

FBI Probes Relief Fraud Agents

State Joins Hunt on 'Racket'

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(Another article in a series.)

The federal bureau of investigation and the Illinois attorney general's office have investigated the activities of state relief fraud agents in recent months.

This was learned by Tribune investigators looking into complaints the frauds unit is riddled with inefficiency, and a strange reluctance to prosecute many cases which its own agents believe clearly show fraud.

Thomas V. McNicholas, supervisor of the frauds unit, suspended John Theodore, an investigator charged with the attempted extortion of a woman not even on the relief rolls, a month after the case was brought to his attention by the attorney general's office.

Explain Suspension

He took this action only after Tribune reporters had inquired about the case. He admitted he did not have one more "shred" of evidence against the investigator when he suspended him than when the accusations had been made.

The attorney general's office first received the complaint on Theodore. Agents there brought the complainant in and the woman identified Theodore as the man who had attempted to shake her down, representing himself as a city policeman.

According to an attorney general's office report of the case, Theodore was accused of claiming he had a letter from Illinois Atty. Gen. Latham Castle to the county welfare department containing derogatory information about the woman and linking her to a father who had deserted his family. The letter was found to be bogus.

The complainant alleged Theodore threatened to tell her employer if she did not give him \$50.

Delay Action on Case

The information was turned over to McNicholas by Peter J. McGuire, the attorney general's chief investigator. He asked to be notified of disposition of the case.

For a month McNicholas took no action. He first sought to explain the month's delay by saying he had been "reviewing" other cases handled by Theodore.

Then, McNicholas and his superior, Peter W. Cahill, head of the Illinois public aid commission's Chicago office, admitted they did not think it worthwhile taking such cases before the state civil service commission.

"All they get is a vacation and then we're ordered to

give them back pay," Cahill said. "A suspension amounts to a paid vacation."

Recall Similar Cases

He asserted they had taken similar cases to the trial board and that the civil service board "acts to protect the employe."

"I've had these cases before," McNicholas said. "You don't get anywhere with them."

The FBI investigation of a state relief frauds employe in January of last year was disclosed to THE TRIBUNE by Sam Bernstein, unemployment compensation commissioner of the state labor department.

The case involved the looting of employment and wage information on persons not on the relief rolls from the 4 million wage record cards of the state labor department. The stolen information, sold at 50 cents a name to the operator of a collection agency, was obtained by a frauds unit employe.

Allowed to See Records

The employe, thru a courtesy arrangement with the unemployment compensation division, was allowed to examine the wage records to determine whether persons suspected of relief frauds were employed and earning outside income.

The first word the frauds unit had of the racket was when aids were informed by Bernstein and officials of the federal social security administration which had received

complaints about the collection agency's assertion that the federal files were open to it. Later, it was proven the files involved were those of the state, not the federal government. Before this became known, the FBI conducted its investigation.

During the FBI probe, the frauds unit employe died. Since this incident, strict controls have been instituted to prevent the racket continuing. The frauds unit employe seeking such information must now produce a letter bearing the relief recipients' names signed by an IPAC official.

The extent of this racket and how long it went on will probably never be known. But, one investigator who took over the function after the FBI probe, told THE TRIBUNE he had turned down requests by several collection agencies for such information.

McNicholas said he was not aware of the practice before the case was reported to the state labor department. He said he had made no investigation to learn whether other employes of his unit were involved in the racket.