

Wallace Sets Cooperation In State Roads Fraud Probe

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MONTGOMERY, Ala.—Gov. George C. Wallace, reacting to persistent reports of scandal high in his administration, gave repeated assurance last week of cooperation in the probe of an alleged fraud in state highway department purchases.

The governor's brother, Gerald, is one of those implicated by published reports of an alleged scheme to sell the state \$94,736.84 worth of nonexistent parts for highway department equipment. Gerald Wallace denied any wrong doing.

Others implicated by the reports include Richard Stone, the state's assistant finance director, and Howard White, the state purchasing agent.

Robert O. Wilson, a career employee in the equipment division of the highway department, has been suspended pending a grand jury investigation.

The governor, who reportedly is preparing to seek a third term, called a press conference Thursday after a story in the Montgomery newspapers detailed the alleged fraud and named Gerald and the others.

Gov. Wallace said he would allow no one to "taint my reputation." One day earlier, he had issued a statement promising to "cooperate fully in the disclosure and punishment of any person guilty of wrong-do-



GERALD WALLACE
... mentioned in reports

ing with regard to their official duties."

"Confidence in government at all levels is at a low ebb at this time," the governor said.

Then as fresh disclosures appeared in news stories, Wallace called in reporters to tell them, "Let it all come out." Of his staff, he said, "If any of them do not cooperate fully, then I will . . . fire them."

Attorney General Bill Baxley is scheduled to present evidence in the highway department case to the Montgomery County grand jury Dec. 11. He has issued no statement, but news reports beginning in September outlined the opera-

tion of the alleged fraud as follows:

Robert Wilson was the assistant equipment maintenance director in the state highway department. He told friends he got the job with the help of Gerald Wallace even though he lacked the required formal education.

It is alleged that Wilson from time to time designated some piece of equipment in one of the outlying districts as needing a part and ordered the part from a dummy company in Montgomery with which Gerald Wallace was connected. Gerald has denied any connection.

The parts allegedly were paid for through paperwork that involved Richard Stone, the assistant state finance director; the state purchasing agent, Howard White, and Billy R. Ballard, who worked in the highway department with Wilson.

Payments went to Machinery and Supplies, Inc., of Montgomery, a company that apparently never had any parts and never delivered any, at least not until the news stories began.

Machinery and Supplies was incorporated Nov. 12, 1970. The president was Robert Stapp, a close friend of Gerald Wallace. The treasurer was Ruby Latham. After Stapp died in October, 1972, Miss Latham continued to operate

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the business with the help of two women employees.

Records indicate the highway department was the only customer. Employees say they knew the company had no inventory but thought the machinery parts were merely delivered direct from the factory to the state.

Despite Gerald Wallace's denials of any connection with the company, he wrecked a car on Dec. 5, 1972, that had been registered earlier as belonging to Machinery and Supplies, Inc. Then, this fall, he registered the car in his own name, stating that he had acquired it from the company.

It was also reported that when city detectives searched Miss Latham's apartment this fall they found written records of numerous telephone conversations between her and Stone, Ballard and Gerald Wallace.

The operation came to an

abrupt end last summer when a part was purchased for a piece of equipment that was so old that parts for it are no longer available. This unusual transaction attracted the attention of the office of Examiners of Public Accounts, which began a secret investigation.

Finally on Aug. 23, examiners appeared simultaneously at 8:30 a.m. at each of the eight outlying highway division offices and at the Bureau of Equipment office at Montgomery.

Personnel at the outlying divisions said they had neither asked for nor received any of the parts described on Machinery and Supplies Inc. invoices totalling \$94,736.84.

Wilson admitted to examiners that he sometimes signed the names of superintendents of outlying divisions on department paperwork, but said he did it only to speed delivery of needed parts. He was suspended soon afterward.