

Md. County Aide Says Official Got Kickbacks

6/5/73
By Charles A. Krause
Washington Post Staff Writer

BALTIMORE, June 4—William E. Fornoff, administrative officer of suburban Baltimore County, pleaded guilty to a relatively minor tax law violation today after telling a federal grand jury here that since 1967 he has funneled cash kickbacks from several local contractors "to another official in Baltimore County."

The only other official now under investigation by the grand jury, according to reliable sources, is Baltimore County Executive Dale Anderson, Fornoff's boss since 1967 and one of Maryland's most powerful Democrats.

Fornoff has been secretly cooperating with the grand jury probe for some time, and sources said today that indictments of the other county official and several contractors are expected "within weeks."

County Executive Anderson was unavailable for comment



WILLIAM E. FORNOFF
... pleads guilty

yesterday. Two weeks ago, when it was first learned that he was a target of the grand jury investigation, Anderson denied any wrongdoing.

Sources within the U.S. Attorney's office here, which is directing the investigation in Baltimore County, also said

See FORNOFF, A17, Col. 2

FORNOFF, From A1

they intend to expand the probe soon to other Maryland counties, possibly including some in the Washington area.

Referring to several contractors who have already told the grand jury that they paid kickbacks in Baltimore County, one source said: "Those who pay in Baltimore County pay in other counties."

Some of these firms also do business in Montgomery and Prince George's counties, for instance, one source said, but he refused to say whether the investigation would move to those Washington area counties next.

Fornoff, who resigned as administrative officer of Baltimore County just before appearing in court to plead guilty to the tax law violation today, had served in the post since 1957, except for a 15-month period in 1965-66 when he worked for the Arundel Corp. As administrative officer, the number two county official, he was responsible for running the county, which almost surrounds Baltimore city, on a day-to-day basis.

Fornoff served under four county executives, including Anderson, Vice President Spiro T. Agnew, who was Baltimore county executive from 1962 to 1966, Christian A. Kahl, and Michael J. Birmingham.

Fornoff, in his surprise appearance before U.S. District Judge Alexander Harvey II here today, pleaded guilty to one count of interfering with the administration of federal internal revenue laws, a felony with a maximum sentence of three years in jail and a \$5,000 fine.

In a formal statement of facts as to what the government would prove if a trial of Fornoff were held, Assistant U.S. Attorney Russell T. Baker Jr. stated that Fornoff had "on many occasions" since 1967 "received substantial quantities of money, in cash, from various individuals.

"These cash payments (were) made on behalf of various businesses that had contracts with Baltimore County or wished to acquire such contracts in the future, or both," Baker said for the government.

"All such cash received by Mr. Fornoff," Baker continued, "was delivered by him to another public official in Baltimore County."

Fornoff was charged with interfering with federal tax laws because the cash that passed through Fornoff to the other county official was "concealed" by the contractors and reported as regular business expenses, according to the government.

"The concealment of the cash transactions did in fact make it more difficult for the internal revenue agents to perform their investigative functions in an accurate and complete manner," Baker told Judge Harvey.

"Do you admit that these facts actually happened?" the judge asked Fornoff after Baker finished reading the government's statement.

"Yes, sir," Fornoff replied in a clear, even tone.

"Have there been any threats or pressure exerted to enter this plea of guilty?" the judge then asked.

"No, sir," Fornoff replied.

"The court accepts this plea of guilty," Judge Harvey concluded. Fornoff was released on personal recognizance and will be sentenced "only at such time as we are finished with him—when he is no longer needed" as a source of information and possible testimony, according to a source in the U.S. attorney's office. The charge against Fornoff and his promise to continue cooperating with the federal investigation were set forth in a letter of understanding between the U.S. attorney's office, Fornoff's attorney, Stephen H. Sachs, former U.S. attorney for Maryland.

The letter of understanding was given to Judge Harvey, who sealed it from public view at

the request of Baker until the investigation is concluded.

Fornoff, a stocky, gray-haired 56-year-old, refused all comment on the 20-minute court proceeding and the role he played in transmitting the "substantial quantities of money" to the other unnamed county official. But, when asked what he would do now that he has resigned as the county's administrative officer, Fornoff replied with a smile: "Well, I can't go duck hunting but I can go fishing."

Sources close to the investigation said Fornoff's cooperation with the government's investigation would come as a complete surprise to others who may be eventually accused of wrongdoing in connection with the kickback scheme.

"Obviously, anyone else involved will know immediately how much Fornoff could hurt them and help us," this source said. "But they won't know how much he remembers or how much corroborating evidence he may have."

Jay Miller, Baltimore County's public information officer, said he met with Anderson this morning and said the county executive was surprised that Fornoff had resigned.

Miller said Anderson left his office in Towson around noon and could not be reached for comment. Miller said Anderson will hold his regular weekly press conference Tuesday morning.

John Hoheder, an official of George W. Stephens Jr. and Associates, who has been mentioned as one of the county contractors under investigation, refused to say whether he has been notified that he is under investigation.

However, he said he was surprised to learn that Fornoff had pleaded guilty and said "oh, yes" when asked if he knew Fornoff. Hoheder concluded a short telephone interview by saying "don't pump me—call my lawyer."

Other contractors mentioned as possibly under investigation by the U.S. attorney's office and the grand jury are:

- Jerome B. Wolff, 55, presi-

dent of the Greiner Environmental Systems, Inc., whom from April, 1959, to February 1963, was a senior official in the public works department of Baltimore County and before that was chief of the county's bureau of engineering. Wolff left his own consulting firm in 1967 to become chairman of the State Roads Commission when Agnew became governor. In 1970, Wolff moved to Agnew's vice presidential staff as an assistant for science and technology. He left the Agnew staff in January, 1970. Wolff could not be reached for comment.

- Lester Matz, 49, a civil engineer, who with John Childs formed Matz, Childs and Associates in 1955. The Matz firm is widely known in the county and does work in Maryland, Virginia and Delaware. Matz could not be reached for comment.

One source said there are eight to 10 firms now under active investigation by the U.S. attorney's office out of about 100 firms whose records have been subpoenaed by federal officials since January. All of these firms did more than \$1,000 worth of business each year with the county during the fiscal years of 1969, 1970 and 1971.

All of these companies, sources have said, are either architectural or engineering firms that negotiate contracts with the county rather than bid competitively for county business.

A source close to the investigation explained one of the ways some of these firms may have written off the cash needed for kickbacks as a legitimate business expense. The firm would give an employee a Christmas bonus and demand that the employee return a part of the bonus in cash—cash that was then given to Fornoff for the other county official. The cash would be listed for tax purposes as a legitimate expense, the source said.

A source close to the investigation refused to say where federal prosecutors may go next in their continuing investigation of corruption in Maryland's 23 counties.