALAMANDARIS. I know Senator Percy has some questions for you, and if you would not mind waiting a few minutes, we would appreciate it.

Senator CHILES. Then I would say that we recess until Senator Percy comes back.

[Whereupon, the subcommittee was in short recess.]

AFTER RECESS

Senator PERCY. We will resume our hearing.

I would like to try to clarify the nature of Mr. Goff's job. Can you give us an idea as to how many people worked for him? Was it 60? Was it 200?

Mr. EDELMAN. During my period of time with Mr. Goff and with public aid, he was kind of a troubleshooter, Senator.

He was a man of many talents—creative, industrious, intelligent—and we gave him the assignments as they came up, to carry them out. I think at various periods of time you could easily say he was in charge of as many as 200 people.

He was involved in eligibility review of general assistance case-loads in the city of Chicago and, at that time, I am sure he had at least 100 people working for him.

He was involved with supervisory responsibility for the corrective actions program as part of the quality control program. I think it is fair to say at various periods of time, he would have had that type of supervisory responsibility.

Senator PERCY. And did that include, under your tenure, as well as under Mr. Trainor's tenure, responsibilities for auditing and investigating?

Mr. EDELMAN. Certainly under my tenure, and particularly toward the period of time that we are most concerned with—I would say the early part of 1974, and into May, June, and July—he did have a substantial investigative responsibility.

"A MAN OF MANY PARTS"

We were very concerned about the medicaid program; we had to do a lot of shifting around with personnel and draw on whatever talent we could find within the agency to try to get on top of the situation, which was moving very fast at that moment. He was, in fact, given some very important assignments, which brought him in touch with the computer program, which put him out in the fields with investigative staff, which put him in an auditing capacity—so I would say he was really a man of many parts during that period of time—working in those areas—on the quality control.

Senator PERCY. Now, sometimes it is possible that a person's actual responsibilities vary from the official description of his responsibility.

I would like to go through the job description for John Goff's last position with the LDPA. This is taken from the official personnel job description. Does this document, in your judgment, accurately describe his responsibility? Is it true that John Goff performed a wide variety of functions, which included coordination in the division of the department of public aid?

Mr. EDELMAN. Yes.

Senator PERCY. Is it also true, because of the sensitivity and controversial nature of Goff's duties, that in the performance of his duties he was subject only to approval by top management, that is, by the IDPA director?

Mr. EDELMAN. I guess, but through persons with delegated authority to work directly with him; Mr. Ryan and Mr. Hamburger.

Senator PERCY. Is it true that John Goff had the authority to

speaking for the agency and, therefore, could commit the IDPA to specific courses of action, possibly resulting in significant effects upon departmental policy, both within and outside the agency?

Mr. EDELMAN. Senator, I would say within a predetermined set of parameters—in other words, I think the way that reads, you would almost think he was the director in the department. But I would say once we agree on a course of action, he was primarily an implementer, or a person who would execute our decisions. As long as he was within that scope, he would have a great deal of discretionary authority; yes.

Senator PERCY. And would you agree, finally, that the assignments given to Goff required a thorough knowledge of the operation and of the organizational structure of your agency?

Mr. EDELMAN. Yes, sir.

Senator PERCY. I have found one incredible statement in your testimony—that Goff refused to take direction from you, insisting it be given by his immediate superior. I have never heard of anybody who would assume his superior's superior did not have the authority to give an order.

It is like saying a major cannot give an order to a lieutenant, unless it goes through the captain, and that makes no sense at all. I cannot understand Mr. Goff having or taking that attitude. But be that as it may, that is one part that I found somewhat incredible. I would now like to go through some of the things that he stated, and see what you, to the best of your ability, can recall.

Do you remember calling him from Washington, D.C., during February or March 1974 concerning the termination of certain public assistance recipients in Chicago?

Mr. EDELMAN. Yes.

Senator PERCY. Did you ever, under any circumstances, personally discuss 3,000 ineligibles detected by the income verification program with Governor Walker?

PROGRAM DISCUSSED WITH GOVERNOR

Mr. EDELMAN. I certainly discussed this program and the potential for removing ineligibles through it, but I don't recall whether we gave him the specific number or not.

Senator PERCY. Could you describe it the best you can—the conversation you had?

Mr. EDELMAN. Well, I believe, Senator, that I would have discussed this. I did, in fact, discuss this income reporting program with the Governor on a couple of occasions. From the point that we first began to get some community reaction, we then found ourselves in the courts. He had some concerns about it—he was concerned that we were not quite on solid ground. I reported to him on a number of occasions how this program was operating and attempted to reassure him that we were, in fact, on the right track with it. So, I would say from the period November 1973 through March or April of 1974, I was keeping him up to date on that program, because it was new and unique.

Senator PERCY. Now, there could be concern about whether you were on solid ground, whether you were doing the right thing, and so forth, and then there could be concern, as was implied or stated by Mr. Goff, about the political consequences.

Do you recall enough of your conversation to determine whether or not politics ever came into it, directly or indirectly?

Mr. EDELMAN. In my dealings with the Governor?

Senator PERCY. Yes.

Mr. EDELMAN. No, sir.

Senator PERCY. Did you subsequently discuss your conversation with the Governor with Mr. Goff?

Mr. EDELMAN. I do not have a clear recollection of that, Senator. I am speculating. I did make some references in trying—I am the type of person that does not like to issue orders, as such.

I like to reason with my subordinates whom I have respect for, and I think it would have been my nature to convince him that we should have this program, and to convince rather than to order. I may have alluded to political consideration, but as I stated in my testimony, if I alluded to them, it was more of trying to sell him as to the burdens that other people have on their shoulders. It was not in my mind, as a real consideration for whether or not we should cancel cases at that point, so I may have alluded to it; but it was really insignificant at that point.

Senator PERCY. Do you recall ordering Mr. Goff to refrain from canceling any cases until after the primary election in 1974?

Mr. EDELMAN. Here, again, I may have said to him that we should verify this program, that it would be easier, and that we would then be able to cancel cases. Primaries would be behind us, and we would not have all this community pressure on us.

I may have speculated, but not as a direct reflection of what anyone else said to me. It would have been my own rumblings about the current situation.

Senator PERCY. Did you threaten to fire Mr. Goff if he did not follow your instructions concerning these cases?

DISMISSAL THREATENED

Mr. EDELMAN. Yes; as I testified, I had told him that I would dismiss him if he did not carry out my orders. The issue was really not the question of whether the cases were canceled as such, but whether he recognized my authority to issue such an order.

Senator PERCY. While director of IDPA, were you aware of efforts to place political appointees in positions other than those traditionally filled by gubernatorial appointment?

Mr. EDELMAN. I am sorry; may I ask you to repeat that question?

Senator PERCY. While you were director of IDPA, were you aware of efforts to place appointees in positions other than those traditionally filled by gubernatorial appointment?

Mr. EDELMAN. Senator, on a number of occasions, from a number of sources, both within the administration and within the legislative branch, I was asked to give consideration to employees for positions in the department of public aid, and I do not want

to sound heroic about this, but I think I can honestly say I was consistent—whether it was my boss, the Governor, or a member of the general assembly, or whoever—my standard position was, if the person was qualified, we would give that person consideration within the merit system and within the personnel code requirements of the State of Illinois.

Now, I must proceed then to say that one of the major reasons I resigned from the administration in August 1974, was in regard to the placement of initially 64 employees who were being transferred from other departments and other agencies of State government to my department without, in my humble opinion, any regard to those things. Later, that opinion was substantiated—in fact, without any regard for their qualifications, experience, or their status within the department. Most critically was when I questioned the then-Director of the Bureau of the Budget, who first approached me about the transfer of these employees to our payroll. I specifically asked him whether there would be a transfer of responsibility and authority over those employees, and I was told: No, that they would continue to report to the same person they were reporting to before when they were members of another agency.

SENATOR PERCY. Could they possibly have been from an agency that did not have—what proportion of your personal budget was paid for by Federal funds?

MR. EDELMAN. It varied depending upon the program. But just on a general basis, about 50 percent.

SENATOR PERCY. About 50 percent?

MR. EDELMAN. Yes.

SENATOR PERCY. Would it be possible that some of these 64 people came from agencies that were not receiving 50 percent of their budget from Federal funds, and that this transfer could be a means of reducing State costs? But of these people—50 percent of whose salaries were paid for by the Federal Government, from public aid money—some were actually performing other duties? Is that what you are saying?

MR. EDELMAN. Senator, that is an interesting question. Again, I am expressing a personal opinion, which has been since substantiated, and I would like to tell you—to have an opportunity to tell you about the events that lead up to the time of these opinions.

NO MATCHING FUNDS SOUGHT

The fact of the matter is that the State did not seek Federal matching funds for these 64 persons transferred to the department of public aid.

I believe the reason they did not seek Federal matching funds is because they feared it would put those persons under the Federal merit system requirements for personnel practices, and by attempting to keep them outside the jurisdiction of HEW and the U.S. Civil Service Commission, they did not match those salaries against Federal funding. So, in fact, it was a greater burden—not a greater burden, but the same burden on the State, only transferred to the department of public aid.

You might say it was a greater burden, in this sense, if we had been able to fill those positions with qualified public aid employees who have been eligible for Federal matching funds. To that extent, the taxpayers of Illinois would have had a better break.

Senator PERCY. Is it not possible, if they were politically active people, that your payroll was just being loaded with political appointees?

Mr. EDELMAN. Senator, I had no proof of that, and I did not attempt to prove it.

I made a request of Mr. Bishop, who is a member of the Governor's staff, to provide me with the personnel files on each person that was to be transferred. I wanted to be certain that these persons had the qualifications, both by experience and education.

He promised me that this would be done, and it was never done.

Subsequently, when I transferred my services from the State administrative branch to the legislative advisory committee on public aid in September of that year—1974—the chairman of that committee wrote a letter to Caspar Weinberger, then Secretary of HEW, and to the Commissioner of the U.S. Civil Service Commission, asking for an investigation of this arbitrary transfer of unqualified personnel.

I must say, for 3 months we sought to get the Federal agencies to do a proper investigative job to determine whether any Federal rules or Federal laws had been compromised.

As to those long 8 or 9 months, we finally did get a response from HEW to the effect that there was no Federal matching funds involved. They really could not take jurisdiction; however, I had pointed out to them that there was a Federal regulation which said that if persons are substantially engaged in the administration of federally funded programs, regardless of whether their personal salaries are matched with Federal funds, that that could bring them within the umbrella of the Federal merit employment practices and requirements.

They then went back and repeated, or at least attempted to do a better job of reviewing the material. Their finding there was one such person out of 64 who was, in fact, engaged in a program working for the department of public aid, which was in the jurisdiction of HEW—he was an individual who was working in the medicare program. I understand he was very shortly thereafter transferred to another department.

INVESTIGATIONS NOT CONSIDERED COMPLETE

I do not believe that the investigations by HEW were either thorough or complete, and we expressed that opinion to them. We then did our own investigation, and I would like to supply the committee with a copy of the report* of our findings.

Without doing an injustice to the individuals involved, I would simply cite you one example of an individual with no education whatsoever who had been serving, prior to State employment, as a

*Retained in subcommittee files.

custodian in a church at a salary of approximately \$250 a month. He was then carrying the title in the department of public aid of social services planner, receiving in excess of \$1,000 a month.

This was a specific job description for this job and requiring specific educational requirements. This person did not meet those requirements, and I can cite you chapter and verse on the remaining 60 or more employees, almost to the man—almost to the man or woman.

They were not qualified for the positions they were occupying.

Director Trainor has testified that they served their useful function, but since they were transferred from the Governor's Office of Human Resources, they were in contact with the public and the majority of their work was answering inquiries about the public aid program.

I submit to you that you cannot have it both ways. If they were, in fact, performing a substantial service, then why did HEW find that they were not engaged in the management of federally funded programs?

If they were performing a substantial service to the department of public aid, then why did we spend over \$600,000 of State money to pay their salaries?

This was a time when we were short of caseworkers, we could not deliver service to recipients, and we had a staff of 64 people who were unqualified, who were answering inquiries on the telephone and referring most of those inquiries to our caseworkers to handle because they did not know the answers.

This was a major reason for my resignation. I had great respect for the general assembly in Illinois. I had beautiful working relationships, and still do, with most members on both sides of the aisle, and of the house and senate.

I did not want to be forced to accept these employees in a situation where the general assembly had specifically voted not to fund the agencies from which they were transferred.

I know it was perhaps not my decision to make, but be that as it may, I certainly did not have to carry out a program which I thought was a direct insult to the general assembly, and that was one of the reasons that I resigned.

Senator PERCY. Senator Chiles, I have a few more questions, but I would be very happy to yield to you if you want to break in.

Senator CHILES. Go ahead. I think we have another witness.

Senator PERCY. We have one more witness, so I will try to move this right along.

Were you, as director, aware of efforts by the Illinois Democratic Fund to recruit civil servants to work in political activities, as has been charged?

Mr. EDELMAN. No, sir.

COOPERATION QUESTIONED

Senator PERCY. Since you have been director of the Advisory Committee on Public Aid, has the department been cooperative

in providing information, at your specific request, which would help you detect and eliminate fraud and abuse in this program?

Mr. EDELMAN. I hope I am not too winded for that answer. It is a very difficult question to answer.

Senator PERCY. Just say "Yes," or "No."

Mr. EDELMAN. Well, the answer is "Yes," but I would like to expand on that answer.

I have respect for Director Trainor, and I submit to the committee it was very difficult for him to assume a very difficult job and have his predecessor looking over his shoulder over in the general assembly. I fully acknowledge that problem, and I think some of the difficulties in getting cooperation from public aid resulted, perhaps, from a little sparring match between Trainor and me. To the extent I might have been responsible for it, I certainly would apologize, but I must say one of my great concerns about the medicaid task force is that after 6 months, and perhaps \$600,000 of expenditures—while I recognize that some money has been recouped as a result of their efforts—the thing that concerns me the most is that the trained people are all gone. Mr. Simon is no longer there; the 40 or so various law enforcement trained investigators are back in their original agencies and departments, and now we are being told that this sophisticated computer system will spoof off those kinds of clues as to possible fraud and will continue to generate investigations and, hopefully, prosecutions.

I submit to you, based on recent experience, I am not confident that the department of public aid has the technical capability to do the investigative work of the medicaid program that is required.

I am prepared to submit to the committee at least three—and perhaps many more—examples of cases of a very serious nature that we have sought a joint effort—cooperative efforts with the department—where they have lost the files, or at least they have told us of their loss of files, where they have alleged that they referred the case to law enforcement, and when we checked with law enforcement we were told that law enforcement never received the case.

Senator PERCY. The purpose of my question is just to see whether or not you have been getting cooperation.

Mr. EDELMAN. I am sorry. I thought you said were "not" getting. We are not getting the kind of cooperation that I believe we should get.

Senator PERCY. Because you were dealing for a while with ability and confidence

The fact is, are they cooperative? Are they helpful? Are they working with you?

Mr. EDELMAN. Well, Senator, I am result-oriented. The results are not there. They are not there, either because of ineptness, or they are not there because the effort is not being made, and I cannot say which.

QUARTER-BILLION-DOLLAR WASTE ALLEGED

Senator PERCY. The statement has been made that IDPA annually wastes something on the order of a quarter of a billion dollars, that

this waste is a direct result of the injection of politics in the process of the welfare department.

Is that a totally false statement, a partially true statement, or a completely true statement?

Mr. EDELMAN. I think it is certainly partially true. I think it is safe to say that based on the ineligibility and of overpayment and rates that have been established through the Federal quality control sampling and technique, and when you also take into account the department's own findings with respect to the general assistance roles where the ineligibility rate may be as high as 30 percent, and when you then recognize in the medicaid program that you are delivering medical services to the same ineligible persons, and that on top of that, you have overutilization, fraud, and abuse, I think it is perfectly safe to estimate that these losses of Federal and State funds are in the neighborhood of \$200 million.

Senator CHILES. But that statement, as I heard, was the direct result of interference from the Governor's mansion.

I note he said something about it, "as a direct result of interference from the Governor's mansion."

Mr. EDELMAN. Was this Mr. Goff's testimony?

Senator CHILES. All I heard was the statement that was read here. I do not know where it came from.

Mr. EDELMAN. I would not know whether it is ineptness or whatever. It could be from some errors, and then some errors could be deliberate.

Senator PERCY. You mentioned some 64 cases of people put on the payroll without your permission, certainly without your approval. Were you thinking of other examples where politics had been interjected in the public aid program resulting in inefficiency and waste?

Mr. EDELMAN. Senator, I would not attribute it to politics as such, but being basically a manager, I certainly would consider, when a department head works, as I did, directly with the Governor, and had a very effective working relationship with the Governor, I think for a period of time, you need perhaps, because of the concern about welfare, to consider—what was very disruptive was the intervention of aides of the Governor, who I never agreed to work for. That is just a personal comment there, and whether they were motivated politically or not, I cannot tell you. I can tell you that there were many instances of intervention from the Governor's deputy and others in the administration to do things which I did not think were right, necessary, or useful, and it certainly made the managing of the department very, very difficult.

MORE SHOULD BE ACCOMPLISHED

Senator PERCY. Do you believe that IDPA could do more with its available resources to eliminate fraud and abuse?

Mr. EDELMAN. Very definitely, Senator.

I do not recall the exact figure, but I think it is in the range of 1,200 people who are designated to investigate fraud and suspended fraud.

They have a special line item in their budget in excess of \$2 million for use specifically in the area of law enforcement, and I think the taxpayers are certainly entitled to a much more cost-effective end result than what we are getting now.

It was a time under my administration, frankly, and prior to the time that we effected the merger of the Cook County Department of Public Aid into the State department of public aid—it was at that time a separate entity, when we had something in excess of 125 investigators in the county of Cook alone who were referring a minimum of—I am sorry, a maximum of 20 cases a month—20 cases to the State's attorney per month.

Our small investigative staff of the legislative advisory committee—we have 2 full-time people, and a couple of part-time people—were involved in 300 cases last year.

I just cannot believe—and I am going on my own past experience, I am not reflecting on the present—that that department cannot greatly improve on investigating fraud.

Senator PERCY. Finally, Mr. Trainor testified this morning of improved action in the investigative system by IDPA, and in payment of bills submitted by providers. As a former Director, would you care to comment on whether you have seen noticeable improvement? Would there be hope for the future?

Mr. EDELMAN. I know that Mr. Trainor has worked very hard to improve the payment system.

I think that there is a great deal of room for further improvement, and some of the reports that I get from the professional group, and I admit they have a vested interest, they do not recognize the improvements that he claims, but I think the effort is being made.

In terms of investigation—again, Senator, I do not see, with the exception of some special efforts that are being made in St. Clair County on recipient fraud—I do not see the special effort and the special skills in the area of medicaid fraud, and I am very troubled that the good efforts of the task force are lost simply because that task force has been disbursed. I do not see where this group's capability in the department of public aid exists.

Senator PERCY. I think this last question might be very helpful to both Senator Chiles and myself. Having heard the testimony today from Mr. Trainor, having looked carefully at Goff's statements, knowing what you know about this problem as a result of being so much closer to it than we are, and now having an oversight responsibility from the legislative branch of government, do you think that there is soundness and validity in Mr. Goff's statements? Is there a sufficient element of substance to his charges that it warrants further looking into?

Mr. EDELMAN. I cannot evaluate the validity of his charges.

FRUSTRATION SHARED

I think he shares some of my own personal frustration about a system which is being ripped off, and I do not accept any statement from anyone that there is not massive fraud in the medicaid

system in Illinois—and probably in every other State in the Union.

I can show you repeated examples of this. We have not been able to get a handle on it. I have reason to believe, based on a meeting as recently as yesterday, that some of the law enforcement agencies—and Attorney General Scott announced this in the public press 2 days ago—that some of the law enforcement agencies in Illinois and at the Federal level are beginning to move in on the problem.

I think that a couple of successful prosecutions will do more as a deterrent to straighten up the system, and I would recommend further, based on some of the testimony issued here today, that the additional thing that has to happen, over and above prosecutions and deterrents and investigations, is that the department has to put its own house in order so that it does not just issue conflicting policy statements, which are then easily used as loopholes and means for a new ripoff. The key to that, in my humble opinion, is maintaining good relationships with the responsible segments of the professional groups that are rendering the service.

If you terminate your dialog groups like the Illinois State Medical Society—and I admit I am partial to these things, I think they are doing a good job—if you cut off your dealings with a pharmaceutical association, a hospital association, and the State medical association, you will never know where the ripoffs are occurring.

They can tell you about it better than anyone can, and I can tell you that our committee has had complete cooperation from each of these professional societies.

We have an individual in one of these associations—and I do not think that I had better make it any more specific than that—who has actually accompanied us on investigations on his own time and with some personal risk, and has sat down with us and looked at vouchers and at records of pharmacies and doctors and others, and has shown us where the ripoffs are, because he is technically qualified to do it.

If the public aid does not make good use of those advisory committees and maintains good relationships with the professional societies, they can do all of the investigating they want, but the bad actors are going to figure out a way to beat the system every time.

They have got to keep a strong relationship with the good elements in those professions, and there is really no other way to do it.

Senator PERCY. Thank you very much, Mr. Edelman.

Senator CHILES. Mr. Edelman, I understand the charges made by Mr. Goff, though many of them were in general terms. You have said that one charge he makes of you is false; is that right?

TESTIMONY TERMED INACCURATE

Mr. EDELMAN. I said that I considered it inaccurate, incomplete and confused. There are parts of it that have some truth to them, but I think—

Senator CHILES. Is there any truth to the fact that the Governor gave you a direct order to not take 3,000 people off the rolls because the primaries were coming up?

Mr. EDELMAN. No, sir.

Senator CHILES. Well, that is the charge, and so is that correct or not?

Mr. EDELMAN. That is incorrect.

Senator CHILES. Well, is it true or false?

Mr. EDELMAN. False.

Senator CHILES. All right, sir.

Now, do you know of any other specific charge that he made that is true?

Mr. EDELMAN. He made references to the placement of 64—if I recall the testimony correctly—he characterized them as patronage employees. I would not go that far, because I don't know if they are patronage employees.

Senator CHILES. So you would not go that far?

Mr. EDELMAN. I would say it is basically true, but perhaps I would disagree with the qualifier.

Senator CHILES. Well, the qualifier means a lot to the charge, when you say—

Mr. EDELMAN. No; I would substitute—

Senator CHILES. As I understand from the testimony of Mr. Trainor, there was a fight, and the Illinois Legislature did not fund some programs the Governor had, and the Governor transferred those people. I assume that was all pretty open and in the press at the time it was done.

UNPRODUCTIVE EMPLOYEES CAUSE EXTRA BURDEN

Mr. EDELMAN. What I believe did not come out was the violations of the personnel code in the State of Illinois, and the lack of credentials those persons had for the jobs they were to assume, the burden it placed on the manager and the director of the department of public aid to carry out his program—when he has 64 employees who cannot be productive, in his mind.

Senator CHILES. And you and Mr. Trainor have some different ways of how you would conduct the department. You conducted it for a number of months. He is conducting it now?

Mr. EDELMAN. Right.

Senator CHILES. And he thought he would do it differently from how you would do it, and you think you would do it differently from how he would do it.

I am concerned, because of what I remember from Mr. Goff's testimony—what he was talking about—do you see any direct fraud, direct kind of conspiracy, direct political shenanigans? What I am trying to find out is, is this really a difference of how well-meaning people would try to do something? Do you think Mr. Trainor is trying to rip off the people of Illinois?

Mr. EDELMAN. I think he is an honest man.

Senator CHILES. Do you know of anybody else that he is trying to rip off?

You were in charge of his department for a number of months. There were ripoffs going on at that time, I assume.

Mr. EDELMAN. That is correct.

Senator CHILES. You could not stop them?

Mr. EDELMAN. Not all of them, no.

Senator CHILES. You did not like them, and you wished you could stop them?

Mr. EDELMAN. Yes.

Senator CHILES. And now Mr. Trainor is in there, and you think he should stop them?

Mr. EDELMAN. I think he should make the best effort possible. I do not think he can stop all of it either.

Senator CHILES. What I am concerned about is how this committee is being used. It is one thing if we are trying to find legislation that may be necessary for us to pass—something dealing with the aging—and that is what our committee is concerned with. We are a little far afield on that. I am concerned, however, about these charges of outright fraud and shenanigans, and I want to know whether you can tell us if you think those are true or not.

Mr. EDELMAN. I cannot speak to those specific charges as contained in his testimony.

Senator CHILES. But you do know the charges he made about you are false.

CHARGES GENERALLY NOT CREDIBLE

Mr. EDELMAN. Largely false, yes.

I can, in response to some of the questions and based on my experience—both as director, and now with the legislative advisory committee—inform the committee, and if the committee wishes to pursue those matters, I would suggest they might. In May of 1974, I took it upon my shoulders administratively to suspend payments to the pharmacies.

Senator CHILES. Again, are you going to give me an answer that would substantiate Mr. Goff's charges of fraud, or are you just suggesting something you would like the committee to look into?

We have one more witness we want to get to tonight.

Mr. EDELMAN. I cannot draw that conclusion. I think it is up to the committee to draw that conclusion. I only know that I suspended those three pharmacies, and I left the department a couple of short months later; those pharmacies have been reinstated.

I have never been able to find out what arrangements were made with those pharmacies, why they were reinstated, and what investigations have been undertaken.

I believe that we have had a very solid amount of data to show.

Senator CHILES. Are you prepared to lay that charge and suspension of those pharmacies to the Governor?

Mr. EDELMAN. I have no idea who decided to reinstate those pharmacies. I have no idea what decisions were made with them. I can only tell you in my new capacity as a staff member of the legis-

lative committee, I was not able to find out what decisions were made with respect to those three pharmacies.

Senator CHILES. Thank you, very much.

I have no further questions.

Mr. EDELMAN. Thank you.

Senator CHILES. Our next witness is Mr. Donald Page Moore.

Mr. Moore, do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MOORE. I do.

Senator CHILES. Please proceed.

STATEMENT OF DONALD PAGE MOORE, LAWYER, CHICAGO, ILL.

Mr. MOORE. My name is Donald Page Moore. I am a lawyer in Chicago.

My remarks will be very, very brief. I would like to preface them, since there has been some suggestion that Mr. Goff did not charge me with any wrongdoing, by telling the committee about Mr. Goff's testimony. It was on the same afternoon when he testified that my office was swamped with telephone calls, saying: "Have you seen the front page of the *Chicago Tribune* this afternoon?"

I went out and got a copy of the *Chicago Tribune* and read, on the front page, the following paragraph:

The head of the Governor's Office of Special Investigations, Donald Page Moore, told Governor to stop investigations of certain individuals because they had contributed to Moore's political campaign.

That was followed by another paragraph which talked about some threat that was supposedly made by my staff.

It had been allegedly made against some press agent or public information officers at the department of public aid.

Now, similar stories ran on television channels and every Chicago newspaper that day and that night; therefore, I was under the impression, and I still am, that Mr. Goff's testimony had been interpreted by the media in Chicago as charging me with what would be, if true, a very serious criminal violation.

In 19 years as an attorney for the American Civil Liberties Union, as a special prosecutor under Attorney General Kennedy, and Attorney General Katzenbach, as chairman of the Illinois—

Senator CHILES. Do you have a copy of the headlines?

Mr. MOORE. I have the *Tribune*.

Senator CHILES. I would like to have that submitted for the record, if you would.

Mr. MOORE. Yes, sir. I will be happy to do it. I do not suppose I have to mark this for identification.

Senator CHILES. No; they will take it. It will be made a part of the record, without objection.

[The article follows:]

[From the *Chicago Tribune*, Nov. 13, 1975]

WALKER BEHIND \$250 MILLION WELFARE WASTE, EX-AIDE SAYS

(By Robert Young)

Washington—A former official in the Illinois Department of Public Aid [IDPA] will tell a Senate investigating subcommittee Thursday that political

interference by Gov. Walker in welfare administration was a major factor in the payment of \$250 million to ineligible recipients in fiscal 1975.

John Goff, section chief of special projects in the IDPA's quality control bureau in 1973 and 1974, appears Thursday before the Long-Term Care Subcommittee of the Senate Special Committee on Aging. The subcommittee is investigating medicare and medicaid fraud.

In his testimony prepared for the subcommittee, Goff will say:

—Gov. Walker interfered politically in IDPA operations and Goff was ordered not to cancel payments to 3,000 Chicago welfare recipients "fraudulently" receiving aid before the March election primary in 1974. Goff was threatened with firing if he removed the ineligible recipients from the welfare rolls before the primary.

—Members of the governor's office staff tried to recruit IDPA employees to work in political campaigns in Chicago in violation of the federal Hatch Act forbidding such partisan political activities.

—A report submitted to the Department of Health, Education, and Welfare covering the first six months of 1974 was altered to show a smaller number of ineligible welfare recipients than was actually the case.

—The head of the Governor's Office of Special Investigations, Donald Page Moore, told Goff to drop investigations of certain individuals because they had contributed to Moore's political campaign.

—A member of the Office of Special Investigations "threatened" the IDPA public information officer, a woman, who was participating in medical fraud investigations. The woman subsequently quit her job and left Illinois.

—The governor's medical payment task force final report is "inaccurate, biased, and totally erroneous." Despite evidence of fraud, not one medical vendor investigated has been referred to the Illinois attorney general for criminal prosecution.

—Goff was instructed not to share information with federal audit teams from HEW, the Department of Agriculture, and the General Accounting Office. This "locked out" the federal auditors from specific data they needed to evaluate the IDPA's medical payment system.

In his testimony Goff will relate he first became aware of Gov. Walker's political interference in state welfare administration early last year, when the section Goff headed was about to proceed with removal of more than 3,000 ineligible welfare cases from the rolls, cases detected by a special project known as the "income verification program."

Goff, who left the IDPA to become a private consultant in the government institution field, will testify that he stopped cancellation of the ineligible welfare cases when the IDPA director, Joel Edelman, "informed me that he had just spoken to the governor and the governor ordered him not to cancel those cases, most of which were on Chicago's South Side, until the primary election being held the next week."

Mr. MOORE. I sincerely thank the chairman, Senate Percy, and the other members of the subcommittee for inviting me to appear and testify under oath here today. John Goff, 3 weeks ago, a disgruntled former employee of the Illinois Department of Public Aid, appeared here to make false charges under oath impugning my integrity and the integrity of two outstanding members of the staff I headed when I was director of special investigations for the Governor of Illinois. Goff lied.

Since Goff has declined to name any names, dates, places, or circumstances, I am reduced to guesswork as to what he is talking about. I must therefore answer his false and scurrilous charges this way:

CHARGES DENIED

So far as I know, no contributor to my 1972 campaign for State's attorney of Cook County has ever been investigated by John Goff, or the Illinois Department of Public Aid, or anyone else who investigates public aid frauds.

I have never said to John Goff or any other person that anyone under investigation by them was a campaign contributor of mine.

To my knowledge, no member of my staff ever intervened with anyone, under any circumstances, in anyway, on behalf of any contributor to my 1972 campaign who was under investigation for anything. Indeed, so far as I know, none of the 2,000 or 3,000 contributors to my 1972 campaign has been under criminal investigation by anybody, for anything, in the 3 years and 9 months since the last campaign was concluded. If one of them has been investigated by somebody for something, I have yet to hear of it.

As nearly as I can determine, Mr. Goff only once informed me about a field investigation which he and his staff were conducting. This was on November 27, 1974, when he implied to me that a previously discharged public aid employee might be involved in some kind of a dark conspiracy with a prominent Chicago businessman who was married to, but separated from, a very reputable and famous lady. Fortunately, I made a memorandum of the gist of that conversation on the same day it took place—and I routinely forwarded copies of that memo to, among others, John Simon, special counsel to the department of public aid and operating director of the investigative task force. Subsequently, I spoke to Mr. Simon on the telephone and asked him to follow up on Goff's vaguely described information. That is the last I ever heard of the matter until Goff started lying under oath 3 weeks ago. As the committee knows, Mr. Simon and Public Aid Director Trainor did follow up. They turned over Goff's whole investigative file to U.S. Attorney James A. Thompson's office. On January 27, 1975, Jim Thompson responded as follows:

We have reviewed this material, and have concluded that the allegations contained therein do not warrant investigation by our office. . . .

Some coverup!

Attached to this statement is a xerox copy of my memorandum of my November 27, 1974, conversation with Goff. The committee will note that I have effaced the names of the prominent businessman, and the famous lady, from the copy. I certainly do not want to expose them to Goff's scurrilities.

At the same time, however, I want the record unmistakably clear that I have also furnished the committee with an unexpurgated copy of this same memorandum and an affidavit by me which names the names involved and furnishes additional details. I have no objection if the committee wishes to make these documents public right now, or at any other time.

[The document referred to above follows:]

STATE OF ILLINOIS, OFFICE OF SPECIAL INVESTIGATIONS

INVESTIGATIVE MEMORANDUM

OSI number: S82.

Date: November 27, 1974.

Subject: Unsub, doctors—public aid.

Reporting agent: Donald Page Moore.

Purpose: Information re [deleted] obtained from John Goff.

I spoke on the telephone with John Goff at 4 p.m. today. Goff told me that Mr. [deleted] was reported to be living at the Drake Hotel in Chicago; that it was rumored that some one was paying his bills for him; that it was

reported that he was acting as a billing agent for a company controlled by [deleted]. [Deleted] is a wealthy businessman identified with [deleted] and married to [deleted].

Goff also told me that "street talk" had it that "someone else" paid [deleted] legal fees.

Goff was reluctant to reveal his sources to me. I asked him to get further details from his sources.

Mr. Moore. One final point about this phony charge of Mr. Goff's. My office tenaciously pursued its own inquiries concerning the discharged public aid employee mentioned by Goff. We turned over our entire file on this man to the Republican State's attorney in Springfield on September 20, 1974. Then we continued our investigation. On March 5, 1975, we furnished additional evidence and an exhaustive discussion of possible leads and theories of investigation to both U.S. Attorney James R. Thompson and the State's attorney of Sangamon County. We did this because these prosecutors could use grand jury subpoenas to compel production of evidence which was inaccessible to my office, which had no subpoena power and which, as a consequence, had reached a dead end. Item 48 of the documents submitted to the committee by John Simon consists of copies of the relevant documents.

I have read the foregoing statement and it is true and correct.

And if I may, Senator—at the lunch break today, I was informed by at least one representative of the media, a gentleman from NBC in Chicago, that he had been told those things.

I do not know whether that came from the committee staff or where it came from. All I know is that I filed this document yesterday afternoon, and NBC had it at noon today, and since his name was used a couple of times by the chairman today, I will tell who it was—it was Mr. Kilbreath.

I have also got here an affidavit that names the names, and gives further details, about that ludicrous conversation with John Goff, and if the committee wants me to read that affidavit, I will do it, but I am not going to expose those people on my own motion.

Senator CHILES. Mr. Moore, were you contacted by the subcommittee prior to Mr. Goff's testimony?

NAMES NOT FOUND IN FILE

Mr. Moore. No, sir, I was not, and the subcommittee has not communicated to me, to this day, the names of the alleged contributors on whose behalf Goff implied my subordinates intervened. Although, when I approached Mr. Halamandaris in midafternoon, I gave him the names that the NBC reporter had given me, and one of those names has been mentioned to Mr. Goldberg, counsel to the Governor, before. He said maybe they were the names, and I want to tell you, one of those names I had never heard of before in my life, either in connection with an investigation or political contribution. Immediately, I called Chicago; I called my finance chairman, who got out the alphabetical set of index cards. We went back to the list of our contributors and they told me nobody there with that name, or a name anywhere near like it, had ever given money to my campaign. The same is true of the individual who

is the subject of Mr. Goff's investigation, which you told me about and which was the subject of my November 27, 1974, memorandum. I never got a penny from any of those people.

Senator CHILES. Mr. Moore, are you now a candidate for public office?

Mr. MOORE. Yes, sir; I am an independent, anti-machine—anti-democratic machine—for State's attorney in the primary election set for March of 1976, and I will assert that politics is rough enough—trying to run a clean campaign is rough enough, without getting stabbed in the back, without notice, without specific charge, by a man like this.

Joe McCarthy used to do business that way. I did not like it then when I was working for the Civil Liberties Union, and I do not like it now.

Senator CHILES. It seems to me, I wish I could quote it correctly, but Shakespeare had said something to the effect: "He who steals from me my purse, steals that which gives him gain, but he who steals from me my good name steals that which gives him nought, but makes me very poor indeed."

I want to apologize to you, as a member of this subcommittee, and to tell you that I regret very much that you did not receive notice. I am sorry I did not know a little bit more. I would have tried to see that you got notice.

I do not see any reason myself why we have to play the game of surprise in this subcommittee if we are seeking legislative answers. Anytime that we are going to have accusations against the highest elected official of any sovereign State, or any other persons of good reputation and good character, I think it would only be proper to afford them the opportunity to face their accusers. That seems to be something we will call a part of the American system and I, as a member of the subcommittee, want to apologize.

Mr. MOORE. Senator, I might say one of the big political problems I have got right now ties directly into this, because in 1972, I jumped the party lines, to become cochairman of Democrats and Independents for the reelection of Senator Percy, and I did it because of what I conceived to be his opinions and positions in civil rights and civil liberties issues, as distinguished from those of his opponent.

CLARIFICATION OF RECORD SOUGHT

Senator PERCY. I would like to simply say that I feel we have clarified the record in this hearing today. I have discussed this with Chairman Moss. In the questioning that I put earlier, I sought a clarification of this record. There was not an allegation of a direct statement made by you. It was made by someone else, allegedly on your behalf, or on behalf of Director Trainor, but it was not made directly by you. So at least in the earlier questioning we did clarify what I thought was a serious ambiguity.

Now, maybe we could just put a few questions to categorically get down on the record as much as we can. Then we can go back over it and I will certainly join with Senator Chiles in trying to

CONTINUED

1 OF 2

do what we can, after reviewing the record, to clarify the situation and to clear up your good name.

You were the head of the Governor's Office of Special Investigations. Were you directed in the summer or fall of 1974 to investigate charges of abuse and corruption in the Illinois medical program?

Mr. MOORE. Yes.

Senator PERCY. Did you name John Simon to manage the Governor's Medical Payments Task Force?

Mr. MOORE. Named by me after consultation with Chester Cayman, who was then special counsel for the Governor—and we named him. As the then-chief of the civil division under Jim Thompson, it seemed to us that nobody was going to be able to say that drawing a man from them—the son of a distinguished antimachine judge in Chicago—nobody was ever going to be able to say that we pulled a punch or that we covered something up.

That, on top of the fact that John, in his own right, is an excellent qualified lawyer. However, I suppose there is an object lesson here—the object lesson, maybe, that these days the charge of coverup is going to knock you in the head, no matter what you do.

Senator CHILES. Well, we hope that is not true.

I think these days we have to be extraordinarily careful, of course, but I would hope we would be able to call the shots as they are.

Could you describe—have you met John Goff, and known him personally?

Mr. MOORE. Yes; for awhile, there, he called me up, a couple of times a week.

“PEOULIAR CONVERSATIONS”

They were very peculiar conversations, because he would tell me about his philosophy, you know, terrible things that were going on, and then he would say to me, over and over again: “You know Moore, you are the only great man in Illinois government, because you are in there fighting these bad guys,” and I am stern in my heart, he would say to me, “by the example you are setting.”

Well, even a man with a huge ego starts to get a little skeptical about somebody when he comes back a third time in 2 weeks and gives him that sort of thing, and I started to draw back a little bit from Goff.

I was not quite sure of what he did. I knew it had something to do with the computer systems and that John Simon was always meeting with him to get different kinds of computer printouts and programs. Then came this bizarre conversation on November 27, which was about the last time we ever talked.

I shifted the memo to Simon right away, and talked to him a couple of weeks later, I said: “You better find out what this guy is doing.”

John said, “I will follow through.” That is the last I ever heard of him that I can recall, until the afternoon of November 13, 1975, when the phone calls started about the *Tribune* article on the front page.

Senator PERCY. The implication that you give is that you kind of cut off your contact with him.

Had the contacts with you been made by him?

Mr. MOORE. Yes; he always called me. Senator, I was so busy—

Senator PERCY. These were not contacts initiated by you?

Mr. MOORE. No. He would always call me. Once in a while he even called me at home.

I was so busy, because I had the regular responsibilities of my own office which was, at that point, taking up 95 percent of my time, as well as trying to keep some kind of liaison to know what the task force was doing. You know, people call you out of the blue and they say: "There is a conspiracy; I have got sources, and we have had people under surveillance; it is very big." I said: "John, what are you talking about?" and he goes on, and finally he comes out with the name of a prominent businessman—and then he comes out and says, you know, "He is married to so and so," and we had a conversation. I laughed out loud. My second affidavit, which has been named—and the actual terms of the conversation—will show you why I laughed, because these are famous people. The idea is absolutely goofy, but I said: "Great, John, great. Get all the details; follow through; hang in there," and I got rid of him on the telephone, and a week or so later I called up John Simon.

Senator PERCY. We will have to recess for about 5 minutes, and I will be right back.

[Whereupon, the subcommittee was in short recess.]

AFTER RECESS

Senator PERCY. The hearing will be in order.

Specifically, when I questioned you before, you stated that what was being inferred was incredible. I would like to have inserted at this point in the record the testimony from Mr. Goff, at the hearing on November 13, 1975, referring to Mr. Mooré, and then I will go into questioning you on this point.

[The statement follows:]

Mr. Goff. Simon's assistant on the task force, Laura Staples, was a member of the Governor's Office of Special Investigation. Immediately prior to her work on the task force, she was separated from the Better Government Association for what was described to me as "political espionage." She had apparently been releasing highly confidential information to the Governor's office for political purposes while she was a member of the BGA.

Donald Page Moore, head of the Governor's Office of Special Investigations, and appointed by the Governor to head the task force, admitted to me, after I confronted him, that certain individuals under investigation by my staff had made contributions to his political campaign for State's attorney in Chicago.

I told him I intended to pursue the matter and that was the last time I talked to him, despite the fact that we had been talking every other day for several months.

Shortly thereafter when I attempted to pursue the investigation of these persons, a member of the Office of Special Investigations threatened my staff by stating that anyone continuing to investigate these people would "go down with the ship."

I continued the investigation and shortly thereafter was removed from the task force by the welfare director, James L. Trainor. I was given no explanation other than the agency was reorganizing.

The welfare agencies public information officer, who was assisting the quality control staff in the medical investigation, was also threatened by a member of the Governor's Office of Special Investigations, Richard Dunn.

The public information officer was told to "think of her family and career" and "to leave this medical business alone." The threat was effective since she resigned shortly afterwards and left the State. The public information officer who replaced her also resigned after a brief stay.

Senator PERCY. I have just a few more questions. When did Donald Page Moore tell you not to pursue the investigation of certain individuals?

Mr. GOFF. Donald Page Moore did not tell us directly; a member of his staff told us that, Senator. This was in late November or early December of that year.

Senator PERCY. Who actually told you then? Was it on his behalf and did they say that it was at his direction,

Mr. GOFF. Laura Staples who was working for the Governor's Office of Special Investigations made the threatening statement to a member of my staff. She said at the time that she was quoting James L. Trainor, the director of the department.

Senator PERCY. Who were the individuals that you were told not to pursue?

Mr. GOFF. That's currently under investigation, Senator, if I could decline to answer.

Senator PERCY. You'd rather not comment on that?

Mr. GOFF. At this time I would rather not.

Senator PERCY. Did you report this incident to the proper authorities in Illinois and, if so, what happened?

Mr. GOFF. Yes, I did. The proper authority for me was through our bureaucratic channels. The director of the department received from me shortly after that a 60-page report including full detail of the signed statement. I received a confirming letter of receipt from him about 2 weeks after that and he acknowledged that while he disagreed with the content of the facts or statements involved that he would refer it to a proper investigatory group. I do not know if that has been referred.

Senator PERCY. Now, I think it might be well for the record for you to state—do you know Laura Staples?

Mr. MOORE. I sure do. She was an investigator in my office. She told me that she never threatened anybody.

"NOTHING TO DO WITH ANY CAMPAIGN CONTRIBUTOR"

I believe her. Quite apart from that is a question of context of whatever conversation it was that Goff is talking about. I will tell you this, Senator, and this has got to be so—whatever Laura Staples said, to whomever, whenever, it had absolutely nothing to do with any campaign contributor of mine.

Senator PERCY. Then specifically, let me put this question to you. Did you direct Laura Staples to tell Mr. Goff, or any member of his staff, not to pursue the investigation of these individuals who contributed to your campaign?

Mr. MOORE. Absolutely not, nor did I ever say that to anyone else.

Senator PERCY. Did you at any time order that the investigation of any individual vendor or provider be terminated?

Mr. MOORE. No—categorically, Senator, no.

Senator PERCY. Do you know Richard Dunn? *

Mr. MOORE. Yes; I sure do.

Senator PERCY. Did you at any time suggest that Mr. Dunn talk with any members of the staff involved with the medical investigation about the scope and nature of that investigation?

* See statement, appendix 2, item 3, p. 404.

Mr. MOORE. I am sure Dick Dunn conducted numerous interviews of people within the department of public aid as to the scope and nature of the documents that they had in the early days of the task force on investigation—before the task force was formed.

One of our primary purposes was to find out what documents might provide leads for the task force, or might be available, so that no one—we did not know whether anybody in the department of public aid was involved as to outside help, and at that point, it was brandnew.

I said to Dick, I said to Ray Bernigen, who is retired from the FBI after 27 years to join my staff, "I said: Get over to public aid; ask people about what kind of documents and memorandums they have, and inventory," and so on. I have in my files now colossally long records, listing this document and that entry, and this memorandum. They go on and on and on; it is a very slow job. All of it was immediately turned over to John Simon to facilitate the beginning of his work.

Senator PERCY. I would like to make a categorical statement in conclusion. As I read the newspaper report, it states that the head of the Governor's office of special investigations, Donald Page Moore, told Goff to drop investigation of certain individuals because they contributed to Moore's political campaign.

No direct evidence that we heard from any witness would support that. In fact, right on the very same day the article appeared, Goff admitted in a question I put that you did not directly do so. You have now categorically stated that no one did so on your behalf. So I hope the record is very clear indeed.

I would be very happy to do anything I can with any individual, to make absolutely clear that the story, as far as I am concerned, based on my own judgment and conclusions, is incorrect. The story, as reported, is incorrect as to the testimony that was given, and incorrect as to the conclusion that could be drawn from testimony presented. We are extremely sorry.

DAMAGE COULD BE IRREPARABLE

Now, Mr. Moore, you know this can happen. There was no intention, I am sure, by anyone to do something wrong. They just made a mistake in this case. I hope the damage is reparable, although we certainly all know that some damage is irreparable.

When I came back from the Middle East, there were a few statements attributed to me that reporters have admitted to me now were inaccurate. But I can tell you, it caused me some problems. But where we could correct it, we did. And in this case, I will certainly make any record insert, *Congressional Record* insert, whatever might be necessary to correct what I see as an inaccuracy in reporting, which is regrettable. But it is one of those things that happens.

I have no further questions of you, and I do want to thank you very much indeed for coming down. I think your presence here has been essential to clear the record with respect to you yourself, and, counsel, do you have any questions?

Mr. MOORE. I might just say one thing, Senator. I hope you will forgive me; I hope you will forgive me if I am insistent, but you say there is no direct evidence on my part, and that leaves a cloud.

I think that I am entitled in this committee, promptly and clearly, one way or the other, to a statement that either evidence establishes wrongdoing on my part, or it does not, and I would like to ask you for that statement, and for a statement that this kind of action by a witness—

Senator PERCY. I will direct minority counsel to draw up a letter for my signature. I will ask Senator Moss to join me in signing that letter. After we have carefully reviewed what has been said today, we will be able to see how strong a statement we can make of that.

I think you have that right.

Mr. MOORE. Thank you.

Senator PERCY. Thank you very much.

[Whereupon, the hearing was adjourned at 6:10 p.m.]

APPENDIXES

Appendix 1

MATERIAL SENT TO THE U.S. DEPARTMENT OF JUSTICE BY SENATOR FRANK E. MOSS, CHAIRMAN, SUBCOM- MITTEE ON LONG-TERM CARE, SENATE SPECIAL COMMITTEE ON AGING

HON. EDWARD H. LEVI,
*U.S. Attorney General,
Department of Justice,
Washington, D.C.*

DEAR ATTORNEY GENERAL LEVI: On November 13, 1975, my Subcommittee on Long-Term Care of the Senate Special Committee on Aging held a hearing as part of our continuing series evaluating problems in medicare and medicaid. One of the witnesses who appeared was Mr. John Goff, former section chief, Quality Control Division, Illinois Department of Public Aid (IDPA). A transcript of that hearing is enclosed. (Exhibit 1 [see "Medicare and Medicaid Frauds," part 2]).

I am enclosing a copy of a November 10 memorandum to me from the committee staff which quickly sets forth the nature of Mr. Goff's charges and the corroboration the committee staff had obtained prior to our hearing Mr. Goff. (Exhibit 2 [p. 388].) As you can see, the charges are serious and the committee had good reason to hear the witness. The committee insisted that Mr. Goff testify under oath and he was happy to comply.

Our second related hearing was held on December 5. The Governor of Illinois, the Honorable Daniel Walker, did not appear but sent a letter denying Goff's allegations. A copy of the Governor's December 3, 1975, letter to me is attached. (Exhibit 3 [p. 389].) Appearing before the committee were Mr. James Trainor, director of IDPA, Mr. John Simon, former special counsel to IDPA, Mr. Joel Edelman, former director of IDPA, and Mr. Donald Page Moore, former chief of the office of special investigations. As the enclosed transcript indicates (Exhibit 4 [original transcript of this publication]), all of these witnesses testified under oath creating some apparent conflicts with prior testimony.

The members of my subcommittee have agreed that this is a matter of significant importance to be called to your attention for a determination of whether perjury or other crimes have been committed and by whom. I understand that the U.S. Attorney for the Southern District of Illinois, Don McKay, has been looking into some of the issues raised by our hearings.

In an effort to present you with all the facts, the staff has prepared a detailed memorandum of issues which follows along with its various attachments. (Exhibit 5 [p. 389]). In addition, I enclose two letters which indicate Mr. Goff requested and passed polygraph examinations. (Exhibit 6 [p. 403]). The committee staff verified that the dates specified and these letters accurately reflect the impressions of the examiners.

We are grateful for your assistance in this matter.

With best wishes,

Sincerely,

FRANK E. MOSS, *Chairman,
Subcommittee On Long-Term Care.*

[Enclosures.]

(387)

[EXHIBIT 1.—Original transcript; see "Medicare and Medicaid Frauds," part 2, Nov. 13, 1975.]

EXHIBIT 2

MEMORANDUM

To: Senator Moss (personal and confidential).
From: Committee staff.

Charge.—The head of the Governor's medical payment task force, who is son of a prominent Chicago democrat, was paid over \$100,000 for 12 months' work.

Corroboration.—The committee has a copy of the contract in which a salary was set at \$50 per hour/40 hours a week plus \$2,000 a week or \$104,000 per year. Note: Simon may not have worked entire year. We are checking vouchers with Illinois comptroller.

Charge.—The Public Information Officer for IDPA, who was aiding in medical fraud investigations, was told "to think of her family and career and leave this medical business alone."

Corroboration.—Employee admits phrase "think of your family and career" was used whether or not this was a threat is open to anyone's interpretation.

Charge.—Laura Staples, a member of the Governor's Office of Special Investigations had been separated from her previous job for releasing confidential investigation to the Governor's Office.

Corroboration.—The committee has a sworn statement from Terrence Brunner, executive director, Better Government Association.

Charge.—Donald Page Moore, head of Governors Office of Special Investigations, admitted that certain individuals under investigations made significant contributions to his political campaign.

Corroboration.—Goff gave the subcommittee staff the names of two individuals. They were not released publicly for fear of jeopardizing a current criminal investigation.

Charge.—The Illinois Department of Public Aid wasted one quarter of a billion dollars in fiscal year 1975 in payments to ineligible persons.

Corroboration.—A projection of the ineligibility rate (publicly announced) over a term of a full year. Relates not to vendors but to recipients.

Charge.—Political interference by Governor Walker in welfare administration, Goff was ordered not to cancel payments to 3,000 recipients who were fraudulently receiving aid in Chicago before the primary election. Goff was threatened with being fired if he cancelled the cases before the election.

Corroboration.—Thursday, September 18 meeting with Joel Edelman, former director, Illinois Department of Public Aid and Val J. Halamandaris, Bill Recktenwald, 8:30 a.m. Senate Cafeteria. Also former Goff coworker.

Charge.—Personnel of the Governor's office attempted to recruit staff of the IDPA to work in political campaigns in Chicago in violation of the Hatch Act.

Corroboration.—The fact that people are being carried on the public payroll in Illinois and are doing political work has been confirmed in the public press repeatedly over the last year. Goff provided the name of the individual recruiting and the name of the individual recruited.

Charge.—The quality control sample submitted to HEW for January–June, 1975 was altered to make the number of ineligible recipients lower.

Corroboration.—Emily Mantz, employee HEW/SRS in Chicago, in print, *Chicago Tribune*, Saturday, November 15 and previously to George Bliss, *Tribune* reporter.

Charge.—IDPA director, Trainor told Goff not to share information with GAO.

Corroboration.—Sworn statement of Bill Recktenwald who established existence of Goff computer runs (withheld from GAO) were supposed to be secret. Also Mr. Storer Deputy Director told him ". . . You have spent lot of money to fly here from Washington and you are not going to get any information from this department; we are not going to supply you with any information of any kind. And I would suggest that you get on an airplane and fly right back to Washington and go through normal channels." GAO confirms they were not told about or given Goff computer runs.

General corroborations.—On November 12, Mr. Roger Nauert, executive assistant to the Illinois comptroller met with the committee staff, representatives of the General Accounting Office and Senator Percy's staff. He indicated that

Goff was presently in the employ of the Illinois attorney general and comptroller aiding with a highly secret investigation of the Illinois Department of Public Aid. He vouched for Mr. Goff's credibility as a witness. He asked that the committee not delve into specifics about Goff's present activities for fear of jeopardizing a criminal investigation. Moreover, on November 13, prior to the hearing, Nauert made several changes in Goff's testimony in the name of total accuracy. On November 19, Nauert again vouched for Goff's credibility.

Similarly, the first assistant attorney general of Illinois also endorsed Goff's credibility to Bill Recktenwald the week of October 5.

EXHIBIT 3

STATE OF ILLINOIS,
OFFICE OF THE GOVERNOR,
Springfield, Ill., December 3, 1975.

HON. FRANK E. MOSS,
Chairman, Senate Special Committee on Aging,
Subcommittee on Long Term Care
Washington, D.C.

DEAR SENATOR MOSS: I am writing in response to your letter dated November 26, 1975. I am pleased that there will be a hearing on December 5 at which Mr. Trainor and Mr. Simon will testify to set the record straight.

It is unfortunate that Mr. Goff was allowed to testify without contacting my office. The charges leveled by Mr. Goff received widespread publicity. Nothing we can do now will undo the damage resulting from the charges.

Mr. Trainor and Mr. Simon will demonstrate the overall falsity of Mr. Goff's testimony. Mr. Goff testified to a conversation between him and Mr. Edelman in which, according to Mr. Goff, Mr. Edelman made certain statements about a conversation with me. Mr. Goff's testimony is, of course, hearsay insofar as it relates to me. To my knowledge, I have never met or talked to the man. I never even heard his name until the day he testified before this committee. I categorically deny having any conversation with Mr. Edelman in which I gave him any order not to cancel ineligible cases and I categorically deny ever giving any such orders. In fact, I have devoted countless hours and have continuously urged responsible members of my administration to take all appropriate steps to eliminate welfare fraud.

I have not released this letter publicly. However, if you wish, I would be pleased to have it included in the record of the hearings on this matter.

Sincerely,

DAN WALKER.

[EXHIBIT 4.—Original transcript of this publication.]

EXHIBIT 5

MEMORANDUM

Subject: Hearings—November 13, 1975 and December 5, 1975. Before the Subcommittee on Long-Term Care. Senate Special Committee on Aging.*

Several major discrepancies emerged during the sworn presentations before the Subcommittee on Long-Term Care by Mr. John W. Goff (former Section Chief, Quality Control Division) Illinois Department of Public Aid (IDPA) on November 13, 1975, and by Mr. James L. Trainor (Director, IDPA), Mr. John B. Simon (former Special Counsel to IDPA), Joel Edelman (Executive Director, Legislative Advisory Committee on Public Aid, State of Illinois and former Director, IDPA), and Mr. Donald Page Moore (former Chief, Office of Special Investigations, State of Illinois) on December 5, 1975. These areas, together with relevant Subcommittee investigation, are set out below for your information.

I. ALLEGATION

Page 38 of the transcript records Mr. Goff's sworn testimony before the subcommittee: "In fiscal year 1975 alone, the Department [Illinois Department of Public Aid] wasted over one-quarter-of-a-billion dollars on grant and medical payments to ineligible and overpaid cases."

*Page references used in this exhibit refer to original transcript. See part 2, "Medicare and Medicaid Frauds," November 13, 1975.

RESPONSE

Mr. Trainor told committee staff the figure was nearer \$147 million. In his sworn testimony (December 5, 1975) he indicated the figure of waste to ineligible payees had been independently determined by the Department at his request to be near \$151 million (page 83). It is not clear at this point if that figure represents a total loss including medical payments and general assistance waste. Mr. Edelman told the committee staff, informally on December 5, 1975, (subsequent to Mr. Trainor's testimony at the hearing) that waste in the Illinois Department of Public Aid was "massive" and that "Mr. Goff's estimate, given all the factors, was probably as good as any." Mr. Edelman refused, however, to characterize this loss, indicating the cause was multifaceted: inefficiency, incompetence, bureaucratic bungling, and some degree of political intervention. He did add during his testimony and subsequent questioning that a significant portion of the other abuses—inefficiency and incompetence—was precipitated by the placement of unqualified people in key positions within IDPA. (See page 191 of the transcript.)

II. ALLEGATION

On page 38 of the transcript Mr. Goff alleged political interference by the Walker Administration, stating that Edelman ordered him not to cancel payments until after the primary election to 3,000 recipients fraudulently receiving public assistance in Chicago. Mr. Goff further alleged he threatened with dismissal if he refused to delay the cancellation.

RESPONSE

Mr. Edelman, in his sworn testimony before the subcommittee, confirmed that a conversation on the subject had taken place with Mr. Goff. (See page 146 of the transcript.) His recollection and characterization of the specifics, though, differed from Mr. Goff's. He did not recall using the Governor's name in the context of the order not to cancel cases because of the impact on the primary election. He did recall emphasizing the importance of the matter to Goff, couching his remarks in political terms. He recalled expressing concern for the Governor's position and the possible impact on the election. Moreover, in his testimony and in his discussions with the committee staff, Mr. Edelman offered examples of political intervention by the Governor or his subordinates in the operation of IDPA. One such conversation took place in Washington, D.C. on September 18, 1975, during a meeting with Mr. Val J. Halamandaris (associate counsel, Senate Committee on Aging) and Bill Recktenwald (investigator, Senate Committee on Aging) when Mr. Edelman provided examples of political intervention. He was asked if he knew Mr. Goff, and responded that he did. He further stated that Goff is a highly credible individual.

III. ALLEGATION

Mr. Goff testified (page 39) that Mr. Edelman resigned several weeks after the placement of some 60 patronage positions on the IDPA payroll (an action reportedly taken against Edelman's wishes).

RESPONSE

Several witnesses, including Mr. Trainor, Mr. Simon, and Mr. Edelman, indicated that Mr. Edelman left the Department several months after this incident, instead of several weeks later. Under oath, Mr. Edelman confirmed that the catalytic cause of his departure was the placement of some 60 "unqualified" individuals on IDPA's payroll. (See page 185 and following.)

IV. ALLEGATION

Mr. Goff alleged that attempts were made to recruit civil service personnel to work in political campaigns supported by the Governor (page 39).

RESPONSE

On page 28 of his sworn testimony before the subcommittee, Mr. Trainor responded: "I directed that Mr. Goff's supervisor explain the rules about political activity and the consequences of breaking these rules to the employees involved."

He indicated further that the employees time sheets were checked for the subsequent 3 weeks. Under questioning from Senator Percy, Mr. Trainor indicated that no one had attempted to verify employee presence beyond that point. It is still open to question whether the individuals were, in fact, present and for what period of time. The committee staff believes the matter is of consequence, particularly because of substantiation received from Phillip Gekas, a former member of the Medical Analysis Section of IDPA. On December 2, 1975, at 7:45 p.m. e.s.t., Mr. Gekas had a conversation with Mr. William A. Reckenwald of the committee staff. In this conversation, Mr. Gekas said that Mike Curran—known to Mr. Gekas as an official of the Illinois Democratic Fund—asked him (Gekas) to help with some political work for the campaign of Steve Shamberg, who was described as the cousin of Ms. Jean Erkes, of the IDPA in Chicago. Mr. Gekas indicated that he personally passed out literature one weekend for the Shamberg campaign at the time he was employed by the IDPA. On the following Monday, Mr. Gekas was read a copy of the Hatch Act by his supervisor, Jerry Slavin and warned not to continue these activities. Mr. Gekas further stated that he did not see Mr. Curran again until a month or so later, at which time he was still in the employ of the IDPA. Mr. Curran then asked Mr. Gekas whether he would be interested "in a job where you'll do straight political work for the Governor and we will give you complete cover." The position was described as a "mystery" employee type. Realizing the importance of these allegations, Mr. Reckenwald, asked if Mr. Gekas would repeat this information before another member of the committee staff, Mr. Doug Balfour. Mr. Gekas did so without objection (a sworn statement to this effect is attached as appendix 1).*

V. ALLEGATION

Mr. Goff stated that the quality control sample submitted to HEW was altered or deliberately misunderstood (page 40).

RESPONSE

Mr. Trainor responding (on page 21 of the December 5 transcript), said the matter was one of interpretation, an "honest difference of opinion" between IDPA and HEW officials. The difference of opinion referred to by Mr. Trainor is reflected in a letter, dated August 4, 1975, from HEW to IDPA. The letter—signed by Clyde V. Downing (Acting Regional Commissioner)—is attached as appendix 2.** Mr. Downing informed IDPA that as of July 22, 1975, the State had submitted the results of only 1,200 cases out of a sample of 1,336. He added that HEW regulations require a minimum of 1,200 cases. But if a larger sample is taken (i.e. 1336), that figure becomes the required number. In other words, some 136 cases were unaccounted for. Of this number, 71 cases were dropped by IDPA (meaning that the recipients left the State or went off the welfare roles) leaving 65 active cases which IDPA was required to add to its sample. The relevance of this point is clearly spelled out by measuring the effect of integrating the previously withheld 65 cases from the required sample.

According to Emily Mantz, the State Quality Control Monitor for HEW in Illinois, the 1,200 case sample initially submitted by the State of Illinois was as follows:

	Percent
Ineligible recipients.....	10.8
Overpayments	25.2
Underpayments	4.3

With the addition of the remaining cases from the State sample (65), the results were as follows:

	Percent
Ineligible recipients.....	11.4
Overpayments	27.5
Underpayments	4.3

In order for the 65 cases in question to have affected the general sample so severely they must have reflected an ineligibility rate 114 percent higher than the 1,200 originally submitted and an overpayment rate 180 percent higher than the original 1,200. That fact, the subcommittee believes, reflects a serious area for continued investigation. It should be noted at this point that HEW's quality con-

*See p. 395.

**See p 396.

trol sample procedure has been in effect since 1973. Each State, including Illinois, has passed through at least four reporting periods. Ms. Mantz indicated this was the first such misunderstanding she could recall, certainly the first such misunderstanding in Illinois. Ms. Mantz has been with the State HBW Quality Control group for 5 years. (A copy of interview memorandum with Ms. Mantz is attached as appendix 3).*

VI. ALLEGATION

Mr. Goff testified seven times in his sworn statement (at pages 41 and 47, three times each, and once on page 48) and under questioning 8 times additionally (at pages 47, 48, and 49) that he was ordered not to share information with the U.S. General Accounting Office (GAO), the Department of Agriculture and HBW.

RESPONSE

Mr. Trainor, said (page 17, the December 5 transcript) that John Simon had 26 contacts with GAO in 21 days and that he personally (Trainor) met formally with GAO on several occasions. He said several times that nothing was withheld from Federal agencies. John Simon, for his part, testified under oath that he gave the GAO access to all of the collected information of the medical payment task force. He indicated he met with GAO representatives frequently and covered the material in such depth that there was no need to send formally the documents. It is still not clear to the subcommittee if Mr. Goff was specifically ordered not to share information with any or all of the organizations cited and if so, by whom. Conceivably, Mr. Goff's expertise in the specialized field of computerization would have enabled him to be of significant assistance to Federal investigators. On December 8, 1975, GAO commented that its investigators were informed of the existence of specific computer runs by IDPA. (Letter to Senator Charles Percy from Elmer Staats, Comptroller General of the United States is attached as appendix 4).**

The HBW references relate to the quality control sample discussed above.

With respect to the study by the Department of Agriculture, the subcommittee has a confidential source who stated that Mr. Trainor was present in a meeting with IDPA attorney David Rakov. IDPA employees were told then not to share information with the Department of Agriculture because IDPA allegedly intended to sue the Department of Agriculture and the information may compromise that suit. Trainor denies being present at any such meeting.

Mr. Trainor and Mr. Goff both agree the Department of Agriculture proceeded with the investigation. In this context, Mr. Goff had charged that the Illinois Food Stamp ineligibility error rate is 51 percent, the "highest in the country." This has been verified by Ms. Dolly Bradford of the Midwest Regional Food Stamp Quality Control, she informed committee staff that Illinois had an ineligibility rate of 51.5 percent during the test period July-December 1974 and that rate was, indeed, the highest in the country.

Finally, the willingness of IDPA and Mr. Trainor to share information must be questioned because of information the subcommittee received from the Illinois State Medical Society. Testifying before the Illinois Legislative Advisory Committee on Public Aid, Dr. George Mitchell told about the formation of 25 teams of physicians to evaluate the quality of medical services by the top 50 physicians in the State of Illinois (in terms of medicaid reimbursement). The physicians under review all reported an income exceeding \$100,000 from the medicaid program during the calendar year 1973. From this review, Dr. Mitchell reports his committee wished to present 35 cases to the Illinois Department of Public Aid with a recommendation for further investigation and possible action. Mr. Trainor's response, as reported by Dr. Mitchell, was to dismiss the information and to dissolve the Medical Advisory Committee. Some time thereafter a new advisory committee was formed with a different membership. (See page 43 of the December 5 transcript.)

Mr. Simon indicates that he personally reviewed each of the 35 cases but no action was taken. In all other respects, he corroborates the testimony of Mr. Trainor. However, the events reported by Dr. Mitchell are confirmed by Dr. Fred Tworger, chairman of the Medical Advisory Committee and Roger White, executive director of the Illinois Medical Society.

*See p. 398.

**See p. 399.

VII. ALLEGATION

In his sworn statement Mr. Goff states that Donald Page Moore told him that two individuals under investigation by authorities had contributed to his (Moore's) 1972 campaign. Goff adds: "Shortly thereafter a member of the Office of Special Investigations threatened my staff that anyone continuing to investigate these people would go down with the ship." (Page 43 of the transcript.)

RESPONSE

Mr. Trainor, on page 28 of the December 5 transcript, terms this allegation as one of the most vicious falsehoods in Goff's testimony. Mr. Trainor denies participation in an attempt to block any investigation. Donald Page Moore also denies that he has taken part in blocking any investigation. As Senator Percy notes on page 129 of the transcript, Goff did not state that he had been intimidated by Donald Page Moore personally. Nor did Goff charge Moore with covering up any investigation. He did state that Moore told him that two of Moore's contributors were under investigation. Simon acknowledges this on page 91 of the transcript ". . . page 7 of item 5, appendix A, contains Goff's admission that Donald Page Moore voluntarily told Goff that he had received a campaign contribution from an individual identified by Goff."

Concerning the statements by Laura Staples (of the Office of Special Investigations) who allegedly told Goff's employees they would "go down with the ship" the subcommittee has a document (dated January 6, 1975) and signed by Mr. Martin Mindell (a Goff subordinate), which reads in part: "She (Ms. Laura Staples, an aide to Donald Page Moore) stated that if I am involved or knew anyone who was involved in such an investigation that it should cease, since the Director of Public Aid had ordered said investigation halted. She further stated that any persons involved with such an investigation would all 'go down with the ship'. Shortly thereafter, Mr. Goff was removed from the task force. (A copy of the Mindell statement is included in appendix 5.)"

VIII. ALLEGATION

Mr. Goff alleges on page 44 of his testimony that the former Public Information Officer (Mrs. Wright) for IDPA was told during a medical fraud investigation to "think of her family and career and leave this medical business alone."

RESPONSE

Mr. Trainor, in his testimony at page 27 states that he has no direct knowledge of any such event. He maintains that Mrs. Wright resigned for reasons unconnected with the conversation. Mrs. Wright verified the conversation for members of the committee staff, saying that "think of your family and career" was repeated three times. Whether this was intended as a threat is open to interpretation. She would not characterize this language as such. However, a January 9, 1975 memo from Goff to Trainor indicates this information was, in fact, given to Trainor at that time.

IX. ALLEGATION

Mr. Goff alleges (on page 44) that the Medical Payment Task Force final report is inaccurate, biased and purposely erroneous.

RESPONSE

Mr. Simon in response (page 98) replies, "No explanation is given in Goff's statement concerning what in the report fits in these categories, other than his assertion that the Quality Control staff shows special treatment to factoring companies. This is totally false."

The figures of factor preference are confusing. Mr. Trainor reports in his sworn statement at page 34 that "While factoring companies received a slightly higher percentage of payment in relation to the amount billed the individual providers (3 percent higher or 74 cents on the dollar received by factoring companies as compared to 71 cents received by individual providers), factoring companies experienced 20 percent more rejections than did individual providers.

*See p. 401.

Finally only 2 percent more of the bills submitted by factoring companies were paid through the use of override codes than those submitted by individual providers."

Goff claims this difference is statistically significant, particularly when coupled with the advantage factoring companies enjoy with respect to bills that bypass the computer. Six percent of the bills presented by factors bypass the computer while only 4 percent of the bills presented by providers benefit from the computer override. Using 4 percent as a base, factors enjoy a 50 percent advantage in this area. To complicate matters further, it is not clear whether the original computations of 4 and 6 percent were derived by IDPA by using general or specific overrides. Further investigation into this matter has been requested by the subcommittee. GAO will attempt to focus on the dollar amounts and proportionate dollar amounts of bills passed through an override and a determination of processing interval based not on the time of origination, but on the period between presentment and payment. (See page 168.)

X. ALLEGATION

Mr. Goff, under questioning from Senator Moss, stated (at page 61 of his sworn testimony), "To my knowledge, no case was referred for prosecution to the Attorney General."

RESPONSE

Mr. Simon answered (page 59): "I have referred a number of cases to the United States Attorney for investigation involving companies and providers of services." In response to a written request from Senator Moss to the Governor of the State of Illinois, the subcommittee received a reply as follows: "No medical vendor has been referred to the Illinois Attorney General for criminal prosecution as a result of the efforts of the Governor's Medical Payment Task Force. Referrals of medical violators have been made instead to the United States Attorney for the northern district of Illinois and to the State's Attorney of Cook County."

XI. ALLEGATION

Mr. Goff said (page 42 of his sworn statement) that John Simon received reimbursement for personal service amounting to \$100,000. Under questioning from Senator Percy (page 73) Mr. Goff stated that the period of time involved was 10 or 11 months.

RESPONSE

Mr. Simon and Trainor both indicated that the reimbursement rate established was \$50 per hour which would yield \$2,000 a week or \$104,000 a year. But, in fact, Simon only worked for 6 months. Documents in the subcommittee's possession reveal the total amount to be \$52,720, including travel. (A copy of the contract is included in appendix G.)* Other members of the Medical Payment Task Force received an additional \$413,475 in salaries. The subcommittee is unable to determine what portion of the salaries of 28 other individuals assigned periodically to the task force could or should be attributed as a task force expense.

XII. ALLEGATION

Mr. Trainor (page 12 of his sworn statement) identifies Mr. Goff as irrational and (on page 24) indicates: "It is essential, I believe, for the committee to understand with what kind of individual we are dealing . . . (S)ince his testimony on November 21, 1975 we discovered that Mr. Goff was suborning employees of the Department of Public Aid. He was seeking highly confidential computer runs, analysis, and reports on medical vendors which are under examination by the Department." In other places he refers to Goff as brilliant but confused, misguided, and overzealous. Mr. Edelman characterized him as brilliant and creative, the kind of individual you would ask to develop a program. He was said to be dedicated but a bit singleminded.

RESPONSE

In a period of 4 years with IDPA, Mr. Goff received four promotions, including an increase in salary from approximately \$12,000 to well over \$20,000.

*See p. 402.

Among the responsibilities listed in his job description are: Coordinating and assisting the direction of several programs and/or divisions of the agency . . . subject only to management approval from the director, assisting in the conceptualization, development and implementation of agency policies or programs, reviewing and recommending to the director the feasibility and implications of proposed policies and procedures, directing studies to evaluate the efficiency of existing policies and procedures and making recommendations to the director regarding their continuation or revision. The job description continues: "Because the incumbent of the class is delegated the authority to speak for the director, decisions made by the incumbent commit agency programs to specific courses of action which may have a significant effect upon departmental policy within and outside the agency." During his employment, Goff received excellent efficiency ratings. It is our understanding he is now under contract to the Illinois attorney general and comptroller, State of Illinois.

As noted elsewhere, on November 12, 1975, Mr. Roger Nauert, executive assistant to the Illinois comptroller met with the committee staff, representatives of the General Accounting Office and Senator Percy's staff. Mr. Nauert indicated that Mr. Goff was indeed employed by both offices. He said Mr. Goff was aiding in what was termed a "highly secret" investigation of Medicaid fraud in Illinois. He vouched for Mr. Goff's credibility as a witness and requested that the subcommittee not delve into the specifics of Mr. Goff's present activities for fear of jeopardizing ongoing criminal investigations. On November 13, prior to the hearing, Mr. Nauert reviewed Goff's testimony. A number of deletions were made at Nauert's suggestion to insure accuracy. On November 19, 1975, following the hearings, Mr. Nauert again vouched for Mr. Goff's credibility. The first assistant attorney general of Illinois made a similar endorsement of Goff in early October when these allegations first came to the committee's attention, and prior to the staff's interviewing of Goff.

On November 21 and 22, 1975, on his own volition, Mr. Goff took and passed lie detector tests, confirming key areas of testimony. Copies presented to the committee are attached.

[Attachments.]

[Appendix 1]

STATEMENT

On December 2, 1975, at approximately 7:45 p.m. c.s.t., I had a telephone conversation with one Phil Gekas (217) 522-2050, a former member of the Medical Analysis Section of the IDPA. He told me that he was acquainted with one Mike Curran who he knew to be an official of the Illinois Democratic Fund. Gekas said that Curran had asked him to help with some political work for the campaign of Steve Shamberg who he described as the cousin of Ms. Jean Erkes, of the IDPA in Chicago and that he worked one weekend passing out literature for the Shamberg campaign. The Monday following the weekend, Gekas was read a copy of the Hatch Act by his supervisor, Jerry Slavin and warned not to continue these activities. Gekas says that he did not see Curran again until about a month later when he met Curran near the chamber of the legislature. At that time Curran asked Gekas if he would be interested "in a job where you'll do straight political work for the Governor and we'll give you a complete cover." Gekas went on to describe the job as "a mystery employee type of job," which he declined.

During this conversation Doug Balfour, a member of the staff of the Committee on Aging, with the consent of Mr. Gekas, listened on the extension telephone.

WILLIAM A. RECKTENWALD,
Investigator, U.S. Senate, Special Committee on Aging.

Signed and sworn before me on this 4th day of December, 1975.

PETER L. HUBER,
Notary Public, District of Columbia.

My Commission Expires May 14, 1978.

[Appendix 2]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
Chicago, Ill., November 24, 1975.

MR. VAL HALAMANDARIS,
Special Committee on Aging,
Dirksen Senate Building
Washington, D.C.

DEAR MR. HALAMANDARIS: This letter responds to your November 24, 1975 telephone request made to our staff member, Miss Emily Mantz.

Enclosed is a copy of the August 4, 1975 letter sent to Mr. James Trainor, Director of the Illinois Department of Public Aid, concerning Federal requirements for the AFDC quality control sample.

Sincerely,

CLYDE V. DOWNING,
Acting Regional Commissioner.

[Enclosure.]

AUGUST 4, 1975.

MR. JAMES TRAINOR,
Acting Director, Illinois Department of Public Aid,
316 South 2nd Street
Springfield, Ill. 62706

DEAR MR. TRAINOR: This letter is a follow-up to your July 22, 1975 meeting with Mr. Fred Schnitzman, Washington, and members of the SPS Regional Office staff in connection with the Illinois AFDC-Quality Control program.

In accordance with your request, we are herewith providing the Federal definition of a completed case review and the definition of the Federal required sample size.

A completed case review is one in which a definitive conclusion is reached by the Quality Control reviewers with respect to the eligibility and amount of payment as of the review date (see Section 3600 of the QC manual). This includes any cases coded I in item Q of the Quality Control Review Schedule (Form SES-OQC-341). Quality Control Instructions to States for preparing the monthly status report (SES-OQC-1) also make reference to completed case reviews as reported in item B of the form, read:

"Estimated sample size to be completed for entire 6-month period—Enter the estimated total number of case reviews to be completed during the 6-month period. This number should be equal to or greater than the minimum required sample size. Include in this estimate only those cases which will be reviewed and for which a decision on eligibility and payment will be made. The entry will be the estimate of the count of cases for which code 1 will be checked in item Q on Form SES-OQC-341 (Rev. 1/74)."

The crucial point here is while the State determines the number of over-sampled cases it will select in order to arrive at the end of the review period with the required minimum of 1200 completed case reviews—every case once selected (in accordance with the approved State sampling plan) as part of the total sample for the review period is required by SES to be properly accounted for by way of a final State disposition. The Quality Control manual (section 3600, item Q on page 46) clearly sets forth a definition of disposition of case review." One group of cases are those for which the review was completed (a definitive conclusion reached). A second group of cases are those (although properly selected in the sample) for which a review was not completed due to the client (1) having moved out of state (2) being unwilling to give information and (3) being unable to located, or for other specified reasons not mentioned above. The third and final group of cases are those (improperly selected in the sample) which are not reviewed because they are listed in error. These include presumptive eligibility cases, AFDC foster care cases, etc.

It is both timely and appropriate at this juncture to comment further on the sample selection process. Section 2200 of the Quality Control manual states: "If a State elects to increase on a State wide basis the required Federal sample size for a reporting period, the larger sample becomes the required sample."

This refers to the statement made earlier relative to a State accounting for every case selected in the total sample for the review period.

The next sentence in the Section 2200 citation goes on to say:

"The State may, however, selectively augment its sample with additional cases without increasing the required Federal sample size if such augmentation was for the purpose of increasing the data base for a particular geographic area or case characteristic."

The intent of this provision is to provide States with a capability during any review period of obtaining data viz-a-viz the Quality Control system in any area of interest to the State agency, where either data is lacking or is of such quantity that the desired level of reliability is not achieved.

The remaining sentences in Section 2210 go on to provide two examples, one for each of the citations stated above. They read as follows:

"For example, if a State elects to double its required minimum sample size in order to increase the reliability of the Statewide sample results, the increased sample size becomes the required sample size for Federal reporting of frequencies and error rates. On the other hand, if a State elects to increase its sample size for one or more smaller counties or for approved applications for its own analytical or other use, the additional cases are not to be included for Federal reporting."

An important guide in determining whether increased sampling by a State will result in the required sample size also being shifted in the same proportion is provided in the word "statewide." In other words, where additional cases are obtained in the process of selecting the statewide Quality Control sample, using the approved State sampling procedures, then those cases are part of the Federal required sample.

All of the above that address the question of sample size converge to a common and the most critical point which singularly determines the Federal required sample for any State the approved sampling plan and the manner in which it is implemented. The latter is set forth in very exact terms in Section 1213 of the Quality Control manual which states:

The following guides will be used in preparation of the QC plan provisions:

A. *Sampling Plan*—Describe the procedure that will be used to select QC samples. It is essential of the accomplishment of QC objectives that the planning, selection, and control of case samples provide a reliable basis for the measurement of caseload validity. The component elements of sound sample selection and control are: (1) sample sizes that yield the requisite degree of reliability of conclusions about the total caseload (e.g., use of the proper estimating procedures for determining the average AFDC caseload); (2) sample selections techniques that will ensure representative samples on a timely basis (e.g., ensuring the completeness of monthly sample frames through inclusion of supplemental payrolls, oversampling to cover the expected number of cases that will be dropped from the sample); and (3) protection against bias in the handling of sample cases after selection (e.g., maintenance of necessary records on population size, controls to account for every sample case, and protection against preknowledge by the local worker that a particular sample case has been selected).

A State's sampling procedures and control of the sample cases selected are inseparable issues, one affects the other and vice versa. Therefore, the propriety of each must be assured. Section 2200 of the Quality Control manual provides:

"The advice and approval of the SES Regional Office should be caught prior to adoption of any change in sample design, frame or procedure."

Section 2200 also provides:

"The State agency must be able to demonstrate the integrity of its sampling procedures. All sampling procedures followed by the State agency must, therefore, be fully documented and available for review by the SRS Regional Office."

We hope the above satisfactorily meets your request for information concerning Federal requirements for the AFDC-QC program. We always welcome the opportunity to assist a State agency head to increase his awareness and understanding of this Federal program, recognizing that his support and commitment are essential to the success of his Quality Control program.

As of the July 22 meeting, Illinois had disposed of 1200 cases, 1153 completed and 47 not reviewed (dropped). You may also recall Mr. Schutzman stressing the importance of Illinois disposing of and accounting for its total sample selected (1336 cases) for the January-June 1975 period.

On July 31, 1975, the final date for State review activity, the Regional Office received by mail from Illinois a listing of 47 additional completed cases, raising the total disposed of to 1247, with 89 still to be accounted for.

It is imperative that the remaining cases be made available to the Regional Office in order that the Federal re-review, which has already been substantially delayed, can proceed without further delay. You and I, both, can appreciate the seriousness of this problem, particularly with respect to the resolution of all potential difference cases by State and Federal staff prior to September 1, 1975, the due date for the State's Table 1 (SRS-OQC-341.1) report as required by 45 CFR 2205.40(b) (3).

Your letter dated October 24, 1974 and my letter dated November 22, 1974 (copies of both attached) clearly set forth many of the difficulties that result when the State and Federal review activities are not completed on a timely basis.

Miss Emily Mantz, Federal monitor, will be in Springfield, Tuesday, August 5, 1975. Please advise her at that time what date the data for the remaining 89 cases will be made available.

Your cooperation and support in this matter are appreciated.

Sincerely,

CLYDE V. DOWNING,
Acting Regional Commissioner.

[Appendix 3]

NOTES OF TELEPHONE CONVERSATION BETWEEN VAL J. HALAMANDARIS
WILLIAM RECKTENWALD AND EMILY MANTZ OF HEW

MONDAY, NOVEMBER 24TH 1975 AT 12:45 P.M. UNTIL 2:10 P.M. EST

Mantz is the State Quality Control Monitor for HEW in Illinois. She has been with HEW 5 years this month. In May 1973 HEW started having States pull a quality control sample, there have been at least four periods in which this has been done, one (at least) in 1973, January-June of 1974 and July-December of 1974 and January-June of 1975.

Illinois selects a sample of cases, in the January-June 1975 it was 1336 cases, the minimum cases it can have is 1,200 to report on, the extra cases are in the event some of the sample are no longer on public aid. According to Federal rules, the results must be submitted to the region HEW office by the States NLT 30 days after the end of the test period. (July 30, 1975, for the period Goff is talking about). As of July 22, 1975, the State had submitted the results of only 1,200 cases, but according to the regs, they must account for all 1,336 cases, in other words, the larger number (over 1,200) now becomes the required number. On August 4, 1975 (after the deadline), the HEW informed the State that they have not furnished all of the information required by federal regs and that they must do so. They have at this time furnished all of the required information.

According to Mantz the results of the quality control sample submitted by the State of Illinois using only 1,200 cases was as follows:

	Percent
Ineligible.....	10.75
Overpayments.....	25.2
Underpayment.....	4.3

Sixty-five cases were submitted in bulk immediately after a July 22, 1975, meeting between State officials and HEW. After these 65 cases were added the results of the quality control sample was as follows:

	Percent
Ineligible.....	11.4
Overpayments.....	27.5
Underpayments.....	4.3

Mantz states that in previous sample periods the State had no problems in submitting the number of cases required for the sample, this is the first reporting period in which these problems have occurred.

CONCLUSIONS

If State could have stayed with the 1,200 cases: Ineligibility, 10.75 percent or 129 cases; overpayment, 25.2 percent or 302 cases; underpayment, 4.3 percent or 51 cases.

After additional 65: Ineligibility, 11.4 percent or 144 cases; overpayment 27.5 percent or 348 cases; underpayment, 4.3 percent or 54 cases.

In order for the totals to be raised in this amount we must examine the 65 cases, were they just normal, random cases or were they special?

The additional 65 cases:

Ineligibility, 15 cases-----	23.07
Overpayment, 46 cases-----	70.75
Underpayment, 3 cases-----	4.6

The 65 cases submitted late just happened to be: 114 percent higher in ineligibility than the 1,200 originally submitted; 180 percent higher in overpayments than the 1,200 originally submitted; 6 percent higher in underpayments than the 1,200 originally submitted.

Which brings us to the question—was the sample tampered with as testified to by John Goff under oath or was his testimony false?

[Appendix 4]

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., December 8, 1975.

Hon. CHARLES H. PERCY,
U.S. Senate,

DEAR SENATOR PERCY: This is in response to your joint letter with Senator Stevenson dated November 12, 1975, regarding allegations of efforts by State officials to withhold information and generally impede our review of the Illinois medicaid program. This review culminated in a report to the chairman, Subcommittee on Health, Senate Committee on Finance, entitled: "Improvements Needed in Medicaid Program Management Including Investigations of Suspected Fraud and Abuse," dated April 14, 1975.

On November 13, 1975, in hearings before the Subcommittee on Long-Term Care of the Senate Special Committee on Aging, a former section chief, Quality Control Division of the Illinois Department of Public Aid (the Department) stated that on the orders of the director of the Department no specific or technical knowledge concerning who the Department was auditing was to be given to us. He stated that thus our report reflects what we were allowed to see—not what was there. He testified that the director wanted no names of particular vendors under investigation or under audit to be given to any Federal audit group. He discussed seven computer runs or print-outs which he alleged we were denied access and expressed the belief that access to these runs would have changed the results of our review and related report.

In responding to these allegations, we believe that it is important to describe the scope and purpose of our previous review.

BACKGROUND ON PREVIOUS REVIEW

By letter dated August 6, 1974, the chairman, Subcommittee on Health, Senate Committee on Finance, requested that we assist the subcommittee in its investigation of the Illinois medicaid program by gathering information on the investigations being conducted by various Federal, State, and private organizations. The August 6, 1974, request also stated that the subcommittee would look into Illinois' administration of medicaid in terms of evaluating its ability to safeguard against fraud and abuse and to make timely and proper payments to hospitals, doctors, and other suppliers of services. This request did not contemplate any particular reporting requirements.

We held discussions with and reviewed the documentation gathered by seven State agencies (Illinois Department of Public Aid, Governor's Office of Special Investigations, Illinois Bureau of Investigations, Department of Revenue, Department of Registration and Education, Special Investigative Committee on Medicaid and the Legislative Advisory Committee) and four private organizations (Illinois Association of Clinical Laboratories, Chicago Tribune, Illinois Medical Society and the Better Government Association).

Our review of the documentation indicated that the State and private agencies had directed their investigations toward individual allegations rather than toward patterns of abuse or possible fraud by medicaid providers. Our discussions with officials of the Department of Health, Education, and Welfare also indicated that they were conducting limited routine audits and reviews of the Illinois medicaid program but they were not investigating patterns of abuse or possible fraud by medicaid providers in Illinois.

In September 1974, a Medicaid Task Force was established with personnel from the Illinois Bureau of Investigation, State Police, Department of Revenue, Department of Finance and the Illinois Department of Public Aid. This task force was under the daily operational control of a special counsel to the director of the Department. The purpose of the task force was to establish a unit to perform ongoing surveillance of Medicaid providers and to refer cases of suspected fraud to the U.S. attorney.

We discussed the results of our review of the other Federal, State, and private investigations with the Subcommittee on Health staff on October 2, 1974. At that time, we agreed to concentrate our efforts on examining into and reporting on the administration of the program, focusing on the causes of the problems in the Illinois Medicaid program rather than on potential cases of fraud. We also agreed to periodically meet with the special counsel of the Medicaid Task Force to discuss and obtain information on the activities and findings of the task force.

In summary, our efforts were initially directed, through September 1974, toward accumulating information compiled by other Federal, State, and private investigatory groups. Then, commencing in October 1974, with the concurrence of the requesting authority, we concentrated our efforts on the administration of the Illinois Medicaid program and agreed to monitor the progress being made by the task force in investigating and referring for prosecution alleged cases of fraud.

The thrust of the former section chief's allegations concerns the withholding of various computer analyses prepared for the task force to detect patterns which would provide a basis for more detailed investigations of specific vendors and the so-called "factors."

MONITORING OF TASK FORCE ACTIVITIES

We met with the special counsel on nine occasions in Chicago, Ill., between September 9, 1974, and January 17, 1975, at which times he briefed us and/or provided us with data showing the status of computer programs and runs which had been, or were being, developed by the task force. In addition, we obtained names of certain providers being investigated including summary data obtained through the task force's analyses of computer runs.

During our review, officials showed us certain computer runs or printouts being developed by the task force. However, we did not take custody nor did we analyze the data contained in these runs because it was not the purpose of our review to independently investigate specific cases of alleged fraud. It was our view that taking custody of these computer runs and analyzing them would serve no useful purpose at that time because it would essentially duplicate what the task force was doing.

Our April 14, 1975, report clearly showed our knowledge of computer programs and related data being developed by the task force. The report states on page 8 as follows:

"Under the direction of the director of [the Department], the special counsel and [the Department] staff developed computer programs to produce recipient and provider profiles so that utilization data from [the Department] payment records could be used to:

—investigate alleged fraud and abuse regarding the operations of factors (billing companies that buy providers' claims at a discount and then attempt to collect the full amount of the claims from the State Medicaid agency);

—detect unusual patterns of medical services provided to recipients by physicians, dentists, optometrists, and pharmacies; and

—detect instances in which providers submitted multiple billings for services which were performed once or which were never performed.

"Through the use of information extracted from provider and recipient profiles, the special counsel referred the following three cases to the U.S. attorney for prosecution."

CURRENT FOLLOWUP ON ALLEGATIONS

On November 12, 1975, the former section chief provided us with the following information on seven computer runs to which he believed we were denied access

—"Duplicates list" which was designed, among other things, to identify vendors submitting more than one bill for the same services provided to the same patient on the same day.

—"Multiple billing run" which was designed to identify more than one vendor which provided services to the same patient on the same day.

—"Cluster analyses" which was designed to identify all factors by address and those factors sharing the same address.

—"The 500 series" which is a series of four runs that identify, among other things, vendors who bill more than once for items such as surgical operations that can occur only once.

We have examined the 53 bundles of working papers prepared in connection with our previous review and found that on December 27, 1974, the special counsel provided us with a memorandum entitled "Status Reports of Computer Runs as of November 22, 1974." This memorandum and attachments contained information on the status of 22 Medicaid Task Force computer runs which were requested, completed, cancelled, or in progress as of November 22, 1974, and included the following: date the run was requested; date the run was received; purpose; and findings.

Our comparison of this data with the information provided by the former section chief showed that the Department had advised us of three of the computer runs to which the former section chief believed we were denied access (Duplicates List, Multiple Billing Run, and Cluster Analyses). However, for the reasons previously discussed, we did not request custody of nor analyze these runs. Our comparison showed also that four of the seven computer runs which the former section chief believes were withheld were not shown on this listing as completed.

Department officials provided us with data which showed that the 500 series of runs were not completed until April 1975 which was at least 3 months after we completed our fieldwork on this assignment. We presented this information to the former section chief on December 1, 1975, and he agreed that these computer runs were not completed until 1975. He informed us, however, that certain important information on selected computer runs was not properly utilized by the task force.

We are currently reviewing one of these computer runs or printouts (the Cluster Analyses) which consists of about 1,600 pages to determine what use was made by the task force of the information contained in this run.

In conclusion, although we cannot comment on what transpired between the former section chief and the director, it is apparent that Department officials had advised us of the nature and purpose of at least three of the seven specific computer runs which were allegedly withheld from us and the remaining four were apparently not completed until months after we had completed our fieldwork in Illinois.

We will report to you at a later date on the results of our review and evaluation of the use made by the task force of the related computer runs as well as other actions taken by the Illinois Department of Public Aid in response to our April 14, 1975, report.

We have sent a similar letter to Senator Stevenson.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

[Appendix 5]

ILLINOIS DEPARTMENT OF PUBLIC AID,
INTER-OFFICE MEMORANDUM,
January 6, 1975.

To: Mr. John W. Goff, section chief, General Assistance and Special Projects.

From: Martin Mindell, Public Aid Representative III.

Re: Conversation with Laura Staples on December 27, 1974.

Friday morning on December 27, 1974, I had occasion to discuss the following information put forth by Laura Staples, document editor of the Medical Task Force, in her 14th floor office in 624 South Michigan Avenue.

She asked if I had any knowledge or were personally involved in an investigation of Mr. Jules Lederer. I stated that I did not know about a Lederer investigation and stated that I was not personally involved. I reminded Ms. Staples that I was assigned to the Public Aid Medical Task Force and had been averaging over nine hours a working day since assigned in October 1974.

She then, and I herein paraphrase her remarks, stated that if I am involved or knew anyone who was involved in such an investigation, that it should cease, since the Director of Public Aid had ordered said investigation of Mr. Lederer halted approximately four weeks previous to Ms. Staples' remarks. She further stated that any persons involved with such an investigation would all "go down with the ship."

I hereby affirm that the above statements are substantially true to the best of my recollections and will so swear under oath.

MARTIN A. MINDELL,

January 6, 1975.

JANUARY 6, 1975.

To: Mr. James L. Trainor, director, Department of Public Aid.
From: John W. Goff, section chief, General Assistance and Special Projects.
Re: Attached correspondence.

Per my conversation with you today: I received on this date, from one of my staff members, the attached memorandum. I have no reason to believe that anything in the memorandum is other than true. I see no reason why section staff should be threatened by "going down with the ship." I am forwarding this memorandum to you for your perusal.

[Appendix 6]

STATE OF ILLINOIS, DEPARTMENT OF PUBLIC AID

AGREEMENT FOR PROFESSIONAL SERVICE

The State of Illinois, acting by and through the Department of Public Aid, hereinafter referred to as the "State," and John B. Simon, hereinafter referred to as the "Contractor" hereby enter into the following agreement:

The Contractor agrees to conduct investigations and furnish professional services as Special Counsel to the Director. The Contractor's services shall be performed under the following terms and conditions:

A. Services shall be performed in the period beginning September 9, 1974, and ending not later than March 7, 1975.

B. Services shall be performed at the direction of the Director of the Department of Public Aid or his designee.

C. For the period September 9, 1974 through December 6, 1974, Contractor shall work full time for the State consisting of 40 hours/week at a rate of \$50.00/hour.

D. For the period December 9, 1974 through March 7, 1975, Contractor shall work such time as is mutually agreed between the Contractor and the State.

E. The work product, including but not limited to reports, records, drawings and memoranda, developed in connection with this agreement by the Contractor, shall become the exclusive property of the State.

The State agrees as a consideration herein to:

A. For the period September 9, 1974 through December 6, 1974, pay the Contractor on a contractual basis a total not to exceed \$28,000, at the rate set forth in "C" above.

B. For the period December 9, 1974 through March 7, 1975, pay the Contractor on a contractual basis at a rate of \$50.00 per hour, for a total not to exceed \$28,000.

C. Reimburse Contractor for travel expenses pursuant to, and in accordance with, the State of Illinois Department of Finance travel regulations.

D. Provide secretarial and clerical services, office space, furniture, equipment and supplies essential to the performance of said services.

Requests for payment of services and travel expenses shall be invoiced on State of Illinois Invoice Voucher Form C-13 showing the number of days, the rate, and total charges; with travel expenses supported by State of Illinois Form C-10 travel voucher attached. The C-13 must be signed in the space provided under "Seller's Certification."

The Contractor agrees to be in compliance with Title I of the Civil Rights Act of 1954 and the Illinois Fair Employment Practices Act, as amended (46, 651 et seq.).

This agreement, which is effective upon its execution, may be terminated by either party hereto at any time after December 6, 1974, after 20 days

written notice but it may not be terminated by the State except for good cause.
Executed this 4th day of September, 1974.

The State of Illinois Department of Public Aid,

By JAMES L. TRAINOR,
Director.

By JOHN B. SIMON,
Contractor.

EXHIBIT 6

KENNETH JOHNSON & ASSOCIATES,
Kansas City, Mo., November 22, 1975.

Mr. JOHN GOFF,
Box 55, Athens, Ill.

DEAR SIR: At your request, an appointment was made for a polygraph examination in connection with matters under investigation.

At 1:00 p.m. November 22, 1975, John W. Goff voluntarily submitted to said examination.

There were no emotional disturbances indicative of deception in this subject's polygraph records on the following questions.

1. Did Edelman inform you that after he talked to the Governor that he was not going to cancel the cases?

Answered—Yes.

2. Was it your impression from conversation with Edelman that you were not to cancel those cases until after the primary election?

Answered—Yes.

3. Did Trainor order you to give all pertinent information to the Federal Auditors?

Answered—No.

4. Did Wayne Hamburger alter the quality control sample on his own authority?

Answered—No.

It is the opinion of the examiner based on the polygraph records of this subject that he is telling the truth on the above questions when he answered as indicated.

KENNETH JOHNSON.

SCIENTIFIC INVESTIGATIONS, LTD.,
CERTIFIED POLYGRAPHERS,
Bridgeton, Mo., November 21, 1975.

Mr. JOHN GOFF,
Box 55, Athens, Ill.

DEAR Mr. GOFF: On this day you came to this suite for a polygraph examination. The main issue under consideration was whether you were telling the truth to the following questions:

1. In 1974, were you ordered by Director Edelman not to cancel several thousand cases until after primary elections?

2. Did Edelman tell you that he received orders from the governor not to cancel these cases?

3. Did Mike Curran tell you that he was recruiting a member of your management analysis team to work in the Chicago primary election?

4. Did Wayne Hamburger alter the quality control sample on his own about IDPA with Federal auditors?

5. Did Donald Moore tell you that two people under investigation by your section were contributors to his prior political campaign.

To each of the above questions, Mr. Goff answered "Yes".

It is the opinion of the polygraphist, based upon the polygraph recordings, that Mr. Goff was telling the truth to questions No. 3, No. 4, and No. 5. There were significant emotional responses when he answered "Yes" to questions No. 1 and No. 2. These responses could either indicate deception or extreme nervousness toward the questions.

Sincerely,

WILLIAM E. CARROLL,
Certified Polygraphist.

Appendix 2

TELEGRAMS AND STATEMENTS FROM INDIVIDUALS

ITEM 1. TELEGRAM FROM JAMES L. TRAINOR,* DIRECTOR, ILLINOIS DEPARTMENT OF PUBLIC AID, SPRINGFIELD, ILL.; TO SENATOR FRANK E. MOSS, DATED NOVEMBER 14, 1975

DEAR SENATOR MOSS: Yesterday John Goff gave false testimony before your subcommittee. I request that I be given the immediate opportunity to appear publicly next week before your subcommittee and if necessary to bring others with me to set the record straight. I await your immediate response.

JAMES L. TRAINOR,
Director, Illinois Department of Public Aid.

ITEM 2. TELEGRAM FROM JOHN B. SIMON,** CHICAGO, ILL.; TO SENATOR FRANK E. MOSS, DATED NOVEMBER 14, 1975

DEAR SENATOR MOSS: I have been informed of remarks made before your subcommittee by Mr. John Goff. Many of the statements made by him I know to be untrue. I will prepare a written response to these misstatements and will be available, if the subcommittee allows, to personally provide any other information necessary to establish the falsity of Mr. Goff's testimony. I can be contacted at 208 South LaSalle Street, room 1130, Chicago, Ill., 60604, telephone (312) 346-8500.

Very truly yours,

JOHN B. SIMON.

ITEM 3. STATEMENT OF RICHARD EDWARD DUNN, INVESTIGATOR, ILLINOIS DEPARTMENT OF LAW ENFORCEMENT

I am an investigator for the Office of Special Investigations (O.S.I.) in the Illinois Department of Law Enforcement. I am 34 years old and hold a Ph. D. in political science from the University of Illinois, where I was a Ford Foundation Fellow. I am a graduate of the Special Agent National Training Center of the Intelligence Division of the Internal Revenue Service. Prior to joining O.S.I. in August 1974, I served as liaison to police agencies for the Illinois Law Enforcement Commission. I formerly served as a research assistant to the Illinois Board of Higher Education and am the author of a number of articles dealing with State government. I was head of the senate staff of former President Pro Tempore W. Russell Arrington (R-Evanston), and performed all staff work for the Illinois Legislative Ethics Committee from 1970 through 1972.

My father is a prominent lawyer in downstate Illinois, was the commanding general of the Illinois National Guard from March 1, 1968, to July 3, 1970, and was the first chairman of the Illinois Judicial Inquiry Board, a body responsible for investigating or originating complaints, and prosecuting cases against Illinois judges charged with misconduct.

I have read the statement that John Goff gave orally before the Senate Subcommittee on Long-Term Care on November 13, 1975, including that part of the statement that dealt with me and an alleged threat to Barbara Wright, a former Public Information Officer for the Illinois Department of Public Aid (IDPA).

I categorically deny these allegations and any inference which might be drawn from them. The facts are these.

*See statement, p. 291.

**See statement, p. 324.

I was originally involved as a liaison between the OSI and the IDPA to monitor that department's investigation of welfare-related scandals, but as the scope of the state's inquiry expanded, I became responsible for investigating alleged improper conduct by State employees. Other than on one occasion when I picked up documents from John Goff, and two occasions when he attended meetings where Civil Service Commission proceedings against a discharged IDPA employee were discussed, I had no conversations with him and he was not present during any interviews I had with employees of the IDPA.

Barbara Wright is a personal friend of mine and my wife's. I met Barbara shortly after she hired my wife on April 16, 1974, to work in the public information office of the IDPA. I've seen Barbara socially on a number of occasions, both at her home and mine.

I talked to Barbara several times about the Medical Payment Task Force investigation. She was of great assistance to me, and helped me understand how the allegations I was dealing with had developed.

The allegation that I threatened Barbara is totally false. I never did.

The allegation that I acted in a way which precipitated Barbara's resignation as an IDPA employee is totally false. I did not.

I do not recall any conversation which might even be construed as a threat by me to Barbara.

It is possible, although I do not remember, that I talked to Barbara about the Medical Payment Task Force intensification of the investigation, after Director Trainor took over as head of the department. Barbara was upset because under former IDPA Director Joel Edelman she had been kept informed of departmental investigative activity. However, Director Trainor chose to refer welfare-related investigations to police officers and other trained investigators and not to brief his public information officer about these matters. Barbara felt she did not know as much about her department's operation as she once had known. If I talked to Barbara about her concern, I might have advised her, as a friend, to leave police work to the police.

I certainly never told her to "think of her family and her career" and to "leave this medical business alone." The statement by John Goff is absolutely false.

Barbara Wright submitted an official letter of resignation to Director Trainor on September 18, 1974. On November 20, 1974, Barbara submitted a followup memorandum to Director Trainor to let him know that she wished to extend her planned resignation date, because of necessary adjustments to her moving schedule. Barbara resigned on January 10, 1975.

I believe I know why Barbara resigned. She accepted a position as the public information officer for the American Public Welfare Association in Washington, D.C. That association's executive director is Ed Weaver, a former director of the Illinois Department of Public Aid. Barbara likes Ed Weaver, and he gave her an opportunity to improve her career in Washington, D.C. I believe Barbara's reason for leaving the IDPA is just this simple.

I also deny the implication from Mr. Goff's statement that Barbara Wright's successor, Lynn Pierce, resigned because of the Medical Payment Task Force investigation, or because of any conversation I had with her. I only knew Lynn Pierce slightly and in a social way because my wife was working in the IDPA. Any conversation with Lynn Pierce was personal, and not related to the Medical Payment Task Force investigation.

ITEM 4. STATEMENT OF FATHER GEORGE H. CLEMENTS, PASTOR, HOLY ANGELS CHURCH, CHICAGO, ILL.

My name is Father George H. Clements and I am pastor of Holy Angels Church located at 607 East Oakwood on Chicago's south side, and have been for the last 6 years. There are approximately 4,000 parishioners in my parish and many of these, I believe about 60 percent, are public aid recipients. Most of them receive ADC and live in public housing.

In late 1973, I was concerned that many welfare recipients, who often cash their checks at currency exchanges, have the checks or the proceeds of them stolen. Because of this and other problems, I discussed with Squire Lance, then an assistant to the Governor, and a friend of mine, whether the

department of public aid could mail checks to banks which would deposit the checks to a recipient's account.

At approximately the same time and into early 1974, I received complaints from my parishioners about a new income reporting form that was mailed to public aid recipients by the department of public aid. Some recipients told me that they were afraid that their checks would be stopped because of the information they were furnishing on these forms. They said that they thought income reporting was a device to cut off their welfare checks.

I explained the forms to many people and helped them complete the forms. Some welfare recipients still refused to complete them because of their fear that they would be cut off; others said that their forms were stolen and still others could not read and didn't know what the form meant. Many welfare recipients also complained that when they had called the welfare office for an explanation of the form they got nothing but busy signals.

I called Squire Lance and explained these concerns to him. He called back to say that he had arranged a meeting between Governor Walker, Joel Edelman, then the director of public aid, and myself.

We met at the Governor's office in Chicago sometime in late February 1974. I don't remember the exact date.

I told the Governor and Mr. Edelman that my primary concern was the inability of welfare recipients to communicate with the welfare office about the new income reporting form and other matters because of busy telephone lines. I told them that there is a real need to educate ghetto people about income reporting because they had a basic misconception about the purpose of the form, that they thought it would be used to cut off their checks. The Governor said to me at one point, "Surely you're not suggesting that we release all the checks," referring to checks which were being held by the department until recipients had completed the income reporting form. I said, "Of course not—all I'm saying is clarification is needed about the intent of the form and that this clarification should be communicated to welfare recipients." I also said that this is impossible because of the tremendous number of calls coming into welfare offices and the apparently insufficient number of telephone lines to handle the calls.

At about that time, Edelman said that this communication problem might be handled by setting up a temporary, emergency "hotline" system and also that steps would be taken to make new telephone lines available so that welfare recipients could get through. I said that this would be fine or something to that effect.

I also told the Governor and Mr. Edelman that caseworkers should be as diligent as possible in explaining to aid recipients, particularly illiterate ones, what the purpose of the income reporting form really was. Edelman said that caseworkers had a very heavy caseload but that even so top priority would be given to trying to locate illiterate recipients so that help could be given them in completing the income reporting form.

At some point in the discussion, either the Governor or Edelman said that the State would take a cross-section of those recipients who had not responded to the income reporting form to see why they had not and whether the concerns I had expressed were valid. I told them that I thought that was an excellent idea.

Finally, we agreed that all possible means of publicity should be used to make ghetto residents aware of the income reporting form and its purpose. We talked especially about using the black media to get the story across, and agreed to do so.

Approximately the next day, I reviewed the press release and approved of it. I believe about 2 or 3 weeks later, I met again with the Governor and Director Edelman. Public Aid Deputy Director Jesse Harris was also present. This was a brief meeting, which did not take longer than 5 minutes, and again took place in the Governor's Chicago office.

Edelman said that the survey of nonreporting recipients, which we had discussed at the first meeting, showed that there were very few persons whose checks were being held who were entitled to payment. He said that the majority of those not responding were not doing so because they were ineligible because of income limitations. I told him that I couldn't voice an opinion about the people I talked to and the fear about completing the forms which I had

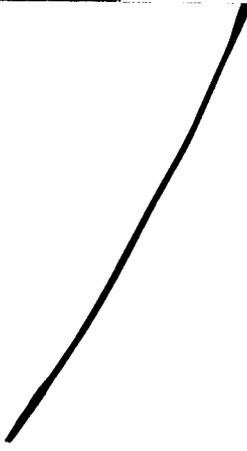
discussed with him and the Governor earlier really existed. It was apparent to me that we had a cordial difference of opinion.

I recall the Governor saying that in the event I came across any public aid case where the person was legitimately entitled to a welfare check but was not receiving it because of that person's confusion about the income reporting form and were suffering hardship on account of it, that case should be taken directly to Mr. Edelman and he would take care of it. This is all I can recall having taken place at the second meeting with the Governor.

Shortly after this meeting in March 1974, I met with Jesse Harris and perhaps another person at my office in the rectory of Holy Angels Church. We discussed other issues concerning public aid matters, particularly the question which had involved me with public aid originally, the "rip off" of checks or proceeds at currency exchanges, police availability, etc. I don't recall whether income reporting came up at all with Mr. Harris.

I never had any subsequent meetings with the Governor or Director Edelman about this subject.





END