

REPORT FROM THE JOINT SENATE AND HOUSE INVESTIGATION  
COMMITTEE COVERING THE ACTS AND ACTIVITIES OF THE  
VARIOUS GOVERNMENTAL DEPARTMENTS AND AGEN-  
CIES OF THE STATE OF MINNESOTA.

PRELIMINARY STATEMENT

*To the Senate and House of Representatives:*

Pursuant to Joint Resolution No. 3 of the Senate and House of Representatives, the Committee appointed for the purpose of investigating the various departments of the State Government and their activities in the past several years, has met from time to time since its appointment. The Committee was assisted in its investigation by Charles E. Houston and G. P. Smith, special assistant attorneys general, who were assigned by the Attorney General to those duties. It has heard witnesses and the evidence by them adduced. After considering this evidence, it now makes the following report of its findings of fact, with recommendations:

Immediately upon taking office in 1939, Honorable J. A. A. Burnquist, Attorney General, employed certified public accountants to examine the books and records of the State Highway Department, and to report their findings. An audit was made by the accountants employed, and the facts discovered were reported.

There facts were presented to the Committee and much assistance is obtained from the examination of the report and the testimony given before the Committee as the result of such examination.

Honorable Stafford King, State Auditor, has materially assisted the Committee by placing valuable and competent members of his staff at the disposal of the Committee to aid in the discovery of facts of public interest.

Mike Kinhead, Esq., the County Attorney of Ramsey County, and his staff have rendered valued co-operation in the furnishing to the Committee of reports on facts, and in the prosecution of charges of violations of the criminal laws.

Jos. T. Langlais, State Comptroller, has placed the facilities of his office at the disposal of the Committee, and has assigned members of his examining staff to the audit of various departments. Much of the factual data here reported was compiled by the State Comptroller's office.

HIGHWAY DEPARTMENT

Your Committee has devoted a major portion of the time available to the investigation of the State Department of Highways. Four public hearings have been held for the purpose of ascertaining the facts relative to four certain subjects which may be designated in the order of hearing, as personnel, equipment rentals;

8915

"emergency" contracts, and purchases. The following facts were adduced on these subjects:

*Personnel:* For administrative purposes the state is divided in sixteen maintenance districts. Resident in each maintenance district is a district maintenance engineer. He is charged primarily with the duty of maintaining trunk highways in his district and is answerable to the chief maintenance engineer at the central office in St. Paul. The chief maintenance engineer reports directly to the Commissioner of Highways. The system described has been in force for some six years, during the administration of the last incumbent Commissioner of Highways. All sixteen of the district maintenance engineers appeared before the Committee and gave their sworn testimony. Prior to 1933, the district maintenance engineer was authorized to employ the necessary labor within the limits of the budget set up for his district to properly maintain the roads under his supervision. He was authorized to discharge maintenance employes for cause and to lay off those whose services were no longer essential. Under this system a creditable maintenance organization had been developed.

Early in 1933, under the direct orders of the Commissioner of Highways, all maintenance and shop employes were required to procure the approval of the local county Farmer-Labor committee in order to retain a job. A very large number of the old trained force could not procure such approval and were summarily discharged. All replacements and additional maintenance labor thereafter required, with a few exceptions, were the nominees of the local committees. The engineers could neither hire nor fire without political approval. Discipline was a thing of the past and morale was lowered. The engineers testified that they had "not much to say since 1933", and that this program "broke down efficiency tremendously", that it "demoralized efficiency and increased costs", and that "efficiency was very much affected". Average per mile maintenance department expenditures in 1932 were \$640.33, and in 1933 were \$972.05.

In 1934, the Commissioner directed the appointment of a county foreman, so-called, in each county of the state with additional foremen in certain of the larger counties. These foremen were chosen by the local party committee. A summary of the evidence as to the choice of foremen show most of them to have been men without experience or qualification. In many instances the foremen so chosen devoted their efforts along political lines rather than in highway maintenance.

Under the last Commissioner's administration, the office of Director of Personnel was established, which position was held first by Joseph A. Poirier and subsequently by Orville Olson. In theory, the Director was answerable to the Commissioner, but in practice it appeared he was answerable only to the directing heads of the Farmer-Labor party. The Director of Personnel functioned through the county party committees and in the last analysis had full charge of the hiring and discharging of all employes, except only the skilled engineering and technical forces. Numerous

fieldmen were employed whose principal duty appeared to be to keep contact with the county committees and find additional placements for those recommended for jobs.

Under this system it was shown that the Department payrolls were heavily overloaded with incumbents who performed no useful service for the state.

In the central offices alone, sixty surplus employes were on the payroll in the fall of 1938 in the divisions of maintenance, safety, patrol and plant and equipment, none of whom then performed any necessary or useful service. The aggregate pay of these sixty employes was in excess of Nine Thousand Dollars per month, with salaries ranging from \$110 to \$275 per month, plus traveling allowances and expense accounts.

As of November 1, 1938, the monthly payroll of the central office maintenance division was \$20,168.33, with 122 employes. As of March 1, 1939, the monthly payroll of the same office was \$8,420 with 49 employes. This was not a seasonal reduction and the March, 1939, force was sufficient for full annual operations of this division. The same was shown to be true of the central office plant and equipment division where the monthly payroll had been reduced from \$13,740, with 81 employes in October, 1938, to \$8,690, with 45 employes in February, 1939. It thus appears in the divisions of maintenance and plant and equipment alone, the central office payrolls have been reduced some \$16,800 per month without reduction in efficiency.

These data require no explanation or comment by your Committee. The result in the wastage of state funds speaks for itself.

The Committee has data indicating that very considerable economies have been effected in other divisions, but the detailed information relative thereto is not yet available.

#### EQUIPMENT RENTALS

It has apparently been the policy of the Commissioner of Highways for many years past to rent contractors' equipment for use in carrying out routine maintenance work for which the Department was not equipped or for use in completing some unforeseen items under contract not covered by the specifications. For this purpose a schedule of rentals was developed fixing hourly rates for various types of equipment. Many contractors filed with the Department a list of equipment available for rental.

Under the last Commissioner of Highways, the use of equipment rentals and day labor was very much extended. Following is a table showing the amount expended by the Department for equipment rentals in the maintenance division during the past three years, i. e.,

1936 .....	\$ 681,041.14
1937 .....	1,162,094.89
1938 .....	1,402,566.53
3-yr. total .....	<u>\$3,245,702.56</u>

(See chart "A" attached)

The foregoing figures show the total sums paid various contractors for equipment rental only, and do not include the amounts expended for day labor or materials used in conjunction therewith.

Practically all of the equipment rental jobs were betterments as distinguished from maintenance and were in fact construction jobs. Under the usual and former routine of the Department, construction jobs were advertised and let at public letting to the lowest responsible bidder, and carried out under the direction of the Department's construction division. On all routine Federal Aid jobs, public letting is required by the Bureau of Public Roads. The construction division rented little equipment, except a limited amount under W.P.A., or other Federal set-up designed to employ relief labor. Practically all rented equipment was used for road construction carried out under the maintenance division. It apparently was the theory of the then Commissioner and his advisors that all moneys expended through the maintenance division were free from the statutory requirement that public letting be had on construction work; this, regardless of whether the work was in fact a betterment or maintenance.

The results of this diversion of available highway funds from usual channels of expenditure were shown. It appeared from the Commissioner's official reports that the following sum had been spent through the maintenance division for betterments on Federal Aid roads alone:

1936 .....	\$ 690,377.33
1937 .....	1,669,832.19
1938 .....	1,607,990.21
3-yr. total .....	<u>\$3,968,199.73</u>

(See chart "B" attached)

The 1938 total does not include items unpaid for want of funds at the close of the year. On Trunk Highway No. 61 in Lake and Cook Counties (the North Shore Road) there was spent for betterments under this system during the period mentioned, the total of \$701,413.06, and on Trunk Highway No. 26 in Houston County during the same period, the sum of \$311,505.91. (See chart "B") All of these amounts were spent without advertisement or the taking of any bids. Federal Aid was therefore not available. The Bureau of Public Roads requires public letting.

The net result was a substantial loss of the state in accomplishment of new highway construction. As of December 31, 1938, there was available to the state and not under contract, unused Federal Aid in the sum of \$2,480,013. Except for the diversion of funds to equipment rentals, as above set forth, all of this Federal Aid could have been utilized prior to December 31, 1938, with a resultant increase on the 50-50 basis, of double the amount cited in construction contracts. Not one-half the highway construction work contemplated for 1938 was carried out, and on

the limited amount placed under contract, payments were discontinued in October, 1938, due to the exhaustion of funds. In the analysis of two equipment rental and day labor jobs, the cost to the state under that scheme was 41 per cent and 58.77 per cent higher, respectively, than on other comparable contracts let in open competition.

The facts cited were matters of record in the Commissioner's office. The waste of public funds through rentals was more in other instances than in the two cases last cited. On Trunk Highway No. 18 (North Shore Mille Lacs) the cost of grading and partially graveling 12.2 miles of highway on equipment rental and day labor basis, was \$182,132.25 compared to \$65,065.46 had the job been let by contract—with increase under the former method as compared with the latter of some 180 per cent. In other instances brought to your Committee's attention, rented equipment was placed on northern Minnesota earth grading jobs during the winter seasons, and over the protests of the engineering staff, with resultant large expenditures and negligible accomplishment. In this connection specific reference is made to a job on Trunk Highway No. 84 near Longville.

A very large number of contractors in the state listed equipment for rental and many of them received small rental jobs. A very small group of those listing equipment for rent, obtained the larger part of the business. Three concerns received over one-third of the sum of \$3,245,702.56 expended under the maintenance division for that purpose in the past three years. (See chart "A" attached)

So far as has been ascertained, all contractors received the same hourly rate for specific items of equipment. The Committee has not yet had the time to have the rates fully analyzed and is not as yet prepared to say that the hourly rates set up by the Department were generally excessive for the intended purpose, i. e., the occasional routine maintenance job for which the Department was not equipped.

The vice of the system was in the use of equipment at the schedule rates on extensive construction jobs where the rental payrolls of a certain few lessors, show practically straight time for double shifts over long periods. In such instances, which had particular application to those receiving the larger volume of business, the rental rates were obviously grossly excessive. For instance, one crusher, the property of an apparently favored contractor, earned a gross of \$76,988.16 in thirty months' time. (See chart "C" attached) The list price of this equipment new was \$18,887. During the same period, the gross earnings for three crushers for the same operator were \$175,929.91. (See chart "D" attached) The rates varied from \$14.50 to \$18.75 per hour, depending on whether the lessor paid the operators or whether the operators were paid by the state. Another contractor received \$21,184.50 as rental for one crusher from April to November, 1938, at \$14.50 per hour. (See chart "E" attached) The list price of the equipment new was \$20,758. An

item listed as a  $1\frac{3}{4}$  cubic yard shovel, belonging to a contractor in the same favored group, earned \$35,964.70 at the rate of \$7.92 per hour during two seasons. (See chart "F" attached) An item described as a "60 cat" (a gasoline powered caterpillar tractor) belonging to the last mentioned contractor, earned a gross of \$12,777.53 during the seasons of 1937 and 1938 at rates varying from \$2.81 to \$2.91 per hour. (See chart "G" attached) The last mentioned shovel new was listed at \$20,580, and the "60 cat" new some years ago was listed at \$4,175, with a probable current second hand value of \$1,500.

In all of the instances cited except the crusher at the higher rate, the machine operators were paid by the state. The lessors furnished the equipment and in theory paid for the necessary upkeep, fuel and repairs. Without more exact knowledge of output and working conditions, it has been impossible for your Committee to estimate exactly fuel and upkeep costs and to ascertain the net rental rates to the lessors. It appeared, however, that one full season's favorable rental was sufficient to retire the capital cost of the equipment new. The Committee is impelled to the conclusion that certain contractors received grossly excessive payments under this scheme of operation and that the state suffered severe and needless loss.

*"Emergency" Contracts:* Your Committee adopts the term "emergency" contracts as descriptive of the next class of work investigated and covered by this report. The term is derived presumably from the statute which authorizes the Commissioner "in case of emergency requiring immediate action" to award contracts without public notice. During the years 1936 and 1937 there was expended under the maintenance division the sum of \$999,193.47 for so-called emergency contracts. (See chart "H" attached) Apparently there were no emergencies in 1938 and very few prior to 1936. Of the total amount expended in this manner, it is noted that over one-half, or \$556,237.23 was paid to one contracting concern (see chart "H")—one of the same concerns that received a large portion of the equipment rentals. With the exception of a very few thousand dollars spent under this scheme of operations for regaveling, all of the nearly one million dollars so expended during the two years noted was spent for construction work. In fact, the Commissioner's records and official reports list the money as having been spent for "betterments". In no instance was there any official declaration of emergency, and in no instance was the then condition of the road in question unexpected or unforeseen. Your Committee is compelled to conclude that none of the work carried out under these contracts was emergency work within the meaning of the statute, and that practically all of it was in fact new construction.

Under the routine system of procedure, the district maintenance engineer requests authority from his superior for the expenditure of funds for certain specific work on the highways under his charge. If his request be approved, he is authorized to advertise and take public bids or to have the work done by

routine maintenance forces, as may appear advisable. In all cases having to do with the so-called emergency contracts investigated by your Committee, the decision to have the work done came from the central office without local request by the engineer. So-called lettings were held at the district offices, but local bidders were not invited nor was the local engineer advised in advance that a letting was contemplated. Such jobs were never publicly advertised. In each instance, five or six bids were filed, usually from the same group who were performing this type of work. The engineer's request for authority on each job was made after the contract had been let. An analysis comparing thirteen typical "emergency" contract jobs with thirteen similar jobs awarded during the same period at public letting showed the cost of the "emergency" contracts to average 62 per cent higher than the jobs regularly let in the construction division.

The last Commissioner's scheme of equipment rentals and emergency contracts hereinbefore reported compels conclusions that are inescapable. The system was designed to favor, and did largely favor certain individuals. It was carried out in violation of statute. The direct financial loss to the state reached a sum running into millions of dollars; a sum which cannot here be accurately computed. No laudable purpose can be cited. It cannot be claimed that the scheme was designed to furnish more employment. It was shown that \$2,480,013 of available Federal Aid was unused, and that excessive amounts were diverted to the lessors of equipment. During recent years when the need for employment has been the outstanding problem of the state, the amount of employment has been materially reduced by the scheme of operations hereinbefore followed by our Department of Highways.

#### PURCHASE ORDERS

The Reorganization Act of 1925 contemplates regulations requiring public advertisement and receipt of bids on all purchases in excess of \$500. This law has not been followed. In 1938, the Attorney General's office rendered an opinion that the law cited was not applicable to the Commissioner of Highways or the Highway Department. In a pending case, the district court has held it to be mandatory and applicable.

Under the usual routine a requisition or request is presumed to be issued by the division of the Department requiring any material, equipment or supplies. If the requisition be approved, bids are taken and a purchase order issued to the lowest responsible bidder. This routine has not been followed. Public advertisement was the exception rather than the rule. In some instances quotations were solicited by mail but in many instances the only quotation on file is that of the successful seller. In fact in some cases requisitions or requests are lacking and in a very large number of instances the requests are dated subsequent to the purchase order.

A complete investigation of the purchases made by the Highway Department in recent years will require months of audit



and checking. As a typical example, however, the following is noted: 118,140 center line traffic buttons were purchased from time to time without public advertisement at a cost to the state of \$172,652.82. During the year 1938, a sum in excess of \$87,000 was spent for center line paint without public advertisement. In addition to the last mentioned item, split orders were issued without competition in the total sum of \$6,800, for center line paint and glass beads, all orders being issued at the same time and each being under \$500. During the years 1936 and 1937 a total of \$45,265 was spent for "moss peat" at \$32 to \$36 per ton for use of the maintenance crews as a fertilizer on roadside development. A large part of this item was purchased without requisition or request.

Very large amounts of bituminous road material have been purchased without public letting. During the years 1936, 1937 and 1938, purchases in the aggregate sum of \$390,000 were made from one concern (see chart "I" attached) and purchases aggregating \$334,405.71 from a second concern (see chart "J" attached) all of plant mix bituminous material of various types. One of the orders involved alone was for 10,000 tons of material at \$11.50 per ton, or a total of \$115,000. In no instance was there any public advertisement and in no instance was there a request or requisition in advance made by the engineering staff. In two cases involving these purchases, an order was issued for the material rolled in place on the road. The construction of a new bituminous road surface is a construction job. Nevertheless, the items mentioned were handled as purchase orders without public advertisement and without competition. The instances mentioned are the road from Taylors Falls to Lindstrom, involving an expenditure of \$57,580.50, and T. H. No. 169 from Grand Rapids south, involving an expenditure of \$138,116.86. Of the bituminous materials purchased from these two concerns, a considerable portion was used for routine maintenance and patching. Another portion was used for the resurfacing of old pavements. Material which cost the state \$11.50 per ton was used for patching in place of other available and suitable material which was costing \$3.25 per ton. In one instance where the material was used to resurface an old highway, some \$15,500 per mile, or a total of \$56,548.51 was expended to cover an 18-foot pavement with 1½ inches of material. In comparison, it was shown that the cost of a new 20-foot concrete pavement would have been in the neighborhood of \$23,000 per mile.

Miscellaneous steel purchases of the Department during the past four years amounted to \$785,311.35. This total excludes any amounts spent for structural steel and bridges let under contract. Of this sum, \$760,999.70, or 97% was paid to two associated concerns. (See chart "K" attached) Practically all of the steel purchases were made without public letting and generally without apparent competitive quotations.

During 1938, the maintenance division rented a number of motor patrols and other items of machinery and equipment. Later in the year bids were solicited and obtained for the same equipment. The lessors in each instance were the successful bidders and rentals were applied on the purchase prices.

Materials and supplies have been purchased which were not essential to the proper operations of the Department. The law requiring public advertisement has been generally ignored. Your Committee does not wish to draw final conclusions with reference to the purchases of the Highway Department until a more detailed audit and investigation can be had. The present investigation discloses violation of law and waste of money. A more detailed investigation is essential.

*Closed Hearings:* Your Committee held several closed hearings. Where the facts there adduced indicated the violation of any penal statute, the evidence was furnished the Attorney General and prosecuting officers for their consideration and action. Certain indictments have been returned. Other evidence is under consideration. At this writing, one criminal trial is in progress. Others are pending. Some ten civil actions for recovery by the state have been noticed for trial. These actions involve purchase orders and emergency contracts in excess of one million dollars.

The pending cases, both civil and criminal, cannot be adjudicated in this report and your Committee purposely has avoided the mention of defendants by name and any report on the specific facts involved. Your Committee will not keep secret the name of any wrongdoer, nor will it suppress any facts showing wrongdoing. Such names and facts are a part of the records of the Committee and will be made public at the proper time. For the present, the detailed report of all evidence before the Committee will be filed with the Attorney General to be made public later by him, or by such interim Committee as may be authorized.

*Miscellaneous:* A limited inquiry was made as to right of way requirements and purchases. During the past Department administration, the right of way staff has been hampered and embarrassed by Department policies. Certain tracts have been acquired on order of the Commissioner in advance of permanent location and which were not thereafter used for highway purposes. Numerous equipment rental construction jobs were instituted on new location without prior advice to the right of way staff, and before right of way was procured. Orderly and economical procedure was impossible. The evidence received indicates that considerable real estate was acquired under the guise of right of way purchases, which is not lawfully within that category. The advisability of a thorough check of real estate acquisitions is indicated.

Your Committee now has in the field an investigating force consisting of a skilled accountant, an engineer and two assistants. The time of this force under the direction of the Committee, has been devoted in large part to an audit and check-up of equipment rental "payrolls". Several weeks will be required to audit and investigate one northern maintenance district. No final conclu-

sions can be stated now although reports received indicate evidence of excessive payments.

Prior to 1933, Jay T. Ellison, the deputy commissioner and chief engineer, was charged with the duty of passing upon all highway expenditures and supervising all highway work in both the maintenance and construction divisions. Since 1933, he has acted as chief engineer of the construction division only, and the maintenance chief has reported direct to the Commissioner. Under that practice, Mr. Ellison lost authority over maintenance policies and expenditures. He never acted as deputy commissioner. The Committee does not find Mr. Ellison personally in any way connected with the policies, practices, and expenditures cited in this report.

Your Committee has made no investigation of the highway construction division, O. L. Kipp, chief engineer, and the bridge division, M. J. Hoffman (now commissioner), chief engineer. The records indicate that work in these divisions has been carried out under contracts let as required by law, and that these divisions have functioned with efficiency. If an interim Committee be authorized, it may make such investigation of these divisions as to it may appear advisable.

It is the opinion of the individuals comprising your Committee that with few exceptions, the engineers and technicians of the Department in all divisions have remained true to their trust and have had no part in the practices here set forth. In all complaints, brought to the attention of the Committee from all parts of the state, it may be noted that no criticism has been made of engineering specifications, or property compliance therewith. This comment does not apply to construction work carried on under the maintenance division without specifications and without engineering supervision.

#### BOARD OF CONTROL

Anthony J. Conroy was purchasing agent for the Board of Control in the year 1938. The Board of Control purchased supplies for the State institutions, including training schools, State hospitals, Hospital for Crippled Children, and the State sanatoriums. In the purchase of supplies such as groceries, provisions, etc., one week's order was given at one time. It was the practice of the purchasing office to call merchants by telephone, advise them that on that day they would award purchase orders for certain commodities and receive bids therefor. These commodities were all listed on a large sheet of paper on which the names of the commodities were listed on the left margin, and the names of bidders were listed at the head of the respective columns. The bids were transmitted by telephone and listed by the person in the office who received them, in lead pencil. By comparison of the bids in parallel columns, an inspection shows the low bid for each separate commodity. In respect to the buying of fish, after these bids were let, it was the practice of Mr. Conroy to review the bids and without conference with any other individual, to award the contract for the purchase of fish to Mid-

west Fish Company. Bids for fish were received from Booth, Midwest Fish Company, Eisenmengers, Forman & Beaton, and the Northern Fish Company, but the Midwest Fish Company got all the contracts during all of the time covered by the evidence. The Midwest Fish Company's address is St. Paul.

The bids as recorded in lead pencil, were changed as they related to the Midwest Fish Company. No bids recorded for any other bidder were changed. The original figures as submitted and tabulated by the Clerk in the office were revised by the purchasing agent. The figures originally made by the clerk were first erased and then new figures were substituted in their place for the purpose of making it appear that the Midwest Fish Company was the low bidder.

In the purchases of steel products, Paper-Calmenson Company was the successful bidder in most purchases made from September, 1936, to 1938. Other bidders were Sculley Steel Products Company, A. M. Castle & Company, St. Paul Foundry, Joseph T. Ryerson & Son, Inc., Kelly How Thompson Company, and Bethlehem Steel Company, and Nichols, Dean & Gregg; but Paper-Calmenson Company was the successful bidder on so many of these purchases, as to make the name appear conspicuous among the other bidders.

In the purchases of lumber by the State from August, 1936, to September, 1938, a period of two years, and one month, the following bidders submitted bids to the State:

Osborne Lumber Company, St. Paul.  
Central Lumber Company, St. Paul.  
Simonson Lumber Company, St. Paul.  
Lampert Lumber Company, St. Paul.  
Bennett Bailey Lumber Co., Minneapolis.  
Botsford Lumber Company, Minneapolis.  
Gypson Lumber Company, Red Wing.  
S. Berglund, St. Paul.

The various bids for lumber which were received in evidence show that the forms were prepared in the office of the purchasing agent and the items of lumber to be purchased were specified in detail. The rules for bidding required that the bidder should state the price for each item and extend into the last column the total charge therefor, after which all of the items were to be added and the sum would constitute the bid. In the case of all bidders except S. Berglund Lumber Company, the bids conformed to the rule, but in the case of S. Berglund Lumber Company, the price of the items was in no instance specified and the amount bid for the several items was not stated in detail, but only the total bid was stated. While it appears from such evidence that in many instances the amount of the total bid of S. Berglund Lumber Company was inserted in the bid after all other bidders had presented their bids, and in many instances the bid of the S. Berglund Lumber Company was but a few dollars or a few cents less than the next higher bid. The S. Berg-

lund Lumber Company invariably got the business and it appears that this practice was unjust to the other bidders participating.

In the purchase of furniture, bedding and supplies generally sold by furniture stores, Boutells, a furniture store operating in Minneapolis, was the favored bidder during the period of time covered by the evidence. At one instance Boutells, Salisbury, Harvey & Harvey, U. S. Bedding Company, and Institutional Products Corporation were all bidders. The bids as originally submitted on the schedule were changed insofar as Boutells' bid was concerned. Boutells' original bid was \$153.75, but was changed to \$185. After the bid had been changed, Harvey & Harvey's bid of \$93.75 was low, but Boutells got the business. The \$153.75 bid was removed from the file, but the tabulation of bids which was made after the bids were received, showed the record of the original bid of \$153.75 and that it had been changed.

On various other bids for various other articles of merchandise including ranges, coffee urns, kitchen utensils and supplies, china, bed blankets, and radios, Boutells was the successful bidder, irrespective of the fact that their bids were not low and in many cases were high. Many other bidders were engaged in competitive bidding against Boutells and no reason appears in the record that the high bid should have been received. In one instance in 1938, one of the bidders protested and refused to bid in view of the fact that although their bid might be low, the business would still be awarded to someone else. This letter is Exhibit "3" and in the record. Contracts were awarded to Boutells irrespective of the fact that their bid did not conform to specifications, although the reason that their bids did not conform to specifications was the excuse that it was given to other bidders for not receiving a contract.

In the purchase of fruits and vegetables, the bids were received the same as in the case of the purchase of fish and in 43 weeks out of one year, the Minnesota Jobbing Company of St. Paul was the successful bidder on the sale of fruits and vegetables to the State. These bids by Minnesota Jobbing Company were changed in the same manner as the bids were changed in respect to the purchase of fish. The fruits and vegetables sold by Minnesota Jobbing Company were in many cases so very inferior in quality, that the superintendent of the State Hospital for Crippled Children and the superintendent of the Home for Feeble-Minded protested against the quality of the products purchased, but the record fails to show that any attention was paid to the protests. The bids of Minnesota Jobbing Company were altered on the tabulated bid sheet, in some cases 10 or 12 alterations appeared on a single sheet. These alterations were made by the purchasing agent, as was the case in the purchase of fish.

In a shipment of apples made by the Minnesota Jobbing Company to the School for the Feeble-Minded, 24 bushels out of 200 were rotten; the State paid \$1.60 per bushel for these apples, and

the same quality or better could have been purchased for 65c a bushel. Cranberries shipped to the hospital for the insane at St. Peter, were inferior in quality, and although the State paid \$3.75 per box therefor, a better quality could have been purchased in the open market at Mankato for \$2.70 per box.

The State, through this purchasing agent, purchased 170 tons of number one alfalfa hay from Robert Munn of Hennepin County, Minnesota, for use at Ah-Gwah-Ching, 200 miles distant. The purchase price was \$12 a ton; delivery was made by truck; when the hay was delivered, complaint was made concerning its quality, and the complaint was that this hay was the worst lot of hay that had been purchased for the institution; that it was mouldy, wet, bleached, and coarse.

In the purchase of furniture from Boutells and in the purchase of fruits and vegetables from Minnesota Jobbing Company, and in the purchase of fish from Midwest Fish Company, Mr. Conroy acted in pursuance of directions. During this time, Roger Rutchick was secretary to the Governor, and previous to these purchases, he had directed that Mr. Conroy favor the Minnesota Jobbing Company and the Midwest Fish Company. The brother of Mr. Rutchick was employed by the Minnesota Jobbing Company. A man named Sam Lifson was a salesman for Boutells, and Mr. Conroy was instructed by a person in high office to see that Lifson was given some business.

In the purchase of suitings, contracts were awarded irrespective of the fact that the successful bidder was high instead of low. The contract was awarded to Eastern Woolen Mills for \$8,225, for wool suitings sold for uniforms of prisoners. There was no invitation for bids from other bidders, and no other bids were received.

In the purchase of automobiles by the Board of Control, Egan Chevrolet Company of South St. Paul was the successful bidder on the sale of 21 automobiles, and the Riverview Chevrolet Company, during the same period, sold 3 automobiles to the Board. These were sold without advertisement for bids and only two other bidders were successful in selling one car each. It appears that Riverview Chevrolet Company and Egan Chevrolet Company are owned by the same persons, so that they were successful in selling 24 out of 26 cars during the period July, 1936, to January, 1939.

The purchase of the merchandise and commodities mentioned was made by the State without respect to the interests of the State, but apparently for the purpose of favoring certain bidders.

#### STATE RELIEF AGENCY.

During the year 1937, the State Relief Agency had its offices first at 478 St. Peter Street; afterwards, at the old Federal Building at 5th and Wabasha Streets, in St. Paul; then at the State Capitol and afterwards at the Michaud Building at 8th and Robert Streets. This Agency purchased merchandise to be used in

connection with the building of dams, school buildings, in the operation of transient camps, and other miscellaneous projects. Various kinds of merchandise were purchased.

Purchases were made by the purchasing agent and his assistants upon requisition. The requisitions were signed by the administrator of the State Relief Agency, or his assistant. In the case of so-called emergency purchases, the business was very informally conducted. At times the requisition consisted of merely a memorandum, not always signed by the administrator, upon which the purchasing agent made the purchases. The purchases were sometimes made by telephone and these telephone orders were not always confirmed by a written order.

L. P. Zimmerman was the administrator during a portion of the time under consideration. Mr. Kranhold was deputy administrator, and thereafter Carl Lundberg held that office.

During the plasterers' strike in St. Paul a requisition was made for the purchase of foodstuffs to be delivered at the Agency's address, but they actually were delivered at 459 St. Peter Street, which was the address of the B & L Cafe, and the goods were actually used to feed persons during the plasterers' strike at the expense of the state. These goods, at Mr. Lundberg's direction, were charged to the transient camp at Savage, by Paul J. Calder, the purchasing agent, although none of such goods were delivered there. The purchase price which the State paid was \$633.88.

During the laundry drivers' strike in July, 1937, Mr. Lundberg, as deputy administrator, made a requisition for foodstuffs upon which requisition the purchasing agent purchased goods of the value of \$638.25, which were delivered at 347 University Avenue, in St. Paul. These deliveries were not made by the sellers of the goods, but the goods were picked up by the persons employed by the Relief Agency and by them delivered.

J. F. Connolly, who was working for the State Relief Agency at the time, had approved some of these purchases.

Mr. Lundberg, the deputy administrator, gave the purchasing agent lists of groceries and meats and other foodstuffs that were to be picked up at the sellers' places of business, or received from trucks from the sellers' places of business, and from these lists the purchasing agent had requisitions made up for Mr. Lundberg's signature, and upon these requisitions, the purchase orders were made.

The laundry strike headquarters was on 347 University Avenue in St. Paul. The deliveries of the goods to the strike headquarters was approved by Mr. Lundberg, who directed Mr. Connolly to do the work that he did for the Agency. The goods delivered at the laundry strike headquarters were of the value of \$177.47.

In 1937, there was an automobile salesmen's strike in Minneapolis. The headquarters of the striking employes was at 220 South 10th Street, which is the headquarters of the C. I. O., and was in the charge of a Mr. R. Brown.

Mr. Kranhold, deputy administrator before Mr. Lundberg, occupied that position on August 20, 1937, and made a requisition for the purchase of foodstuffs, and thereupon a purchase order was made for foodstuffs to feed the strikers. This consisted of fruits, vegetables, groceries, and meats of the value of \$162.80, for which Mr. John F. Connolly receipted. Some of these goods went to Makato, where there was a garage employes' strike, and the goods were delivered to the striking garagemen. Shopping bags were included in this shipment of foodstuffs, and the goods were sent from St. Paul to Mankato in an automobile. This was not in the usual course of business. The driver of the automobile was an auditor then employed by the Agency, and the delivery was made in his private car, for which delivery he was paid by the State at the rate of compensation usually paid for use of automobiles by State employes.

When these goods were delivered at the various places mentioned, they were never delivered to employes of the State. Various persons receipted for the deliveries. The deliveries made at the B & L Cafe were receipted for by persons there employed and goods delivered at strike headquarters were receipted for by the persons in charge of such headquarters.

The goods delivered at the C. I. O. headquarters, at the B & L Cafe, at Mankato, and at the Eagles Hall in southeast Minneapolis, were of the total value of \$2075.40. The purchase price has not been paid.

These irregular transactions came to the attention of former Governor Elmer A. Benson. The persons who sold the goods were unable to get any action by any officer of the State Government looking toward the payment of the bills. All action was delayed until after the 1938 election, and even then no one was willing to assume the responsibility of paying out the State's funds for these goods which were sold by the merchants in good faith at the request of persons in authority.

In November, 1938, the Governor advised the sellers of goods that he expected payment for the goods would be justified upon investigation. Upon what he based his trust, he did not say.

All of these purchases and deliveries were irregular. In the making of requisitions, the purchase orders and the deliveries, the persons engaged therein, departed from established practice, noted without authority of law, and in some instances, actually made false entries in the records as to the place of delivery. No apparent endeavor was made to ascertain the persons who ultimately received and consumed the foodstuffs, but they were merely placed in the possession of persons who were engaged in, or connected with strikes then in progress.

#### RECOMMENDATIONS

Your Committee recommends that the investigation be continued by an interim Joint Committee to continue the work already begun. Since the organization of this Committee, some six weeks only have been available for investigation and the tak-



ing of evidence. There has been no opportunity to procure evidence relating to administration and operations of several important state departments and agencies. Information available to your Committee indicates that certain departments and agencies not mentioned in this report should, in the public interest, be investigated.

In the Department of Highways your Committee has begun an audit and investigation of equipment rentals. The information now obtained indicates that complete data will support further civil actions for the recovery of unlawful expenditures as stated in the body of this report. A check-up of certain other divisions of that department is deemed advisable.

One purpose of this investigation is to procure information which will enable the legislature and the executive to take such measures as will protect the state in the future.

The record does not so much disclose a need for new statutory enactment as it does a need for honest and competent administrators and a need for compliance with and enforcement of existent law.

It is noted that the statute requiring public advertisement and receipt of bids on state purchases and contracts has been ignored and violated, that "split orders" have been frequently used as a subterfuge to apparently avoid the \$500 statutory limitation on purchases without advertisement; that purchases have been made under closed specifications, i. e., specifications covering a monopolistic product only, in instances where competitive products are available, and that authority for emergency contracts has been grossly abused; all to the loss of the state.

Under past departmental practices, it is often found difficult to place direct responsibility for waste of state funds. Millions of dollars have been paid out without verified or even written claim therefor by the claimant. For instance, in the Highway Department, nowhere does any lessor of equipment make any statement of claim. All payments were made on "payrolls", prepared by department employes. Purchases and commitments involving millions of dollars have been made on the signature of a department purchasing agent without prior requisition or request from any responsible state officer or department executive. Minor clerks have been permitted, without specific authority, to affix the names of their superiors to payrolls and other instruments authorizing disbursement of state funds. Useless employes have been carried on the payrolls without anyone having certified or authorized their employment in writing.

This Committee is here calling the attention of the Legislature to certain abuses. Pending legislation, if adopted, will do much to prevent the recurrence of such abuses. The safeguards set up in the reorganization bill will make it clearly mandatory to publicly advertise and take bids on state purchases and contracts. Another bill defines and limits emergencies and fixes

responsibility for any declaration of emergency. It is recommended that further study be made during the interim.

Respectfully submitted,

A. O. SLETVOLD,  
Chairman  
THOS. P. WELCH,  
ALEXANDER SEIFERT,  
JAMES A. CARLEY,  
WENDELL L. LEDIN,  
LAWRENCE L. LENERTZ,  
W. F. MERRILL,  
ROBERT F. LEE,  
A. M. BURNAP,  
CARL E. ERICKSON,  
Vice Chairman.

CHART "A"

Payments for Rental of Privately Owned Equipment, Maintenance Division Highway Department, Three Years Ended December 31, 1938.

	1936	1937	1938	Total
Totals	\$681,041.14	\$1,162,094.89	\$1,402,566.53	\$3,245,702.56
Culligan-Weinhagen Co.	\$ 5,662.01	\$ 41,718.37	\$ 4,496.31	\$ 51,876.69
Fergus Constr. Co.			14,305.79	14,305.79
Jensen Cont'g Co.		65,894.70	10,526.65	76,421.35
W. W. Magee Co.	31,193.90	67,131.21	54,545.75	152,870.86
C. L. Nelson & Co.	12,291.65	36,068.25	24,418.53	72,778.43
Nelson, Mullen & Nelson, Inc.	29,512.57	116,415.15	87,626.33	233,554.05
Nelson, Mullen & Webster	17,333.21	21,509.57	25,563.82	64,906.60
Walter N. Nelson	72,638.89	67,464.27	42,770.21	182,873.37
Park Construction Co.	5,428.52	26,970.45	47,364.93	79,763.90
S. J. Reader Company	153,619.37	189,790.01	108,045.76	456,455.14
John G. Roth	4,278.05	33,194.36	43,956.91	81,429.32
P. C. Roth	393.00	50,969.32	79,871.56	131,233.88
C. F. Sculley Equip. Co.	8,948.94	36,666.71	9,227.88	54,843.53
E. A. Young	3,761.92	5,462.74	49,657.37	58,882.03
Wm. H. Ziegler Co.	1,715.89	26,025.88	7,500.23	35,242.05
Total Listed				\$1,747,436.99

CHART "B"

Betterments to Roads Under Federal Aid System Handled By Maintenance Division of Highway Department, Three Years Ended December 31, 1938.

Totals	\$690,377.33	\$1,669,832.19	\$1,607,990.21	\$3,968,199.73
--------	--------------	----------------	----------------	----------------

Partial List of Expenditures in above totals:

Trunk H'way County					
61	Lake	\$ 39,554.28	\$ 385,972.76	\$ 132,362.95	\$ 557,889.99
61	Cook	32,168.78	49,325.91	62,028.38	143,523.07
61	Winona	15,534.66	118,798.26	11,494.91	145,827.83
71	Beltrami		84,579.35	42,931.42	127,510.77
169	Itasca		132,456.54	80,285.08	212,741.62
26	Houston		136,515.92	174,989.99	311,505.91
8	Chisago	114,948.97			114,948.97

CHART "C"

Rental Paid to S. J. Reader Co. for Crusher No. 10226—Dist. No. 1

Year	Month	Hours	Rate	Amount
1936	June	146	\$18.75	\$ 2,737.50
	July	265	18.75	4,968.75
	October	296½	18.75	5,559.38
	November	294½	18.75	5,521.88
	December	274	18.75	5,137.50
1937	January	448	18.75	8,400.01
	February	324½	18.75	6,084.38
	June	196	18.75	3,675.00
	July	207	17.75	3,674.25
	August	454	17.75	8,058.50
	September	346½	17.75	6,114.88
	December	189	17.75	3,354.75
1938	January	423½	17.75	7,517.13
	June	129	14.50	1,870.50
	July	185	14.50	2,682.50
	September	89	14.50	565.50
	October	73½	14.50	1,065.75
Total				\$76,988.16

CHART "D"

Rental paid to S. J. Reader Company for Crushers used by Maintenance Division—Highway Department

Dist. No.	Crusher Number	1936	1937	1938	Total
1	10226	\$23,925.01	\$39,361.77	\$13,701.88	\$ 76,988.16
2	10052	16,828.31			16,828.31
2	11512		13,012.50		13,012.50
3	10134		6,448.88		6,448.88
3	10218			9,461.25	9,461.25
4	10378			1,957.50	1,957.50
5	10412		2,523.00		2,523.00
8	10519		14,426.25	3,900.00	18,326.25
9	10067			5,415.75	5,415.75
10	10026	12,853.11			12,853.11
10	10010			4,031.00	4,031.00

10	10058	2,712.50	2,712.50
12	10266	5,371.88	5,371.88
TOTALS		\$53,606.25	\$83,856.78
		\$38,466.88	\$175,929.91

CHART "E"

P. C. ROTH

Date	Hours	Rate	Amount
1938			
4/30	11545 Crusher	42½	\$14.50
5/15		36	14.50
5/31		148	14.50
7/31		58	14.50
8/15		164½	14.50
8/31		229	14.50
9/15		132	14.50
9/30		204½	14.50
10/15		173	14.50
11/15		208	14.50
11/30		71½	14.50
			\$ 21,184.50

CHART "F"

Part of Equipment Rented from Nelson, Mullen & Nelson, Inc., Division 17 of State Highway Maintenance Division.  
1½ yard shovel

Year	Month	Hours	Amount
1937	Jan.	185½	\$ 1,469.18
	Feb.	300	2,376.00
	Mar.	286½	2,284.92
	Apr.	122	966.24
	May	155½	1,231.56
	June	249	1,972.08
	July	225	1,782.00
	Aug.	248½	1,968.12
	Sept.	190	1,504.80
	Oct.	67	530.64
	Nov.	234½	1,857.24
	Dec.	399	3,160.08
Total for year		2,664½	\$ 21,102.84
1938	Jan.	372½	2,950.18
	Feb.	223½	1,770.12
	Mar.	18	142.56
	June	85	673.20
	July	192	1,520.64

Aug.	251	1,987.92
Sept.	193½	1,532.52
Oct.	224	1,774.08
Nov.	197	1,560.24
Dec.	120	950.40

Total for year 1,876½ \$ 14,861.86

Total—2 years 4,541 \$ 35,964.70

Rates—1¾ yd. shovel—\$7.92 per hour.

CHART "G"

Part of Equipment Rented from Nelson, Mullen & Nelson, Inc., Division 17, of State Highway Maintenance Div. 60 h. p. Caterpillar Tractor

1937	Hours	Amount
Jan.	211	\$ 592.92
Feb.	307½	864.08
Mar.	244	685.64
Apr.	124	348.44
May	188	528.28
June	249	699.69
July	215	604.15
Aug.	231½	650.52
Sept.	208½	585.89
Oct.	54	151.74
Nov.	224½	630.85
Dec.	407	1,143.67
Total for year	2,664	\$ 7,485.87

1938

Jan.	372	1,045.32
Feb.	244	685.64
Mar.	19	53.39
June	60	174.60
July	208½	606.74
Aug.	256	744.96
Sept.	187	544.17
Oct.	204	593.64
Nov.	199½	580.45
Dec.	125	363.75
Total for year	1,875	\$ 5,392.66

Total — 2 years 4,539 \$12,777.53

60 H. P. Caterpillar Tractor — \$2.81 per hour to 3/31/38 \$2.91 per hour thereafter

CHART "H"  
EMERGENCY CONTRACTS  
Maintenance Division  
Years 1936-1937

Name	Number of Contracts	Original Contract	Additions	Deductions	Amount Paid
		1936			
Miscellaneous	10	\$ 20,143.58	\$ 3,894.47	\$ 203.43	\$ 23,834.62
C. L. Nelson Const. Co.	1	16,995.00		17.14	16,977.86
Culligan Weinhagen	1	28,247.00		187.44	28,059.56

P. C. Roth	5	48,376.68	390.26	1,157.05	47,609.89
Jack Roth Const. Co.	4	119,540.00	27,293.66		146,833.66
S. J. Reader Co.	21	244,997.04	22,754.85	9,710.77	258,041.12
	42	\$478,299.30	\$54,833.24	\$11,275.83	\$531,356.71

1937

Miscellaneous	3	\$ 29,295.97	\$ 614.64	\$ 330.66	\$ 29,579.95
C. L. Nelson Const. Co.	4	27,938.46	2,346.37	2,763.10	27,531.73
Culligan Weinhagen	1	16,461.00		169.71	16,291.29
P. C. Roth	1	18,672.40		1,159.74	17,512.66
Whitmas and Borg	1	57,410.00	9,759.49		67,169.49
Jack Roth Const. Co.	1	14,500.00	7,065.53		21,565.53
S. J. Reader Co.	10	257,167.42	45,455.53	4,426.84	298,186.11
	21	\$421,445.25	\$65,241.56	\$ 8,850.05	\$477,836.76

Grand Total for 1936 and 1937 \$999,193.47

Years 1936-1937  
SUMMARY BY COMPANIES

MISCELLANEOUS	C. L. NELSON CONST. CO.	CULLIGAN WEINHAGEN
1936	1938	1936
10 Contracts	1 Contract	1 Contract
\$23,834.62	\$16,977.86	\$23,059.56
1937	1937	1937
3 Contracts	4 Contracts	1 Contract
\$29,579.95	\$27,521.73	\$16,291.29
\$53,414.57	\$44,499.59	\$44,350.85

P. C. ROTH	WHITMAS & BORG	JACK ROTH CONST. CO.	S. J. READER CO.
1936	1936	1936	1936
5 Contracts	None	4 Contracts	21 Contracts
\$47,609.89	None	\$146,833.66	\$258,041.12
1937	1937	1937	1937
1 Contract	1 Contract	1 Contract	10 Contracts
\$17,512.66	\$67,169.49	\$ 21,565.53	\$298,196.11
\$65,122.55	\$67,169.49	\$168,399.19	\$556,237.23

CHART "I"  
OKES CONSTRUCTION COMPANY  
Downard Rock Asphalt Delivered at Plant

Date of Order	Order Number	Quantity	Price Per Ton	Amount	Total
5/20	H79804	10,000 tons	1936 \$11.50	\$115,000.00	\$115,000.00
9/1	H110515	5,000 tons	1937 11.00	55,000.00	110,000.00
10/1	H112814	5,000 tons	11.00	55,000.00	
		10,000 tons			

1938				
5/19	H129227	2,500 tons	11.00	27,500.00
5/27	H139699	800 tons	11.00	7,700.00
5/27	H129700	700 tons	11.00	8,800.00
5/27	H129726	2,800 tons	11.00	30,800.00
7/22	H134268	5,000 tons	11.00	55,000.00
5/27	H129727	3,200 tons	11.00	35,200.00
				165,000.00
		15,000 tons		\$390,000.00

1313 tons	\$14,443.00	Delivered and paid
2860 tons	29,260.00	Delivered not paid
1027 tons	11,297.00	Not delivered
5000 tons	\$55,000.00	

CHART "J"  
CULLIGAN-WEINHAGEN COMPANY

Date of Order	Order Number	Tons Quantity	Price Per Ton	Amount	Total
1936					
(a)	6/18/36	H81531	5,007	\$11.50	\$ 57,580.50
(b)	11/18/36	H90909	1,359	8.95	12,163.05
				6,366	\$ 69,743.55
1937					
(c)	6/18/37	H105112	6,804	8.45	57,493.81
(d)	6/18/37	H105113	2,873.5	11.40	32,643.90
(e)	8/11/37	H109123	2,826	11.40	32,216.40
(f)	8/11/37	H109124	426	8.45	3,599.70
(g)	1/12/38	H120352	3,363.5	7.50	25,226.35
(h)	10/6/37	H115543	5,000	7.50	37,500.00
				21,293	188,680.16
1938					
(i)	7/22/38	H134267	9,000	7.50	67,500.00
					67,500.00
				Grand Total	\$325,923.71
(j)		1,131	7.50	8,482.00	

Delivered To:	Remarks:
(a) Taylors Falls to Lindstrom	"Skidno" plant mix seal coat binder mix
(b) Grand Rapids to 6 miles south	"Skidno" plant mix seal coat binder mix
(c) South of Grand Rapids on No. 169	"Skidno" plant mix seal coat binder mix
(d) South of Grand Rapids on No. 169	"Skidno" plant mix seal coat binder mix

(e) South of Grand Rapids on No. 169	"Skidno" plant mix seal coat binder mix
(f) Patching	"Skidno" plant mix seal coat binder mix
(g) Patching, Oct. 10 to Nov. 10, 1937	Tar plant mix bituminous material
(h) Patching	Tar plant mix bituminous material
(i) Optional	Plant mix material—unpaid
(j) Optional	Overrun—no purchase order issued

CHART "K"  
STEEL PURCHASES

Paid	1935	1936	1937	1938	Amount
Lewis Bolt & Nut Co. ....	\$ 87,985.95	\$ 39,869.00	\$ 55,752.16	\$ 18,193.84	\$201,800.95
Mpls. Steel & Mach. Co. ....	3,038.33	3,195.22	2,068.00	5,730.00	14,031.57
St. Paul Foundry Co. ....	675.83	388.25	852.80	819.71	2,736.59
St. P. Struct. Steel Co. ....				3,398.00	3,398.00
Paper-Calmenson Co. ....	189,981.26	188,864.40	129,509.45	125,306.01	\$533,751.12
Total .....					\$755,718.23
Unpaid:					
Lewis Bolt & Nut Co. ....					\$ 3,945.49
Paper-Calmenson Co. ....					25,447.63
					\$785,111.35



## PRELIMINARY STATEMENT

*To the Senate and House of Representatives:*

During the legislative session of 1939, by Joint Resolution No. 3 of the Senate and House, the Joint Legislative Investigating Committee, consisting of five members of the Senate and five members of the House of Representatives, was created. During the legislative session, eight meetings of the Committee were held in the evenings, at which testimony was taken from the various witnesses, and numerous other meetings were held at which no testimony was taken. A report was made to the Senate and House which was duly published and filed.

Before the adjournment of the session, the legislature, by Joint Resolution No. 7, continued the Committee to act during the interim until the 1941 legislative session. During the interim, thirty-two meetings of the Committee were held, at which time voluminous testimony of witnesses was taken. Such documentary evidence was taken and preserved, and this report is intended to cover the proceedings during the interim.

Special rooms in the State Capitol building were set aside for the use of the Committee, and were used for the hearings. Investigators were employed by the Committee, and these investigators made investigations and reports which assisted in the orderly presentation of evidence at the formal sessions held by the Committee. The investigations covered a wide range of subjects. The evidence taken was transcribed, and a complete transcript of the proceedings has been filed with the Secretary of State. The transcripts total two thousand nine hundred and twelve pages. Reference may be had thereto. An index has been prepared, owing to the great mass of evidence, and this index will be available to persons interested in ascertaining the correctness of this report.

The Committee is pleased to acknowledge the fullest cooperation from the office of the attorney general, the state comptroller—now the public examiner—and the department of highways, the state auditor, and the adjutant general, which materially aided the Committee in its work.

The Committee feels that special mention should be made of the excellent service rendered by Charles E. Houston, of Wheaton, Minnesota, as counsel for the Committee, ably assisted by William C. Green, of St. Paul, Minnesota, and G. P. Smith, of Mankato, Minnesota, special assistant attorneys general, respectively, and Arthur Christofferson, deputy attorney general.

Isabelle McCarthy very ably assisted the Committee, not only as secretary, but as reporter, and has at all times rendered valuable service in these capacities.

The loyal and efficient service rendered by these individuals was invaluable to the Committee.

It is only fair to say that the members of this Committee served without compensation, and it is with deep regret that we report the death of Representative William F. Merrill, of Winnebago, Minnesota. His loyal service while acting on the Committee was such as to command the respect of all of those serving with him. His death was a loss not only to the Committee, but to the state as well. His consideration of controversial subjects was calm and deliberate, and his judgment exceptionally fair.

The Committee suspended its activities before the primary election in 1940, until after the general election, feeling that it was not advisable to continue its activities during a political campaign. It was attempted to consider the questions, with which the Committee dealt, without reference to partisan politics, in order that all subjects considered might be considered upon their merits alone.

Most of the hearings at which evidence was taken were public, and the press was invited to, and did attend. At executive sessions of the Committee, only such hearings were held as the best interests of the state required, because of the fact that the evidence received had to do with matters in litigation, either civil or criminal, and in the public interest could not be revealed to persons adversely interested.

The state auditor has prepared a detailed report of disbursements of the \$50,000 fund appropriated by the legislature by Laws 1939, Chapter 10. Such report is appended hereto as a part hereof. Attention is specifically called to the fact that this Committee has expended only \$18,603.49, as shown by such report, in addition to which approximately \$20 will be expended for the completion of this final report. All other disbursements made were allocated to and disbursed by the other officers and agencies named in the report. It was contemplated by the allocating committee, consisting of the governor, the chairman of the rules committee of the Senate, and the chairman of the rules committee of the House, appointed by the legislature, that these disbursements were in the interest of the state and for the purpose of correlating the activities of the various state agencies.

Of the funds allocated to the Committee, there will remain unexpended approximately \$443.18 after the completion of this report.

There is appended hereto a report by the attorney general, in

which he accounts for activities had in his office in connection with matters heard before the Committee.

The appropriation of funds to carry on the investigations has proven to be a provident investment, and has paid substantial dividends. The total expense of the members of the Committee in the form of travel and subsistence amounted to \$1,960.03.

The following detailed report has to do with the subjects considered by the Joint Legislative Investigating Committee acting in the interim, and is classified as to subjects:

#### POLITICAL CAMPAIGN FUNDS SOLICITED BY STATE EMPLOYES

During the years 1937 and 1938, it was common practice in several departments of the state government for officers and employes to solicit and collect funds for political purposes. The Minnesota Leader (a Farmer-Labor newspaper) also employed solicitors to collect contributions therefor. These collections were commonly made from persons and corporations who had, and expected in the future to have, contracts with the state. Threats were sometimes made to induce contributions.

Solicitations were made from employes of state institutions and persons contracting for construction of highways, the selling of materials and merchandise to the state. Solicitors were permitted to solicit in state institutions and offices. In the School for the Feebleminded at Faribault, the employes were called together and addressed on the subject of their obligation to the Farmer-Labor Party. Persons who expected to receive compensation on contracts were induced to contribute in the hope of prompt payment of sums due them, and in the hope and expectation of increased compensation and hope of securing more contracts. Contractors were given to understand that it was expected from them that they would contribute on a basis of a percentage of the compensation which they received, and that unfavorable consequences would follow failure to contribute.

Employes were given to understand that they were expected to contribute on the basis of a percentage of their salaries. This was done with the knowledge and acquiescence of department heads and the movement was general and applied to nearly every department of the state government. It was quite productive of the desired results.

In the comptroller's department, during the Benson administration, assessments unpaid were accumulated, and a memorandum was attached to and delivered with the salary check

showing the amount "due" from the employe. In one case such memorandum showed \$297 which the employe owed. (2094)

When an employe failed to contribute he was "called on the carpet." (2094)

Specific evidence was secured by the Committee concerning specific collection of funds and such evidence has been reported to the prosecuting officers.

It is recommended that appropriate legislation be enacted to forbid such conduct to the end that obvious resulting evils may be thereby avoided.

#### SOLICITATION OF CAMPAIGN FUNDS

George Edwin Gustafson is employed by the state as deputy grain inspector at Minneapolis. Formerly he was in the weighing department. He was first employed in September 1935. (2260) He has been on the payroll of the railroad and warehouse commission ever since. (2261) In June, 1936, he had ten days' vacation with pay; in August, 1936, he was laid off without pay seven days; in October, 1936, he was laid off five days without pay; and the balance of the month was laid off with pay. (2262) In November, 1936, he had a leave of absence with pay. At that time his salary was \$140 a month. (2277)

In October, 1936, while on the payroll, he made collections for the Farmer-Labor Party in the grain inspection division at Minneapolis, at the direction of Mr. Lund, then chief inspector, in St. Paul, who was Gustafson's boss. (2264, 2235-8) Gustafson delivered postal cards to various employes in the division. Some of the cards read: "When ghost walks want to close book Come in sure at 319 Flr. Ex. Gustafson." (2266, 2273) His office was at 319 Flour Exchange Building in Minneapolis. To the initiated "When the ghost walks" meant on the next pay day. Some of the cards read: "Office at 319 Flr Ex Come in promptly." The inspectors had pledged to pay \$15 and the weighers \$10 a month. (2267) Gustafson had a list of upward of 250 names of men from whom Lund directed him to collect. (2268, 2269) Gustafson had orders from Lund to send out these postal cards herein mentioned and to keep putting the heat on these people and make them pay the Farmer-Labor Party. (2273)

Heads of departments were listed at \$25 each. (2270) Some contributions were made because the employe feared he would lose his job if he did not pay, all of which Gustafson knew when he made his collections.

Lund furnished another man named Hurley to assist Gustafson. (2272)

Lund directed Gustafson to do all this work on state time. (2274) Harry A. Dahlquist, the state weighmaster (2281) did not want Gustafson in his office doing this work. It had a very demoralizing effect upon all employes. (2282, 2283) After the 1936 election, Dahlquist was discharged. He did not fit in. (2284) So Gustafson moved across the hall into a vacant room. (2275) Everyone in the grain inspection offices knew what Gustafson was doing, but none stopped him. The only work done at No. 316 Flour Exchange was this collection work. Nothing was done for the state. (2279, 2282)

Harold Atwood knew of this work done by Gustafson in 1936. He had Gustafson put on the collecting job again in 1938. (2275, 2280) Atwood called Gustafson to his office in the State Office Building in St. Paul, and directed him to collect for the Good Will Fund. (2280) In 1938, he collected again and turned over the proceeds to Mr. Dwyer. (2276, 2280) These collections were for the Good Will Fund on state time. About three weeks' actual time in 1938 was devoted to these collections. (2279)

While so employed, Lund solicited Dahlquist for contributions. Dahlquist paid, thinking it might help to hold his job. Lund let Dahlquist understand that the commissioners, except Mr. Matson, knew what was going on. (2285, 2286)

These facts are being reported to the attorney general for appropriate action for recovery of salaries paid unlawfully.

#### SALE OF BLACKTOP BY OKES CONSTR. CO. TO STATE FOR HIGHWAYS

In 1937 and 1938, L. L. Allen was maintenance engineer at the highway department. Myron L. Jones was district maintenance engineer for district 11, located at St. Paul Park. In the fall of 1937, a bituminous shoulder was laid along the concrete shoulder of Highway 218 in this district at the direction of Mr. Allen. Downward process rock asphalt was used, and was obtained by the state from Okes Construction Co. In the spring or early summer of 1938, Mr. Allen asked Jones to submit to him a request for resurfacing of the concrete and shoulders, the material to be obtained from Okes Construction Co., to be paid for at the rate of \$11.50 per ton. A reasonable charge for the hauling of the material would have been four to five cents per ton.

Thereafter Allen represented to Jones that bids had been taken for hauling the material, and that Okes Construction Co. made the low bid at the rate of ten cents per ton mile, and showed Jones the purported bids. The actual hauling was done by A. W. and Ed Bohn, contractors. Okes Construction Co. submitted its

charges for hauling, \$7,720.40, to Allen, and he passed it on to the district maintenance engineer.

James H. Bennetts was departmental accountant at the highway department. Allen represented to Bennetts that Okes had made the low bid for hauling, after bids had been invited, which Bennetts believed, and relying thereon, he advised the proper officers to pay the Okes bill for hauling. Thereupon Allen advised Bennetts that the bids were available for Bennetts' inspection. Allen made a memorandum to the state auditor justifying the payment of the claims as legitimate and for hauling done pursuant to the lowest bid.

The purported bids in the possession of Allen were not in fact made by the purported bidders, except in the case of the Okes Co. All other bids were executed also by Okes in the names of the purported bidders, without their knowledge or authorization, and were so executed for the purpose of deceiving any persons interested and inquiring into the facts. Only one bid was received and that was made by Okes Construction Co. There was no invitation to bid as required by law, and what was done as aforesaid was done by Okes and Allen to make it appear that the law was observed when in fact it was violated. Okes Construction Co. hired such hauling done for five cents per ton mile, although it collected ten cents per ton mile from the state therefor.

Pursuant to resolution of this Committee, these facts were reported by this Committee to the attorney general and to the county attorney of Ramsey County, for appropriate action. A settlement was made as is reported elsewhere herein.

#### EMERGENCY CONTRACT LET TO WHITMAS & BORG

On Trunk Highway No. 53, between Angora and two miles north of Cook, which is in Maintenance District No. 1, contract No. 1704 was let by the highway department to Whitmas & Borg, in October, 1937. This contract was let without advertisement for bids. It was to be completed in November, 1937, and contained a penalty clause which was not enforced. The job was finished in April, 1938. The state paid for April, 1938, equipment rental on this job of \$4,004, in which month it was not used on that job.

An estimate was issued on this job in March, 1938, for loading and hauling 2,500 cubic yards of clay to be mixed with gravel for a stabilized base. This was paid for by the state at 35c per yard, \$875, or 15c per cubic yard mile. No clay was in fact furnished or hauled.

Double charge was made for gravel loading. A charge was made for loading at the pit, and a second charge was made for

loading from stockpile which was made for the contractor's convenience. This charge resulted in an overpayment of \$1,241.20.

It thus appears (1) that the contract was let without advertisement for bids; (2) \$4,004 was paid for the April equipment rental payroll, when no equipment was used; (3) \$4,000 was paid for stabilization when no clay was used; (4) an excessive charge for loading gravel amounting to \$265; (5) \$1,200 was paid for double loading. All this was paid with the knowledge and approval of Leo Cashen, the district maintenance engineer. On this job Whitmas & Borg were paid for work not done, \$10,490.40.

These facts were reported to the county attorney of St. Louis County and to the attorney general. A suit is now pending wherein the state seeks to recover \$41,688.73, as is reported herein elsewhere. The suit is partly based upon these facts.

#### READER'S WINTER JOB

During the times involved, Molster was district maintenance engineer in district No. 4. L. L. Allen was maintenance engineer at the central office, and John T. Flanagan was his assistant.

In December, 1936, Mr. Flanagan informed Molster, the district engineer of the fourth district, that Reader was shipping in equipment to work on a highway job. The only authority for this job was Flanagan's oral instruction. About December 15, 1936, the equipment reached Remer. The state paid for the use of the equipment from the time that it was unloaded, until it reached Longville, 28½ hours. A construction grading job with this equipment was commenced. No right of way had been acquired by the state. No bids were taken, and no contracts were let. The road was completed before the right of way was secured. When the machinery was moved in no steps had been taken to acquire the right of way. The ground was frozen and covered with snow. Reader collected \$25,000 for equipment rental for moving 50,000 yards of dirt. He collected for almost double shift time. Because of the protest of the engineer, the methods were changed the next May.

For the use of four old Mack trucks and drivers, Reader collected about \$6,000 that winter. In August, 1937, this 4½ mile job was completed at a cost to the state of \$76,000. All the expense incurred before May 15th was wasted. Upwards of \$15,000 was spent to resurface frozen chunks dumped in the winter. The entire job could have been let on contract for \$30,000. The job was characterized by mismanagement. It was a job to rent equipment rather than to build a road. In February the temperature was from six degrees below zero to twenty-seven degrees below zero. The equipment was paid for twenty hours



a day. Out of \$30,000, \$3,500 was for labor exclusive of Reader's drivers.

The new road, constructed as a maintenance job, was on a new location. Since it was constructed as a maintenance job no federal aid for construction was available to or received by the state. (443, 453)

#### ANOTHER CLAIM: THE EFFIE JOB

In district No. 1, an auditor for this Committee attempted to audit the cost of a job on which Reader equipment was rented. An audit was impossible. Dozens of time sheets were unsigned. Other gang sheets showed work not included in payrolls with no supporting gang sheets. One \$1,300 payroll had no gang sheets. A man named Scanlon, residing at Duluth, was assigned to keep time on Reader equipment. He lived in district No. 1 and was assigned as timekeeper in district No. 2. He was paid as a laborer. (454)

On a job between Big Fork and Effie, two sets of time sheets were submitted, one by the regular timekeeper, Gustafson, (455) who kept time for labor and all equipment except Reader's. Scanlon reported time on Reader's equipment. Gustafson was told not to keep time on the Reader equipment. While Scanlon was keeping this time, he was also foreman on a job on Highway 65, sixty miles distant. His duties were obviously impossible. (456) Upon investigation, only one employe was found who had seen Scanlon on the Effie job, and he saw him only once or twice. (457)

Reader's crusher was paid for 315 hours on the Effie job. The trucks that hauled gravel and rock to the crusher were paid for 176 and 177 hours respectively. The crusher and trucks operated at the same time, and the crusher did not operate more hours than the trucks. The crusher was paid for at the rate of \$14.50 per hour. (458) At periods the shovel was operated when the crusher was idle, but shovel operators were paid for 264 hours, and for the same period the shovel was paid for 321 hours, 77 hours without an operator, at \$5.09 an hour. This was in July, 1938. Scanlon signed all those gang sheets. (459) Scanlon's time sheets for the second half of June are bound in a book with August gang sheets. They were prepared in the latter part of August. (460) Scanlon prepared his gang sheets in conference at Cashen's office with Fitzgerald, an officer of the Reader Company, and Leo Cashen, district maintenance engineer. (462)

The crusher could not operate without trucks. One truck fed and the other hauled away. (465) The shovel could not operate without an operator.

The various claims against the Reader Company and S. J. Reader were included in a civil action by the state which was prosecuted by the attorney general and resulted in a verdict in favor of the state in the sum of \$131,000.

The 1939 legislature, by appropriate legislation, has defined emergency contracts so as to prevent the recurrence of like situations.

#### LAC QUI PARLE TREE PLANTING PROJECT

In the spring of 1939, the federal government had a surplus of 1,750,000 seedling trees which were available for planting. At the same time it had a surplus of WPA labor for which an immediate outlet was desired.

In the Lac qui Parle basin, in an area known as the Watson Sag, there was an area of between 200 and 300 acres which had been used by farmers for cultivation, for meadow and pasture. All of this land bordering on the Lac qui Parle River which was acquired by the state for flowage of the lake formed by dams built, was owned by the state. When the title of the land was acquired by the state, it was agreed between the state and the former owners, in many instances, that the former owners might lease the land and continue to use it subject only to the state flowage right. Under such arrangement the farmers continued to occupy and use such land in the same manner as when they owned it.

While in the use of such land in May, 1939, the State Relief Agency directed the planting of trees by 1,000 men from the Twin Cities employed by the WPA in this area, without the permission and over the protests of the farmers. Trucks were used as tractors, and furrows were plowed through cultivated fields and meadows. Ash, lotus, larch, tamarack, spruce, jack pine and white pine trees were then planted in the furrows. They were planted too late in the season. The trees were from 1½ inches to 15 inches high. Many of them were dead, or so nearly dead when planted that they had little vitality. The planting was supervised by the forestry department. Within two weeks after the planting 85% of the trees were dead. At some points they were subject to overflow from the lake. No system of irrigation was provided or possible; most of them died for lack of moisture. No cultivation was provided and any of the trees which survived drouth were choked by weeds.

The furrowing of the land prevented the farmers from cutting planted crops or hay. Weeds have grown up where they did not grow before; a fire hazard was created.

This tree planting project was an ill-conceived, ill-managed waste of public funds, and an unwarranted venture which should not be duplicated, and both the State Relief Agency and the forestry department warrant public censure for the undertaking, in disregard of the public interest and the rights of the injured farmers.

The State Relief Agency has had in its charge the collection of rents on such state owned lands since title thereto was acquired by the state. In many instances rent was to be paid by delivery to the state of a share of the crops raised on the leased lands. In many instances the state's share of the crops is still on the land, and in some instances the crops for four years remain unsold.

Rents have been collected and deposited in banks in the name of the collector, whereas they should be immediately paid to the state. This practice gives rise to difficulties of audit and possibilities of misappropriation. It must not continue.

Such procedure is unbusinesslike and deserves censure. Practical business methods should be employed and property belonging to the state should not be managed by the State Relief Agency, but by a department better calculated to apply principles of business management and conservation of resources.

Many different agents of the state have dealt with the individual farmers with the result that the farmers have been confused and disgusted with the policies of the state, and have come to doubt the authority of the state's agents, with the result that the interests of the state have suffered in the collection of rents and just administration.

Some definite agency should be designated by the legislature to manage these lands so long as the state owns them. The lands for which the state has no immediate use should be sold and returned to the tax rolls.

#### STATE PRINTER—PICTORIAL MAPS

In 1933, the state had 450,000 pictorial maps printed for distribution at the Century of Progress Exposition at Chicago. They were divided between the highway department, the tourist bureau and the game and fish department.

Previous to making a contract therefor, the Bureau of Engraving in Minneapolis offered to print 500,000 such maps for \$5,388, but instead of giving the business to them, without publication of any invitation for bids, the state printer gave it to Brown & Bigelow, a corporation, of St. Paul. Brown & Bigelow made 450,000 maps and the state paid therefor \$15,680.52. The Com-

mittee has reported these facts to the attorney general for appropriate action, and the attorney general has sued Brown & Bigelow to recover the excessive charges. (536, 555) The suit is pending.

#### STATE PRINTER—MISCELLANEOUS

There are contracts now in force between the state and Victory Printing Co. under which Victory agreed to do various kinds of printing. The contracts state the charges to be made for various processes employed for which specific charges are agreed to be made. It is an admitted fact that in executing various orders from the state that the Victory Printing Co. is required to execute certain processes for which no specific charge is provided in the contracts. It has made many charges both paid and unpaid which the state printer contends are charged on a basis higher than provided in the contract, and has made other charges not specifically provided in the contract, but for which the state printer admits a reasonable charge should be made, but he contends that the charge actually made is excessive. The state printer contends that excessive charges have been made, the total of which exceeds \$17,000.

The evidence taken by the Committee has been transmitted to the attorney general, and he has been advised of the position taken by the state printer, to the end that proper action may be taken by the legal department of the government for the proper adjustment and disposition of this matter.

#### FRANCIS R. MCGOWAN

(1062) In 1938 the state printer, Francis R. McGowan, gave an order for printing to the Willmar Tribune. This was a pamphlet relating to grain grading. When the job was done the Willmar Tribune submitted a bill to the state for \$1,240. Paul A. Pommerening, administrative assistant in the railroad and warehouse commission, returned the bill to the state printer and informed him that the price charged was exorbitant and quoted smaller prices charged for similar jobs. Afterward, another bill for the same job came to the commission in the sum of \$681.99. The figures "\$1,240" had been stricken out by the state printer and the figures "\$681.99" substituted. Commissioner Hjalmar Petersen then wrote a letter to Mr. McGowan, the state printer. He told the state printer that for previous printing of like pamphlets the state had paid less than one fifth of the first price charged: \$1,240, which the state printer approved. He told the state printer that the year before the same number of the same pamphlets was

printed for \$212, and at another time they were purchased for still less. He characterized the charge as graft and robbery charged by the newspaper "which has been heralded as the one honest daily newspaper in the State of Minnesota."

The bill was not paid and it does not appear that any bill in a reasonable amount has ever been submitted. (1068)

#### CONTRACTS AWARDED TO THE APPLETON PRESS

On May 17, 1933, F. R. McGowan was appointed assistant commissioner of banks. December 31, 1935, he was appointed examiner in charge of liquidation in the division of banking.

Beginning February 8, 1937, and continuing until 1939, F. R. McGowan was state printer. The Minnesota Editorial Assn. is an organization of more than 485 Minnesota newspapers. Allen McGowan was secretary and general business manager thereof. The Appleton Press is a newspaper owned by The McGowans, Inc., in business at Appleton, Minnesota. Martin McGowan is the manager. The three McGowans were brothers and the principal stockholders in McGowans, Inc., before F. R. McGowan became state printer. Immediately after F. R. McGowan ceased to be state printer he was again a stockholder in McGowans, Inc.

The M. E. A. welcomed the investigation of the affairs herein mentioned and offered to assist therein.

In 1937 and 1938 the state had contracts with Victory Printing Co. under which the company agreed to do job printing at prices therein specified. This contract was let after advertisement for bids.

During all of the time when F. R. McGowan was state printer he purchased job printing for the state from others than the Victory Printing Co. and usually at prices in excess of those which the Victory had agreed to charge. This business was generally handled as follows: F. R. McGowan sent an order to Allen McGowan in the name of the M. E. A. The order was received by Allen McGowan, its secretary, and job printing was forwarded to the Appleton Press by F. R. McGowan's direction. Envelope orders were forwarded to Berkowitz Envelope Co., Minneapolis. The envelope business which Berkowitz thus received during the two years, exceeded \$13,000. Allen McGowan, acting in the name of the M. E. A., charged the state 20% more than it paid for envelopes sold to the state.

In 1937, the state paid the M. E. A. for printing and supplies \$28,506.82, of which the Appleton Press received \$5,000.86 and Berkowitz received \$2,851.57. The sum paid to the association

also included the expense of printing and distribution of newspaper supplements containing the special session laws of 1936, and the distribution only of the regular session of 1937, \$16,383.27.

In 1938 the state paid the M. E. A. \$19,216.95, of which the Appleton Press received \$6,311.08, and Berkowitz Envelope Co. \$10,567.24. Not considering the envelope business as job work, in two years the Appleton Press received 91% of the job printing which the state acting through F. R. McGowan sent to Allen McGowan, acting for the M. E. A. All other shops combined received about \$1,000 of this business.

The prices charged by the Appleton Press were uniformly much in excess of the contract prices of Victory, and much in excess of prices charged by other printers from whom the state purchased printing before and since. Where the Lake City Printing Co. charged a unit price of \$1.15, and the Victory charged \$1.17, the Appleton Press charged \$2.18.

McClellan Paper Co. charged for an order \$129.40. The Appleton Press duplicated the order and charged \$162.55. On another order McClellan Paper Co. charged \$143.31, which the Appleton Press duplicated for \$173.47. A third order to McClellan Paper Co. cost \$132.84, which the Appleton Press duplicated for \$160.81. McClellan charged for another order \$128.56, which the Appleton Press duplicated for \$166.20. Page upon page of tables in Exhibit 121 in evidence visualize the plan of the McGowans, that while a McGowan was state printer, the McGowans should be enriched at state cost.

In many cases for the work done by the Appleton Press the state paid double the prices charged by others.

The present state printer has sent no substantial amount of job printing to the M. E. A., and has bought envelopes from the same printer who formerly furnished them through the M. E. A. and at substantially smaller prices.

The conclusion is inevitable that F. R. McGowan made no effort to save money for the state in the purchase of job printing, but directed that the business be given to the family corporation at prices which were all the traffic would bear.

Before F. R. McGowan was state printer, the M. E. A. received no state printing jobs. Sending the business through the association, which his brother managed, was a mere subterfuge to see that it reached The McGowan's, Inc.

Between and including 1933 and 1938, the M. E. A. received job printing from the division of closed banks amounting to \$6,786.42.

The evidence definitely shows that printing bought on bids costs the state less.

The only officer or director of the M. E. A. who had knowledge of the practices aforesaid was the secretary, Allen McGowan. No criticism rests upon the association. It has a clean bill of health. But the state has paid a higher price for printing and supplies than it should and would have paid if the state printer had done his duty. The state, by his failure, has paid thousands of dollars more than it should. These facts have been reported to the proper state officers in the hope and expectation that appropriate proceedings may be taken to recover the excessive sums paid with the approval of a state officer.

#### THE MINNESOTA SOLDIERS HOME

It appears from the evidence that in some instances there have been cases of neglect and inattention in the Minnesota Soldiers Home. No good will result from a statement of the evidence. Such cases are exceptional. Better administration will result in their elimination. The evidence is available to the appropriate committees in the Senate and House of Representatives, and to the Soldiers Home Board.

#### SCHOOL FOR THE FEEBLEMINDED AT FARIBAULT, MINNESOTA

In 1937 there was a change in superintendents at the Feeble-minded School institution at Faribault. Dr. Murdock had resigned and Dr. Edward J. Engberg was appointed in his place. Shortly previous to this change, the steward, who had been with the institution for many years, resigned, and Walter Muesing was appointed steward. At about the same time the chief matron was replaced by Molly Paulson, so that when Dr. Engberg became superintendent, the three principal persons charged with the administration of the institution were new, and all three were without previous institutional experience.

For many years there had been a large waiting list of about 1,200 patients who were not admitted for lack of room.

As a condition to acceptance of the position of superintendent, Dr. Engberg required that the superintendent's residence should be remodeled and in many respects practically rebuilt. To this requirement the State Board of Control agreed, and expenditures were made by the state in the remodeling of this house, of about \$15,000. The house was built about 50 years ago and additions have been built at different times since. The state also supplied furnishings for the house at state expense.

At the same time that these changes and additions were made, there were many needed improvements at the school which could not be made for lack of funds, among which were changes and improvements in antiquated plumbing, which were needed for improvement of sanitary conditions.

In the administration of the affairs of the school it appears from the evidence that the superintendent, Dr. Engberg, hesitated to assume responsibility and ordinarily appointed committees among the members of the staff and employes to investigate and report, and these investigations seldom resulted in executive action on the part of the superintendent.

Affairs at the school were considered by the Committee at several different sessions. At early hearings Molly Paulson, the chief matron, and Walter Muesing, the steward, testified, and the effect of their testimony was favorable to the superintendent, Dr. Engberg. After they had so testified and largely because of the fact that the school was under investigation and facts unfavorable to Molly Paulson and Walter Muesing had been developed at public hearings, of which the public had knowledge, and due to the further fact that the superintendent had made inquiries of his own, these two employes and about a dozen others were discharged in July, 1939. After that, several discharged employes appeared before the Committee voluntarily and testified further, the trend of which testimony was all unfavorable to the superintendent in matters of management. It appears from the evidence taken that this school spends more than \$500,000 per annum.

It appears from the evidence that a spirit of unrest has pervaded the entire institution; that the employes have felt uncertain in their tenure and have been unable to secure from the superintendent any prompt action to correct conditions reported by employes which required the consideration of the superintendent and executive action.

It appears that the chief matron and the steward assumed authority in administration which more properly should have been assumed by the superintendent, and that the authority of the superintendent was very general in its nature and was not a direct assumption of responsibility. As he testified before the Committee, he was dependent upon data prepared in writing by various employes and members of the staff, and was unable to recall information concerning the institution which a superintendent of a state institution is expected to have at his command.

It appears that the school is not supplied with a quantity of butter and milk which the state, boasting of its dairy interests and advertising to the world its great quantities of production, should be able to supply.

During the year 1938, Jack Carrier, who was in the employ of the Minnesota Leader, a Farmer-Labor newspaper, came to the



school with a letter from C. R. Carlgren, a member of the state board of control. With this introduction and endorsement, the superintendent arranged that a meeting of the employes and members of the staff should be called in the auditorium where Mr. Carrier addressed the meeting, and solicited contributions from the employes to the Farmer-Labor Party, and organized the employes so that contributions might be regularly made and remitted. The employes, pursuant to this organization, did contribute, and after the change of administration in July, 1939, Miss McCullough, who had been elected as a secretary in the Farmer-Labor Club at Faribault, and who was an employe at the school, was discharged by the superintendent, and her discharge was based in part upon her political activity during the Farmer-Labor administration. But before the change in administration, her conduct was not criticized, and the superintendent never brought to her attention the fact that she should not hold office in a political organization.

Ever since Dr. Engberg has been superintendent of the school, trench mouth has been known to exist among the inmates. In Sunnyside Addition, where 750 boys are housed, the condition has been worse than in other divisions. Although this condition has been known to exist during all of this time, it has not been eliminated, and in the opinion of the superintendent, it never will be eliminated. It appears that the condition has improved. It is notable that this institution is conspicuous for its trench mouth condition, and although it may be more difficult to control the disease in a school for feeble-minded persons, still it is worthy of consideration that in many other state institutions, including hospitals for the insane, trench mouth does not exist.

It appeared from the evidence that the superintendent makes inspections of the various divisions in the school much less frequently than the public would expect. In order to keep himself thoroughly informed of conditions he must have first hand observation. Upon the examination of Dr. Engberg when his attention was called to various irregularities, he was dependent upon other members of the staff and employes for a statement of the facts, and appeared to have very little information.

The superintendent employed two domestic servants in his home at an expense of \$90 a month to the state, until this expenditure was criticized, whereupon one of the employes was released. He has provided transportation in a state car driven by a state employe for his son to travel to and from school. He has used gasoline provided by the state as fuel in his own automobile and for the use of this automobile in traveling between Faribault and St. Paul, has charged the state for transportation equivalent to bus fare. He has commonly entertained his guests at his residence, for which the state provided the food consumed.

Prompt care for injured inmates at the school has not in all cases been provided. The case of Blanche Harkner is an outstanding example. This inmate was injured in a fall on February 2, 1939; both of her legs were broken and her spine was injured. Five days later splints were applied to the legs and after several more days' delay, she was removed to the University Hospital where she remained for a long period of time, and has made periodic trips to the University Hospital for examinations after being returned to Faribault.

Another patient, Elizabeth Unruh, was injured July 29, 1939; her fractures were x-rayed the following day, and more than a week's delay ensued before the fractures were set.

Johnny Jackson, an inmate, sustained a fractured leg and there was a delay in attention for about a week; the leg was subsequently amputated because of gangrene.

It appears that in fracture cases there is neglect to relieve pain. No doctor is in constant charge at the hospital.

Although strong and vigorous inmates are admitted to the hospital for a period of isolation upon their coming to the school, there is no male attendant at the hospital to control these inmates in case of necessity for control. In one instance when a violent patient with a record of violence was admitted to the hospital, he was left in charge of a nurse weighing 115 pounds, and who was charged with the service of three floors during the night, and had for her assistant only one female inmate. During the night the inmate became violent. It appears from the evidence that it is a common occurrence to bring in able-bodied men in the custody of officers and leave them in the charge of one nurse.

The average number of fracture cases in the school at one time is six, and it appears that although there are four physicians on the staff in addition to the superintendent, there is no one on the staff who attends to the reduction of fractures, but that a surgeon calls from Minneapolis on periodic visits, who gives all attention to surgery. It further appears that this Minneapolis physician and surgeon attends to all operations for sterilization, although this is a common operation in this institution.

In the past there has been no record kept to disclose the physical condition of the inmates to show any periodic examinations and tests, and upon the hearing in connection with this matter there was no record to which reference could be made to show the physical condition of 30 inmates who work in the general kitchen, so as to disclose whether or not they were carriers of any communicable disease.

It appears that in surgical cases inmates of the school have been beaten or received punishment at the hands of others, and

that it could not be ascertained how such injuries were received, whether from other inmates or employes.

Politics has played too prominent a part in the administration of the affairs of this school, especially during the years 1937 and 1938, and should be entirely abolished.

Most of the evils disclosed by the evidence could be eliminated by proper administration. It was the general opinion of the employes who testified that the school was administered more efficiently, and there was less friction during the regime of the predecessors of the present superintendent.

The Committee heard many witnesses who testified to the good character of Dr. Engberg, and no charge was made that he was not a man of good character or reputation. No charge was made that he was not skilled in his profession. His lack of previous institutional experience and lack of those qualities which go to make a successful administrator may be responsible for the conditions of which criticism has been made.

A copy of the evidence has been furnished to the director of public institutions.

#### CONTRACTS BETWEEN THE STATE AND ITS OFFICERS AND EMPLOYES

The evidence taken by the Committee discloses that state officers, in exceptional cases, have sold supplies to the state.

Charles Munn, railroad and warehouse commissioner, sold hay, delivered to the sanatorium at Ah-Gwah-Ching. Complaint was made to this Committee concerning its quality. He also sold hay, delivered at the Cambridge Home for Epileptics. He hired a trucker to make deliveries. The trucker did not have a license for contract hauling, but was given to understand that he would have no trouble, on that account. He had no trouble on that account, although it is the duty of the railroad and warehouse commission to enforce the penalties imposed by law for the very violation thus induced.

Not only was this hay sold to the state by a state officer, but it was purchased without bids being received by the state.

A state warrant in payment for the hay delivered at Cambridge was made to Charles Munn, but Munn's name was erased and the trucker's name inserted in its place since the trucker had no state permit to haul so great a distance. (502) Munn's name appeared on the weighing records. (488-515)

The law should be so amended as to prohibit persons holding state office and others in the employ of the state from making

contracts with the state for the sale of property to the state, or performing services for the state outside of official duties, or duties within their employment, and providing penalties therefor.

#### STATE-OWNED AUTOMOBILES

The various departments of the state government own and operate a great number of automobiles. They include Fords, Chevrolets, Plymouths, Buicks, Studebakers, Pontiacs, and other makes. Most state-owned cars are operated under tax exempt licenses, but many are operated under private licenses, for which there is no authority in the law. Some state officers are furnished the use of a state-owned car for no apparent reason. Such cars are commonly used by the state officer or employe for the personal use of the driver with no benefit to the state, but only expense.

The state pays for service of all kinds on these cars, including washing and storage.

The state has purchased and furnished to officers and employes gasoline coupon books, and no accounting is made or kept showing the purpose for which the coupons are used.

In the highway department in 1938 personal car mileage for use of private cars was paid in the sum of \$79,485.21 for 1,836,691 miles, while for the first six months of 1939 \$13,882.76 was paid.

On August 1, 1939, the highway department had registered with the secretary of state 1,105 motor vehicles, of which 200 were passenger cars, the others being trucks, mowers, trailers, etc. Formerly the department had as many as 254 passenger cars. In the highway department 35 cars bear private licenses.

#### GASOLINE COUPON BOOKS AND CREDIT CARDS FURNISHED TO STATE EMPLOYES

Gasoline coupon books have been furnished by the railroad and warehouse commission to employes who drove state-owned cars and also to those who drove their own cars. (2074) No accounting was required from the employe. (2075) The public examiner objected to the practice. Such practice has been discontinued. The commission then furnished credit cards to employes by which the oil company issuing the same represented that the employe was entitled to credit. The bills for gasoline thus sold were presented to and paid by the state. Ten employes used such credit cards. (2076) At the time of hearing on this subject the use of credit cards had not been discontinued. (2077)

The use of state-owned cars has been abused.

The law should prohibit the operation of state-owned automobiles except under tax exempt licenses, and should prohibit the issuance of private licenses for use on state or municipally owned motor vehicles. An exception should be made in the cases of the bureau of criminal apprehension and police detective cars.

#### GOOD WILL ASSOCIATION IN THE RAILROAD AND WAREHOUSE COMMISSION

(1785) In May, 1937, there was organized among the employees of the railroad and warehouse commission what was known as the good will association. Walter Brattager, chief accountant for the commission (1794), was secretary and treasurer of the association. The ostensible purpose of the association was to avoid the solicitation among employees for money for flowers, expenses of employees' picnics, etc.

Charles Munn, railroad and warehouse commissioner, was active in promoting these contributions to be made.

When the association was organized the heads of departments were told by Atwood in Atwood's office that Atwood's campaign was coming on. Atwood told them that the heads were responsible for their departments and that they should collect and turn in this money to Brattager. (1795)

Although the contributions were called "voluntary," still when members were delinquent in their contributions, according to the testimony of Commissioner Hjalmar Petersen, they "were called on the carpet, and asked, 'Why aren't you paying?'" Atwood called them in. (1804)

Brattager collected or received the money contributed by members. (1859) He made disbursements by check. Two-thirds of the employees were contributors. Harold Atwood fixed and the employees paid on the basis of 1% per month of the first \$100 of salary, plus 3% per month of the third \$100 of salary. Heads of departments made the collections and turned them over to the secretary. Although Mr. Brattager kept a record of receipts and disbursements, after the 1938 election the records were stolen from his desk where they were kept. The association is now extinct.

Most of the disbursements out of this fund, about \$8,000, were made in the interest of Harold Atwood, who was a candidate for reelection to the office of railroad and warehouse commissioner. The total sum which the secretary thus received exceeded \$10,000. The good will association was not organized as a political party committee. A few hundred dollars were paid to the state central committee of the Farmer-Labor Party, otherwise the money dis-

bursed in behalf of Harold Atwood as a candidate was not paid to any political party committee, or the volunteer committee for Harold Atwood. The money was paid for Atwood's printing bills and other personal campaign disbursements, including traveling expenses of Edward M. Anderson, who campaigned for Atwood. (1852) The bills were brought to and paid by Brattager. The association acted as agent for the disbursement of funds to promote Atwood's political interests. (1790) Atwood, himself, directed Brattager to make the payments.

(1816) Atwood sent checks to Edward M. Anderson, drawn on the good will fund, to pay Anderson's traveling expenses while working in Atwood's behalf.

Fraud, disguised as charity, should be punished.

#### RAILROAD AND WAREHOUSE COMMISSION PURCHASES

During the last two-year period, the railroad and warehouse commission has purchased from Jacobson Fixture Exchange, Minneapolis, on split requisitions, without advertising for bids, about \$2,400 worth of furniture. (2084) The prices paid are such as these: 36 walnut chairs at \$28 each. (2085) Those chairs were bought from Globe Furniture Co., Minneapolis. (2086) The cost of these chairs was charged to the bus and truck fund.

Split requisitions were used to buy box car seals amounting to \$875. They were bought on successive days. There was no call for bids. (2087)

A truck was purchased by the commissioner of purchases on the direction in writing by Oliver Ossanna, secretary to the commission. The letter and accompanying requisition, dated May 24, 1938, specified the make of the truck and that it should be purchased from Rihm Motor Co. It was. Bids were received and the high bid was accepted. (2088, 2089)

An automobile was bought for Charles Munn on a requisition that it be purchased from Main Garage at Osseo. There was no call for bids. (2089)

That extravagance exists in the purchase and operation of automobiles owned by the state needs no argument. Purchases should be made only upon a showing of necessity. Greater restrictions should be imposed by the legislature upon the use of state-owned cars. Many cars should be eliminated. This is largely a matter of good administration. Smaller appropriations may be the correct answer.

#### TRAVELING EXPENSES OF STATE EMPLOYEES

(1628) Extravagances, irregularities and abuses in traveling expenses paid by the state have been shown. Charles Munn and Hjalmar Petersen, railroad and warehouse commissioners, traveled to remote parts of the country. Each took his wife with him, and the state has paid hotel bills for the wives of the commissioners. Some of the places visited were Blytheville, Arkansas; New Orleans, Louisiana; Madison, Wisconsin; Denver, Colorado; Atlantic City, New Jersey; and Quincy, Illinois. These traveling expenses included side trips made for pleasure, while using state-owned automobiles. Thus on a trip to New Orleans to attend a convention, Mr. Petersen returned by way of Pensacola, Florida, and Lookout Mountain. For the combined purposes of business and pleasure, they used gasoline coupon books purchased by the state in making such trips. On some treks to remote places, Mr. Munn and Mr. Petersen traveled separately, each using a state-owned car. On one trip Mr. Munn had a state car equipped with a special trunk built at state expense for his own convenience.

During his present term of office, Mr. Munn's traveling expense, including car trades, has cost the state more than \$6,000. He has had a Buick, a Chrysler, and a Nash car, and at the time of the hearing contemplated another trade. His garage service at the Quick Service Garage in St. Paul cost the state more than \$2,700.

Messrs. Petersen, Munn and Atwood attended a convention in New Orleans in November, 1938. Oliver Ossanna, secretary of the commission; Ralph Norgaard, counsel, and Harry Oehler, assistant attorney general, also attended at state expense. The reason for all commissioners going to the New Orleans convention was that the St. Paul Association wished to have the convention meet in St. Paul in 1939. The commissioners took with them a mass of literature to induce the idea of holding the next meeting in St. Paul. Some of them took their wives along, and the state paid their hotel bills. This one trip, including the salaries for the time devoted to the trip, the traveling expenses, hotel bills and expense of operating automobiles, cost the state \$2,000. Since this investigation was commenced traveling expenses have decreased, and it is reported that the use of gasoline coupon books has been discontinued.

All commissioners attend all national conventions. After attending the Seattle convention in 1939, Mr. Munn drove a state car to San Francisco and took in the World's Fair. From thence he returned by way of Twin Falls and Yellowstone National Park. The variety of the scenery and the contacts that he made were to him of a value which in his mind justified the added expense to the state. Therefore, after attending a convention he usually returns by another, though perhaps a longer route. He has the

state car equipped with a private license. Thus it is not readily recognized as a state car. All state-owned cars should carry tax exempt licenses unless engaged in police work or crime apprehension.

Hotel bills submitted by Mr. Munn have been altered by attempted erasure with the obvious purpose of eliminating evidence of the fact that the bill included charges for the accommodation of his wife, although he testified that the impropriety of the state paying his wife's bills never occurred to him. He told Commissioner Petersen that he always collected from the state the full price of the room. (1725)

Mr. Munn lives at Osseo in Hennepin County, a distance of 25 miles from his office in St. Paul. Daily he drives a state-owned car 50 miles traveling to and from his office, all at the expense of the state. He seeks to justify such use of a state car because sometimes he leaves home on official business in another direction than toward St. Paul. He did not know that he had made more than 25 such trips in 1938. He was unable to estimate the expense to the state caused by his travels. He traveled upwards of 30,000 miles a year. (1642) Mr. Munn testified that he attended about 100 hearings a year outside of St. Paul. (1639) But the records of the railroad and warehouse commission show that in 1936 Mr. Munn attended 19 hearings outside St. Paul.

Traveling back and forth between his home and office accounts for about half of that travel. For a few months before an election, his traveling expense is heavier than after the election.

The railroad and warehouse commission made a gasoline coupon book allowance to its secretary in addition to his salary which does not appear in the accounting records as salary paid, although it was in effect an increase in salary. Gasoline coupon books were purchased by the commission in quantities of \$275 and more. They were distributed among commissioners and employes with no system of accounting. Supervision of their use was impossible. Such use continued until June, 1939. Upon the insistence of the public examiner, this practice has been discontinued.

Mr. Munn would justify the use of a state-owned car in his travels over great distances because of the educational value. He expands his knowledge, appreciates his country and enables himself to size up the state of the nation. In his vigorous state of health he prefers to drive because of personal advantages. On his Seattle trip he viewed the Grand Coulee Dam and the Fort Peck Dam, and generated a lot of satisfaction. He concluded that in grandeur they exceeded even the pyramids, and on the face of the earth are man's greatest work.

The evidence shows that three persons have gone to New York on a single item of business without the necessity therefor appearing.



(1733) Former Commissioner Atwood lived at Winona. In three weeks he drove 1,475 miles between St. Paul and Winona, about 6½ round trips with a state car. His official duties did not require this travel. Experience shows that this travel cost the state about \$90. The evidence shows that he was very generous to himself in the use of a state-owned car.

The evidence shows that Commissioner Frank W. Matson did not present bills to the state, and the state did not pay his wife's hotel bills or traveling expenses. Neither did he use gasoline coupon books bought by the state. (1779) He does not drive a state-owned car.

The evidence is ample to warrant the conclusion that more careful administration in the railroad and warehouse commission is required. It is apparent that the commission has misgoverned itself. Proper legislative restrictions appear to be required.

#### RELIEF AS ADMINISTERED BY THE RAILROAD AND WAREHOUSE COMMISSION

(1684) For years past W. T. Coates has resided on a small farm near Hill City, which is in Aitkin County. From April 15, 1937, until June 30, 1937, and in the first half of December, 1937, his name was on the payroll of the grain inspection division at Minneapolis, of the railroad and warehouse commission. (1846) He drew compensation from the state by state warrants, as follows:

No. of Warrant	Date	No. of Exhibit	Payable to and Endorsed by	Where Cashed	Amount
444225	4/22/37	167	W. C. Coates	Brainerd	\$62.50
	5/ 7/37	168	"	"	62.50
462681	5/20/37	169	"	"	62.50
474538	6/ 8/37	170	"	Minneapolis	62.50
482743	6/21/37	171	"	Brainerd	62.50
495156	7/13/37	172	"	Minneapolis	62.50
590926	12/ 9/37	173	"	"	65.00

He had bought 40 acres and built a barn and an addition on to his house. His wife was sick. He told V. C. Steffire, who formerly lived in Aitkin County, that he needed money to pay on his land contract. Steffire then was chief weighmaster at Minneapolis for the railroad and warehouse commission. He promised Coates to do what he could for him; that he would have some work for Coates. Steffire wrote a letter to Hjalmar Petersen telling him Coates was hard up. (1864) Mr. Steffire now edits the Minnesota Leader, a Farmer-Labor newspaper.

Before being placed on the payroll, Mr. Coates applied in person to the railroad and warehouse commission for work. He had known Commissioner Atwood for 20 years, and Commissioner Petersen for 6 years. He talked with Commissioners Atwood and Petersen. He was put on the payroll as a weigher (1853) about April 10, 1937, (1848) effective April 16th. Thereafter he received a letter from the commission telling him to report to V. C. Steffire. That is all they told him to do. His previous experience was in farming 40 acres and working for others on a farm. He reported to Steffire but was assigned to no duties. It appears from the testimony of Hjalmar Petersen that Coates was hard up and needed a job. (1777)

When Coates reported to Steffire he was told by him that his wages were \$125 a month. He was laid off July 16, 1937. He was never reinstated on the payroll. (1849) Between the time of receiving the July check and the December check, Coates' son, at Mr. Coates' request, interceded with Steffire to place him on the payroll again. The last warrant was issued to him when his name was not on the payroll. (1850) He was not again placed on the payroll by any action of the commission, but Steffire signed Exhibit 173. (1714) The commission authorized Steffire to employ Coates in the first instance.

Coates loafed around the grain inspection office. He sat there. He did nothing. He spent three or four days at Minneapolis; the balance of the time he spent at home in Aitkin County. Steffire knew this. Coates made no complaint about receiving \$125 a month from the state with nothing to do to earn it.

All of the above mentioned vouchers used in paying Mr. Coates \$440 were approved by Mr. Steffire. Steffire never told Coates to do any work. Coates knew that there was nothing for him to do. He informed no member of the railroad and warehouse commission that he did no work. Before the warrant Exhibit 173 was delivered to him, he did no work. He did not know why the wages were increased.

It thus appears that the railroad and warehouse commission has disregarded the trust that the law imposes, and has disbursed public money for purposes which the law does not intend.

(1718) J. E. Paulson is deputy grain inspector and weighmaster at Duluth.

(1767) The railroad and warehouse commission appointed David Lundeen to succeed Mr. Steffire as chief weighmaster at Minneapolis. Commissioner Petersen testified that Mr. Lundeen is one of the best department heads that the commission has. He was appointed field superintendent of telephones, January 1, 1937. The Supreme Court, on September 10, 1937, disbarred him from the practice of law for the fraudulent misappropriation to his own use of the proceeds of a life insurance policy. (In re Lun-

deen, 200 Minn. 577.) A widow of small means had entrusted to him the investment of \$2,000. He deceitfully misappropriated the money, but sixteen months after his disbarment, the railroad and warehouse commission selected him to head a department which weighs the grain reaching a great terminal market.

#### ATWOOD'S USE OF A STATE EMPLOYEE FOR POLITICAL PURPOSES

(1806) Since July, 1935, Edward M. Anderson of Duluth was a weighmaster for the state in the employ of the commission. He weighed coal at the dock. J. E. Paulson, deputy chief weighmaster, was his superior. (1847, 1851)

In the late spring (1841) or summer of 1938, Paulson directed Anderson to go to St. Paul and report to Harold Atwood, commissioner. Anderson reported as directed. No state business was discussed. They talked about Atwood's campaign for re-election. (1822) The matter of Anderson's promotion was discussed (1829) and Anderson was promised promotion if Atwood was re-elected. Atwood told Anderson his salary would go on and he would be paid his traveling expenses, including 5c a mile for the use of his car.

Under Atwood's direction he did political work in behalf of Atwood as a candidate for election, both in the primary and general elections, to the office of railroad and warehouse commissioner. He put in all the month of September, practically all of October, and all of November before election. In all, before election, he put in more than 100 days in Atwood's behalf, and during that time did nothing for the state, (1827) although he was on the state payroll at Duluth (1818) and drew his salary at the rate of \$140 per month. He was paid by the state regardless of whether he worked for Atwood or the state.

All the salary warrants were authorized by Paulson, although Paulson well knew that Anderson was not rendering service for the state but was working for Atwood. (1835, 1860)

Anderson received his instructions in his political work from Atwood, Willard Munger of Fergus Falls, and I. C. Strout of St. Paul. Munger was in the employ of the Farmer-Labor State Central Committee. Strout was distributing Atwood's campaign literature. Anderson distributed Atwood's literature, displayed posters and received contributions for Atwood's campaign. (1820) He looked after distribution of Atwood's literature at his Duluth headquarters. Neither Commissioners Munn nor Petersen directed Anderson's activities in Atwood's behalf.

Atwood furnished Anderson with a gasoline coupon book for his use in traveling. (1832) This was at a time when the rail-

road and warehouse commission made a practice of buying gasoline coupons.

Anderson knew the practices were improper but he was told to go ahead and nothing would be said. (1833) He did as told for fear of losing his job. (1834)

#### HJALMAR PETERSEN VS. LLOYD HANEY, LABOR CONCILIATOR

When Hjalmar Petersen testified before the Committee, he asked that inquiry be made to learn when labor conciliator Haney went on the state payroll and when he reported for work at the SRA (1764), stating that he understood that his pay started in January. He stated that though on the SRA payroll he did not work there.

The facts are that his salary commenced January 23, 1939. He was an employe of the SRA for a short time until appointed labor conciliator. He worked for the state from the time his salary started. While on the payroll as administrative assistant in the SRA he put in part time arranging settlements of labor disputes. He thus actually performed some duties of his present office while acting as such administrative assistant. (1926) In so doing he acted at the governor's request before special machinery for the purpose had been created. He entered upon the duties of his present office on April 24, 1939.

#### ALFRED W. LUECKE

(1929) For many years before 1939, Alfred W. Luecke was auditor for Rice County. Under the law the county auditor sold game and fish licenses. The law requires that the money received for licenses shall be promptly paid to the state and reported before the 15th day of the month following the sale, to the division of game and fish. The county auditor appointed agents for the sale of such licenses as he was authorized to do.

After Luecke's term of office expired, he placed in a box checks and currency and left them and unused license forms in the office of the treasurer of Rice County. From time to time he placed more checks and currency in the box. Eventually it amounted to \$5,601.70. The money was not paid to the treasurer. The box was merely left with him and kept in the safe.

Although the law required that Luecke should have made a complete report to the commissioner of conservation of all licenses sold, and should have remitted all net proceeds collected to

the state by January 15, 1939, he kept over \$5,600 until May 4, 1939. His excuse was that he had not obtained statements from all of the agents. However, he did not remit the money that the agents had paid. It did not appear that he had appropriated the money to his own use.

Mr. Luecke kept a ledger record of licenses sold and money received. When his term as county auditor expired he removed the book from the office and has not since returned it. When an auditor from the division of game and fish returned to audit the records of the county auditor after January 1, 1939, relating to license sales, the book could not be found. (1990)

Until 1939, some of the agents were not paid their 1937 commissions provided by law. Luecke insisted that the agents should pay to him the total sum of licenses collected and part of the delay was caused by the agents insisting that their commissions should be paid at the time of payment to Luecke of the sums collected by them. The evidence warrants the conclusion that Luecke did not at all times before payment to the state have on hand the money which had been paid to him by agents. (1958)

Mr. Luecke was delinquent in his duties. At the time of the hearing he was employed by the SRA. After January 1, 1939, he had been appointed administrator of the SRA. Shortly after the hearing, his employment by the SRA terminated.

#### HOLLENBECK INVESTIGATIONS

Karl Lundberg was assistant to the administrator of the SRA. He was in charge of personnel. He claimed to be deputy administrator, but was never appointed as such. (2096, 2102) He was dismissed from service in August, 1938. (2097) In 1936, Thomas Hunter, a field auditor in the SRA, at the direction of Karl Lundberg, made an audit for a 21-month period in Kandiyohi County. He made a report in writing to Lundberg which showed that there was unpaid \$1,200 of a grant by the state to the county. Lundberg rejected the report and directed Hunter to switch the report around, leave out parts, because Lundberg wanted to use the report to show that the county had been overpaid \$3,000. He wanted to justify the discharge of another employe, Kranhold. (2189) Hunter did as directed. The false report showing that the county owed the state was furnished to the county. (2182, 2183, 2187) Copies of both reports are in evidence. When Hunter gave Lundberg the false report, Lundberg thanked Hunter and said that it served its purpose. (2190) Lundberg attempted to intimidate employes into making other false reports. (2197, 2201) He attempted to induce a former employe, whom he had discharged, to furnish evidence impeach-

ing expense accounts of another employe, upon the inducement that if he did so, he would be re-employed. (2205)

Virgil F. Hollenbeck was an investigator under Mr. Lundberg in 1937 and 1938. (2190) He investigated expense accounts of fieldmen. Lundberg was not directed by the administrator to make such investigations. (2098) The administrator never saw Hollenbeck's original reports. (2099) They were not filed. (2101) Two of them were in the possession of Senator George Lommen (2161) who received them from Hollenbeck. (2163)

Just before Lundberg was discharged in 1938, revolutionary periodicals were found in his office. (2144) His name was mentioned as a subscriber. These publications were of such a revolutionary character that the Committee refused to include them in the record. Copies of correspondence were found wherein Lundberg instructed employes to stir up the Workers Alliance to demand more relief money, more clothing, coal instead of wood, and arranging meetings throughout the state where Lundberg would speak. (2223) As a consequence, these employes were organizing meetings at state expense instead of performing legitimate duties. (2224) Hollenbeck did not investigate such activities. By Lundberg's activity various Workers Alliance groups attempted to secure the removal of Andrew Taylor, assistant to the administrator. (2227) Lundberg tried to induce Thomas Hunter, an auditor, to report false expense accounts of employes as a reason for discharging them. (2192-4)

When Virgil F. Hollenbeck left the employ of the SRA he left in his desk 20 forms used by the state in submitting expense accounts by employes. They were not filled out but were signed by Hollenbeck. While investigating others, he left these convenient vehicles for fraud available for immediate use. (2152) The reason for the Hollenbeck investigation was to give Hollenbeck a job. (2224)

#### EXPENSE ACCOUNTS OF EMPLOYES

During the investigation certain reports made by Virgil F. Hollenbeck, an investigator employed in 1937 and 1938 by the SRA, came to the attention of the Committee. The reports were only hearsay (2164) unsigned and presented by Hjalmar Petersen, a person not claiming to know the facts. They were mere leads for investigation. (2164) The original reports signed were furnished to the Committee by Senator George Lommen, who did not have personal knowledge of the facts. (2162, 2163) Hollenbeck was in California and demanded that he be paid \$500 to appear and testify. The Committee declined his offer to testify upon terms (2164) and made such investigation of the facts sug-

gested by the reports as were sufficient to satisfy the Committee of the situation with which the reports dealt.

The involved expense accounts covered the year 1936. Before June, 1936, the United States paid such expense. After June 1, 1936, the state paid them. (2179) During the later part of that year Hjalmar Petersen was governor, but he testified that with the strike lasting five or six weeks, half a dozen fights with the Mexican Generals, the political campaign, 19 appointments and the legislature to deal with, his time was occupied. He had no time left to give attention to expense accounts in the SRA. The Benson administration followed, and it did nothing to collect back any money which Hollenbeck reported to have been unlawfully paid. Commissioner Petersen brought the Hollenbeck reports to the Committee's attention, and called attention to expense accounts of other state officers and employes. This was all done at a public hearing without affording the Committee an opportunity to investigate the truth of the charges, as was the practice, before making them public. Upon many of these charges investigation revealed that in truth they were unfounded. No good can result in including in this report rumors determined to be unfounded in truth.

The Hollenbeck reports concerned Earl G. Haskin, R. F. Jerome, and R. G. Milne.

Earl G. Haskin is personal aide to the governor. In April, 1935, he was employed by the SERA and continued to work for the SRA until September, 1937. (1897, 1914)

When Hjalmar Petersen testified he read from a copy of one of the Hollenbeck reports (1757) charging that when Mr. Haskin was employed in the relief agency, he presented to and collected from the state false expense accounts.

The evidence shows that Mr. Haskin actually made all disbursements for which he claimed and received reimbursement from the state. (1903, 1912)

The integrity of Mr. Haskin was attested by the county board of Houston County and other counties.

Haskin first heard about the Hollenbeck report in 1939. No one ever notified Haskin that the charges were made. (1915) No one asked him for a refund. (1917) No relief administrator ever took up the matters with Haskin. (1919)

Mr. Haskin, while in his present employment, has made claim and received payment for \$103.75 for meals while in the Twin Cities. (1906) These meals were during overtime as applied to other employes. Three or four times a week he is prevented by his duties from having his dinner at home. Mr. Haskin has no regular hours and is subject to call at any hour. The governor

expressed the opinion that the charges were proper. Mr. Haskin acted in good faith in collecting them.

The so-called Hollenbeck investigation and report were made not while Haskin was employed in the SRA, but after such employment ceased. Many statements therein made appear to be untrue. He quoted conversations which are denied by the persons from whom he claims to have had them. He gives names of persons from whom he received information, and such persons do not live and are not known in the communities where he reports them. (2130) He said that he based his reports on records which he did not examine, since they were not available. (2131)

Hjalmar Petersen presented to the Committee a purported copy of a report by Virgil F. Hollenbeck concerning expense accounts of R. F. Jerome. Although these matters concerning Mr. Jerome were considered and disposed of by the Senate at the 1939 session, the Committee gave full opportunity to testify to all persons having knowledge. The Committee investigated the truth thereof. (2132) This report purported to be based in part upon the examination of hotel registers which Hollenbeck claimed to have examined. In some cases the hotels had changed ownership before Hollenbeck claimed to have examined the registers. The registers were not available because they had been removed or destroyed. His report of having examined such registers was not true. (2132) Many of Hollenbeck's conclusions were based upon conjecture alone.

In another case in which Hollenbeck reported that a person named Nelson with whom Mr. Jerome claimed to have lodged, did not reside in Fairmont; it was found that such person was there at the time, but had died. In that respect the Hollenbeck report was not true. Numerous other instances of false statements were found in the Hollenbeck report concerning Mr. Jerome's claims, and the circumstances surrounding the same. (2133) Mr. Jerome made all the disbursements which he claimed that he made. (2145)

Hjalmar Petersen, when a witness, suggested that this Committee investigate the traveling expense of Howard Spaeth, tax commissioner, on a trip to California in 1939, in company with Messrs. Burkman and Powers, employed by the tax commission, and Phil Sherman, assistant attorney general. (1761) The evidence taken shows that Mr. Spaeth attended a national conference and a national assessor's convention in October, 1939, at San Francisco. Ronald V. Powers is deputy tax commissioner. He was formerly county assessor in Ramsey County. Previous to his appointment as deputy commissioner he had arranged to attend the convention. Mr. Sherman is assigned to the department of taxation as its adviser. William G. Burkman is director of the income tax division and made official audits on this trip and attended two convention meetings. The trip was taken for busi-



ness and not for pleasure. An admission of a tax liability of \$4,500 was obtained with the expectation of obtaining another admission of \$5,000. Mr. Sherman obtained an offer of settlement of another tax collection exceeding \$7,500.

These men did not take their wives with them.

(1276) When Hjalmar Petersen testified, he called the attention of the Committee to the fact that Arthur B. Anderson, director of the petroleum division, made a trip to Tulsa, Oklahoma, and other points, and that his expenses would be a proper subject of inquiry. The facts were investigated. It appears that Mr. Anderson made the trip in the interests of the state. He is operating his department at a cost of \$1,500 a month less than his predecessor. He has increased gas tax collections an average of \$56,600 a month. He has decreased refunds an average of \$24,300 a month. (1877)

For years the state had maintained an oil inspection office at Tulsa, Oklahoma, which is an oil production center. (1878) In 1938, the Tulsa office reported that it inspected 15,000 tank cars of petroleum products at Tulsa, which was impossible. It was an average of 41 cars a day, including Sundays and holidays. Two men and a girl were employed at Tulsa. One man was a brother of George Griffith, former chief oil inspector. (1880) Investigations revealed that the Tulsa office should be and it was eliminated; another office at Kansas City was closed. The state thereby saves several thousand dollars a year. In 1938, the state spent \$6,717.88 to maintain the Tulsa office. On this same trip, Mr. Anderson planned to and did visit several other cities all on business only. He attended no Junior Chamber of Commerce convention as had been intimated. His work and trip were well planned. His expenses were reasonable. His wife was not with him.

When Hjalmar Petersen was before the Committee he charged, with reference to J. T. Langlais, public examiner (1763), that for 18 years he had been in the same office and is holding on with this administration because he acquiesces in all that's going on, past and present. The evidence shows that before 1939, Mr. Langlais was engaged in examining and auditing municipalities. (2033, 2090, 2093) He had nothing to do with examining and auditing state officers and departments and agencies of the state. He did not acquiesce in the malfeasance or misfeasance of state officers, departments and agencies, and since he has held the office of comptroller and public examiner, later, he has been active and diligent in discovering the misdeeds, both past and present, of such officers, departments and agencies.

Upon assuming the office of comptroller, he investigated the state board of control. This Committee held hearings involving matters which he discovered. This resulted in the prosecution and conviction of Mr. Conroy, who had altered bids, purchased

inferior food for public institutions, and favored certain vendors of goods sold to the state. (2035)

Mr. Langlais has discovered that the tax commission was delinquent in collecting taxes. This has resulted in actions being brought for recovery of such taxes. Methods in assessing and collecting income taxes were bad. In one case the former commissioners allowed an abatement to a taxpayer amounting to more than \$10,000 after the taxpayer admitted a tax liability of \$2,800. Certain attorneys were apparently favored by the former tax commissioners. (2036)

Upon examination of the department of insurance, Mr. Langlais' office found that a bad practice prevailed. Leave of absence to regularly employed examiners on the regular payroll was frequently granted. Such men were then designated special examiners. They were sent to various states to examine foreign insurance companies. These companies paid the men at the rate of \$25 per day in many cases. One such examiner (who on the regular payroll was paid \$3,600 per annum) received more than \$5,000 compensation in one year; more than the commissioner. If such examiner were on the regular payroll, the fees would have been turned in to the state treasury. Thus instead of administering the law according to legislative intent — that the state be indemnified for unusual expense — the commissioners have made this system somewhat resemble a racket, resembling the charges for examining national banks. (2037)

In Mr. Langlais' examinations, he found that in the department of rural credit, mortgages were foreclosed and title thus acquired by the state, whereupon the state sold the land back to the former owner upon payments to be made, more burdensome than the former mortgage installments. In the sale to the former owner, past experience was disregarded. In presenting petitions to the court for authority to sell land, statements of fact have been made which were contrary to the records of the department, kept for the special purpose of furnishing such information. Lands have been sold for a fraction of the cost to the state, and over the objections of the appraisers and district field supervisors. (2041) A report in writing from the office of the public examiner is available to persons interested.

The public examiner's examination of the closed bank division of the department of banking shows that there was a closed bank at Winthrop. An attorney at Winthrop was (1) a depositor and (2) a member of the depositors' committee; the department of banking employed him (3) as its attorney; he also (4) represented some persons who owed money to the bank. (2044) Claims due to the bank were needlessly compromised to the loss of the depositors. While this same attorney (5) was on the payroll of the department of agriculture, the department of banking paid him for services to that department. (2045)



A borrower of another closed bank pledged a diamond ring as security. (2046) The ring was taken in settlement of a note for \$340. The former owner would have paid \$300 for the ring. The bank asked more from him. The bank received another offer of \$250 for the ring but it was sold to Sam Lifson for \$200.

Mr. Langlais' department further discovered that there has existed in the division of closed banks a practice whereby closed banks are unlawfully and arbitrarily assessed a sum, not for expense incurred and paid, but for expense anticipated. The total fund thus built up was \$6,750, of which depositors in various closed banks were deprived in dividends. (2048)

In the administration of the affairs of closed banks, the department deposits in other state banks the funds belonging to closed banks. Four of the banks in which deposits were made from 1926 to 1928 closed while having such deposits. The sums thus lost exceeded \$15,000; nevertheless such sums were carried as assets by the department until 1937, about ten years. (2049) Then such lost deposits were charged off. In the meantime many of the banks in liquidation at the time that the losses were actually sustained were liquidated and their affairs were closed. When the charge-off was made, it was all charged to 36 banks still in the process of liquidation. The banks which had been liquidated did not share in the loss, whereas if the loss had been charged off when made, or if deposits of individual banks had been kept separate, each bank would have borne its own loss and no bank would have sustained the loss of another bank as it worked out in practice.

A practice has existed for years which defeats legislative intent. One department or division of government carries on its payroll the names of employes who work in another division or department. The result is a false report of expense of operation of two divisions affected. This was strikingly illustrated in the case of the state test mill. The governor's personal aide is paid by the adjutant general's office. There was a practice of having employes in various departments on the payroll of the SRA. In effect the state was on relief.

The comptroller's department discovered the irregularities in the division of oil inspection which resulted in prosecution and convictions. It discovered evasion of payment of tax on fuel oil used in Diesel operated trucks. Such evasions are being eliminated. (2053)

The comptroller's office rendered valuable assistance in assembling evidence used in the removal of many former state officers for malfeasance and misfeasance. (2055) It has assisted in preparing evidence in civil actions which have resulted in recovering judgments in many cases.

The public examiner has done a vast amount of work in the audit of the SRA. No audit of this department was made by the state previous to Mr. Langlais' undertaking. (2056)

The matters involved in the contracts of Victory Printing Company and other printers have been investigated by the public examiner. His department discovered irregularities in the unemployment compensation division, and has made recoveries of money and started criminal prosecutions involving larceny of employes. His was the first audit of this division. (2060)

The facts warrant the conclusion that Mr. Langlais has been faithful and diligent and that the criticism mentioned is unwarranted. He discovered and informed this Committee of irregularities in the division of grain inspection at Minneapolis. This Committee further investigated the facts which are dealt with in another section of this report.

In 1939, Mr. Langlais attended a convention at San Francisco, but his wife remained in Minnesota. (2091)

#### R. G. MILNE

One of the Hollenbeck reports was said to deal with R. G. Milne, who was formerly employed in the SRA. (2146) The Committee did not come into possession of the original report. What purported to be a copy made certain charges of false claims for expenses. Such claims were investigated by the Committee. Many claims for reimbursement were made where the claims of Mr. Milne could not be verified. The investigation indicated that many such claims were doubtful or false. He claimed to have lodged at hotels. No evidence appeared in records of the hotel that he was there. (2137, 2138, 2134) He filed receipts as supporting vouchers. Such vouchers were signed by names of persons never employed at such hotels. (2135, 2154) He filed a receipt to show that he lodged at a tourist camp. The name signed to the receipt was not known in the community by persons employed in the police department, sheriff's office, chamber of commerce, post office, or elsewhere. He claimed to have lodged at a well-known hotel in New Ulm, but was not registered. (2135) Receipts were filed purporting to be signed by clerks of named hotels when no such named hotel was in the town. (2137) He filed a receipt purporting to be from a hotel when there was no hotel in the town. (2138, 2136) He testified that the handwriting might be that of a girl employed in his office. (2154) Mr. Milne testified that although he slept in his car in some instances he put in a hotel bill therefor. (2149)

In taking receipts for disbursements, Mr. Milne had receipt forms signed. Then when he returned home or to the office the

receipt was filled out over the signature. (2151) Consequently, his records were sometimes inaccurate. (2162)

The state has a judgment against Mr. Milne exceeding \$18,000. This is for unpaid gasoline taxes which accumulated when he was in the oil business, and Mr. Griffith was chief oil inspector. While working for the state he was not required to apply any part of his salary toward payment of the judgment. (2154)

#### BUS AND TRUCK INDEMNITY INSURANCE EXPIRATIONS

When a bus or truck owner obtains from the railroad and warehouse commission a permit to operate, the law requires him to file a policy insuring him against loss by reason of claims to be made against him arising from such operations. The commission keeps a public record of such policies. Insurance companies desire to know when existing policies expire. Consequently they request lists of policy expirations. Such lists are prepared by employes. (2078) Sometimes they were prepared during office hours and sometimes after hours. (2081) They are paid for their work at the rate of \$1.00 an hour; the persons purchasing such lists pay for them on the basis of five cents a name. Thus a list of 100 names sells for \$5.00, and if the same list is sold to five purchasers, \$25 is collected. Oliver Ossanna, secretary to the commission, collects the money. (2078) No record is kept of the receipts or the amount paid for preparing the lists. A profit is realized and no state record thereof is kept. Some of the money went to the good will fund. This practice prevailed in 1938 and continued until November, 1939. For such service one company paid \$148.70; another paid \$45.30. (2079) Others paid \$75.50, \$154, \$60.35, \$90. Mr. Ossanna kept the money in a leather bag at his home. The public examiner called there and received the cash, \$69. (2083)

Thus the railroad and warehouse commission managed its business. It received none of the money. The insurance companies formerly paid by check but since inquiry by the public examiner they have paid in cash. More than \$573.85 was thus collected by salaried employes. (2083)

#### DELAY IN PAYMENT OF STATE AID TO SCHOOLS

When in January, 1940, knowledge came to the Committee that more than five million dollars state aid appropriated in the 1939 legislative session had not been paid in 1939, as intended by the appropriation, the Committee inquired into the cause. The commissioner of education, Dr. John G. Rockwell, attributed the

delay to the facts that the department of education (1) is short of help and (2) lack of information which comes from county auditors. (2206) The money had been available for many months and undistributed among various school districts. (2211) Before distribution of state aid, the department obtains data from school superintendents. Sometimes they are erroneous, which requires verification. (2214) Determination of the amounts to be paid to respective districts is complicated. (2215) The complications were introduced in the 1935 law. (2216) Because of the complications trained employes only can be used in the calculations.

#### BUS AND TRUCK FUND IN THE RAILROAD AND WAREHOUSE COMMISSION

Chapter 170, Laws 1933, as amended by Laws 1937, Chapter 411, Section 2, provides for the collection by the railroad and warehouse commission of bus and truck permit fees. Under Section 42 the moneys so collected may be used by the commission (1) for the employment of inspectors for the purpose of inspecting mechanical equipment of all trucks subject to this act, and (2) for the general enforcement of this act. Any money that may be left in such fund at the end of the calendar year from permit fees for such calendar year shall be placed to the credit of the HIGHWAY FUND of this state, and become a part thereof.

In January, 1939, the state auditor advised the highway department that \$1,146.21 truck permit fees had been credited to the highway fund. No such transfer had been made in any previous year. (2232, 2236)

Thereupon an audit was made, and it was ascertained what had become of such fees in previous years. The report of the audit is in evidence. (2233) The following sums were collected by the commission in the years 1933 to 1938, inclusive:

Year	Collected	Turned Into Treasury
1933	\$11,288.87	none
1934	14,828.05	none
1935	16,026.65	none
1936	17,039.28	none
1937	21,370.55	none
1938	38,364.77	\$1,146.21 (p. 2236)

The commission spent this money for purposes other than authorized purposes, such as out of state traveling, purchase of automobiles, gas coupon books, furniture and office supplies for all divisions of the department. In 1938, it spent for stationery and supplies alone \$3,264.65. It is obvious that this was not all for enforcement of Chapter 170, as amended.

Traveling expenses charged to the enforcement of this act in 1938 were \$12,070.19. This exceeded 1937 traveling expenses by \$9,000.

The trade for the Nash automobile used by Mr. Munn was charged to this fund. (2238)

The practice of the commission for five years was to see that the treasury received no benefit from these fees. (2239) Though the legislature intended the money to go to the highway fund, the commission defeated that purpose.

The traveling expenses of all commissioners, employes and Harry Oehler, deputy attorney general, in 1938, when attending a convention, were paid out of this fund. (2248) The traveling expenses included hotel bills for wives of some of the travelers.

Such accounting practices were bad (2252) and should be corrected.

#### GRAIN INSPECTION DIVISION PRACTICES

Since January 1, 1937, John Dwyer has been chief deputy inspector of grain at Minneapolis. This inspection division is a department under the railroad and warehouse commission. (2287, 2294, 2308) He is the manager of that office. He has been employed in the department 25 years. Patrick H. Ryan was in charge of the feedroom. (2287) He is Charles Munn's brother-in-law. (2373) Leslie Birch has been chief clerk since December, 1937. (2315) Charles Nelson has been on the payroll at both St. Paul and Minneapolis offices. (2287) Halvor Skottam is Ryan's assistant in the feedroom. Knute Haugseth is a truck driver.

Between 125,000 and 152,000 cars of grain are weighed and graded at Minneapolis in one year. (2288, 2305) Birch, the chief clerk, has no idea of the amount of sample grain handled annually. He collects for the samples sold. (2315) The grain inspection division gathers samples of grain from cars in transit. (2062) The samples weigh from four to six and a half pounds each. (2290) After the samples are graded at Minneapolis and St. Paul, they are sacked and sold. Since November 1, 1939, all grain delivered to the feedroom has been weighed in and out. Before that, it was not weighed in. (2293, 2294, 2303, 2304) It was about a year after a shortage was suspected before weighing in started. (2337) Until sold, the sacks are stored in the sample grain room, which for three or four years has been in charge of Patrick H. Ryan. (2296, 2316)

The procedure on sale of grain has been that a customer comes to the feed grain room, buys a few sacks of grain for feed, obtains

from the employe who makes the sale, in triplicate, a sales slip showing the quantity of grain purchased and the purchase price, which he takes to the cashier. He pays the cashier who retains the original slip, and receipts all three. The purchaser gives one slip to the man in charge of the feedroom, retains the third and takes the grain which he purchased. (2063, 2295, 2296, 2315) The only knowledge that the chief clerk has about sales is gained from the sales slips. (2316) The sale price of sample grain is fixed by Dwyer. At the time of the hearing, although the market had fluctuated, the price of feed had not been changed for six weeks. Thus did the feedroom run itself. (2305, 2328)

The system in the feedroom contemplates cash sales only. When sales are made and no cash paid, the chief clerk had no record of the sale except that the triplicate sales slip was held by the clerk. The loose slips were kept in the cashbook until collected. (2322) Birch concluded that he did not receive sales slips on all sales, and he complained about it to Dwyer. (2322) Dwyer was the man who had to approve credits. (2326) By Dwyer's direction Skottam loaded sacked grain in Charles Munn's car, on the street in Minneapolis, on two occasions. (2343)

Skottam told Dwyer that he thought there was some grain missing. (2344, 2347) Skottam saw sales made by Ryan on which no cash sales slips were turned in to Birch. Dwyer told him not to say anything about it. (2373) This was in the fall of 1939, after the public examiner had investigated the matter. (2345, 2346, 2348) Skottam saw Ryan receive the money, deliver the grain, and make no ticket. He told Birch. This Skottam saw many times. He observed this practice during a six months' period. (2346, 2350) Skottam made a memorandum of the names of persons who got grain, paid for it, and for which sales there was no ticket made. Such memoranda is in the possession of the Committee. (2348) Skottam gave the memorandum to Birch (2349) on the day the sale was made. (2350) Birch reported each irregular sale to Dwyer over a period of six months. No change was made. (2351) Dwyer did not inquire from the customers named by Skottam whether they had bought and paid for grain reported by Skottam. (2375, 2381)

When Birch talked to the commissioners, he told them what Skottam had told him. Commissioner Petersen was informed of all the information which Birch had. (2353) When Birch reported to Dwyer, Dwyer merely told Birch to continue checking after Birch showed Dwyer the memorandum made by Skottam containing the names. (2354) Birch learned by direct inquiry from a customer that he had made purchases not shown in the office records. (2357)

Deputy inspector and weighmaster George A. Lund, at St. Paul, instructed Ivor Myers, inspector, to get some feed ready for Mr. Munn. (2358) Instructions were given to Charles Nelson, a

helper, to deliver it. (2359, 2363, 2387) Nelson made another delivery to Munn on the street at Minneapolis (2364), and told Dwyer about it. (2365)

Charles Munn sometimes stopped at Minneapolis on his way home and got grain. His boy also stopped with a truck for grain. (2298, 2309)

Knute Haugseth is hay inspector. He told Dwyer that Charles Munn said he wanted some feed, so Dwyer had a truck deliver it, two, three or four 2½ bushel sacks. (2297)

Dwyer instructed Haugseth in the spring of 1938 to take a truck and deliver some wheat in Charles Munn's car at the Quick Service Garage in St. Paul. He put it in Munn's Buick in the garage. No money was paid to Haugseth. (2360, 2361) In 1936, on the instructions of Ray Johnson at the Minneapolis office, he made another delivery to Munn's car at the same place. (2361) Birch received no tickets for the two deliveries made by Haugseth to Munn, and the deliveries Nelson made to Munn. (2366, 2369) Munn purchased grain on credit. (2327) On December 2, 1938, he bought grain which he paid for on March 11, 1939. Robert Munn bought grain on December 3, 1937, and paid for it on January 18, 1938. (2332) Grain sold February 16 was paid for March 11, 1939. (2333)

One customer purchased grain each month from March to September, 1939, inclusive, for which he received no receipts and for which no sales slips were issued. The cash received on his purchases was not accounted for in the records kept by the grain inspection division. (2071, 2320)

The method of handling sample grain before November 1, 1939, was very poor. There was no possible way to make an accurate check. (2339)

In the fall of 1938, Birch first suspected something wrong in the feedroom. (2316) Cash receipts looked light for that season. (2317) He spoke about it to Dwyer. Nothing was done. (2318) He reported the same thing again in the spring of 1939. (2319, 2320) Still no change. (2321) In March, 1939, this claim of shortage came to the attention of the commissioners, Munn and Petersen. (2063, 2319) Sales amount to \$10,000 or \$12,000 a year. (2302) The sales slips have been kept since October 1, 1937. Slips showing sales before that time have not been kept.

In the summer of 1939, the public examiner examined the office of the grain inspection division at Minneapolis. It disclosed a shortage of grain of all kinds, approximately 100,000 pounds. Between October, 1937, and June 30, 1939, grain has been disposed of for which the state has received no money. (2072) The public examiner, after examination of the office, recommended to the railroad and warehouse commission that Mr. Ryan be suspended.

Thereupon as of November 15, 1939, he was suspended. (2068, 2294) Ryan continued to collect money until suspended on November 15, 1939. (2379) Hjalmar Petersen approved Dwyer's methods in attempting to or not attempting to discover whether Ryan had received cash not accounted for. (2383)

On December 15, 1939, Dwyer and Ryan went to the commission. (2298, 2352) In the spring Dwyer talked with Hjalmar Petersen and Munn about the shortage. Dwyer told Birch to check on it. Birch had spoken to Dwyer about the shortage. (2299) Twice Dwyer counted the sacks and checked to see that that number of sacks of grain were paid for. (2301)

Supervision has been lax and unbusinesslike. The methods of operation mentioned are criticized as inefficient. The railroad and warehouse commission should take vigorous steps to put their department in order.

#### RECREATIONAL ASSETS

In Minnesota's lake region, the income to the people from recreational activities connected with the lakes exceeds that received from agricultural output. It is said that a well protected acre of water in Becker County is a better money maker than an acre of land. (2597)

#### FISH CONSERVATION

Minnesota is the greatest fresh water fish state in the Union. (2803) Because of public interest in the subject the Committee held a four-day hearing on this subject alone. It chiefly concerned the effect of commercial and contract fishing and the policies of the state as determined by the legislature, and the division of game and fish. Persons interested were given full opportunity to express themselves, in the hope that the evidence and opinions obtained might assist the legislature and the department in future determination of policies. (2391)

Dr. Thaddeus Surber, a biologist, is technical supervisor in the division of game and fish. His knowledge and experience of nationwide recognition was of value to the Committee. Dr. Samuel Eddy of the University of Minnesota also assisted by his testimony.

#### FOOD FOR FISH

In a state of nature, the number of pounds of fish in a lake or stream is in ratio to the amount of food for the fish in the water.



The rapidity of growth in fishes is controlled by the food element. (2398) As a fish develops, its food changes from semi-microscopical material (2398) to insect larvae, and then to young fish. As the size of the fish increases, the size of his prey increases. Young suckers, carp and other fish not sought for food for men are a favorite food of game fish. It requires 1,800 to 3,000 fish of various sizes to bring one walleyed pike to a maturity of three years. All game fishes are carnivorous. (2400, 2442) It is thus important that the food for game fish shall be protected rather than destroyed. (2399)

Fishing with minnow bait presents a problem in that many times the number of minnows actually used in fishing are destroyed before they are ever used. Thereby fish are deprived of their food. Persons who sell bait market hundreds of thousands of minnows which are taken from public waters. This factor alone is causing a serious depletion of fish. (2400)

Fishes become stunted when unable to obtain sufficient food. The fish which grow fastest live in the lakes containing fewer fish. (2441, 2448)

We enact laws permitting the spearing of suckers, the natural food of the walleyed pike. Taking suckers is in effect taking pike. (2675)

The conservation department is criticized for lack of adequate policies. (2766) It is said that the fish will disappear as have the forests (2769), and the game animals and birds. (2804) Our attempts at conservation have been mixed with politics. (2770) The theories of good practices for the preservation of fish life have not been put into practice by the department. The department, in attempting to follow local sentiment and to please pressure groups, departs from true principles of conservation of fish life. (2803)

#### DESTRUCTION OF FISH

Years of drought, caused in part by man's interference with nature, lowering levels of waters, artificial drainage and diversion of natural waters, have lowered the fish-carrying capacity of our natural waters. These influences have interfered with spawning. Destruction of old spawning ground is a great loss to the locality. New spawning beds are not readily created. (2405)

#### POLLUTION OF WATERS

Food is destroyed by pollution of waters. Domestic sewage, lying on the lake or river bottom, produces gas which destroys semi-microscopical vegetable and animal food. (2398) The dump-

ing of paper mill waste into Rainy River at International Falls (2421) is disastrous to walleyed pike. It is more damaging than domestic sewage. (2502) It has chased the sturgeon out so that they spawn there no more. Even if the fish ran up there as formerly, by the hundreds of thousands, even if eggs were deposited, probably not 10% of them would hatch. The Rainy River waters formerly equaled the best walleyed pike spawning grounds. The waters are now contaminated by paper mill and creamery waste at International Falls and Fort Francis. Game fish have been largely driven out. Spawning beds were ruined. The mill waste causes suffocation of the fish. (2486, 2487, 2497, 2499) It is three or four feet deep on the spawning grounds. (2497) The pollution is hurting Lake of the Woods and Rainy River more than the commercial fishing. (2500, 2504) The mill waste floats down the river in chunks from one to five feet square and three feet thick. It is a dirty, slimy mass with a bad odor. It clogs the pump of a boat. The odor carries 75 miles. The chunks float out 15 or 16 miles into Lake of the Woods upon the islands. It kills the crabs, crawfish and other small animal life which is food for fishes. (2505)

Pollution of public waters by industry should be prohibited.

The division of game and fish has worked with the state board of health in an attempt to relieve the situation on Rainy River. (2421)

Pollution interferes with spawning and diminishes fish population. (2762)

#### THE SUPERINTENDENT OF FISHERIES

In the division of game and fish the superintendent of fisheries has supervision of hatcheries, and all fishing activities by the division, such as removal of rough fish, consideration of applications for licenses for commercial fishing, and other duties, as may be assigned by the director of the division. (2519) These duties are inconsistent and incompatible. They should not be administered by one person.

#### STOCKING LAKES WITH FRY

The division of game and fish has stocked on the average 800 to 822 lakes. Norris Lake in Anoka County had been fished out. A few cans of pike fry were planted and the lake was closed to fishing for three years. Then it was reopened. On the first day, before noon, 7,000 pike were taken. (2424) Many lakes in the north now have pike that had none years ago. In some lakes there are fewer pike today than formerly. (2425)



### STURGEON

From 15 to 22 years is required to produce a sturgeon of marketable size (2403) — 15 pounds, 40 inches long. In the 1890's there were 2,000,000 pounds of sturgeon produced for market from Lake of the Woods. This fell to 80,000 or 90,000 pounds by 1910. (2403, 2404) In 1911, a six-foot sturgeon netted a fisherman for the roe, at \$1.50 per pound, \$53 to \$54. Thus it was the female that was sought for market. The only value was the caviar. There was no market for the flesh. (2404, 2497) Now there is. No artificial means has been found for its restoration. (2404) Some big companies cleaned the sturgeon out with snake hooks. The destruction of the sturgeon is an outstanding example of the need for conservation of fish life.

### BASS

There are less bass in the state than formerly.

### YELLOW PERCH

Some lakes are so overrun with yellow perch that they are stunted for lack of food. In nature's balance the pike and pickerel see to it that there is not such an abundance of perch. Young pike introduced into such a lake are eaten by the perch (2413) — as fast as they are put in. Removal of pike and pickerel in large numbers by nets has given the perch control. (2413)

In Mille Lacs Lake perch predominate. (2508) The game and fish division is advised thereof. (2516)

In the winter of 1939-40, 229,000 pike and pickerel have been transferred to Otter Tail Lake to reduce the perch population. (2755)

### CARP

The division of game and fish has been asked to restore game fishing in carp-infested lakes. This was impossible. It is not because the carp eat the young game fish. (2408) Carp are the greatest egg producers of any of our fish. A 20-pound carp will produce upward of two or two and a half million eggs. They hatch 90%. Pike and pickerel produce not more than 350,000 eggs. (2409) Carp spawn in shallow water. They come in vast hordes and destroy fry or eggs of game fish by mere weight of numbers. (2800) The carp thus produced consume enormous quantities of food. In order to propagate game fishes in waters infested by carp,

ceaseless warfare on carp is required. (2409) Until the young carp attains a length of three or four inches, it consumes enormous amounts of food. Pike and pickerel consume an enormous number of young carp. If the proper ratio between carp and game fish were once established, the appetities of the pike and pickerel would maintain the balance. (2410, 2585) But the enemy of the carp is removed by anglers. (2411) It is estimated that three million walleyed pike are annually removed from Mille Lacs Lake alone.

Carp are confined to the southern half of the state. (2412) They live on crustacea, that is, small snails found among roots of vegetation. They dig up the vegetation hunting snails, but eat little of the vegetation. (2415) Carp bury themselves in mud, even a twenty-pounder. To maintain a proper balance between carp and game fish, the carp must be removed by either natural means or by seining them out of the waters. (2416, 2745) Most of the carp-infested lakes have no game (2425) fishes. One reason that game fish are not caught by angling in lakes like Minnetonka, where carp are found, is that the game fish feed on young carp. There is such an abundance of food that the game fish are not hungry and are not taken by the fishermen. (2427)

In a day's haul in Big Stone Lake there are 5,000 to 50,000 pounds of carp, with 250 game fish. (2725) The supervising warden is of the opinion that seining had done Big Stone Lake no good. In the spring of 1939 about 90,000 pounds of carp were given to farmers for hog feed and fertilizer. (2729) The reason for fishing carp in the winter is that there is no market after late spring. (2728) The local warden who supervised carp fishing in Big Stone Lake knew of no tests being made to learn whether carp existed in destructive numbers. (2736) In some years 100 carloads of live carp have been shipped to market. In 1939 a few carloads were shipped. (2737) In some cases carp have been taken from one lake, then mishandled by being placed in a crib in another lake not carp-infested. The crib was then tipped over and the carp-free lake became infested. (2780) Because it was difficult to remove carp from Lac qui Parle Lake, the attempt was abandoned. (2781) The department attempts to be guided by public opinion. (2781) Carp removal by the department has been handled on a political basis. (2802)

### BULLHEADS

In Minnesota we call bullheads rough fish, but in some states they are called game fish. The bullhead is a valuable food fish. The north central area of Minnesota is infested with bullheads. (2413) They are vegetarians. When the proper balance was maintained they did not interfere with other fish. (2414, 2484) Overstocking with bullheads, in the opinion of the department, injures

other fish. (2524) Bullheads, like bass, crappies and sunfish, protect their young. (2414) Pickerel and dogfish are the natural enemy of the bullhead.

The only way to account for the large proportion of bullheads in the northern lakes is the removal of an undue number of carnivorous fish. (2415) There is a ready market for bullheads. (2416, 2729)

In recent years in Itasca County and vicinity there has been much commercial fishing and a great deal of illegal fishing. Bullheads have been taken by hoop nets, and setlines with hundreds of hooks attached. Some setlines are 800 feet long with hooks one foot apart. Dealers at Squaw Lake are extensively engaged in buying. (2473) Kanenen Brothers of Squaw Lake ship fish by truck to Chicago, and fish are shipped by express from Deer River. (2474, 2650, 2480, 2612) Kanenen Brothers used a five-ton refrigerated truck for the Chicago run. They ship 25,000 to 30,000 pounds a week. They ship to Sioux City, Omaha and Minneapolis. (2647) A bullhead dresses off 50% of its weight, so that the weight of the live fish taken would be 50,000 to 60,000 pounds a week. (2649) Three or four hours after netting for bullheads became legalized in Itasca County, six or seven tons of bullheads were seized. (2795) It is estimated that 80% of the fish sold are illegally taken. Thirty nets were seized by wardens the month before the hearing. (2475, 2482) It was estimated that in the neighborhood there were 250 illegal nets and great numbers of setlines. (2475) For years the division of game and fish has been advised of these illegal practices. (2476, 2480) Fish hooks for setlines have been sold by the thousands. (2477) Fish were still taken illegally at the time of the hearing. (2479) The proceeds of the Itasca County fishing amounts to hundreds of thousands of dollars annually. (2480) In many cases bullheads have been transferred by the division of game and fish from one lake to another. (2527, 2730) The only reason for the state fishing for bullheads is to improve the water and make it suitable for the natural propagation of game fish. If there are a sufficient number of game fish in the lake so that game fish are taken, that is proof that the lake does not need that kind of fishing. (2528) The department tries to follow public sentiment in fishing. (2568, 2747, 2755, 2779)

In 1933 Tamarack Lake in Becker County was fished for bullheads under contract. Residents on the lake did not know that bullheads were so numerous as to require hoop net fishing. (2599) They caught in the nets pike, pickerel, perch, bass and northern pike. Many of the game fish thus caught were killed in the nets. The nets were lifted once a week. (2600) The fishermen inspected the nets at night without the presence of a game warden, and it was claimed that they then removed game fish, which were transported from the lake by truck. (2601) Fishing on this lake has

been poor since the netting operations. While these operations were in progress the department of game and fish was advised of the catching of game fish, but no change was effected.

The sanitary conditions under which bullheads are dressed for market are bad. Kanenen Brothers at Squaw Lake, the buyers and shippers in that territory, buy dressed fish and also dress fish themselves. The dressing is done in a cattle barn (2654), the floor of which is strewn with blood and manure. The boats in which the dressed fish are transported are contaminated by engine grease, mud and blood. (2638) Dressing stations have no running water. (2639, 2654)

During the hunting season in 1939 there were in Sugar Lake in Itasca County a great number of hoop nets. A great deal of illegal fishing was going on. (2690) In late summer of 1939, some wardens were informed that there were hoop nets in Sugar Lake. A warden who was sent to investigate could not find the lake. (2694) He is still employed. (2695)

An experienced warden testified that the lakes of Becker County are not benefited by netting in any season of the year. (2733, 2737) Some of the fish caught in Itasca County are hauled to Browns Valley and shipped from there. (2738) Wm. Reese is the largest bullhead dealer in Browns Valley. (At the time of the hearing Reese was in California fishing bullheads.)

Warden reports show that in fishing in Tamarack Lake in Becker County in April and May, 1932, the following numbers of game fish were taken. Each item is one haul of the net. (2760)

Date	Walleyed Pike	Pickerel
April 24	21	300
April 27	21	400
May 1	18	250

#### CONTRACT FISHING

In 1933 the conservation commission adopted a resolution declaring as its policy that no contract then existing for the removal of carp and other nongame fish should be extended under any circumstances. It further resolved that carp and other nongame fish should thereafter be removed by employes of the department. (2457)

The conservation department must adopt a different policy than it has maintained. The state must take over the work of lake improvement if it is to be continued and conducted in an honest way. (2744, 2745) The policy which had for its purpose the complete eradication of carp on one hand, and to maintain an

industry that would pay a profit is hard to reconcile. Commercial fishermen who make contracts to remove fish expect to find enough fish to make a profit. (2459) Commercial fishing is dollar fishing. (2462) On the other hand, the purpose of the state in removing carp is to eliminate them irrespective of profit. (2459, 2776) A commercial fisherman will not remove carp without profit. (2460) Because of the cost of equipment the state never entered the fishing business in pursuance of the resolution. (2461) The state has one unit for netting which cost between \$6,000 and \$7,000. (2758)

The conservation department has realized a profit on the sale of carp. The percentage of the sale of the fish which the state receives ranges from 70% to 20% and lower. (2466) In awarding contracts the state does not advertise for bids. (2470) When the division of game and fish receives a request for removal of rough fish from a lake, the department claims that it usually instructs a field superintendent to investigate. (2522) But this is disputed, and no investigation has been made in very many cases. (2574, 2585) Fishermen put nets in the lake as tests. When they find one that is profitable they apply for a contract. (2575) The office has its records showing lakes that have been carp-infested and knows that such lakes must be fished for carp every two or three years. (2521) In most cases the superintendent of fisheries determines whether a lake shall be fished for carp. When a lake is fished for bullheads, the procedure is the same. These fishing contracts provide for division of the proceeds between the fisherman and the state on a percentage basis. No cash consideration is provided. There have been as many as 80 carp fishermen in the state. Now there are 30 or less. (2522)

Fishing under contract is done under warden supervision. Seines are used to take carp. Hoop nets are used to take bullheads. (2526)

Political considerations appear to have played a part in the awarding of fishing contracts. One example will illustrate.

In December, 1936, Senator Oliver sent to the commissioner of conservation a protest against seining Big Stone Lake for rough fish. It was signed by 198 persons. (Exhibit 262) Upon receipt of the protest, the commissioner informed Senator Oliver that the contract had already been let. (2534)

In September, 1937, Raymond R. Metz of Browns Valley, as committeeman of the Farmer-Labor Party, wrote a letter to the commissioner (Exhibit 265) in behalf of Wm. Reese of Browns Valley, who sought a fishing contract for Big Stone Lake. In support of his candidate, the commissioner was informed that Mr. Reese was a Farmer-Laborite and that if a contract should be awarded to him, it would be approved by the other Farmer-Laborites.

In October, 1937, Carl Jacobson of Wheaton, chairman of the Traverse County Farmer-Labor Association, wrote a letter to the director of game and fish. (Exhibit 266) He recommended that Everett Randall of Browns Valley, "an active Farmer-Labor member for many years," be given the contract. It assured the director that the Farmer-Labor Association "is solidly behind Mr. Randall." (2536)

Carl Fasling, editor of the Beardsley News, wrote Exhibit 267 in support of Randall, urging political considerations as reasons for giving the contract to Randall.

In October, 1937, A. K. Evans, president of the Ortonville Rod and Gun Club, wrote a letter to the commissioner (Exhibit 268) in which he recommended Mr. Reese, but no political considerations were mentioned.

In October, 1937, C. J. Benson, an attorney at Ortonville, wrote to the director inquiring for a progress report on the contract for Everett Randall. (Exhibit 269) (2537)

In the same month, Carl J. Eastvold, chairman of the Rules Committee of the House of Representatives, wrote to the department. (Exhibit 270) The letter was written in behalf of Everett Randall, as a carp fisherman. (2539)

At about the same time, Harry E. Cass, who signed as "deputy director division of lands and minerals," reported by letter to the commissioner (Exhibit 271) that at a recent investigation he found that Everett Randall, who had in the past fished Big Stone Lake, is financed by a Republican crowd. He reported that from the party's (Farmer-Labor) standpoint, it would be more satisfactory to give the contract to Reese, and that Reese would be satisfactory to the Minnesota Labor Association at Ortonville.

Meanwhile, Lewis E. Lohmann, an attorney in St. Paul, wrote a letter to the commissioner. (Exhibit 272) This letter was written to promote the interests of Wm. Reese in securing the contract. He reminded the commissioner that in 1936 Johnny Johnston, Pat McGowan, John Foley, Doc Ederer, Dick Bailey, and a number of others promised the Big Stone contract would go to a man whom Mr. Lohmann represented. He reminded the commissioner of what happened. He told the commissioner that Randall never had taken an active part in political campaigns, but had been associated with George Bailey, who opposed the Farmer-Labor Party. He praised Reese for his support of the Farmer-Labor Party, Elmer Benson and President Roosevelt. Mr. Lohmann told that he made Elmer Benson's first radio talk, had campaigned the state for three months in the interests of Benson and his party; that he received no money therefor, paid his own expenses, and lost business because he neglected it. He told the commissioner that if his man got the contract that it would be the first financial benefit gained for his political activity. (2540)

In October, 1937, C. J. Benson, county attorney at Ortonville, wrote a letter to the commissioner (Exhibit 274) in Randall's behalf. He told the commissioner that Randall had the support of the Traverse County Farmer-Labor Association, the Big Stone County Farmer-Labor Association, the Big Stone County Workers Alliance, the newspapers of the communities and prominent individuals and civic organizations; that Randall had been a Farmer-Laborite for many years and active in the local committee. He told the commissioner that the other man seeking the contract had been convicted of violations of the game and fish laws, and was shot in the leg by a game warden. He enclosed a copy of a letter that he wrote on the same subject to Governor Benson. In his letter to Governor Benson he praised Randall as a loyal Farmer-Laborite with a large following of friends. He told the governor that he failed to understand why politicians in the Twin Cities should dictate the man to fish carp in his back yard. He asked the governor to "please take it up with the conservation department."

Ernest Gross, then representative from Traverse County, telegraphed to the governor recommending Randall.

Henry E. Cass, as deputy director, division of lands and minerals, wrote a letter to the commissioner (Exhibit 279) in which he said, "I think now as was determined in the governor's office the other day, that possibly because of the South Dakota situation (the game and fish department in South Dakota favored Randall) Randall should have a renewal of the contract, and that Scoop Lohmann should be appeased in some other way."

Alva R. Bigelow, president of Browns Valley Farm and Town Club, wrote to the commissioner in Randall's behalf. (Exhibit 281) The "Mayor" of Browns Valley urged the commissioner in a letter (Exhibit 283) to give Randall a contract. The editor of the Valley News (Browns Valley) in a letter to the commissioner (Exhibit 285) assumed to speak for the community in endorsing Randall. The president of the Town and Farm Club, Ortonville, wrote to the commissioner to the same effect. (Exhibit 287)

The president of Big Stone County Farmer-Labor Association, telegraphed Governor Benson that the association was opposed to Reese. (Exhibit 289)

Carl Jacobson, Wheaton, chairman of the Traverse County Farmer-Labor Committee, telegraphed Governor Benson that Farmer-Labor voters insist that Randall get the contract, and asked whether he would get it or "must we fight?" (Exhibit 291) Again Jacobson wrote the director urging Randall's political qualifications for the contract. (Exhibit 292)

Mr. Lohmann wrote to the commission again (Exhibit 293) offering in behalf of his client Reese, to pay the state 50% of the proceeds of the sale of the fish if given the contract.

South Dakota and Minnesota made a contract with Randall by which Randall agreed to pay to the two states jointly 35% of the proceeds of his catch. (2545)

At this time George Weaver was in charge of the administration of rough fish removal, but he did not see this correspondence. (2548) Weaver believed Reese was a qualified fisherman. (2550, 2560) SEE Exhibit 298. (2556) Before the contract was let, Mr. Weaver talked about it with Mr. Speakes. (2559) This contract was left to Mr. Speakes and Mr. Weaver. (2561) They recommended that Randall get the contract. (2562)

In Becker County the foreman of the fish hatchery was told that he would lose his job if he did not subscribe to the taking of bullheads in the hatchery area. (2575) In that area the bullheads have presented no problem as to game fish. (2576)

The state should conduct its own fishing operations. (2569)

Contract fishing in Becker and Otter Tail Counties has been a racket. No attempt has been made to remove bullheads from a single lake. In the vicinity of Perham a posse of 100 citizens burned the boat and nets of fishermen who claimed a contract with the state. (2706) The department was advised but no arrests were made. The mob burned the nets. (2707) The department has in the past operated its contract fishing business in a manner sufficient to demonstrate complete lack of policy. The apparent reason for such fishing was to obtain revenue to pay salaries.

The netters have returned to the water the small unmarketable fish for the purpose of allowing them to grow so they could be caught the following year. Game fish were killed and sunk to prevent the public knowing that they were netted.

Before contract fishing was commenced in Big Stone Lake, it was one of the best lakes for angling. (2604) For two years after seining for carp, angling for game fish is very poor. Pickerel, small mouth bass, silver bass, sunfish, pike and sand pike are native of Big Stone Lake. (2605) Then after two years the state makes new contracts for seining carp, thus ruining the fishing for game fish. (2605, 2606)

The second year the department permitted nettings, 1,600 pike were counted which the netters had buried in trenches. (2606) When Senator Cliff was informed of the fact he took steps which stopped the netting, but the next year the department was netting again. (2607) Almost all the residents oppose



netting. Sometimes the netters take 25,000 pounds of fish in one haul. (2609)

For 20 years Big Stone and Traverse Lakes have been fished under contract with the state. (2724)

#### SPEARING

On 136 lakes in December, 1938, spearing from fish houses yielded .63 per man hour less than angling. These were: pickerel, 75%, whitefish, 10%, suckers 5%, miscellaneous, 10%. Pickerel weighed five pounds, and more. The large pickerel are the best balancers. In the lakes infested with large quantities of small fish, large fish are scarce. (2444)

Winter spearing is decidedly harmful. (2446, 2450, 2746) It should be prohibited by appropriate legislation.

Legislation has been enacted permitting spearing of suckers when the pike were coming upstream. (2674)

#### NETTING

For 20 years netting by contract fishermen and commercial fishermen has been criticized. (2426) The removal of carp and the revenue to the department have been the objectives of the department in winter fishing. (2431)

When game fish are caught in nets with bullheads the game fish are thereby injured. (2443)

A fish once caught in a gill net will not live if released. (2594)

There is much netting in Cass and Beltrami Counties. Kanenen Brothers ship the fish to Chicago by their own truck. They buy fish and do fishing. (2695) Men experienced in conservation oppose netting. Netting cannot be kept under control. (2732, 2756)

If legislation must adversely affect either the interests of anglers or netters, then the anglers should be favored. (2781) The law permits taking of certain non-game fish in the fall by gill net, unless prohibited by the order of the director of game and fish. This is a bad law and should be repealed. (2755)

Gill nets should be prohibited except under supervision for rough fish removal. (2429)

#### WINTER FISHING

Winter fishing does not affect the fish, like the bass, that hibernate. (2428) The great majority of fish taken are females. In Green Lake, 90% of the catch in January is female. In the winter they are full of eggs. As many as 500 motor cars are on one lake at a time, the passengers engaged in catching fish. (2417)

On one lake in Becker County there were 400 automobiles with three to four passengers each, all fishing. Many came from 300 miles to fish, and there was not a farmer among them. (2592, 2593)

In January, 1940, on French Lake near Aitkin, in one day there were 92 cars with 500 fishermen. Everyone was getting his limit. It will take years for the fish population to recover from the effects of such fishing. (2672) It is reported that due to winter angling and fishing, three lakes near Aitkin have been destroyed so far as crappies are concerned. Fishermen have been apprehended with as many as 700 crappies in their possession. (2671)

In spring spawners, the females carry eggs from October until spawning season. They are hungry and active in search of food. The males are not hungry, and are inactive. The active fish are the ones caught.

In spearing, the large fishes are the ones taken.

Winter fishing by angling, netting or spearing is detrimental to fish life. (2418, 2674, 2733, 2737, 2784)

Wild life, as domestic, needs protection over the period preceding reproduction. Our fishing season is too long if we are to have a thought of conservation. (2418, 2674)

In taking the female, not only is reproduction destroyed, but nature's balance is upset. In nature's balance we find more females than males, but the taking of the females to the exclusion of the males reverses the setup.

If we wish to observe practices of true conservation, the winter fishing must be seriously considered by the legislature. (2420, 2642)

When pike and pickerel get into hoop nets they are snagged by the bullheads. A bullhead gives a terrible wound. (2428)

Supervision of licensed netting is very difficult. Enforcement of the 1939 bullhead netting law for Itasca County was impossible. (2430) The opinion prevailed that the law made violations easier. (2721) Our commercial fishing, contract fishing for removal of carp, and winter fishing has been an indiscreet policy. (2431)



Data assembled as a result of fishing in 217 lakes where 6,985 fishermen fished 20,874 hours, and caught 43,847 fish, an average of 2.1 fish per hour was found. (2437)

On sex count, perch and crappies ran 38% males and 62% females. (2438) On Horseshoe Lake, Le Sueur County, 393 acres, had 123 fishermen in 3 hours per day, catching crappies at the rate of 3.5 per man hour. (2438)

Sixty-seven lakes were checked on July fishing. The catch averaged 1.75 less per man than winter fishing. (2440)

A large proportion of fish taken in winter fishing are crappies, which are easy to restore in a lake. (2445)

In the fall of 1939, the acting commissioner failed to prohibit the taking of certain fish by gill nets. This resulted in the killing of many game fish, principally walleyed pike and northern pike. When so caught, game fish could not be legally kept. It was reported to the Committee that six fishermen caught 178 northern pike and 527 tullibees in three weeks, from which catch no one realized any good, and the fish were destroyed.

Only 1% of anglers are winter fishermen. (2588)

There is no surplus of game fish in any Minnesota lake. (2672)

When a lake is properly stocked with fish and they are given proper protection during the breeding season, they do not need any other protection. (2673)

#### LAKE OF THE WOODS COMMERCIAL FISHING

In Lake of the Woods, the fishing industry is being destroyed by the use of small mesh nets. (2429)

The mesh of most of the nets in use is about three and one-eighth inch stretch, and is catching immature pike too small to spawn. The net licensed to one man is too little to permit of his making a living. The result is a violation of the law. (2488, 2497)

There is much illegal fishing in Lake of the Woods. (2486)

When Game Warden Frank was assigned to Lake of the Woods he confiscated 100,000 feet of nets. Frank was taken from that territory. (2486, 2498)

Non-resident fishermen appear to have less regard for conservation than the local fishermen. One non-resident sold his boat to the state and quit. The boat was on the bank; when it was put in the water it sank. That was about 1932. (2501)

#### OPEN FISHING SEASON

The season for fishing crappies should open in the southern zone May 29th, and in the northern zone June 21st. (2422) It should close not later than January 1st (2419) or December 1st. (2741) The proper time for opening is determined by the weather because the weather determines the time of spawning. If the commissioner of conservation had the power to determine the time of opening it would be more logical from the standpoint of conservation. (2422)

There should be no fishing during the spawning and hatching operations. (2596) In the northern zone the eggs are usually hatched by June 21. (2676)

Inland fresh water pike and bass begin to form egg roe about October 15. The protection given them from that time after spawning season is real conservation. (2598)

The resort owners have objected to opening the season in the northern zone on June 21. They wanted an earlier date of opening; a longer season. (2671)

Sportsmen's organizations have lobbied and obtained an open season until February 15. (2677)

The commissioner should have the power to keep the season closed as the needs require for conservation. He should have power to keep the season closed until after the spawning season. In some years the cold weather delays spawning. (2678)

#### SIZE LIMITS ON GAME FISH

From the standpoint of conservation it is better to take a cross section of fish population. The smaller fishes are much more abundant. Removal of the larger fishes is harder on the fish population. It is better that the fishermen take what they catch. When they take only the big ones they upset the balance. (2443)

A crappie requires about four years to mature. (2447)

#### SEX RATIO

At the Detroit Lakes hatchery the pike trapped 28 years ago were in the ratio of 8 to 10 females to 1 male. The ratio is now

reversed to 10 to 12 males to 1 female. The reversal of the ratio is attributed to netting operations, late fall and winter fishing, and the too long open season for angling. (2581, 2584)

#### LAW ENFORCEMENT

In the area of some large lakes bordering on more than one county there is lack of coordination in law enforcement. (2508)

In the Mille Lacs area fish have been netted and hauled away at night by truck. The same individuals are repeated offenders. (2509)

The department employs 136 wardens.

Some complaint is made concerning the personnel of the game warden service. The complaints are not general, but they relate to individuals in the service, their lack of training or good judgment. No good purpose will be served by a discussion thereof in this report. Such complaints are rather problems for the commissioner. He will always have them. (2511, 2516)

In the Becker County area law enforcement has been quite successful. (2585)

One warden in Itasca County was approached and offered money if he would keep his eyes closed. The same warden was threatened. For days at a time his home was watched by men engaged in the bullhead business. His wife was followed until she was afraid to leave her home alone. These same men followed the wardens. This continued 18 months. (2614) A man went to the warden's home and told the warden's wife that if certain missing persons (who were fish law violators, then in concealment) were not produced, it would be too bad for the warden and his family. At the same time a truck was found on the lake shore bearing a South Dakota license, which had been issued to a man living at Sisseton, South Dakota. (2615, 2616)

In September, 1938, Warden L. G. Hedman detected night fishermen, including Toivo Kanenen, at an Itasca County lake. Kanenen was armed. Waino Kanges was with Kanenen. When Hedman arrested them, Kanges said to Hedman: "You are going too far with this thing. It's going to be too bad for you. You are not going to be working very long." Toivo Kanenen has been convicted twice of violations of fish laws. There have been 14 convictions of Kanenens and their employes. (2618, 2619, 2721)

In the Itasca County area, Warden Hedman seized 120 hoop nets, over 19,000 feet of gill nets, and about five miles of set

lines. A bag on a hoop net will contain a ton of fish. In one seizure of 32 nets 15 tons of fish were liberated. (2622) These practices have continued for many years. (2623)

A forest guard in the U. S. Forest Service at Birch Hill reported violations of the law to the wardens. A man interested in the bullhead business offered to pay King if he would fail to report to Hedman when truckloads of fish passed King's tower. (2626, Exhibit 309)

In July, 1939, Thos. O'Brien lived at Federal Dam in Cass County. George Kanenen and Everett McDaniels of Squaw Lake told O'Brien that a move was on to remove Hedman from office as supervising game warden. They requested O'Brien to inform them if he learned anything about Hedman that might tend to cause his removal. Hedman caused them too much trouble in their fishing business. (2625, 2626, Exhibit 310)

Hedman was suspended on information furnished to the acting commissioner by the warden service. (2774) The matter was handled by Mr. Starkweather and three wardens. (2778)

Hedman resigned after removal proceedings against him were commenced. He was of the opinion that investigators had framed a case against him. (2636)

One of the wardens employed by the state to furnish evidence against Hedman had threatened to get even with Hedman for causing his suspension for 14 days. (2686, 2687)

The acting commissioner was not satisfied that the charges against Hedman were justified. He had the facts investigated by a special investigator. (2786) It appears that there was just cause for Hedman's removal because of false reports which he made to the department. (2789, 2790) He also concealed state property. (2794)

It takes an experienced warden to find the outlaw nets. (2655)

The 1939 law permitting licensed bullhead netting in not more than six Itasca County lakes has simplified bootlegging. (2660) When the bill for this law was pending in the 1939 legislature, it was urged in committee that it was a great relief measure; that such a law would almost eliminate need for public relief. (2805)

One experienced warden characterized the law as the most foolish thing he had heard of. (2733, 2739) The law benefits the bootlegger. (2662) A repeal thereof will help in law enforcement. (2740) Fish are illegally taken in adjoining counties and brought into Itasca County. (2666) In Itasca County the setlines

used are so long that it requires a washtub full of bait for a line. One group of fishermen use setlines exclusively. (2691)

In Itasca County and the northern part of Cass County, where Kanenen Brothers operate, there were eight or nine wardens. (2697)

Leonard Berggren, a warden, was suspended for 30 days. He induced the Legion to intervene in his behalf and the suspension was reduced to 14 days. Then he received a letter from McKeever saying that if he did not pay his assessment to the "education fund" he would be suspended 30 days. (2716, 2717)

Efficient administration will correct many of the evils mentioned.

#### FUR BEARING ANIMALS

Trappers should not be permitted to carry firearms. Trappers shoot beaver. Traps should be prohibited within a limited distance from a beaver house. The female remains at or near the house while the male brings the food. Females are shot in the immediate proximity of beaver houses. (2667) The trapping season on beaver has been open at the wrong time. (2668)

It is well known in Itasca County that Kanenen Brothers deal in illegally taken furs. (2669)

#### RIGHT OF WAY MATTERS

In the matter of the acquisition of land for right of way purposes for trunk highways, in several instances which have come to the attention of the Committee, widths have been obtained, the justification for which does not appear. The only evidence heard was a report of an investigator, part of which is in writing, filed with the Committee. Thereafter an opportunity was afforded to Mr. S. Rex Green, engineer of lands and right of way of the highway department of the state, to file with the Committee a statement of his claims in respect to the matters covered by the report of the investigator. Such statement has been made in writing and filed with the Committee by Mr. Green.

The subject whether or not the widths taken for right of way purposes in many instances are justified by the necessity of the taking and justified by a proper exercise of power on the part of the commissioner of highways, is a subject somewhat controversial in its nature. A fair and just conclusion upon this

subject should be reached after a more intensive and thorough study of the facts than has been made. The facts already ascertained form the basis for a further investigation if the legislature shall decide that one shall be made.

To make definite recommendations for legislation upon the basis of the evidence now before the Committee on this subject, would not be justified except that such recommendations should be so general as not to be of material help to the legislature. If another committee should be appointed to further investigate this subject, the evidence now available will be available to such committee.

#### PURCHASE OF STEEL

The subject of the purchases by the state of steel before 1939 was also investigated by the Committee, and from the evidence which was received and which has been preserved in writing, it appears that purchases were made at prices greatly in excess of the reasonable value of the commodities purchased. The purchases on the part of the state were not properly supervised and the best interests of the state were not protected by the persons in the employ of the state charged with the duty of making the purchases.

Since no good purpose would be served by relating the evidence in this report, the entire matter has been called to the attention of the attorney general, and the evidence taken has been made available to the attorney general with the recommendation that he proceed as he may be advised upon a full investigation of the law and the facts, to recover such funds as the state may be entitled to have by way of reimbursement.

#### REPORT OF ATTORNEY GENERAL ON CIVIL AND CRIMINAL SUITS

"December 3, 1940.

"Hon. A. O. Sletvold, Chairman,  
Interim Joint Legislative Investigating Committee,  
St. Paul, Minnesota.  
My dear Senator:

As requested by you, I am submitting herewith a report of criminal and civil cases tried, or otherwise disposed of since January 1, 1939, or now pending.

The following criminal cases were prosecuted in the District Court of Ramsey County, and have resulted in convictions by trials or pleas of guilty:

Defendant	Crime	Department Involved	Officer or Employee
John Francoeur.....	Grand Larceny	State Emergency Relief Agency	Yes
Roy Strader.....	Grand Larceny	State Liquor Control Commission	Yes
Perry Edmon.....	Forgery	Oil Insp. Dept.	Yes
Ralph Zagaria.....	Forgery	Oil Insp. Dept.	Yes
Guy H. Fuller.....	Concealing Official Records	Oil Insp. Dept.	Yes
Marshall A. Webb.....	Concealing Official Records	Oil Insp. Dept.	No
Geo. H. Griffiths.....	Misconduct in Office	Oil Insp. Dept.	Yes
David J. Smilow.....	Misconduct in Office	Oil Insp. Dept.	Yes
Anthony J. Conroy.....	Malfeasance in Office	Dept. of State Purchasing	Yes
Loren L. Allen.....	Falsely auditing and paying claims	Highway Dept.	Yes
Nels W. Elsberg.....	Falsely auditing and paying claims	Highway Dept.	Yes
Samuel J. Reader.....	Falsely auditing and paying claims	Highway Dept.	No
S. J. Reader Co.....	Falsely auditing and paying claims	Highway Dept.	No
John T. Flanagan.....	Violation of corrupt practice act of General Election Laws	Highway Dept.	Yes
Park Const. Co.....	Violation of corrupt practice act	Highway Dept.	No
Peter B. Halvorson.....	Violation of corrupt practice act	Highway Dept.	No
Clifford D. Aaby.....	Grand Larceny	Unemployment Comp. Dept.	Yes
Earl J. Cunningham.....	Grand Larceny	Oil Insp. Dept.	Yes

"The following civil cases carried on by this office have been disposed of as follows:

1. M. G. GULLIXSON, ET AL., VS. S. J. READER COMPANY, ET AL.

In this action judgment was entered in favor of the State of Minnesota on February 2, 1940, for the sum of \$133,142.61 against all defendants after trial. On this judgment \$25,000 was collected on the bond of N. W. Elsberg; \$2,000 on the bond of L. L. Allen; and \$2,000 on the bond of J. T. Flanagan. Recoveries on the bonds were made by negotiation with the bond companies and without further litigation.

In addition, the affairs of S. J. Reader Company are being liquidated by a trustee, and when the federal income taxes, which constitute a prior lien, are adjusted, the proceeds of liquidation will be applied to the payment of the foregoing judgment. In addition to this, S. J. Reader Company has a claim against the state for \$3,016.37, payment of which has been withheld and the amount of which will be applied on the judgment.

2. J. M. O'CONNELL, ET AL., STATE OF MINNESOTA, INTERVENER, VS. OKES CONSTRUCTION COMPANY (PARTNERSHIP AND CORP.)

While the total amount claimed in the two actions here involved was \$349,443, this amount was the entire purchase price of material sold by the defendants to the State, and the State upon trial would have been entitled to recover only the difference between the reasonable benefits received by the state and this total amount. Settlement of these actions was made after a hearing before the Executive Council, and, in accordance with the order of the Council, by the payment of \$60,320 cash, and the delivery to the state, heated and loaded, of 2,660 tons of Downard rock asphalt, which had been invoiced to the state at \$29,260, the claim for this amount having been cancelled in the settlement. Since the material was sold f.o.b. stock pile, the heating and loading, which was estimated to be of the value of approximately \$1,500, was an additional consideration to the state in the settlement. This settlement has been completed by the payment of the cash and delivery of the material provided for by the settlement.

3. STATE VS. NELSON, MULLEN & NELSON

This was a suit for recovery of excessive equipment rentals, the total amount claimed in the complaint being \$43,373.20. In view of the fact that there was involved the question as to whether or not a considerable amount of this equipment was used for maintenance, in which case there is an undetermined question as to whether advertisement for bids is required; because of differences of opinion as to rental rates; because of the expense of trial, and in view of the present financial condition of the defendant, it was deemed advisable to settle this, and settlement was ordered by the Executive Council upon submission to it, for the sum of \$10,843.30. This settlement has been completed.

4. STATE VS. NELSON, MULLEN & WEBSTER

This was also an equipment rental case in which the total amount claimed in the complaint was \$15,682.79. The same questions existing in this as in the preceding case, it was deemed advisable to make settlement, and settlement was made by order of the Executive Council for the sum of \$3,920.70. This settlement has been completed.

5. STATE VS. WALTER NELSON

This was also an equipment rental case in which the total amount claimed in the complaint was \$47,577.90. The same ques-

tions existing as in the two preceding cases, it was deemed advisable to make settlement, and settlement was made by order of the Executive Council for the sum of \$13,565.24. This settlement has been completed.

#### 6. STATE VS. E. A. YOUNG

This was an equipment rental suit in which the total amount claimed in the complaint was \$18,819.23. A large amount of the equipment involved in this suit was used on the Cloquet overhead, the work on which was claimed to be an emergency. Under the circumstances and because of the factors mentioned in connection with the other equipment rental suits settled, it was deemed advisable to make settlement of this matter, and it was settled by order of the Executive Council upon the payment by the defendant of the sum of \$3,021.03.

#### 7. STATE VS. WALTER W. MAGEE

This is also an equipment rental suit in which the total claim in the complaint was \$25,393.71. Complete investigation showed that a portion of this equipment was used for routine maintenance and a large amount of it used on an emergency project at Camp Ripley. It was therefore deemed advisable to make settlement and a proposed settlement has been submitted to the Executive Council, by payment by the defendant of the sum of \$6,500.

#### 8. LEO W. CASHEN BOND

An investigation of the affairs of Maintenance District No. 1 having shown that S. J. Reader Company was paid sums for equipment rental on payrolls certified by Leo W. Cashen, district maintenance engineer, at times when the equipment was not actually in use by the state, claim was made on the company furnishing the bond for Mr. Cashen, for the total amount of his bond, \$2,000, which was paid by negotiation and without suit.

#### 9. CLAIM OF OVERPAYMENTS TO OTTO BRASKE

An investigation by this office having disclosed that Otto Braske, a contractor, was paid by the state for rental of equipment while that equipment was being used by him in carrying on a subcontract, under which he was paid a fixed price by the contractor for spreading oil, claim was made against him for the sum of \$2,679.25 for such overpayments. After negotiation and without suit, the matter was settled by the payment by Mr. Braske of \$2,000 in cash, the settlement having been approved by the Executive Council.

#### 10. OTTO VANSELOW VS. JACK ROTH (2 SUITS)

Two actions were commenced against this contractor by a taxpayer. Later the state intervened and took charge of the litigation. In one suit the amount involved was \$69,103.41, and in the other \$99,295.78. These amounts represented the entire payments to the contractor and the state would have been entitled upon suit to only the difference between the reasonable benefits to the state and the total amount so paid. In one case investigations disclosed that in view of the physical circumstances under which the contractor was required to work, the price paid was not excessive. In the other it was estimated that upon trial a recovery of approximately \$20,000 might be had. However, in view of the financial circumstances of the contractor and the risk of being unable to collect a judgment if recovered, it was deemed advisable to make settlement of this matter, and there has been submitted to the Executive Council a proposed settlement on the basis of a payment of \$2,550.65 in cash, and a release by the contractor of a claim against the state of \$2,449.35 for material which was actually furnished and labor which was actually performed, which could not be paid for without legislative action by reason of the fact that the work was ordered and completed before the funds had been encumbered under the Reorganization Act.

#### 11. O'DONNELL, ET AL., VS. CULLIGAN-WEINHAGEN COMPANY, ET AL.

This was an action to recover claimed excess payments for bituminous material. After a complete investigation by experts, it was the opinion of this office that a maximum recovery would be approximately \$75,000. In view of the fact that a trial of the case would consume several weeks and would be extremely expensive to the state, and in view of differences of opinion as to values, by agreement of the parties the matter was submitted to the Executive Council without recommendation by the Attorney General. At the direction of the Executive Council an examination of the books of the defendant company was made by the State Public Examiner for the purpose of determining the actual cost to the contractor of the material furnished by it to the state. Such report has been received and the matter is now being considered by the Council.

#### 12. WILLIAM THOMAS VS. FORT PITT MALLEABLE IRON CO., ET AL.

This was a taxpayer's suit in which the state intervened. The action grew out of the purchase of certain so-called highway markers or buttons, for which a voucher was issued by the highway department in the sum of \$13,800, prior to January 1, 1939. This was certified by the Commission of Administration and



Finance for payment, but payment enjoined by a temporary injunction. A portion of the markers were used by the highway department prior to the commencement of the suit. Settlement was made by the return of 9,000 markers to the Fort Pitt Malleable Iron Co. and the payment of \$2,500 plus freight on the markers amounting to \$159, the balance of \$11,142 having been saved to the state by reason of the suit aforesaid.

The following cases are pending and undisposed of:

1. STATE VS. P. C. ROTH

This is an action brought in the District Court of Crow Wing County for the recovery of excessive amounts claimed to have been paid on contracts and equipment rentals. The total amount claimed in the complaint is \$45,735.92. The action is on the calendar for trial but has not yet been reached.

2. STATE VS. WILLIAM H. ZIEGLER & CO.

This suit involves claimed excessive equipment rentals, the total amount claimed in the complaint being \$8,037.57. This case is pending in the District Court of Hennepin County, and will probably not be reached for trial for some time.

3. OTTO VANSELOW VS. WHITMAS & BORG

This was a taxpayer's suit in which the state intervened and took charge of the litigation. The matter is pending in the District Court of Ramsey County, Minnesota, and will be tried as soon as the physical condition of one of the defendants permits. It is estimated that the maximum possible recovery in this case would be from \$30,000 to \$35,000.

In addition to the foregoing suits this department is investigating claims against the following named persons and corporations, and actions will be commenced as soon as investigations are fully completed:

Claim against C. L. Nelson & Company, Brainerd, Minnesota, for excess equipment rentals;

Claim against S. J. Groves & Sons Company, for claimed excessive equipment rentals;

Claim against C. F. Scully Equipment Company for claimed excessive equipment rentals;

"Claims against Paper Calmenson Company and Lewis Bolt & Nut Company for claimed excessive payments for material purchased by the state highway department prior to January 1, 1939.

Some matters were submitted to the Attorney General's office by your Committee which are not hereinbefore referred to. They have all received investigation and attention on the part of the Attorney General, particularly in the case of the State of Minnesota vs. Brown & Bigelow. This case is at issue and pending.

In all cases in which settlements have been had, careful investigation has been made under the direction of this office as to the questions of law involved, the financial condition of the defendants, and the estimated cost of trial. Such matters have been presented to the Executive Council and have been taken into consideration by the Council when ordering settlements made.

In the case of suits for excessive payments on contracts, no comparison can be made between the amount claimed in the complaint and the amount of the settlement, because as explained under the various items set out above, the claim in the complaint in each case was for the entire amount paid under the contract, while under the decisions of the Supreme Court the state would only be entitled to recover the difference between that amount and the reasonable benefits received by the state.

In the case of actions for recovery of claimed excessive equipment rentals, the amount claimed in each instance has included amounts paid for maintenance work as well as construction work, but in view of the language of the statute permitting the Commissioner to do maintenance work by labor employed therefor without the necessity of advertising for bids, except where the work is to be let under contract, there is a serious question as to whether the state would be entitled to recover claimed excess payments except where the equipment was used on actual construction work.

There are also wide differences of opinion as to what constitutes reasonable equipment rentals, and in view of these situations and of the great expense involved in trying such cases, due to the fact that in each case numerous pieces of equipment were used on a large number of projects, concerning each of which it would be necessary to produce testimony, it is the opinion of this office that the settlements made were reasonable and to the advantage of the state.

Yours very truly,

(Signed) J. A. A. BURNQUIST,  
Attorney General."

TABLE OF AMOUNTS IN LITIGATION

Defendant	Amount in Complaint	Amount of Judgment	Amount of Settlement
S. J. Reader Co.....		\$133,142.61	
Collected on bonds.....			\$ 29,000.00
Applied on judgment.....			3,016.37
Okes Construction Company (two suits).....	\$349,443.00		60,320.00 cash 29,260.00 equip.
Nelson, Mullen & Nelson.....	43,373.20		10,843.30
Nelson, Mullen & Webster.....	15,682.79		3,920.70
Walter Nelson.....	47,577.90		13,565.24
E. A. Young.....	18,819.23		3,021.03
Walter W. Magee.....	25,393.71		6,500.00
Leo W. Cashen (collected on his bond).....			2,000.00
Otto Braske claim.....	2,679.25		2,000.00
Jack Roth (two suits).....	69,103.41		
	99,295.78		2,550.65
and release of claim against the state in the sum of.....			2,449.35
Culligan-Weinhagen Company (estimated maximum recovery possible \$75,000).....			27,500.00
Fort Pitt Malleable Iron Co.....	13,800.00		11,142.00 equip.
P. C. Roth.....	45,735.92		11,600.00
William H. Ziegler Co.....	8,037.57 (case pending)		
Whitmas & Borg (estimated maximum recovery possible, \$30,000 or \$35,000; matter pending in district court).....			
<b>TOTALS</b>			
Total cash settlements.....		\$178,286.64	
Total equipment settlements.....		40,402.00	
<b>GRAND TOTAL</b> .....		<b>\$218,688.64</b>	

In the settlement of civil actions conducted by the attorney general, growing out of highway contracts, the facts were submitted to the Executive Council, and each settlement made was made by the direction and with the approval of the Executive Council.

In these settlements the Committee had no part. In the prosecution of the cases the Committee had no part except to discover facts and report them to the attorney general. Between the attorney general and the Committee there was close co-operation.

Much of the evidence before the Committee discloses that many claims are presented to the state auditor which should be passed upon by a trained engineer. The present state auditor has kept a watchful eye over these claims, and has done a splendid job in that connection.

We suggest that a trained engineer be employed by the state auditor, and believe that the state will be more than repaid by such an arrangement.

CONCLUSION

The great need in our form and system of government is the election of qualified men and women to public positions, who appreciate that a public office is a public trust.

The consideration of all of the evidence upon which this report is based results in the inescapable and logical conclusion that for several years before 1939, the spoils system was at its peak of efficiency. Politics, rather than the best interests of the state, were the first consideration in the disposition of state business. Extravagance was the order of the day. Economy was disregarded and forgotten. Efficiency was not considered. The state's losses during that period amount to millions of dollars.

The old maxim that a public office is a public trust was discarded in favor of another: "To the victor belong the spoils!"

The Committee hopes that serious consideration be given to such remedial legislation as is contained in the text of the foregoing report.

Respectfully submitted,

CARL E. ERICKSON,  
Vice-Chairman  
A. M. BURNAP,  
ROBERT F. LEE,  
LAWRENCE L. LENERTZ,  
(W. F. MERRILL)

A. O. SLETVOLD,  
Chairman  
JAMES A. CARLEY,  
WENDELL L. LEDIN,  
ALEXANDER SEIFERT,  
THOS. P. WELCH.

REPORT OF EXPENDITURES FROM \$50,000 APPROPRIATION	
Investigation of State Departments, Chapter 10, Laws 1939, 2/8/39.....	\$50,000.00
Appropriation from Legislative Emergency Committee, 9/19/39.....	2,500.00
<b>TOTAL AVAILABLE</b> .....	<b>\$52,500.00</b>
<b>TOTAL EXPENDITURES as of 12/20/40</b> .....	<b>52,036.82</b>
<b>BALANCE ON HAND as of 12/20/40</b> .....	<b>\$ 463.18</b>
Estimated expense for remaining eleven days to 1/1/41.....	20.00
<b>BALANCE ON HAND as of 1/1/41</b> .....	<b>\$ 443.18</b>

SENATE AND HOUSE MEMBERS' EXPENSES	
A. M. Burnap.....	\$ 317.90
James A. Carley.....	247.05
Carl E. Erickson.....	205.10
Wendell Ledin.....	179.20
Robert F. Lee.....	208.20
W. F. Merrill.....	220.80
Alexander Seifert.....	193.65
A. O. Sletvold.....	275.13
Thos. P. Welch.....	113.00
Lawrence L. Lenertz.....	none
<b>TOTAL MEMBERS' EXPENSE</b> .....	<b>\$ 1,960.03</b>

INVESTIGATORS' SALARIES

Oscar N. Anderson.....	\$ 310.00
Leon Archibald.....	1,800.00
William G. Bunde.....	140.00
James O. Caulfield.....	25.00
Ray P. Chase.....	1,540.00
Willard Hecht.....	636.95
L. G. Hedman.....	12.45
John J. Hill.....	21.00
Luke J. Keating.....	2,075.97
Arthur W. Lindblom.....	200.00
Paul Neveu.....	42.00
J. J. Rachac.....	191.19
Lawrence H. Roy.....	30.00
Wilfred W. Wentworth.....	14.20
Mrs. Jean W. Wittich.....	50.00
<b>TOTAL INVESTIGATORS' SALARIES.....</b>	<b>\$ 7,088.76</b>

INVESTIGATORS' EXPENSE

Leon Archibald.....	\$ 968.75
William G. Bunde.....	13.59
Willard Hecht.....	63.83
Luke J. Keating.....	232.26
Paul Neveu.....	9.50
J. J. Rachac.....	6.50
Mrs. Jean Wittich.....	11.40
<b>TOTAL INVESTIGATORS' EXPENSE.....</b>	<b>\$ 1,305.83</b>

OFFICE SALARIES

Charles E. Houston.....	\$ 1,041.67
Isabelle McCarthy.....	2,580.80
Lois Anderson.....	8.50
<b>TOTAL OFFICE SALARIES.....</b>	<b>\$ 3,630.97</b>

OFFICE AND OTHER EXPENSE

Stationery and printing.....	\$ 118.53
Postage.....	16.35
Telephone and telegraph.....	98.15
Water and cooler.....	11.60
Express.....	4.48
Typewriter rentals, filing cabinet and cardex.....	142.40
Clipping service.....	30.30
Photostats.....	27.05
Hotel rents.....	379.10
Witness fees.....	313.30
Miscellaneous service fees*.....	3,276.75
Sheriff's fees.....	9.74
Miscellaneous expense.....	190.15
<b>TOTAL OFFICE AND OTHER EXPENSE.....</b>	<b>\$ 4,617.90</b>

TABULATION OF INVESTIGATING COMMITTEE'S EXPENSES ONLY

SENATE AND HOUSE MEMBERS' EXPENSES.....	\$ 1,960.03
INVESTIGATORS' SALARIES.....	7,088.76
INVESTIGATORS' EXPENSE.....	1,305.83
OFFICE SALARIES.....	3,630.97
OFFICE AND OTHER EXPENSE.....	4,617.90
<b>TOTAL EXPENDED BY INVESTIGATING COMMITTEE OUT OF \$50,000 APPROPRIATION.....</b>	<b>\$18,603.49</b>

\*DETAILED TABULATION OF MISCELLANEOUS SERVICE FEES

Marie M. Booth, 3/28/39.....	\$ 241.75
Marie M. Booth, 4/22/39.....	346.50
Marie M. Booth, 6/20/39.....	363.50
Marie M. Booth, 6/30/39.....	367.50
Marie M. Booth, 7/6/39.....	157.50
<b>TOTAL MISCELLANEOUS SERVICE FEES.....</b>	<b>\$ 1,476.75</b>
TREASURER OF RAMSEY COUNTY, 10/26/39.....	1,800.00
<b>TOTAL MISCELLANEOUS SERVICE FEES.....</b>	<b>\$ 3,276.75</b>

PUBLIC EXAMINERS' SALARIES

G. G. Anderson.....	\$ 225.00
R. O. Anderson.....	450.00
Earle F. Baker.....	225.00
G. G. Bradison.....	450.00
C. C. Dawson.....	330.00
W. W. Fearon.....	50.80
Donald F. Gardner.....	250.00
J. C. Hambrick.....	175.00
George J. Haub.....	140.00
C. L. Indahl.....	350.00
J. P. Jaroscak.....	330.00
Hettie Kirkham.....	150.00
Bernard O. Kischel.....	562.50
G. H. Lehrer.....	370.00
C. W. Lindholm.....	105.00
G. K. McLeod.....	350.00
John L. Meader.....	500.00
O. M. Medchill.....	200.00
Boyd M. Nelson.....	300.00
C. F. Petersen.....	160.00
Paul G. Preiner.....	280.00
A. W. Schaber.....	150.00
Paul A. Seeman.....	165.00
A. B. Smith.....	330.00
L. L. Stube.....	150.00
Floyd Tonnsson.....	450.00
R. B. Vecellio.....	300.00
A. H. Verket.....	562.50
F. E. Wales.....	500.00
Harold Warmington.....	400.00
<b>TOTAL EXAMINERS' SALARIES.....</b>	<b>\$ 8,960.80</b>
<b>TOTAL EXAMINERS' EXPENSE.....</b>	<b>39.02</b>
<b>OIL INSPECTION EXPENSES, HINES &amp; WILKERSON, C.P.A....</b>	<b>\$ 1,000.00</b>

ATTORNEY GENERAL SALARIES

H. C. Boyd.....	\$ 40.00
Paul N. Coates.....	2,040.00
Harold Forcica.....	842.00
Wm. C. Green.....	2,913.75
Mary M. Hobbins.....	38.62
Charles E. Houston.....	4,255.96
Katherine Keeler.....	115.00
D. V. Kemp.....	70.00
Percy E. Lewis.....	40.00
Einar Nielsen.....	150.00
John E. Quist.....	30.00
G. P. Smith.....	4,378.75
TOTAL ATTORNEY GENERAL SALARIES.....	\$14,914.08

ATTORNEY GENERAL TRAVEL EXPENSES

H. C. Boyd.....	\$ 12.30
Paul N. Coates.....	233.82
Harold Forcica.....	240.35
Wm. C. Green.....	13.75
D. V. Kemp.....	34.29
Percy E. Lewis.....	10.70
S. L. Mentzer.....	20.50
Einar Nielsen.....	38.35
John E. Quist.....	41.85
G. P. Smith.....	758.80
TOTAL ATTORNEY GENERAL TRAVEL EXPENSE.....	\$ 1,454.71
OTHER ATTORNEY GENERAL EXPENSE.....	\$ 7,064.72

TABULATION OF TOTALS

OTHER ATTORNEY GENERAL EXPENSE.....	\$ 7,064.72
TOTAL ATTORNEY GENERAL TRAVEL EXPENSE.....	1,454.71
TOTAL ATTORNEY GENERAL SALARIES.....	14,914.08
OIL INSPECTION EXPENSES.....	1,000.00
TOTAL EXAMINERS' EXPENSE.....	39.02
TOTAL EXAMINERS' SALARIES.....	8,960.80
TOTAL INVESTIGATING COMMITTEE EXPENSES.....	18,603.49
	\$52,036.82

INDEX

Subject	Page
ATTORNEY GENERAL'S REPORT.....	59
CAMPAIGN ACTIVITIES:	
Political campaign funds solicited by state employes.....	3
Solicitation of campaign funds generally.....	4
Atwood's use of state employe for political purposes.....	26
Goodwill Association in R. R. & Whse. Com.....	20
CONCLUSION .....	67
CONTRACTS BETWEEN STATE AND ITS OFFICERS AND EMPLOYEES .....	18
EXPENSE ACCOUNTS OF STATE EMPLOYEES.....	29
FISH AND GAME MATTERS:	
Bass .....	44
Bullheads .....	45
Carp .....	44
Contract Fishing .....	47
Destruction of Fish.....	42
Fish Conservation .....	41
Food for Fish.....	41
Furbearing Animals .....	58
Lake of the Woods Commercial Fishing.....	54
Law Enforcement .....	56
Netting .....	52
Open Fishing Season.....	55
Pollution of Waters.....	42
Superintendent of Fisheries.....	43
Stocking Lakes with Fry.....	44
Sturgeon .....	52
Spearing .....	55
Size Limits on Game Fish.....	55
Sex Ratio .....	53
Winter Fishing .....	44
Yellow Perch .....	44
GASOLINE COUPON BOOKS AND CREDIT CARDS FURNISHED TO STATE EMPLOYEES.....	19

INDEX—Continued

Subject	Page
<b>HIGHWAY MATTERS:</b>	
Emergency Contracts let to Whitmas & Borg.....	6
Okes Construction Co. sale of blacktop to state.....	5
Reader's Winter Job.....	7
Reader's Effie Job.....	8
Right of Way Matters.....	58
Steel Purchases .....	59
<b>HOLLENBECK INVESTIGATIONS .....</b>	<b>28</b>
<b>LAC QUI PARLE TREE PLANTING PROJECT.....</b>	<b>9</b>
LUECKE, ALFRED W.....	27
MILNE, R. G.....	35
MINNESOTA SOLDIERS HOME.....	14
PRELIMINARY STATEMENT .....	1
<b>RAILROAD AND WAREHOUSE COMMISSION:</b>	
Atwood's use of State Employe for Campaigning.....	26
Bus and Truck Fund.....	37
Bus and Truck Indemnity Insurance Expirations.....	36
Grain Inspection Division Practices.....	38
Good Will Assn. and Fund.....	20
Petersen vs. Lloyd Haney, Labor Conciliator.....	27
Purchases .....	21
Relief as Administered by the Commission.....	24
<b>RECREATIONAL ASSETS .....</b>	<b>41</b>
<b>REPORT OF EXPENDITURES.....</b>	<b>67</b>
<b>SCHOOL FOR FEEBLEMINDED AT FARIBAULT.....</b>	<b>14</b>
<b>SCHOOLS, DELAY IN PAYMENT OF STATE AID TO.....</b>	<b>36</b>
<b>STATE PRINTING:</b>	
Pictorial Maps .....	10
Miscellaneous .....	11
Francis R. McGowan.....	11
Contracts awarded to Appleton Press.....	12
<b>STATE OWNED AUTOMOBILES.....</b>	<b>19</b>
<b>TRAVELING EXPENSES OF STATE OFFICERS (and employes).....</b>	<b>22</b>



8915