

Agnew Agrees to Turn

Over Personal Files

Contractors Said to Have Paid for State Work

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Federal prosecutors investigating Vice President Spiro T. Agnew have been told by several Maryland engineering contractors that they made regular cash payments personally to Agnew to receive choice state contracts while Agnew was governor of Maryland, informed sources said yesterday.

In addition, sources said the prosecutors also are investigating allegations that, since Agnew became Vice President, some money collected from Maryland businessmen on his behalf, ostensibly as campaign contributions, has been used to influence the awarding of federal contracts by the General Services Administration, which builds and leases most federal government offices.

The investigation of the allegations

involving GSA contracts let to Maryland individuals is focused for the moment on the intermediaries alleged to have collected the money on Agnew's behalf, the sources said. No GSA records or officials have been subpoenaed to date by the federal prosecutors in Baltimore.

Speaking for GSA administrator Arthur Sampson, a GSA spokesman said late yesterday, "To this moment, no one has brought to our attention even a hint of impropriety. We have had no contact whatsoever from the U.S. attorney's office."

"We consider it completely irresponsible for The Washington Post to print such an allegation and impugn the integrity of this agency and its officials without presenting us with even a shred of evidence of wrongdoing."

Agnew strongly asserted his innocence

of any wrongdoing once again yesterday in a letter to U.S. Attorney George Beall, in which Agnew made his personal financial records available to the prosecutors, as they requested.

"I have done nothing wrong," Agnew told Beall. "I have nothing to hide."

The allegations of regular payments made to Agnew while he was governor are coming from consulting engineers who are themselves under investigation in the federal probe. Two of them—Lester Matz, of Matz-Childs Associates, and Jerome Wolff, the president of a subsidiary of the Greiner Corp.—have stated publicly through their attorneys that they will testify before a federal grand jury in Baltimore, apparently in return for some leniency.

Agnew, in his nationally televised

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PROBE, From A1

press conference last week, said that some of the information now in the hands of the prosecutors might be "coming from those who have found themselves in deep trouble and are looking to extricate themselves."

Matz and Wolff have been granted use immunity—meaning that their testimony before the grand jury can not be used against them. However, both men could be prosecuted on the basis of evidence the government has obtained from other sources.

In addition to these two, sources said, the government has similar or identical allegations about payments to Agnew from other engineering contractors. One of these, sources said, is Green Assoc. Inc., an engineering firm headquartered in Towson, the county seat of Baltimore County and with branches in Rockville and Timonium, Md.

The president of the firm is Allen I. Green, a friend of Agnew, Green who also is under investigation himself in the probe, could not be reached for comment. His lawyer, Brendan Sullivan, refused to discuss the case at all.

One of the Green firm's seven vice presidents is Richard Beall, a brother of Sen. J. Glenn Beall (R-Md.) and of George Beall, the U.S. attorney for Maryland who is heading the investigation. A spokesman for Sen. Beall said yesterday that Richard Beall is a consulting engineer and has been with the firm for about a year. There is no indication that Richard Beall is under investigation.

According to informed sources, the U.S. attorney's office in Baltimore has been told that some of the engineering contractors raised

the cash they said they gave to Agnew by awarding bonuses to employees who then returned the money, minus proper tax deductions, in cash. In this way, sources said, the engineering companies were able to build a pool of untraceable cash for the payments.

A variation of this technique is known to have been used for years to circumvent federal campaign financing laws. In these cases, corporations that are barred from making political contributions to federal candidates have been known to encourage their employees to make contributions later reimbursed in the form of bonuses.

The investigation of Agnew apparently began as a probe of Baltimore County Executive Dale Anderson and allegations that Anderson had accepted kickbacks from county engineering and architectural firms

Anderson, who has ac-

knowledged he is under investigation, has denied any wrongdoing. Yesterday, however, he admitted at a press conference that he had received cash campaign contributions from developers and contractors who did business with the county. He said that in accepting the contributions, however, he was doing nothing wrong.

Jerome Wolff, because of his long association with Agnew, is considered central to any investigation of the Vice President, sources said. His name, for instance, was on one subpoena issued by the federal prosecutors to the Maryland Hall of Records, which stores state government documents. The subpoena asked for any and all records dealing with Spiro T. Agnew and Jerome B. Wolff.

Wolff was deputy director of the Baltimore County department of public works when Agnew became the county executive there in 1962. Since then, Wolff's career has been tied to Agnew's.

He was appointed by Agnew as the chairman of the old State Roads Commission where he made important decisions on state road contracts, and later followed Agnew from Annapolis to Washington when Agnew became Vice President. Wolff left the Vice President's staff in 1970 to become president of the Greiner Environmental Systems Co., a subsidiary of the Greiner Corp., one of Maryland's largest engineering firms and the recipient of large state contracts for highway design work.

The investigators from Beall's office are probing into a world of big money, where lucrative contracts are negotiated and awarded largely out of public view and where politics and business are inextricably intertwined.

While the precise details of the probe still are not clear, it is known that the federal prosecutors are focusing on, among other matters, the awarding of consulting engineering contracts for Maryland highway construction projects beginning with Agnew's term as governor in 1967. That much is clear from the subpoenas issued by Beall's office, which demanded all records on consulting engineering contracts with the Maryland state Highway Administration between 1967 and 1972, and similar records for the same period of time from the Federal Highway Administration's Maryland division engineers' office in Baltimore.

Consulting engineers do the crucial design work before any project—a bridge, a road, a building—is turned over to a construction company to actually be built. Generally, their work falls into two categories—the detailed design of a facility, along with related studies such as the probable environmental impact of the project they are designing, and supervision of the construction work to see that it follows their design.

The amounts of money paid for these services is enormous and much of it is public money parceled out by government agencies. For the fiscal year that began July 1, for example, the Maryland State Highway Administration has a construction budget of \$173 million, of which about 10 per cent, or \$17 million, will go for outside engineering services.

During the last fiscal year, the Federal Highway Administration committed \$4.4 billion in federal funds for highway construction work, including payments for engineering services. And although this was federal money, it was funneled through the highway agencies of each of the 50 states, which then choose the engineers and supervise the construction of virtually all highways in the country, including the \$40 billion Interstate Highway System.

In this world of big money contracts, that can mean millions of dollars to individual firms, the process of choosing the contract recipients is in the hands of relatively few people who rarely become the focus of public attention.

Unlike construction companies, which are awarded contracts on the basis of competitive bids in which the lowest qualified bidder generally gets the job, engineers are selected by state officials and their fees are set not by bids but through negotiation.

In Maryland today, according to the state's current highway administrator, Bernard M. Evans, this is the process by which consulting engineers are chosen for highway projects:

When the state decides to

undertake a project, Evans' staff analyzes the kinds of engineering services that will be needed, matching them with what they know are the capabilities of the state's engineering firms. The highway administration staff recommends certain firms to the chief engineer of the agency, who in turn gives Evans a list of three firms he thinks are qualified to do the job and the reasons he believes they are qualified.

The final decision rests with Evans, just as during the Agnew administration the final choice lay with one of Evans' predecessors, Jerome B. Wolff. He makes that choice, Evans says, on the basis of several factors, including the size of the firm and its ability to handle the job, its areas of special expertise compared to the needs of the job, the firm's reputation for completing work on schedule and its willingness to cooperate with state requests.

By the time the field is narrowed to three, the choice is usually very close and in the final analysis is made, Evans says, on "a judgment of the differences" between the firms.

The selection of engineers through this process, however, is contingent on complex negotiations with the firm over its fee, which follow the initial selection. Most engineering firms hired by the Maryland highway administration, Evans says, have fees set by the so-called "cost-plus fixed fee" system. Under this system, negotiations establish what the firm's cost and allowable overhead for doing the job will be, and then a percentage of those costs — which, according to a fed-

eral highway administration officer, usually varies from 5 to 10 per cent of costs — is added on as the engineers' profit.

This system of selecting engineers and setting their fees is used throughout the country. Engineers are not chosen through competitive bids, Evans says, "for the same reason doctors and lawyers can't be — they're licensed professionals."

"What we're negotiating over is professional services," Evans said. "Often, the responsiveness and experience of the professional are highly relevant. There are necessarily a number of intangibles involved."

Evans, a former regional transportation director for New York state, took over the Maryland Highway Administration last May 1 and says he knows nothing of the practices that were fol-

lowed during the Agnew administration.

Another engineer, who worked for the highway administration when Agnew was governor and Wolff headed the agency, said yesterday, however, that Wolff chose the consulting engineers during that time, often without consulting his staff.

"The selections, I imagine, were made on the basis of personal knowledge of the firms," said the engineer, who asked not to be identified by name. "They (Wolff and his successor, David H. Fisher) were very knowledgeable and they made the decisions themselves. There is a great deal of autonomy for these people and many things go on that the staff doesn't hear about."

That impression was confirmed by S. Walter Bogley Jr., who was appointed in

1966 to the old State Roads Commission, which was renamed and reorganized as the State Highway Administration in 1971. The commission members, Bogley said, have nothing to do with the selection of engineers, and often don't know which firms are doing engineering work for the state unless they ask.

Bogley, still a member of the State Highway Administration Commission, says Wolff was "one of the most brilliant men I have ever had the pleasure of dealing with."

It is into this world of negotiated contracts and political connections that U.S. Attorney Beall and his staff of young prosecutors are now probing. In addition to the state and federal highway records, the prosecutors have also subpoenaed all of Agnew's campaign financing

records on file with the state.

There is no question that connections between contractors and politicians will be found in the records, because contractors and engineers who depend so heavily for their livelihoods on public contracts are expected to be among the largest contributors to the campaigns of public officials. Vice President Agnew conceded this political fact of life at a press conference last week when he was asked if his campaign records would show contributions from engineers and architects.

"I would suspect that they do," Agnew said, "because anyone that's been around the political scene in the United States who would expect that campaign contributions don't come from contractors doing state and federal business is quite naive."