

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

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: The Select Committee to Investigate :
: Bureau of Aviation Pursuant to :
: House Resolution 259 :
: :
: :
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Pages 1 through 91

Main Capitol Building
Room 104
Harrisburg, Pennsylvania

Wednesday, October 31, 1984

Met, pursuant to notice at 1:15 p.m.

BEFORE:

REPRESENTATIVE RON GAMBLE, Acting Chairman
REPRESENTATIVE RUDOLPH DININNI, Republican Chairman
REPRESENTATIVE TED STUBAN
REPRESENTATIVE BARRY L. ALDERETTE
REPRESENTATIVE BENJAMIN H. WILSON
REPRESENTATIVE CHARLES F. NAHILL, JR.
REPRESENTATIVE ROBERT C. DONATUCCI

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ALSO PRESENT:

KAREN S. FLEISHER
Legislative Assistant to Representative Wilson

WILLIAM F. LYONS III
Legislative Assistant to Representative Wilson

SCOTT CASPER
Executive Director of House Transportation Committee

PAUL LANDIS
Executive Director of Republican Transportation
Committee

C O N T E N T S

	<u>WITNESSES</u>	<u>PAGE</u>
1		
2		
3	Richard Dario	9
4	John Clark	21
5	William Fleming	21
6	Thomas Larson	34
7	Don Bryan	46
8	Bruce Doman	62
9	Grover McLaughlin	82
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

P R O C E E D I N G S

1
2 CHAIRMAN GAMBLE: We will open the hearing a few
3 minutes late. I came in to eat a hot dog and milk shake and
4 here I sit. Chairman Hutchinson could not make it today. I
5 have the dubious distinction of trying to run an orderly
6 hearing on the Resolution No. 259. We have an agenda before
7 us and a Mr. Richard Dario, Executive Director of the
8 Legislative Budget and Finance is scheduled as the first
9 speaker on the agenda.

10 REPRESENTATIVE DININNI: Mr. Chairman, before you
11 proceed with the hearing, could I hear from the Chair your
12 agenda for this afternoon?

13 CHAIRMAN GAMBLE: You do not have a copy?

14 REPRESENTATIVE DININNI: Yes, but I have a motion to
15 make as soon as I hear from you.

16 CHAIRMAN GAMBLE: Do you want the agenda read off?

17 MR. DARIO: Yes, for the record.

18 CHAIRMAN GAMBLE: Mr. Richard Dario is first on the
19 agenda; John Clark, Director and Mr. William Fleming, Bureau
20 of Investigations, Office of Auditor General is second; Mr.
21 Gary Sayers, Aviation Specialist, PennDOT, Bureau of Aviation
22 is third; Bruce Doman, Esquire, Inspector General, PennDOT;
23 fourth, Mr. Grover McLaughlin, Comptroller; PennDOT is fifth;
24 and Mr. Glenn A. Raup, Manager, Flight Operations, Capital
25 City Airport, is the last speaker scheduled today.

1 **REPRESENTATIVE DININNI:** Mr. Chairman, I feel very
2 strong that before we hear from any of the PennDOT employees
3 or Bureau of Aviation, I think immediately after John Clark, I
4 think we should ask the Secretary of Transportation, because
5 he is the Secretary in Charge of Aviation as well as others
6 most transportation.

7 I took the liberty earlier to ask the Secretary if he
8 would be willing to do that today and he said he would
9 certainly be delighted to do it.

10 At this point I would like to make a motion that we
11 ask the Secretary to make some comments between John Clark and
12 Gary Sayers. I so move.

13 **REPRESENTATIVE WILSON:** Discussion?

14 **CHAIRMAN GAMBLE:** Go ahead, Ben.

15 **REPRESENTATIVE WILSON:** The point of having the
16 Secretary make comments as the motion goes by Representative
17 Dininni, to make comments at the point in time after the
18 Auditor General's Office, I would ask if the sponsor would
19 explain why the head of the PennDOT would be put in that
20 position, when in fact, he's scheduled about 12:15 tomorrow.

21 **REPRESENTATIVE DININNI:** Is that a motion directed to
22 me?

23 **REPRESENTATIVE WILSON:** Yes.

24 **REPRESENTATIVE DININNI:** I think you ought to direct
25 that to the Secretary. Maybe he would be willing to come back

1 tomorrow if necessary.

2 REPRESENTATIVE WILSON: The Secretary, Mr. Dininni,
3 at the behest of Chairman Davidson wrote the Secretary last
4 week, as I did to all these principals that were scheduled
5 here to attend and address this Resolution. Secretary got a
6 letter, which I can give you, and the committee, the benefit
7 of the chronology of events. I had total cooperation, I
8 think, all the staff did, Mr. Hutchinson's staff and mine,
9 from Deputy Secretary Bryan and others.

10 In fact, last week, Secretary Bryan said whoever we
11 wanted to appear would appear whenever we wanted them to
12 appear. At quarter to five last night, I got a letter from
13 Secretary Bryan, delivered by messenger, saying the Secretary
14 would be out of town today, tomorrow, and that he, Don Bryan
15 would answer all questions of policy for the Secretary at this
16 hearing.

17 I have no problem with the Secretary making a
18 statement. He's at liberty to make a statement anytime he
19 wants. However, I question whether he would be able to answer
20 the allegations, the charges, the different comments that
21 might be made after he leaves this hearing today and has made
22 his statement, which I don't think the committee would benefit
23 of his statement today as much as they would of his answers to
24 the charges and allegations that have developed in this
25 research and search on the Bureau of Aviation Department of

1 Transportation.

2 CHAIRMAN GAMBLE: Is that --

3 REPRESENTATIVE WILSON: I direct it at Mr. Dininni
4 who sponsored the motion that the Secretary testify or comment
5 or make a statement in the third position today, rather than
6 tomorrow as I understand the motion, is that correct?

7 REPRESENTATIVE DININNI: I didn't even mention
8 tomorrow. I told you to ask the Secretary if he would be
9 available tomorrow.

10 REPRESENTATIVE WILSON: Do you care to answer, Mr.
11 Secretary?

12 SECRETARY LARSON: Yes. I would be very pleased to
13 make a statement today at the time suggested and I would be
14 pleased to come back and answer questions.

15 REPRESENTATIVE WILSON: You will be here tomorrow at
16 12:00, or 11:30, or whatever?

17 SECRETARY LARSON: At the time it would be most
18 appropriate for me to answer all of the questions, I will be
19 pleased to be here.

20 REPRESENTATIVE WILSON: I have no problem with the
21 motion if the Secretary wants to make a statement today.

22 REPRESENTATIVE ALDERETTE: One question, Mr. Chairman.
23 Mr. Secretary, anything that you might testify or
24 state today would, I'm assuming, would have no bearing on
25 precluding any other employees from PennDOT that might want to

1 come in and make a statement, is that right?

2 **SECRETARY LARSON:** The position we have taken there,
3 and I think this is an appropriate position, is that, the
4 Resolution speaks to department policy. I am, in fact, the
5 person responsible for department policy. To the extent that
6 it's a policy direct issue, I feel I'm the appropriate person
7 from the department; and, if I am not, then I think Don Bryan
8 is.

9 In matters of fiscal, I don't have the Comptroller in
10 my position. My understanding is that the Comptroller, who
11 supervises the fiscal affairs of the department, will, in
12 fact, testify on that side.

13 I think on any issue that will come up, we will speak
14 and answer all questions, obviously.

15 **REPRESENTATIVE ALDERETTE:** Am I to assume then, that
16 after your statements, there won't be a need or you wouldn't
17 permit any other person to make a statement because you would
18 be speaking as official policy?

19 **SECRETARY LARSON:** If department employees choose to
20 come on their own time to testify, I obviously would not
21 oppose that. I have no basis for doing so. As to using
22 Commonwealth time to talk to department policy, I think that
23 is, in fact, my prerogative. That's what I am paid to do, and
24 I think that I'm the proper person to speak to policy.

25 **CHAIRMAN GAMBLE:** Any other discussion?

1 MR. NAHILL: I officially second it.

2 CHAIRMAN GAMBLE: There's a second to the motion.
3 All in favor of the motion, give the voting sign by saying
4 aye.

5 COMMITTEE MEMBERS: Aye.

6 REPRESENTATIVE STUBAN: Before we vote, can I ask a
7 question. Would it really be necessary for the Secretary to
8 testify tomorrow? If he's going to testify now and there's
9 testimony tomorrow, couldn't he be called back at a later date
10 if that's necessary?

11 CHAIRMAN GAMBLE: Is there any discussion on the
12 suggestion by Representative Stuban?

13 REPRESENTATIVE WILSON: I would. Representative
14 Stuban, I think it would be beneficial to this committee to
15 have the Secretary in that order. As he himself as stated, he
16 is the person responsible for all that happens at PennDOT,
17 everything.

18 If there's anything that is said or comes to light in
19 this testimony today or tomorrow morning, I think it would be
20 very appropriate and fair to him to have the opportunity to
21 answer it at that instant time, rather than have it ferment,
22 perhaps, in the newspapers for a week or two after we get back
23 from election. I think it would be more wise and beneficial
24 to the department to have it cleared up, satisfied answered or
25 whatever that has to be done at that point.

1 **REPRESENTATIVE STUBAN:** The only thing here, I think
2 we are going to tie up a Secretary, a high priced man of the
3 department here this afternoon. We will have him tomorrow. I
4 think there's possibly, anything that does turn up, we can get
5 him back at a later date to answer that.

6 **CHAIRMAN GAMBLE:** I believe the Chairman said he
7 would be assessible tomorrow. Without further ado and without
8 hashing this any further, let's get on with the agenda.
9 Mr. Secretary, you will speak after John Clark.

10 The first speaker of the day is Richard Dario,
11 Executive Director of Legislative Budget and Finance
12 Committee.

13 **MR. DARIO:** Good afternoon, Mr. Chairman, Committee
14 members and staff. I'm pleased to have the opportunity to
15 appear before you and express my appreciation for the
16 invitation that I received to participate in this public
17 hearing. I am accompanied today by three other members of the
18 staff of the Legislative Budget and Finance Committee. On my
19 right is John Rowe, who is the Chief Analyst on our staff;
20 also here today are Robert Peck and James Zawacki of our
21 staff. They are behind me on the left. I have asked these
22 individuals to accompany me today so that they will be
23 available to participate in the answering of questions that
24 may be raised by members of the Transportation Committee
25 following my prepared presentation.

1 Before I begin the substantive portion of my remarks,
2 I should point out that the performance audit findings and
3 recommendations that I will be discussing today are the result
4 of staff studies and investigations. They do not necessarily
5 reflect the opinions of the Senators or Representatives that
6 serve on the Legislative Budget and Finance Committee, and it
7 should not be assumed that the Legislators that serve on our
8 Committee necessarily support each of the statements that I
9 will be making.

10 I would like to begin by briefly providing background
11 information concerning the performance audit of the Department
12 of Transportation that resulted in the findings and
13 recommendations related to the aviation programs and
14 activities of the Department. Act 35 of 1981, which created
15 the Pennsylvania Oil Franchise Tax, contained a provision
16 requiring the Legislative Budget and Finance Committee to
17 conduct comprehensive performance audits of the Department of
18 Transportation at six-year intervals, with the first such
19 performance audit being conducted during the 1983-84
20 fiscal year.

21 This mandate was met through a large scale effort
22 that began in August of 1983, and ended in June of 1984. The
23 project was carried out by members of the Legislative Budget
24 and Finance Committee staff and by several private management
25 consulting firms working under contract to the Committee.

1 The performance audit included an examination of
2 virtually every program and aspect of the operation of the
3 Department of Transportation. It resulted in ten separate
4 public reports, one of which was released in February, 1984,
5 and the remainder of which were released in June, 1984.

6 The performance audit findings and recommendations
7 that I will be discussing today represent portions of two of
8 the reports. They represent a relatively small, although,
9 nonetheless, an important part of the total array of audit
10 findings and recommendations.

11 Certain of the findings and recommendations that I
12 will be describing were developed solely on the basis of work
13 by the staff of the Legislative Budget and Finance Committee,
14 while others of the findings and recommendations that I will
15 describe were developed as a result of work performed by the
16 firm of Price Waterhouse and Company, working in conjunction
17 with the staff of our Committee.

18 Our performance audit work related to the aviation
19 programs of the Department of Transportation dealt primarily
20 with two areas. One of these areas involves the
21 administration and management of the state-owned Harrisburg
22 International Airport. The other area is the administration
23 and operation of state-owned aircraft.

24 Management consultants and auditors from the firm of
25 Price Waterhouse conducted our examination of the management

1 of Harrisburg International Airport. This examination was
2 conducted as part of Price Waterhouse's study of the
3 organizational structure of the Department of Transportation.

4 Price Waterhouse had noticed, early in its work, the
5 failure of the Department of Transportation to have a
6 separately designated, high-ranking management official solely
7 in charge of aviation programs.

8 Price Waterhouse noticed that the Department of
9 Transportation had not appointed a Deputy Secretary for
10 Aviation, even though a law had recently been approved by the
11 General Assembly creating such a position.

12 Price Waterhouse also noticed that the important
13 position of Director of Aviation had been vacant for an
14 extended period of time. The firm was interested in
15 determining whether or not this lack of a high level
16 management specialist for aviation was having a negative
17 impact on management of aviation programs.

18 Price Waterhouse noted a number of what it believed
19 to be significant management problems at Harrisburg
20 International Airport. The firm noticed, for example, the
21 existence of a large accounts receivable balance,
22 approximating \$1.2 million in late 1983.

23 The firm also found that many of the companies that
24 leased property and facilities from the Commonwealth at
25 Harrisburg International Airport were making their monthly

1 rental payments on a late basis. They found, for example,
2 that two-thirds of the payments made by lessees in the last
3 quarter of 1983 were late.

4 Price Waterhouse also found that a substantial
5 percentage of commission payments due the Commonwealth from
6 businesses that operate at Harrisburg International Airport
7 were made on a late basis. Price Waterhouse examined the
8 lease agreements that existed with some of the firms located
9 at the Airport and found that the leases did not include
10 provisions for late payment penalties.

11 Price Waterhouse found that the recordkeeping of
12 financial affairs at Harrisburg International Airport was being
13 accomplished manually and that there was no automated means
14 for aging of accounts receivable. The firm noted that this
15 lack of an automated system made the collection of rental
16 payments on time more difficult. Price Waterhouse noted that
17 the Department of Transportation had attempted to develop an
18 automated financial management system for Harrisburg
19 International Airport, but had failed to successfully do so at
20 the time of the audit.

21 Price Waterhouse also noted that the Department had
22 retained a private company to oversee industrial park
23 operations at the Airport, but that this company had failed to
24 attract new tenants for the industrial park and had held
25 payments received from existing tenants for two months before

1 forwarding them to the Department of Transportation. This
2 firm was dismissed by the Department of Transportation in late
3 1983.

4 The staff of Price Waterhouse also examined a number
5 of internal audit reports that had been prepared by Department
6 of Transportation staff and pertained to lease agreements at
7 the state-owned Capital City Airport. Price Waterhouse found
8 that these internal audits pointed out late payment problems
9 which were similar to those that had been discovered by Price
10 Waterhouse at Harrisburg International Airport.

11 Price Waterhouse felt that, at least to some degree,
12 the problems that existed in management of the aviation
13 programs were a result of inadequate management attention.
14 The firm recommended that the Department of Transportation
15 should appoint a person to the position of Deputy Secretary
16 for Aviation.

17 Price Waterhouse noted that this would provide a
18 high-level management position that would be able to give
19 full-time attention to the aviation function. They believed
20 that this would speed correction of the financial management
21 deficiencies which they had noted. They suggested also that
22 this position was appropriate to oversee the construction of a
23 new terminal at Harrisburg International Airport and would be
24 able to give attention to other aviation issues; such as the
25 attraction of air carrier and freight traffic to the

1 Commonwealth, aviation industry and airport development, and
2 improvements in the management of the Commonwealth's state-
3 owned aircraft activities.

4 Price Waterhouse noted that the Department had future
5 plans for turning Harrisburg International Airport over to
6 local government authorities. They said that, if this is
7 successfully accomplished, it would be appropriate at that
8 time to reexamine the need for a separate deputy secretary for
9 the aviation function.

10 Price Waterhouse also made specific recommendations
11 for improvements in the financial management operations at
12 Harrisburg International Airport. They suggested the
13 development of an automated financial management system and
14 the imposition of late payment penalties into rental and
15 commission agreements and escalation clauses into commission
16 payment agreements.

17 They also suggested the discontinuance of certain of
18 the current invoicing procedures used at the Airport and
19 exploration of the possibility of using fixed base operators
20 to collect certain landing fees rather than having Airport
21 staff directly contact pilots for this purpose.

22 The Legislative Budget and Finance Committee staff's
23 work related to aviation programs was confined solely to an
24 examination of the utilization of state aircraft and aviation
25 personnel by the Department of Transportation. It had been

1 suggested to us during our preliminary survey work on the
2 Department of Transportation performance audit that state
3 aircraft and aviation personnel were not being fully utilized.

4 Our auditors discussed aircraft operations with the
5 staff of the Bureau of Aviation and with the Deputy Secretary
6 for Local and Area Transportation on several occasions during
7 the period between February and April, 1984.

8 Our staff also examined various reports and records of
9 the Bureau of Aviation. We found that the Department of
10 Transportation had a total of six aircraft available for its
11 use, including five that were state-owned and one that was
12 leased from a private firm. Three of these aircraft were
13 twin-engine passenger aircraft, and the other three were
14 single-engine aircraft. It is my understanding that since the
15 time of our audit work, the Department of Transportation has
16 disposed of one of the three twin-engine passenger aircraft.

17 Our investigation revealed what would appear to be
18 relatively little use of particularly the three single-engine
19 aircraft of the Department of Transportation. We examined
20 flight records for these aircraft for a 20-month period and
21 found that they were used on the average for only about 3.4
22 hours per month per aircraft.

23 We also believe that the records indicate that full
24 utilization may not have been made of the passenger aircraft.
25 For example, one of the twin-engine passenger aircraft was

1 apparently available to the Department of Transportation for a
2 total of 547 days during the period September, 1982, through
3 February, 1984. According to the records of the Bureau of
4 Aviation, this airplane was out of service for maintenance
5 purposes during 147 of those 547 days, leaving a net total of
6 400 days. The plane was apparently used, however, on only a
7 total of 130 days during this period.

8 In examining the management systems utilized in the
9 Bureau of Aviation, we found that the Bureau had not defined a
10 maximum flight hours capacity for its state aircraft or its
11 aviation personnel. We recommend that the Department should
12 formally develop such information for management purposes. We
13 also recommended that the Department systematically compare
14 information on aircraft usage with the standards for expected
15 aircraft usage so that they will know to what extent their
16 aircraft and aviation personnel are being fully and optimally
17 utilized.

18 Looking at aircraft usage from a different
19 perspective, we examined the usage of state aircraft on an
20 agency-by-agency basis. We found that a total of 271 flights
21 were made in Department of Transportation passenger aircraft
22 during fiscal year 1982-83. Approximately 70 percent of these
23 flights were for personnel of the Department of
24 Transportation, the Governor's Office, or the Lieutenant
25 Governor's Office. We found that several agencies of state

1 government did not make use of the state aircraft at all
2 during fiscal year 1982-83. Examples of agencies that did not
3 use the state aircraft were the Departments of Health, Labor
4 and Industry, and Agriculture. We also found that no flights
5 were made for members or staff of the General Assembly.

6 In fact, we found that the Department of
7 Transportation policy guidelines pertaining to priority for
8 scheduling of state aircraft contain no reference to
9 legislative use of flight services, even though the portion of
10 the State Administrative Code which deals with state aircraft
11 usage specifically indicates that state aircraft are to be
12 available to officials of the General Assembly.

13 Before closing, I would like to point out that the
14 Department of Transportation provided written responses to the
15 findings of Price Waterhouse and the findings of our staff as
16 I have described them to you here today. I have not included
17 a statement of the Department's response in my prepared
18 presentation. However, I would be pleased to respond to any
19 questions that you might have in that regard.

20 We will also, of course, be very pleased to try to
21 answer any other questions that you may have. Thank you very
22 much for your attention and for inviting me to participate in
23 this hearing.

24 CHAIRMAN GAMBLE: Thank you, Mr. Dario. Are there
25 any questions of Mr. Dario?

1 REPRESENTATIVE WILSON: I have one.

2 CHAIRMAN GAMBLE: Okay, Ben.

3 REPRESENTATIVE WILSON: Mr. Dario, have you seen the
4 internal audit or preliminary report by the Comptroller's
5 Office of PennDOT? Have you had time to read this document?

6 MR. DARIO: I have not, sir.

7 REPRESENTATIVE WILSON: It was completed, evidently,
8 in February of 1984. I wondered in your process if you had a
9 chance to read it. It seems to concur and go into more depth
10 with the findings of your Bureau.

11 MR. DARIO: I must admit to you, sir, that I have
12 not. I have not read it.

13 REPRESENTATIVE WILSON: I read with some interest the
14 Secretary's answer to one of the suggestions or thoughts that
15 you had on the use of the single-engine aircraft being
16 underutilized to a point of 3.4 hours.

17 Do you recall what the Secretary told you the reason
18 that they didn't utilize these two new aircraft?

19 MR. DARIO: I believe, if you will let me refer so
20 I'm clear on the record; I believe the Secretary had said that
21 there were a number of issues. Number one, some vacancies
22 related to aviators; also sickness related to aviators; also
23 in some cases, the inclement weather problem related to the
24 function of these aircraft which involved the landing at some
25 airports which did not have concrete runways; also some

1 problems related to the non-instruction and deicing
2 certification of these aircraft, or lack thereof. Also, in
3 one case he talked about the one aircraft being available for
4 maintenance.

5 REPRESENTATIVE WILSON: I wondered, he referred to
6 those aircrafts not being able to fly because of, I would
7 presume, severe weather conditions; soft sod runways, if I
8 recall the statement; they couldn't land because of the
9 wetness, and so forth.

10 Was the Secretary aware that this period of time that
11 you covered was 20 months, two summers, two falls when the
12 weather is generally fairly good? There is no icy conditions,
13 the sod runways are very hard. Was he aware of it?

14 MR. DARIO: The report so indicated.

15 REPRESENTATIVE WILSON: I just wondered. I read that
16 answer, and I suppose he was also aware if we had a vacancy in
17 an aviation specialist, that vacancy would have been almost
18 two years in duration?

19 MR. DARIO: The period covered was definitely
20 specified in that report.

21 REPRESENTATIVE WILSON: He was aware of the time
22 period in making his answer?

23 MR. DARIO: I can't say that for certain, but I
24 would have to say our report was every explicit in that
25 regard.

1 REPRESENTATIVE WILSON: That's all I have.

2 CHAIRMAN GAMBLE: Any other questions?

3 (No audible response.)

4 CHAIRMAN GAMBLE: Thank you, Mr. Dario, for your
5 testimony.

6 MR. DARIO: Thank you very much, sir.

7 CHAIRMAN GAMBLE: The next speaker on the agenda is
8 Mr. John Clark, Director, and Mr. William Fleming, Bureau of
9 Investigations, Office of Auditor General. Come forward,
10 please.

11 MR. CLARK: I am John Clark, Director of the Bureau
12 of Investigations. On my left is William Fleming, Assistant
13 Director, Bureau of Investigations.

14 We have been asked to participate in your hearings
15 regarding an investigation conducted by our Bureau back in
16 1980. Mr. Fleming will read a prepared statement, a brief
17 synopsis of what our investigation disclosed in that
18 particular time frame.

19 MR. FLEMING: Ladies and gentlemen, this
20 investigation of the Bureau of Aviation was initiated in
21 January of 1980, based on information received from a
22 confidential source who alleged firsthand knowledge of the
23 mismanagement and deliberate waste of Commonwealth funds
24 through the use of aircraft for commuting purposes,
25 questionable aircraft trips and excessive aircraft rentals by

1 high-ranking members of State Government.

2 Because of other more pressing priorities within the
3 Bureau of Investigations, Department of the Auditor General,
4 and the lack of personnel, this investigation was never
5 brought to a full conclusion. A completed investigative
6 report was never finalized. However, interim reports were
7 prepared for internal use by the Bureau of Investigations. It
8 is from these interim reports that I present this testimony
9 today.

10 The limited investigation which involved interviews
11 with pertinent individuals, as well as a review of available
12 Bureau of Aviation records, PennDOT records and Federal
13 Aviation Administration records, disclosed the following:

14 One, the Bureau of Aviation had no regulation,
15 official policy, or written opinion relative to family members
16 of state officials being flown on Commonwealth-owned aircraft.

17 Two, the Administrative Code of 1929, Section 526, as
18 amended on May 31, 1947, included a provision authorizing the
19 use of aircraft required for the proper conduct of the
20 business of the Commonwealth's various Boards, Commissions,
21 Departments, et cetera.

22 Our investigation questions the definition of "proper
23 conduct". It was found that PennDOT, the parent agency of the
24 Bureau of Aviation, had been lax in not having requested a
25 formal written opinion from the Attorney General on this

1 matter. Further, PennDOT had no legal basis to authorize
2 state officials having a family member fly in a state-owned
3 aircraft.

4 Three, the Commonwealth was paying an additional
5 premium of approximately \$500 annually as an endorsement to
6 its aviation insurance to cover "any member of the family or
7 such executive officer, director, stockholder, employee or
8 agent" flying on a Commonwealth-owned aircraft.

9 Four, that in light of the limited waiver of
10 sovereign immunity as contained in Act 152 of 1978, the
11 Commonwealth could have been sued by any family member, had a
12 wife or child of a Commonwealth employee been injured or
13 killed while flying on a Commonwealth-owned aircraft.

14 Five, that in April, 1979, Mr. David Sims, then
15 Acting Chief Highway Engineer along with Secretary of
16 Transportation Larson, took their wives with them to the 55th
17 Annual Meeting of the Northeastern Association of State
18 Highway and Transportation Officials held in Hyannis, Cape
19 Cod, Massachusetts.

20 Six, a review of Commonwealth travel expense vouchers
21 showed that while Mr. Sims had paid for his wife's personal
22 expenses, no reimbursement was made by him nor by Secretary
23 Larson for the cost of transportation of their wives on the
24 state aircraft.

25 Seven, through interviews with Mr. Sims, it was

1 determined that the aircraft flight was made after normal
2 Commonwealth working hours so that PennDOT officials and their
3 wives might attend social functions prior to the official
4 opening of the association meeting.

5 Eight, the aforementioned flight did take place after
6 normal Commonwealth working hours, thus necessitating an
7 additional expenditure of \$132.40 in overtime compensation to
8 the pilots. In addition, Bureau of Aviation pilots complained
9 to investigators that on such occasions they were also
10 required to work as baggage handlers which was not part of
11 their official descriptions.

12 Nine, on the aforementioned flight, Mr. Sims as well
13 as Secretary Larson, realized a personal savings of
14 approximately \$100 each by not having to pay for their wives'
15 air transportation.

16 Ten, Mr. Sims informed investigators that he had been
17 directed to have his wife in attendance by the Secretary of
18 Transportation and that the wives were there to attend
19 strictly social functions.

20 Eleven, a thorough review of accounts receivable as
21 processed through the PennDOT Comptroller's Office revealed
22 that no reimbursement had been made by Secretary Larson nor by
23 Mr. Sims.

24 Twelve, our investigation also disclosed that in
25 calendar year 1979, Secretary Larson made ten charter flights.

1 Other PennDOT officials made a total of eight additional
2 charter flights for a total cost of over \$12,500. On eight
3 occasions when an aircraft was chartered, PennDOT's own
4 maintenance records reflected that the state-owned aircraft, a
5 Beechcraft Model H-18, was available for use at a less
6 expensive hourly operating cost.

7 Thirteen, a review of Secretary Larson's flights
8 reflected that on three occasions, a chartered aircraft was
9 used by Secretary Larson to fly to Washington, D.C. On two
10 out of the three dates, April 9, 1979 and September 24, 1979,
11 the state-owned aircraft was available. These flights
12 appeared questionable in nature as the amounts spent for the
13 transportation appeared unnecessary. For example, a flight on
14 a rented Beechcraft Model 200, on Friday, November 9, 1979,
15 from Washington D.C. to Capitol City Airport by Secretary
16 Larson and Deputy Secretary Haack cost \$623. The commercial
17 equivalent of the same flight at that time was approximately
18 \$60 per person.

19 Fourteen, Bureau of Aviation records indicated that
20 on April 9, 1979, Secretary Larson and Mr. Childs flew to
21 Washington, D.C. and returned. A Jet Turbo Commander 690 had
22 been chartered from Spanair Incorporated, Forest Hill,
23 Maryland, for the trip at an operating cost of over \$400 an
24 hour. This flight cost in excess of \$800, two-thirds more
25 than a commercial flight would have cost. As indicated, the

1 state-owned aircraft, a Beechcraft H-18, was also available on
2 this date.

3 Fifteen, records showed that on at least 20
4 occasions Secretary Larson was picked up at, stopped over at,
5 or was dropped off at University Park Airport, State College,
6 Pennsylvania, the Secretary's home. An example of this
7 occurred on June 4, 1979, when a chartered Beechcraft E-90
8 flew the Secretary from Philadelphia to his home in State
9 College, and then the aircraft returned to its base of
10 operations at Capitol City Airport; the cost of this flight
11 was approximately \$500. Records also reflected that at that
12 time no other cabinet level officer enjoyed this privilege.
13 These records confirmed oral statements made to investigators
14 by PennDOT pilots that the Secretary was commuting from his
15 home in State College to Harrisburg, at taxpayers' expense in
16 a chartered aircraft and was misusing the state-owned
17 aircraft.

18 Sixteen, during the course of our investigation, we
19 learned that Secretary Larson and his wife were provided free
20 private air transportation on their return trip from the
21 previously mentioned meeting in Cape Cod. This
22 transportation was provided by Mr. Robert E. Hirschman of the
23 H. J. Williams Company, York, Pennsylvania.

24 We also learned that prior to his being appointed
25 Secretary of Transportation, Mr. Larson had been the recipient

1 of several flights to State College provided by Mr, Hirschman.

2 It was also discovered that on May 21, 1980,
3 Secretary Larson had been picked up in Burlington, Vermont,
4 and flown to Capitol City airport by Mr. Hirschman's aircraft.

5 In questioning this association we learned that both
6 Mr. Hirschman and Secretary Larson were members of the State
7 Transportation Advisory Committee. Since his appointment as
8 Secretary, Mr. Larson has served as an Ex-Officio Member of
9 that committee.

10 In view of this association between Secretary Larson
11 and Mr. Hirschman, we examined a listing of construction
12 contracts for the H. J. Williams Company for 1977-1978 and
13 1979-1980. We found that the H. J. Williams Company had
14 received a substantial increase in business from approximately
15 \$1.9 million in 1977-1978 to \$21 million in 1979-1980.

16 As I previously indicated to you, because of other
17 priorities and the lack of personnel at the time, we were
18 unable to continue and bring this investigation to its full
19 conclusion.

20 That's all I have.

21 CHAIRMAN GAMBLE: Are there any questions of the
22 gentleman?

23 REPRESENTATIVE DININNI: Yes. I have one or two.

24 I'll start at the end of your statement. You are,
25 more or less, inferring that there was something wrong that

1 H. J. Williams got some extra work because he was flying the
2 Secretary around or back and forth from home. You implied
3 that.

4 Did your investigation also reveal that they have a
5 bidding procedure?

6 MR. FLEMING: Yes, sir. We are fully aware of it.

7 REPRESENTATIVE DININNI: Why would you include
8 whether it be a friend, business associate or what he may be,
9 in that kind of a statement where you leave it hanging out
10 there in air like there was something wrong because this guy
11 got extra work because he was flying the Secretary around?

12 MR. FLEMING: As I indicated, sir, due to other
13 priorities we were not able to continue our investigation. At
14 that particular time we felt that an increase from \$1.9
15 million to \$21 million did warrant us to look at it. But, as
16 I said, other priorities negated that at the time.

17 REPRESENTATIVE DININNI: The information that you
18 have and you read off here in your statement, you knew back in
19 '79, '78 part of it, '80, whether the investigation was
20 complete or not, you are implying there's money owed to the
21 Commonwealth or taxpayers' money was being spent illegally.
22 Why didn't you do something about it?

23 MR. FLEMING: I am saying, sir, they had no policy.
24 You go back to my ultimate statement I said the Bureau of
25 Aviation had no regulation, official policy.

1 REPRESENTATIVE DININNI: You are speaking here on
2 behalf of the Auditor General's Office?

3 MR. FLEMING: Pardon me?

4 REPRESENTATIVE DININNI: And you found this -- You
5 are speaking on behalf of the Auditor General's Office?

6 MR. FLEMING: Yes, sir.

7 REPRESENTATIVE DININNI: And you were conducting an
8 investigation?

9 MR. FLEMING: That is correct, sir.

10 REPRESENTATIVE DININNI: By whose authority?

11 MR. FLEMING: By the authority of the Auditor
12 General.

13 REPRESENTATIVE DININNI: And you found these items
14 that you feel and the way you read it to me, it sounds like
15 there was a lot wrong. Why did you let that hang in the air?

16 MR. FLEMING: I can't answer that, sir.

17 REPRESENTATIVE DININNI: Maybe we ought to get the
18 Auditor General in here then.

19 MR. CLARK: Sir, the Auditor General was not aware
20 of these reports. These reports were received by an outsider.
21 Apparently one of the gentlemen speaking to the committee
22 regarding the testimony, he brought these reports up. As Mr.
23 Fleming indicated earlier, these reports were never completed.
24 The 1981 priorities in the department took us away and shortage
25 of manpower took us away from our investigation. It is policy

1 of the Auditor General not to release any of these reports
2 until the investigation is completed.

3 We have turned the documents over in this particular
4 case at the request of Representative Wilson. Basically what
5 we are saying here is what those reports have indicated up to
6 that time.

7 REPRESENTATIVE DININNI: First, is it the usual
8 practice to keep something like this away from the Auditor
9 General?

10 MR. CLARK: No, sir.

11 REPRESENTATIVE DININNI: Number two, whether the
12 investigation was complete or not, when you found something
13 that's wrong which you indicate today, four years later, you
14 are indicating there was something wrong. I cannot for the
15 life of me figure out why you would sit on it until today.

16 MR. CLARK: Sir, we haven't been sitting on it.
17 Actually, this is still an open investigation within the
18 Bureau of Investigation Department of the Auditor General.
19 It's a project, not an investigation. It's quite involved.
20 We have received several complaints in the past couple years
21 regarding aviation. We just haven't had the available
22 manpower to follow up on them.

23 REPRESENTATIVE DININNI: I have no further questions.

24 CHAIRMAN GAMBLE: Any other questions?

25 Representative Alderette.

1 **REPRESENTATIVE ALDERETTE:** Sir, did you examine any
2 of these contracts, the one that escalated from 1.9 to 21
3 million?

4 **MR. FLEMING:** Did we examine?

5 **REPRESENTATIVE ALDERETTE:** Did you examine how they
6 were ordered?

7 **MR. FLEMING:** No, we did not, sir, not to my
8 knowledge.

9 **REPRESENTATIVE ALDERETTE:** What type of kind of
10 business is that?

11 **MR. FLEMING:** It would be construction, I believe.

12 **MR. CLARK:** Construction, maintenance type of
13 contracts.

14 **REPRESENTATIVE ALDERETTE:** Thank you.

15 **CHAIRMAN GAMBLE:** Yes.

16 **REPRESENTATIVE WILSON:** You spoke to the
17 Administrative Code, proper conduct, I think was the verb age
18 you used, and official Commonwealth business, and then you
19 spoke of Secretary -- Secretary Larson's Deputy Secretary
20 Sim's use of the state aircraft to go to Hyannis Port, Cape
21 Cod, and went after hours for social functions. You say that
22 they had not, or the Secretary or nobody at PennDOT requested
23 the Attorney General's opinion if they could take family and
24 that would be in violation of something. Is that what you are
25 saying?

1 MR. FLEMING: The Administrative Code, as we
2 understand it, that the use of aircraft is required for the
3 proper conduct of the business of the Commonwealth. We are
4 saying that PennDOT or the Bureau of Aviation had been laxed
5 in not having requested any official opinion from the Attorney
6 General regarding having a family member fly on a state-owned
7 aircraft. There is no provision for a family member to fly on
8 the aircraft.

9 REPRESENTATIVE WILSON: The Attorney General would
10 have to interpret the meaning of the word "proper conduct" as
11 it would apply, particularly in this case, flying after hours
12 for social functions?

13 MR. FLEMING: That would be my understanding.

14 REPRESENTATIVE WILSON: In addition, you enumerated
15 or cited the Secretary's use of state aircraft to fly to his
16 home in State College. I think you mentioned something about,
17 I don't know if you said it was in violation or it had
18 something to do with the Ethics Act?

19 MR. FLEMING: I did not say that, sir.

20 REPRESENTATIVE WILSON: You also suggested, as Mr.
21 Dininni asked it, H. J. Williams, Mr. Hirschman's contracting
22 company enjoyed an increase from 1.9 million to \$21 million
23 between the time Secretary Larson became Secretary and the
24 year thereafter. Are those bids, are you aware, were those
25 bids that Mr. Dininni referred, are and have to be given to

1 the lowest bidder?

2 MR. FLEMING: I cannot answer that, sir. I
3 personally did not examine the contracts.

4 REPRESENTATIVE WILSON: I'm curious whether or not
5 they were absolutely granted or they had some choice or
6 prerogative.

7 MR. FLEMING: I cannot answer that.

8 MR. CLARK: All contracts are put out, the bids for
9 PennDOT.

10 REPRESENTATIVE WILSON: Bids, but the question is --

11 MR. CLARK: Whether they are low or not, I don't
12 know.

13 REPRESENTATIVE WILSON: -- whether they are awarded
14 to the lowest or does the Secretary have some choices as to who
15 gets the bid?

16 MR. CLARK: I don't know. I can't tell you that.

17 REPRESENTATIVE WILSON: That's all I have.

18 CHAIRMAN GAMBLE: I would like to ask a question.
19 You say there are regulations prohibiting the use of aircraft
20 by spouses. What extra cost would it be for an official to
21 have a spouse on a plane when there are seats available? Have
22 you looked into that?

23 MR. FLEMING: At the time we conducted the
24 investigation, sir, the Bureau of Aviation had no system for
25 prorating the cost of any non-Commonwealth employee flying on

1 the state aircraft.

2 CHAIRMAN GAMBLE: This increase in business for Mr.
3 Williams; that's all you know is the bottom line. It went from
4 1.9 to \$21 million?

5 MR. FLEMING: That's correct, sir.

6 CHAIRMAN GAMBLE: I think if nothing else, this bears
7 out to me that an incomplete investigation is an unfair
8 report. If you put out the innuendo and then you can't back
9 up your statements with more information, I think it's very
10 unfair to testify in that manner. That's my opinion. We
11 thank you for coming, however.

12 Next, we will have the Secretary of Transportation,
13 the Honorable Thomas Larson.

14 SECRETARY LARSON: Mr. Chairman, I have a prepared
15 statement, but if I may request the permission of the Chair, I
16 would be pleased to answer some of the questions and
17 allegations that have been raised, if I have your permission
18 to do so, before I get into my prepared statement.

19 CHAIRMAN GAMBLE: That would be fine. We will open
20 up now to questions from the committee of the Secretary. You
21 want to answer them.

22 SECRETARY LARSON: Taking them in order. The
23 Legislative Budget and Finance Committee, I think it is impor-
24 tant to note that our complete response is on record. Just to
25 pick a couple of the points, the \$1.2 million in late payment,

1 that's mostly a debt that is noncollectible. That airport has
2 been in government operation for a number of years, and we
3 inherited a contract situation where the enforcement of the
4 existing rules simply had not been followed.

5 Again, most of that debt that was indicated by Price
6 Waterhouse is noncollectible or bad debt.

7 One other observation from the Legislative Budget and
8 Finance Committee, they recommended that the Deputy for
9 Aviation should be reexamined when the airport is turned over
10 to private sector. We are visually engaged in that and our
11 policy has been since day one, that that airport should, in
12 fact, be in the private sector, and that is our objective.

13 Farther, in the Legislative and Finance Committee,
14 there is a recommendation that all of the deputies in
15 Transportation be at the option of the administration since we
16 are the only department where, in fact, we are in legislative
17 positions. I offer that just as a matter of information.

18 Turning to the Auditor General's report, I agree with
19 you, Mr. Chairman, it is, in my opinion, grossly unfair to
20 have an incomplete report without the benefit of any
21 substantiation given other than the innuendos, as you put it.
22 But, let me speak to some of those things.

23 First of all, to pick on one particular item, as to
24 the opinion, I came to my job from Penn State University and
25 was very unsure as to what policies were. On April 2, 1979,

1 before the trip to an official northeast state official's
2 meeting, I wrote to our Chief Counsel and he wrote back and
3 said, and I quote, "This will confirm oral advice given to Mr.
4 Sims last week from Washington, D.C. concerning wives and
5 officers and employees riding in state cars or the state
6 plane. Please be advised there is no rule or regulations or
7 statute which prohibits an officer or employee from having his
8 spouse accompany him in a state vehicle while on official
9 business."

10 I took that as license for that trip. But, let me
11 also state for the record that there have been occasions where
12 my wife has accompanied me. These have all been official
13 business trips. More than that, since we are very much
14 concerned with our record, we have taken the time to compile
15 every one of my trips, every trip from the day I came into
16 office: the purpose, the plane, the destination, the cost.
17 Rather than being defensive here, I am pretty proud of the
18 fact that I have, in fact, logged 900 hours flying in a
19 department that has a total business volume of \$2 million. I
20 think it would be, and I think Representative Wilson obviously
21 concurs, he has a plane and flies in his own business. I
22 think it is important that I fly extensively to get around the
23 state.

24 Now, improper flying, I in no way condone that, nor
25 do I believe that I have practiced that.

1 On the Hirschman matter, it is a matter of fact, Mr.
2 Hirschman and I go back as associates on the Advisory Committee
3 for many years. Mr. Hirschman, I believe, was one of the
4 charter members of that Advisory Committee as was I. We have
5 known each other, but I think the record will show that there
6 have been absolutely minimal contacts between us and no social
7 contacts other than the couple of trips that are mentioned.

8 In the case of the trip back from Rhode Island, I was
9 there. He had an empty plane coming back and asked if I would
10 fly. It was in the vain of really being cost effective that I
11 came back.

12 As to his business growth, that is the grossest
13 allegation possible on several counts. One, our bids are low
14 bid contracts. I do not sign off on those on an individual
15 scrutiny basis. In many cases, sometimes I initial, sometimes
16 I do not, if there's another deputy there. There's absolutely
17 no policy that holds me accountable for each one of those.

18 The important thing and thing that is not mentioned
19 in this, is that our business has grown enormously. Through,
20 my management and through my travel around the state, we have
21 taken the necessary improvements of the department from
22 several hundred million dollars to almost a billion dollars
23 this year.

24 Any contractor that is competing, I think, would
25 benefit in that overall situation. But, I think more than

1 that, if you look at H. J. Williams right now, and this is a
2 matter of some delicacy, but I think you will find that their
3 success more recently has gone the other way.

4 As a matter of fact, they have had some real
5 difficulty. I have been advised of that because Mr. Hirschman
6 is, in fact, a national figure now and there was some concern
7 over that matter.

8 I will say flatly that there is no connection between
9 that one trip in Mr. Hirschman's airplane or any association
10 that I have had. My record is a very open one. Since there
11 is media here, I'm willing to answer any question. I'm
12 willing to make the full trips, the opinions from our lawyers,
13 everything that is available, I will make available to anybody
14 since I am willing to stand on my record absolutely.

15 If I may turn to the statement of policy with regard
16 to our department, I'm pleased to be here because the aviation
17 activity is one that we think is one of our good performance
18 areas.

19 The Department of Transportation's aviation policy
20 has been to actively support the Commonwealth's aviation
21 industry, to open communications channels to the aviation
22 community, and to improve the operations of the Harrisburg
23 International Airport while reducing the cost to the taxpayers
24 of operating that facility.

25 I'd say we have made important progress on all of

1 these public goals. In fact, with the passage of Senate Bill
2 785, supported by members of this committee, Pennsylvania
3 became a model state in modernizing aviation legislation for
4 the first time in 25 years and focusing our financing on the
5 preservation and development of public airports.

6 The signing of that historic legislation earlier this
7 month by Governor Dick Thornburgh redirects and expands state
8 aviation programs to provide a broad range of assistance for
9 the growth of community airports.

10 Less than a month ago, we held our fourth annual
11 aviation conference, emphasizing once again the importance we
12 place both on communications and the role aviation plays in
13 the economic growth and development of the Commonwealth.

14 An earlier study, commissioned by the Department,
15 indicated that aviation annually contributes \$6.5 billion to
16 the state's economy and creates tens of thousands of jobs, and
17 we broke ground for a new \$13 million terminal at Harrisburg
18 International Airport, where we are finally operating in the
19 black after inheriting a million-dollar-a-year deficit
20 situation. I can say that that million dollars came out of
21 the restricted aviation account and was a very sore and
22 contentious point with the aviation community.

23 This record of progress stands in stark contrast to
24 the situation that this administration encountered in 1979.
25 The Bureau of Aviation is no longer an orphan operation,

1 physically separated from the Department of Transportation.
2 It is now quartered in the Transportation & Safety Building
3 and has a direct benefit of the Department's supporting
4 services. A reduced complement is now administering an
5 expanded statewide program of \$3.5 million with no funds being
6 lost at HIA. The economic impact of aviation is now a
7 published fact. The statewide airport system plan has been
8 updated and incorporated into the Department's 12-year
9 Transportation Plan. There are now written guidelines for the
10 licensing and inspection of airports, and we no longer
11 duplicate federal aircraft accident investigations. There is
12 an airport directory, an aeronautical chart published on a
13 regular basis, a written manual that governs state flight
14 operations, and our pilots have been upgraded and licensed to
15 airline standards.

16 Finally, regarding House Resolution 259, it should be
17 said that rather than a lack of leadership, we have vigorously
18 led aviation to its most productive and expansive period in
19 these past two years.

20 The resolution incorrectly states that the
21 Legislative Budget and Finance Committee's audit found the
22 Bureau of Aviation negligent in the operation of state-owned
23 airports. It was critical of the failure to collect past due
24 accounts under prior administrations, but did not recognize
25 that most of the accounts at issue were no longer collectible

1 since the prior tenants are no longer in business. That's the
2 point I made just a moment ago.

3 Furthermore, the resolution incorrectly indicates
4 that the Legislative Budget and Finance Committee's
5 performance audit, conducted by Price Waterhouse, found misuse
6 of state-owned aircraft. On the contrary, the report
7 suggested that the flight services operated by the Bureau of
8 Aviation were not used often enough by other state agencies,
9 including the General Assembly. We agree with that assessment
10 and our experience indicates that the state-operated aircraft
11 provide an invaluable service in a time and cost effective way
12 to help public officials meet their tight scheduling
13 constraints, especially with the limited commercial air
14 service available in many locations.

15 In fact, as the Secretary of Transportation, I fly an
16 average of 27,000 miles a year, most of it on state-operated
17 flights, in order to meet my responsibilities in managing the
18 state's widespread highway, transit, aviation, inland port and
19 rail programs that have an annual budget of more than \$2
20 billion. Considering my schedule and the demands on my time,
21 it is only through the use of the state flight service that I
22 have been able to be an effective in-the-field manager,
23 especially for a highway and bridge building program that
24 reached a record \$1 billion this past construction season.

25 In summary, any impartial judgment of the state's

1 aviation policy and programs would have to consider
2 Pennsylvania one of the best in the country. In fact, the
3 Federal Aviation Administrator, Donald Engen, placed
4 Pennsylvania among the nation's aviation leaders in a recent
5 presentation recognizing the Department's outstanding
6 leadership in the field of aviation, airports and air
7 transportation development.

8 Since that is particularly relevant, I think, I
9 brought along the citation. This is from the Department of
10 Transportation, Federal Aviation Administration, and if I may,
11 sir, I would like to read the citation.

12 It says and I quote -- this is October 1984, so it's
13 very recent -- and by the way, this is to the Pennsylvania
14 Department of Transportation and the Aviation Council of
15 Pennsylvania. It's a joint recognition and we are very proud
16 of the cooperation that we have developed with the Aviation
17 Council.

18 I quote, "In recognition of your outstanding
19 leadership in the field of aviation, airports and air
20 transportation development. Your initiative and efforts in
21 presenting and gaining passage of a comprehensive aviation
22 legislative package by the Pennsylvania Legislature and
23 supported by Governor Thornburgh; your convening of the 1984
24 Aviation Conference; the development and presentation of the
25 statewide airport system plan; your Bureau of Aviation's most

1 constructive and professional staff; and your staunch advocacy
2 of aviation and space education programs have placed you and
3 the great State of Pennsylvania among the leaders of the
4 nation in preparing to implement your segment of our national
5 plan of integrated airport systems designed to address the
6 vital airspace and airport capacity needs of our time. We, of
7 the Nation's Aviation Community, thank you and salute you for
8 doing your part toward helping America maintain its
9 preeminence as the World Aviation and Space Authority.
10 Signed, Washington, D.C., Donald Engen, Federal Aviation
11 Administrator."

12 So, I guess, in summary, Mr. Chairman, there have
13 been eight occasions where I have had my wife accompany me.
14 These are all documented official business trips. I have, on,
15 perhaps, two occasions, flown in the aircraft that were made
16 available to me on trips that were happening anyhow. These
17 are not trips for my convenience. These were trips where the
18 airplane was going and had space available. I have done that
19 on a couple of occasions.

20 I have, in fact, flown 900 hours mostly in state-
21 owned aircraft, but as noted, occasionally, by charter
22 aircraft, and that's a matter of record. We are not
23 pretending to not have that available.

24 Finally, I guess, we have in the department an
25 Inspector General whose job it is to insure that I and other

1 officials in the department adhere to all the rules and
2 regulations, codes and so forth.

3 So, in the questioning period so that I don't appear
4 to be self-serving and overly defensive, I would be very
5 pleased if Mr. Doman could address answers if there are
6 questions that are raised by members of the committee.

7 Thank you for this opportunity. I appreciate being
8 here.

9 CHAIRMAN GAMBLE: Thank you, Mr. Secretary. Are
10 there any questions? Representative Wilson.

11 REPRESENTATIVE WILSON: The first question I have to
12 ask, Mr. Secretary, are you going to appear tomorrow to answer
13 questions?

14 SECRETARY LARSON: I have said, sir, that if there is
15 a need to answer questions, I will be here. This is,
16 obviously, a matter of transending importance. I think the
17 fact that we have an unfinished, highly biased and highly
18 critical Auditor General's report would make this a matter of
19 utmost priority for me to be here.

20 REPRESENTATIVE WILSON: The reason I ask and I must
21 explain to you, is, in my preparation and my effort here, I
22 prepared it in light of what other persons might say, some of
23 whom are not allowed to testify; some of whom will testify.

24 I have various questions that I think need to be
25 answered, some of which I can ask today, some of which I would

1 like to ask tomorrow, and some of which I can't think of
2 today.

3 SECRETARY LARSON: I think the short answer is,
4 given, again, this Auditor General's report, which I think is
5 a most inappropriate document to bring into a hearing, I would
6 consider this a matter of highest priority and will be here.

7 REPRESENTATIVE WILSON: For your tonight's reading, I
8 suggest that you read your internal audit report that was
9 given to me last night.

10 SECRETARY LARSON: I think I have read all of those
11 audits and, again, we have come from a point where the
12 operations, if I may use the phrase, the bottom line, where
13 the operation was losing a million dollars to the point where
14 it is making money. There's a difficulty in deciding how much
15 money it is making, because since we took over the airport
16 from the military, we do not have an auditor's assessment of
17 the worth of the physical plant.

18 It's a very difficult thing to do to decide what the
19 runway is worth and what the building is worth. I have read
20 all of the reports. While I may read them again tonight, sir,
21 I have read them before.

22 REPRESENTATIVE WILSON: One last question, I
23 certainly would like to see that written manual that governs
24 state flight operations. We were unable to get it when we
25 asked Mr. Raup at your operations at Capital City Airport. He

1 said there was none.

2 CHAIRMAN GAMBLE: Any other questions, Representative
3 Wilson?

4 REPRESENTATIVE WILSON: No, that's all. I'll wait
5 until tomorrow.

6 CHAIRMAN GAMBLE: Representative Alderette.

7 REPRESENTATIVE ALDERETTE: Thank you, Mr. Chairman.
8 Mr. Secretary, relating to the issue of the firms that
9 owed money in the receivable accounts at the Harrisburg
10 Airport, are any of those firms, do you know, presently
11 working at the airport today?

12 SECRETARY LARSON: Mr. Bryan can speak to that
13 specifically. We have looked at those firms and we did look
14 at them when this audit was completed. Don, would you come
15 up, please?

16 MR. BRYAN: With respect to the uncollectible
17 accounts, there is a sum of \$566,000 in uncollectible accounts
18 carried on the books at the airport. That money is associated
19 with companies that are no longer on the airport and no longer
20 in business in Pennsylvania. Therefore, it is uncollectible.

21 REPRESENTATIVE ALDERETTE: I notice the figures 1.2
22 million total. Am I to assume that the balance is money owed
23 by firms that are still doing business there?

24 MR. BRYAN: The balance included all monies due. In
25 some cases that was money that was in contention for which we

1 have to go through litigation to collect. In other cases, it
2 included accounts up to -- current accounts -- accounts that
3 would be literally 31 days due under the rules of the
4 Legislative Budget and Finance Committee's audit. They
5 consider any money that was literally even a day overdue as
6 past due. That included all such funds.

7 The actual amount of what I'll call float or cash
8 that is owed on an ongoing basis at the airport is
9 approximately \$300,000 a month, and our billings are about
10 \$400,000 a month.

11 I would say that the bottom line here is, that the
12 amount of money that is coming in or past due, if you will,
13 on a cash basis is somewhat less than the monthly billing.
14 From that point of view, we feel we are running quite a
15 current operation.

16 There are some accounts, however, that become long
17 overdue, and our process is clearcut, at 90 days' past due a
18 written notice goes out to the person indicating that if they
19 do not pay within ten days, a legal action will ensue. That
20 happens, and indeed, last week we had to take a Sheriff's
21 action against a person to pay.

22 REPRESENTATIVE ALDERETTE: Does the state employ any
23 kind of a collection agency to attempt to collect these types
24 of past due accounts as some other states do?

25 MR. BRYAN: We do not in the Department of

1 Transportation. We turn the matters over to our Office of
2 General Counsel and they take action through the courts to
3 collect. We have been, with respect to existing companies, we
4 have been very successful.

5 We have no way, and I might say we continue to
6 wrestle with this institutionalized problem. That is, this
7 566,000 deadbeat account if you want, continues to drag behind
8 on the records. At some point in time we really need, by some
9 action, to remove it from the books.

10 Let me say further on that, when the Legislative
11 Budget and Finance Committee compiled this information it was
12 based on a November 30, 1983 set of records.

13 We have gone over the records again, and for
14 September 30, 1984, last month, that number, the deadbeat
15 number, if you wish, is the same. It's still five hundred
16 sixty-six thousand, I think, four hundred forty-four dollars,
17 if I can remember exactly. It's frozen in time but it is
18 there. It keeps dragging along behind us.

19 REPRESENTATIVE ALDERETTE: Sir, I have a report in
20 front of me coming from the Comptroller's Office of the
21 Internal Review Division of Transportation relating to the
22 Harrisburg Airport. It states that a number of leases were
23 negotiated and renewed with tenants who were delinquent in
24 their rents and utility payments. Could you explain that?

25 MR. BRYAN: Yes. There have been cases where we have

1 entered in a new lease with people who owed us money. In
2 those cases the new lease includes in it a schedule of
3 payments for the monies owed. One of the conditions of the
4 new lease is that an agreement be incorporated into the lease
5 that they will pay the monies owed according to a schedule.
6 Otherwise, we will not renew a lease with a person who owes us
7 money unless it includes this written agreement that whenever
8 it becomes enforcable for payment.

9 REPRESENTATIVE ALDERETTE: If we could have something
10 made available to us like that if --

11 MR. BRYAN: Yes, I will be glad to make that
12 available.

13 REPRESENTATIVE ALDERETTE: Thank you. Mr. Secretary,
14 again, you made some reference when there was discussion about
15 the contracts that were being awarded to this H. J. Williams
16 Company, I guess it is. Now you say that you don't sign off
17 on all bids, so obviously, there might be some that you aren't
18 aware of that might have been awarded, is that right?

19 SECRETARY LARSON: Again, there are specific rules
20 regarding the awarding of contracts. As the Auditor General
21 said, we are a bid operation. We solicit bids, and right now,
22 I think we get an average of five bids for every piece of
23 work. The number of jobs is huge. There are specific rules
24 in the department that guide the awarding as to whether or not
25 it's above or below the engineer's estimate.

1 As a matter of fact, I would be delighted to provide
2 every one of the H. J. Williams jobs' and the bid as it
3 compares to the Department's estimate. I think that's the
4 area where the allegations are by far the most tenuous,
5 because this is a very competitive open process. If you
6 request that, I will set our people to work to dig out every
7 one of the H. J. Williams' jobs, because if there is a tie
8 between me and H. J. Williams, I would be absolutely amazed to
9 find it. I would say categorically, it's just not there.

10 REPRESENTATIVE ALDERETTE: Sir, in doing the
11 investigation on the Capitol Complex Expansion, we found that
12 there are sole-source contracts awarded in that particular
13 project. Are there any sole-source contracts that might have
14 been awarded within the Department of Transportation?

15 SECRETARY LARSON: To H. J. Williams?

16 REPRESENTATIVE ALDERETTE: First to H. J. Williams
17 and then specifically beyond that.

18 SECRETARY LARSON: Since H. J. Williams is a
19 contractor, I would have to investigate to find out. I don't
20 know the answer to that. The answer to whether or not they
21 are sole source, I think it's a practice and maybe Grover
22 McLaughlin can back me up, but I think it is a practice that
23 each time we come to a budget hearing, the Budget Office, or
24 if it's a House hearing, I think we provide a complete package
25 of all sole-source contracts. I think that is a routine

1 practice. So, yes, any contract --

2 REPRESENTATIVE WILSON: Doesn't mean anybody reads
3 them, but you have to supply --

4 SECRETARY LARSON: We do submit them and they're
5 available.

6 REPRESENTATIVE ALDERETTE: Thank you. One other
7 thing, is there such a thing as short listing the contractors
8 that saves --

9 SECRETARY LARSON: No.

10 REPRESENTATIVE ALDERETTE: Narrowing down to a
11 certain --

12 SECRETARY LARSON: No. We have that practice in the
13 selection of consultants for engineering design. We do
14 shortlist there, but contract jobs for construction, there is
15 no shortlisting. They submit bids that they hope will win and
16 all bidders from all over the country are, in fact, available
17 or they have the option of bidding.

18 REPRESENTATIVE ALDERETTE: One last question, then.
19 What exactly does H. J. Williams do in their function? What
20 kind of a company is it?

21 SECRETARY LARSON: I don't know in great detail of
22 the company, because again, although I have known Bob
23 Hirschman for many years, I know very little about the
24 company. I have never been in their home offices. I do know
25 they are a construction company, and I'm not so sure but that

1 is being sold at the present time. That would have to be
2 verified. They manufacture specialty products. Recently,
3 they bought a portion of the Bethlehem-Lackawanna plant up in
4 New York State and they manufactured guide fence and posts and
5 things like that.

6 They have a company that erects guide fence and
7 signs, I believe, another one of their wholly-owned
8 subsidiaries. There are two or three subsidiary companies in
9 addition to a general contracting company.

10 REPRESENTATIVE ALDERETTE: Thank you, Mr. Secretary.

11 CHAIRMAN GAMBLE: Before we go on, is it generally
12 agreed we can turn this microphone off.

13 REPRESENTATIVE WILSON: To follow up on these
14 questions, Mr. Secretary, that led to another question; in
15 your bidding contracting procedure, I assume you have a
16 written policy as to how the bid is sent out, advertised, I
17 think that's in the law. Do you have to take the lowest bid?

18 SECRETARY LARSON: It is a low-bid procedure, but
19 there are some defined rules as to whether or not we would
20 accept the low bid. If all the bids are a certain percentage
21 above what is considered an acceptable range, then all bids
22 can, in fact, and many times are rejected. So, no, we do not
23 have to accept, if all bids are above estimate.

24 REPRESENTATIVE WILSON: Acceptable range, is that
25 based on what your engineer projects the cost might be or is

1 that a percentage-fact relationship?

2 SECRETARY LARSON: It is based on the engineer's
3 estimate.

4 REPRESENTATIVE WILSON: Perhaps it would clear the
5 air and your good name if you went back into the H. J.
6 Williams' contracts in that era of time alluded to by the
7 Auditor General and tell the whole world and this committee
8 included as to who were the bids for those projects that
9 Williams got, what were their prices and what the
10 determination as to why Williams got them.

11 SECRETARY LARSON: I have already offered that and
12 have no hesitation about that at all.

13 REPRESENTATIVE WILSON: I think that's to your own
14 benefit if you can do that to clear the air.

15 Mr. Bryan, and I have to state, that your audit, and
16 by the way, we requested of you at the Appropriations
17 Committee hearing and you said you would send it to us right
18 away, I got last night at a quarter of five and that was in
19 February; said that basically, among the 50 pages of
20 commentary, mostly criticism of your operation of HIA, because
21 of the material effect of the conditions, in our opinion, the
22 department's financial records do not record the financial
23 transactions of HIA in a manner that would allow a financial
24 statement to be prepared, which would present fairly the
25 financial position of HIA as of June 30, 1983. I assume you

1 made drastic changes in your sixth year of your operation.

2 SECRETARY LARSON: Let me say that, and I'll answer
3 it since it refers to a comment made earlier. One of the
4 reasons and you can ask this of our Comptroller --

5 REPRESENTATIVE WILSON: He referred to it.

6 SECRETARY LARSON: Okay. My observation was a few
7 moments ago that since we do not have a depreciation schedule
8 for the extensive Capital facilities down there, that an
9 auditable statement that shows the true bottom line is
10 difficult, if not impossible to come by. There may be other
11 references made to there, but that's at least part of my
12 understanding of the problem.

13 REPRESENTATIVE WILSON: Mr. Secretary, you're
14 referring to the capital value, or the plant in place, and you
15 are not able to appraise its value? I believe in the
16 telephone book under "Transportation" there's a whole page
17 full of right-of-way agents that are given to doing that sort
18 of thing.

19 SECRETARY LARSON: We have looked into the question.
20 It didn't happen, it hasn't happened up to this point in time,
21 and right now I guess the motivation may come from the need
22 for this, if we turn it over to a private authority, or quasi-
23 private authority. Up to this point in time, the question of
24 whether or not it would be cost effective to spend a very
25 considerable amount of money that I have been told would be

1 required to do an inventory and a value on that extensive
2 property. I think that's a question that we have not resolved
3 to my satisfaction.

4 REPRESENTATIVE WILSON: Commercial Properties,
5 Incorporated was hired by your Bureau of Aviation to "manage
6 HIA", and for some reason they were paid in excess of \$32,000,
7 which I respectfully suggest would have delivered an appraisal
8 if nothing else. They didn't deliver any tenants.

9 MR. BRYAN: Let me comment if I can. Commercial
10 Properties was retained only to manage a specified list of
11 industrial properties on the airport; not to provide any other
12 services. They did not perform to our satisfaction and we
13 terminated the agreement. The fee that they got was a matter
14 of bid. We solicited -- We sought requests for proposals and
15 we obtained a couple, and gave the job to them on that basis.
16 They didn't perform and we terminated them, but they were
17 not --

18 REPRESENTATIVE WILSON: That's true, but your
19 internal audit criticized the RFP that you used, saying it
20 didn't delineate it in an appropriate manner to get a proper
21 contract, and therefore, paid \$32,000 on commissions on
22 already-existing leases. Commercial Properties didn't obtain
23 any. They collected rents for a couple of months.

24 The point I'm making to the Secretary is, the \$32,000
25 could have well been spent for the appraisal of your physical

1 plant, if that's the alleged reason that this is not a
2 attributable accounting system.

3 However, I still call your attention to your report.
4 You obviously haven't read it recently because it does not
5 speak specifically to the physical plant. It speaks to having
6 book entries, unpayables, receivables, billing methods, the
7 accountability, collectibility of rents and things like that.
8 It has very little emphasis on the physical plant. Its basic
9 emphasis is on a absolute poor accounting, bookkeeping system,
10 sending out billings for rents and things like that.

11 Sir, I respectfully suggest you do read it tonight.
12 It might put you to sleep, but it's not a good commentary on
13 your internal procedures at HIA. I respectfully must remind
14 you that this is the sixth year of your administration.

15 SECRETARY LARSON: I am acutely aware of the sixth
16 year, and I'm also aware that the airport has had the benefit
17 of the Price Waterhouse audit which has been reported. That
18 was at the cost of a million one hundred thousand dollars, I
19 might note, that audit. Apparently, that was a justified
20 account. I have no quarrel with that. We worked extensively
21 and put several man years of effort into that effort to make
22 the audit accurate. The only question I would have here is
23 that it seems to me, Mr. Chairman, as a matter of record, our
24 response to the audit should be, in fact, made a part of the
25 official record because we responded on every point.

1 As a matter of fact, the LB and FC is now doing a
2 follow on to check our compliance with their recommendations,
3 and it might be interesting to ask the LB and FC if we are, in
4 fact, complying.

5 My sense is that we are complying. We have learned,
6 and we are following the direction of that million dollar
7 audit.

8 CHAIRMAN GAMBLE: Representative Dininni.

9 REPRESENTATIVE DININNI: I would like to direct a few
10 questions to Don. We are hearing a lot about the
11 uncollectibles and why are you renting to the same people that
12 owe you money.

13 First, didn't we find ourselves in this situation
14 because an outdated bad situation with the central heating
15 system down there; that the bills for the heat ran so high
16 that the rent was increased, and then you got into an argument
17 as to whether they were going to pay the bill or not?

18 MR. BRYAN: You are correct, Representative Dininni,
19 that one of the issues involved in the late payment, disputes
20 over payment was the heating system. It did result in
21 extremely high operating costs that we billed directly to
22 tenants as utility costs. We did get involved in many
23 disputes with tenants at the airport over the payment of those
24 utility charges. Indeed, when you look in some of the past
25 due accounts, in many cases they had to do with utilities. We

1 have closed down and phased out that system. There is now a
2 modern independent heating system throughout the airport for
3 individual tenants that they take care of themselves and bills
4 for which they pay directly. We don't have that problem any
5 longer.

6 It was a problem and it did create some extensive
7 negotiations with some tenants, some of the major tenants over
8 the amounts owed. We had to arrive at settlements through a
9 legal process in some cases. While that went on, in some
10 instances, leases came up for renewal and we had to make a
11 decision as to whether or not we would renew. In most cases
12 the decision was that we would renew and that we would
13 incorporate settlements or agreements to pay as part of those
14 renewals. In some cases we didn't renew at all. As I
15 indicated earlier, some cases there was no meeting of the
16 minds and we went to court.

17 REPRESENTATIVE DININNI: That was the point I was
18 trying to make. That created the situation and you did have
19 two major tenants I know that was caught in that same
20 situation that you did renew, but you also had another fact
21 that was involved here and that was jobs.

22 One happens to be one of the major employers around
23 here and the other one happens to be a pretty successful
24 airline.

25 MR. BRYAN: You are correct; that two of the

1 instances involved the major commuter airline operating at
2 the airport that we had no desire to push off the airport.
3 The other was, you are correct, the major employer in our
4 industrial park. In both cases we wanted to arrive at a
5 settlement that was mutually acceptable, and that resulted,
6 yes, in a delay of time running into almost two years in one
7 case, and finally, agreements to pay and those matters are now
8 in order.

9 But, there was a long period of time of payments on
10 the books and disputes and some of that, is indeed, reflected
11 in that earlier report.

12 REPRESENTATIVE DININNI: I have no further questions.

13 CHAIRMAN GAMBLE: Any other questions?

14 Representative Wilson.

15 REPRESENTATIVE WILSON: You are aware that two of
16 those continually late payors are state agencies?

17 MR. BRYAN: Yes, there are a number of -- As a matter
18 of fact that are state agencies, and there is one that is a
19 federal agency. That is true. Let me say that late in this
20 case is 60 to 90 days. They do not pay within the 30-day
21 period and they technically are late, but they do pay
22 regularly 60 days or so.

23 REPRESENTATIVE WILSON: Do you consider that good
24 business?

25 MR. BRYAN: I do not like it, but in the total scope

1 of things, I believe it's appropriate because it's --

2 **REPRESENTATIVE WILSON:** Secretary leased an aircraft
3 and five months later he paid for it. Is that good business?
4 Your department didn't pay the aviation restricted account is
5 what happened, for five months. We found this rampant
6 throughout all of the, look at leasing of aircraft and things
7 of that nature. I can't help but go back to some of these
8 things that were stated in your own audit here.

9 It says here, "Methods", Representative Dininni
10 brought up, utilities; "methods that HIA uses to prorate
11 utilities and other user services has no basis to accurately
12 cover costs because the costs cannot be segregated in the
13 accounting system." Have you changed the accounting system?

14 **MR. BRYAN:** That is correct, and for that reason we
15 have continued and now nearly completed breaking the group
16 metered utilitys apart so that we now have individual meters
17 for electric and gas and light --

18 **REPRESENTATIVE WILSON:** Have you changed the
19 accounting system?

20 **MR. BRYAN:** The accounting system has continued to be
21 improved. We are now --

22 **REPRESENTATIVE WILSON:** Still manual, still hand
23 operated, still typewritten billing. I noted at one point you
24 paid \$75,000 for some sort of hardware and software and didn't
25 even own the software after you paid the 75,000 and you throw

1 the thing out. This was to handle your billings and things of
2 that nature.

3 MR. BRYAN: We installed a system at one point in
4 time that helped us process some of the information
5 electronically. It was an assistance. It was not as much
6 assistance as we hoped it to be. There have been problems
7 with it. We have, through our consultant, created a
8 specification for a new set of equipment down there. As a
9 matter of fact, partly in response to the recommendations of
10 that audit. At this time, as a matter of fact, have in our
11 hands a proposal from our accounting consultants there for
12 this system that we will install, hardware and software, this
13 state fiscal year. Next spring we will be up in operation by
14 the end of this fiscal year with self-standing, with its own
15 hardware, with its own people, business system at the airport.
16 We have been working progressively toward that for several
17 years and it will come to fruition finally this spring.

18 REPRESENTATIVE WILSON: I hope both of you are here
19 long enough to put all these things into place that you have
20 been working on for six years. Thank you.

21 CHAIRMAN GAMBLE: Any other questions? We'll have
22 one final question and get on with the program inasmuch as the
23 Secretary will be back tomorrow.

24 REPRESENTATIVE ALDERETTE: I would like to address
25 this to Mr. Bryan. U S Air, apparently in this report

1 occupied a building, Building No. 30. Are you familiar with
2 that?

3 MR. BRYAN: Building 30?

4 REPRESENTATIVE ALDERETTE: They occupied that
5 building in 1981. According to this report they were not
6 billed for rent until May of 1983. I just wondered if you
7 knew what justification that might have been.

8 MR. BRYAN: Building 30 is a warehouse building up on
9 top the hill. I didn't know that U S Air was in there at all.
10 I'll have to check that.

11 REPRESENTATIVE ALDERETTE: Please check that.
12 According to this report they occupied it in '81, and were not
13 billed for rent until May of '83. Thank you.

14 CHAIRMAN GAMBLE: Thank you very much, Mr. Secretary.
15 Mr. Sayers.

16 MR. BRYAN: Mr. Sayers reported in sick yesterday and
17 reported in sick again this morning.

18 CHAIRMAN GAMBLE: Bruce Doman, is he here?

19 MR. DOMAN: Yes, sir.

20 CHAIRMAN GAMBLE: Bruce Doman, Inspector General,
21 PennDOT.

22 MR. DOMAN: Mr. Chairman, my name is Bruce Doman.
23 I'm the Inspector General for the Department of
24 Transportation. Although I was notified to appear here today,
25 I was given no hint as to what I would be questioned about.

1 Because of that, I have not been able to prepare a statement.

2 However, in light of what I have heard so far today,
3 I do have some remarks I would like to make, but before I
4 would be happy to receive your questions.

5 As Inspector General of Transportation, I am
6 responsible to detect and deter fraud, waste and abuse in the
7 operations of the department. That's my job. I'm a lawyer
8 and I'm an investigator.

9 I note that in the House Resolution 259, which is the
10 basis for this hearing, there is the remark that the
11 Legislative Budget and Finance Committee Audit found evidence
12 of misuse of department aircraft during their audit. I read
13 that audit very carefully as I read the House Resolution very
14 carefully. I must note because misuse is something that
15 concerns me very seriously, that there is in that audit not
16 the word misuse, nor is there any implication of missuse in
17 that particular audit. I think your resolution was just wrong
18 in that regard. I note that Mr. Dario in his remarks today
19 made no mention whatsoever of missuse in that particular
20 audit.

21 I was shocked today as an attorney and an
22 investigator to hear the remarks of employees of the Auditor
23 General's Office. I think I should note that this committee
24 does not have a report from the Auditor General, nor does it
25 have an investigation from the Auditor General. The Auditor

1 General hasn't done an investigation and he hasn't done a
2 report. There were allegations received almost five years
3 ago, investigators apparently did something about those
4 investigations, about those allegations, but the allegations
5 and their work were apparently so insignificant that in four
6 years, despite the political turmoil, a gubernatorial
7 election, and election for Auditor General; and despite an
8 ongoing obligation of the Auditor General to audit the
9 Department of Transportation and, indeed, several Auditor
10 General audits of the Department have been done in that four-
11 year period, nobody has ever seen report on these particular
12 allegations. It was unprofessional and I was appalled that
13 people would come in and announce allegations that they had
14 never taken the trouble in almost five years to determine the
15 truth or falsity of it.

16 I think there are two important points that I would
17 make about those allegations. First of all, they announced
18 incorrectly, as it turned out, that the Department of
19 Transportation had never asked the Attorney General for an
20 opinion. Secretary Larson had pointed out correctly that he
21 had asked Chief Counsel Robert Cunliff for such an opinion.

22 What the Secretary might have mentioned was that in
23 1979, prior to the Commonwealth's Attorneys Act, the Chief
24 Counsel of the Department of Transportation was a Deputy
25 Attorney General who reported directly to the Attorney

1 General, and the opinion that the Department has and the
2 Secretary has, and that the Commonwealth has operated under
3 is, indeed, an opinion of the Attorney General's Office of
4 Pennsylvania, and that's a fact that those investigators did
5 not bother to detect.

6 There has been some outrageous innuendo concerning
7 the relationship between Secretary Larson and a Mr. Hirschman.
8 I might say that my office has made a top priority in five
9 years of investigating bidding practices in the Department of
10 Transportation, because, indeed, bidding crime is a crime that
11 cost the Department of Transportation millions of dollars.

12 I'm happy to say that those investigations have led
13 to the Department recovering literally millions of dollars in
14 restitution in the past three months. We've received over a
15 million dollars in cash payments from companies that have
16 committed bidding crimes during the period of time in
17 question.

18 We have in my office a computer system called the bid
19 analysis management system. It is specifically devoted to
20 looking at bids in comparison to other bidders to detect any
21 kind of bidding irregularities. All of the bids of H. J.
22 Williams in the time period involved have already been
23 scrutinized by that system and are available.

24 The investigation that has been done is not only by
25 office, but by the Attorney General of Pennsylvania and by the

1 federal prosecutors and the Anti-trust Division of the United
2 States Attorney General's Office; and H. J. Williams, and none
3 of the bids to date have been found to be in the least bit
4 irregular, but apparently those folks, the employees of the
5 Auditor General didn't bother to check any of that out.

6 Having mentioned that, I'm happy to answer any
7 questions you gentlemen may have.

8 CHAIRMAN GAMBLE: Thank you. Are there any
9 questions?

10 Representative Wilson.

11 REPRESENTATIVE WILSON: I have to go backwards
12 because you spit that rather rapidly. I tried to make some
13 notes. I think lastly you said H. J. Williams' contracts you
14 audited or looked at or investigated or something, every one
15 of the H. J. Williams' contracts that were given in that
16 period of time that the Auditor General spoke to, is that what
17 you're saying?

18 MR. DOMAN: Yes, sir. In saying that, let me point
19 out that that is no special attention for H. J. Williams. The
20 system we have is a system that works when it looks at all the
21 contracts. We simply have in that system all of the contracts
22 that were bid in that time period. If a contract is bid
23 today, it will be put into that system, the contractor's bid
24 and his line item price on every item in that bid.

25 REPRESENTATIVE WILSON: You have looked at every

1 contract that has been bid and accepted by the Department of
2 Transportation over a period of years, every one?

3 MR. DOMAN: The system looks at every one. I
4 personally have not pulled out every one and looked at it.

5 REPRESENTATIVE WILSON: How can you testify that all
6 the H. J. Williams' contracts were audited or looked at in
7 that period of time? You just concluded or assumed or what?

8 MR. DOMAN: No, because our system does that.

9 REPRESENTATIVE WILSON: What happens? Does it blows
10 a whistle or something when one is out of order? Is there
11 something in there that precipitates your action?

12 MR. DOMAN: Yes, sir. As we review a contract, that
13 contract is looked at by investigators.

14 REPRESENTATIVE WILSON: Wait a minute, you or the
15 system. You said as you review a contract, a minute ago you
16 said you haven't looked at H. J. Williams.

17 MR. BRYAN: What I said, sir, as we review a
18 contract. I fortunately am not burdened with being the only
19 person in the Inspector General's Office. I have a staff of
20 investigators. I have three offices. Those people operate
21 the computers and look at the screens and create the printouts
22 and review the particular contracts for me. Some come to my
23 attention, but not all.

24 REPRESENTATIVE WILSON: Is there a reason that you
25 will get some contracts and not others, are they grossly out

1 of line or something?

2 MR. DOMAN: Yes, sir.

3 REPRESENTATIVE WILSON: Do you get those very often,
4 out-of-line contracts or improper bidding or improper letting?
5 I presume you check letting as well as bidding?

6 MR. DOMAN: Yes, sir; and we have enough that in the
7 time period we are talking about, there have been over two
8 dozen convictions --

9 REPRESENTATIVE WILSON: This is in the time period we
10 are talking about with the H. J. Williams Company, and I think
11 this is important to the Secretary because I think he has to
12 clear his name or we have to help him or whichever way.

13 In that period of time, I assume on what I heard
14 today--I'm not familiar with the bidding process--that the
15 bids were let during that period of time, H. J. Williams bid
16 on them as did possibly some other people, some other
17 contractors, some other companies. There is, evidently,
18 indicated by the Secretary a span in dollars around which the
19 department may accept a bid. You do not have to take the
20 lowest bid. The engineers come in and say it's going to be
21 \$10 million. If it's \$11 million, it's within a ten percent
22 figure, they can accept 11 if they so desire.

23 Did I conclude that correctly?

24 MR. DOMAN: That's basically correct, yes, sir.

25 REPRESENTATIVE WILSON: So the H. J. Williams Company

1 that allegedly went from 1.9 million to 21 million during that
2 transition of Secretary Larson could have been really, the
3 highest bidder, but within the ten percentile, or whatever the
4 requirement is, and still could have been awarded the bids?

5 MR. DOMAN: No, sir, because the only reason that the
6 low bidder would have been rejected would be for being too
7 high and not being within that ten percent.

8 Now, if the low bidder were too high, generally
9 speaking, a higher bidder would be even higher, so that bid
10 would be rejected also.

11 REPRESENTATIVE WILSON: Back to my original question.
12 The Department must accept the lowest bid as long as it isn't
13 ten percent higher than the estimate by the department?

14 MR. DOMAN: That's true.

15 REPRESENTATIVE WILSON: Am I getting this now?

16 MR. DOMAN: That's a correct statement. There are
17 other reasons that a low bid may not be accepted. The law is
18 that the department must accept the lowest responsible bidder.
19 If there are reasons to believe a bidder not responsible, then
20 that bid would not be accepted. For example, if a bidder
21 were convicted of bid rigging, we might believe them to be a
22 non-responsible bidder.

23 REPRESENTATIVE WILSON: Sure, okay. I'm trying to
24 clear how this process works. I am not aware of it and am not
25 familiar with it.

1 You said Attorney Cunliff gave the Secretary a
2 written opinion as to the use of state aircraft by Secretary's
3 family or anybody else's wives and so forth. Maybe I didn't
4 get this correctly. I'm sure you will correct me, was the
5 same as the Attorney General's Office given an opinion because
6 Cunliff had worked for the Attorney General at one time?

7 MR. DOMAN: No, sir. At the time that opinion was
8 given, Mr. Cunliff was a Deputy Attorney General. He was in
9 the Attorney General's Office and he was in the employ of the
10 Attorney General because it was prior to the Commonwealth's
11 Attorney's Act which has bifurcated the Attorney General from
12 the Executive Branch.

13 REPRESENTATIVE WILSON: This is why we had an
14 Attorney General appointed by the Governor.

15 MR. DOMAN: That's correct.

16 REPRESENTATIVE WILSON: Is that opinion in writing
17 someplace?

18 MR. DOMAN: Certainly. I believe a copy of it has
19 been made available to the committee. I'm sure if it hasn't
20 been, one will be.

21 REPRESENTATIVE WILSON: I have never seen it. I
22 would like to see it. Can you get it for us?

23 MR. BRYAN: I certainly can. I will see to it that
24 you have one immediately.

25 SECRETARY LARSON: One that I read for the record?

1 **REPRESENTATIVE WILSON:** It's one about Cunliff giving
2 you a written opinion when he was Deputy Attorney General.

3 **SECRETARY LARSON:** I read that into the record and
4 there is a copy of it, yes, sir.

5 **REPRESENTATIVE WILSON:** Could we get it?

6 **SECRETARY LARSON:** Sure.

7 **REPRESENTATIVE WILSON:** I would like to see it. I
8 think it's important. You have looked into, I guess you have,
9 I assume you have, the use of state aircraft to fly the
10 Secretary to Penn State on weekends and pick him up. Our
11 records show that in the last four years, the Secretary was
12 flown to State College 102 times at a cost in excess of
13 \$50,000.

14 **MR. DOMAN:** I think there are a couple of things I
15 ought to point out.

16 First of all, you mention to; you don't mention from.
17 It's hard to analyze any flight without knowing both of those
18 things.

19 **REPRESENTATIVE WILSON:** I can give them all to you
20 and read them to you; some are from, some are to, some are
21 picked up, some are dropped off. I can understand if the
22 Secretary is in Erie and the plane is coming to Capital City
23 to stop at State College and drop him off. I have no problem
24 with that. I see the plane going from Capital City to State
25 College to pick the Secretary up and take him to Washington,

1 D.C.

2 MR. DOMAN: Do you have a question for me,
3 Representative Wilson?

4 REPRESENTATIVE WILSON: I did ask you.

5 MR. DOMAN: Perhaps you could restate it for me.

6 REPRESENTATIVE WILSON: Do you feel that that is
7 proper use or misuse of a state aircraft?

8 MR. DOMAN: If the state aircraft is being used on
9 state business and those are the destinations and points of
10 departure that are appropriate for state business, yes, that's
11 perfectly proper. I have reviewed all of the uses of the
12 state aircraft. You mentioned your records point out, and
13 that may be --

14 REPRESENTATIVE WILSON: They are department records.

15 MR. DOMAN: They are department records and those
16 records are open to everybody; they are opened to this
17 committee, they are opened to my office, the Auditor General,
18 they are opened to members of the press, they are opened and
19 available every day. There is nothing secretive in those
20 records and doesn't take a great investigative ability to
21 discover any of that.

22 As a result, yes, there have been flights to State
23 College, which is near the Secretary's home and there have
24 been flights from there, but that is not inviolative of any
25 law or any policy of the government, as long as those flights

1 involve the efficient economic carrying out of state business,
2 and that's what the policy requires and that's what all those
3 points involve.

4 REPRESENTATIVE WILSON: I guess the question to the
5 Secretary would be is what state business he conducted over
6 the weekends that he spent there when the plane took him on
7 Friday and picked him up on Monday.

8 MR. DOMAN: I guess you have to find out what was
9 going on Friday and Monday, wouldn't you, Representative
10 Wilson, or where he was going or coming from?

11 REPRESENTATIVE WILSON: I'm not the investigator for
12 the department; you are.

13 MR. DOMAN: I am.

14 REPRESENTATIVE WILSON: You don't investigate those
15 kinds of things?

16 MR. DOMAN: I do.

17 REPRESENTATIVE WILSON: You found the Secretary to be
18 on state business?

19 MR. DOMAN: Yes, sir.

20 REPRESENTATIVE WILSON: Every time?

21 MR. DOMAN: Absolutely.

22 REPRESENTATIVE WILSON: What state business would you
23 say he was on?

24 MR. DOMAN: There are a number of times. It would
25 depend where he was on Friday and where he was on Monday and,

1 of course, the record of what business he is on is available
2 to you and the committee. All you need to is ask for the
3 particular date and that will be made available to you.

4 REPRESENTATIVE DININNI: Mr. Chairman, could I
5 interrupt here. Ben, you are referring to when the Secretary
6 was, let's assume in State College, and a plane picks him up
7 and takes him to Washington on official business?

8 REPRESENTATIVE WILSON: Yes, or otherwise.

9 REPRESENTATIVE DININNI: Are you criticizing that?
10 Are you saying the Secretary must come to Harrisburg first and
11 then go to Washington to be official business?

12 REPRESENTATIVE WILSON: No. His business in
13 Washington could well be official business, true. Just pick
14 one out. On 1/4/80 the plane, the H-18 took the Secretary
15 from Capital City to State College and returned then to
16 Capital City. There was no state business in State College on
17 that particular day or weekend.

18 The state plane, as alluded to by the Auditor General,
19 took Secretary Larson and Deputy Secretary Sims to Hyannis
20 Port. Secretary Sims, who we asked to be here, which I guess
21 he won't be--the Secretary won't let him--I wanted to ask him
22 because he answered the Auditor General and said that the
23 reason the plane went at night was so that they could take
24 their wives and go to social functions. I don't believe
25 that's official business, do you?

1 MR. DOMAN: I don't credit that remark, sir, nor do I
2 credit anything that came out of the mouth of those gentlemen.

3 REPRESENTATIVE WILSON: I'm asking the question. You
4 say you don't credit them, but they are making the allegations
5 and perhaps you can clear the air.

6 REPRESENTATIVE DININNI: Ben, if you are going to
7 pick on something, pick on something --

8 MR. DOMAN: What's the question? There was official
9 state business for that flight. There was no question about
10 it.

11 REPRESENTATIVE WILSON: All right. Let it go. I
12 mean, the committee doesn't seem to care whether the Secretary
13 has as one of his purposes the state plane flying him home.
14 That's the point I'm trying to make. Secretary Dennis is the
15 other Secretary who could not make it suddenly, has leased the
16 state aircraft 33 times, 24 which flew her to North
17 Philadelphia Airport where she lives for the weekend. I don't
18 find that in the best interest of the Commonwealth of
19 Pennsylvania or state business. You don't care to answer, I
20 don't care.

21 MR. DOMAN: I didn't hear the question.

22 REPRESENTATIVE WILSON: There is none at this point.
23 It was a statement, Mr. Chairman. I don't see any
24 use in pursuing this.

25 CHAIRMAN GAMBLE: Representative Alderette.

1 **REPRESENTATIVE ALDERETTE:** I'm not privy to the
2 report that you're reading from, Ben, but I don't think you
3 shouldn't say that this committee doesn't care. I think we
4 all care. Let me direct the question, if I might, to the
5 Secretary.

6 Have you used the plane just to go home or just to
7 return from State College to the Capitol without any state
8 business being involved?

9 **SECRETARY LARSON:** There are 900 flight hours over
10 almost six years. I can't off the top of my head give an
11 account for every one of those trips. I can say, the vast
12 majority, if not the entirety, and Mr. Doman and the record
13 will have to make that case, the trips are, in fact, as part
14 of a schedule. I have trips that are part of a schedule and
15 perhaps go to Erie, Philadelphia, and on occasions I have come
16 back from Philadelphia or Washington on a Friday night back to
17 State College. I consider myself, first of all, to be on
18 official business 24 hours a day, seven days a week. My
19 charter, as from the Governor, does not specify my hours. I
20 do not get a specified sick leave. I do not get a specified
21 vacation time. I think as a matter of clear government
22 policy, I am, in fact, on state business continually.

23 I do not have any recollection of flying home for my
24 sole convenience. Those trips are made by automobile, but at
25 Penn State, we have a district office close by. A large

1 number of those trips were to our district office. We have a
2 research program. We have a number of activities. We have
3 had many training courses up there, so a fair number of those
4 trips are, in fact, official business at State College; others
5 are part of a trip where there are several legs going around
6 the state. Again, we would have to into the record one by one
7 to find out if there are cases where the trip was made just to
8 get home. If there are such trips, they are remarkably few in
9 number. But, again, I would say, I am, in fact, on state
10 business 24 hours a day.

11 . REPRESENTATIVE ALDERETTE: Thank you. One other
12 question to the Inspector General for PennDOT.

13 Does your computer system differentiate between bid
14 contracts and sole-source contracts?

15 MR. DOMAN: The bid analysis management system is a
16 system that only works on contracts that are bid,
17 unfortunately, so that a sole-source contract just isn't
18 relevant to that system and would not be entered into the
19 system.

20 REPRESENTATIVE ALDERETTE: It would not be in the
21 system?

22 MR. DOMAN: No, sir.

23 REPRESENTATIVE ALDERETTE: All contracts that the
24 state gets involved in are not in the system?

25 MR. DOMAN: By no means.

1 REPRESENTATIVE ALDERETTE: Thank you.

2 CHAIRMAN GAMBLE: Let's have one final question of
3 Mr. Doman and get on to the next speaker. Any questions?

4 REPRESENTATIVE WILSON: Yes.

5 CHAIRMAN GAMBLE: Representative Wilson.

6 REPRESENTATIVE WILSON: On your investigations, what
7 precipitates an investigation and what do you do after you
8 finish the investigation? Do you make a recommendation to
9 somebody? Do you print it in the Pennsylvania Bulletin? How
10 do you dispose of the findings of your investigation?

11 MR. DOMAN: It depends on the kind of investigation.
12 First of all, what precipitates an investigation. A number of
13 things can precipitate an investigation. I may receive
14 unsolicited allegations of wrongdoing from citizens. I may
15 receive from people inside the department or inside government
16 or from legislators, for that matter, suggestions as to
17 possible wrongdoings that I ought to look into. That could be
18 the source of investigation.

19 A substantial number of the investigations are
20 generated by my office itself, by members of my staff deciding
21 that they see a potential problem in an area that requires
22 investigation. In any of those ways we can get an
23 investigation.

24 What happens with an investigation depends on what we
25 find out. If we receive an unsolicited allegation and we

1 investigate it and it turns out to be unfounded, that's the
2 end of it. I don't pop up five years later to read what the
3 allegation was to a committee of the House. It dies there
4 where it should die.

5 If the investigation is an investigation that leads
6 to proof of criminal activity, that will be referred to the
7 law enforcement body. The Executive Order, under which I
8 operate, requires me to first report those matters to the
9 Attorney General so that the Attorney General can prosecute
10 them if he chooses to do so. Some cases are referred then to
11 any of the district attorneys in 67 counties. Some cases are
12 ultimately referred to federal authorities for prosecution.

13 Many of the things that we do do not involve criminal
14 conduct. The fraud, waste and abuse that I investigate
15 encompasses a broad range of conduct, not-all, of which, is
16 criminal, so reports may well go from me, if it is a small
17 matter, to a county maintenance manager. It may go from me to
18 a district engineer. They may go from me to Secretary Larson,
19 depending upon the nature of the finding and depending upon
20 the level of action that is required to solve the problem.

21 REPRESENTATIVE WILSON: You said something about
22 waste. You do look into waste?

23 MR. DOMAN: Yes, sir.

24 REPRESENTATIVE WILSON: And then you make some sort
25 of a conclusion on that and make a recommendation to whoever

1 is involved with it, and so forth. Do you follow up to see
2 that that has been cured?

3 MR. DOMAN: Yes, we do.

4 REPRESENTATIVE WILSON: We understand that at least
5 one Bureau of Aviation employee has made allegations to you or
6 to your operation and you have made some kind of investigation
7 based on that. Is that your statement?

8 MR. DOMAN: It's fair to say that there have been
9 more than one investigation conducted based on information
10 from employees, be they in the Bureau of Aviation, or
11 elsewhere in the department.

12 REPRESENTATIVE WILSON: You don't know if one was
13 made to you by a Bureau of Aviation person?

14 MR. DOMAN: Oh, I do, yes.

15 REPRESENTATIVE WILSON: Are you allowed to tell us
16 about it, your conclusions?

17 MR. DOMAN: Well, there are a number of
18 investigations. We have done over a thousand of them.

19 REPRESENTATIVE WILSON: Let me go about it another
20 way. Have you had allegations put to you by the Bureau of
21 Aviation people, your investigation shows that the whole
22 Bureau is clean and sparking, and so forth, as a result of
23 your investigation?

24 MR. DOMAN: I don't think I have ever issued a report
25 that a whole Bureau was clean and sparking. Generally, I

1 investigate specific allegations of wrongdoing and report on
2 those specific allegations of wrongdoing rather than a broad
3 commentary on cleanliness.

4 REPRESENTATIVE WILSON: The question is that those
5 allegations were false, not true, not substantiated, and
6 therefore irrelevant?

7 MR. DOMAN: We have done over thousands of
8 investigations involving many topics. Your question doesn't
9 tell me what investigation or allegation. If you would be
10 kind enough to mention allegation, I might be able to tell you
11 something about it.

12 REPRESENTATIVE WILSON: I don't know what the
13 allegations were. We were informed that a Bureau employee had
14 gone to you and alleged certain things, some of which he
15 probably told us. I don't know what he told you. But, if you
16 don't recall what he said or what they said, if there's more
17 than one from the Bureau of Aviation, I can't do much about
18 it. That's all, you just don't recall.

19 That's all I have, Mr. Chairman.

20 CHAIRMAN GAMBLE: Thank you, Mr. Doman.

21 MR. DOMAN: Thank you, Mr. Chairman. Let me make one
22 final remark. There has been some question about particular
23 flights. Representative Wilson mentioned, one date in
24 question. If there is a particular date or a particular group
25 of dates which are of concern to the committee, I would be

1 happy to furnish for the committee the information about where
2 the plane left from, where it went to, and why it was going
3 there.

4 CHAIRMAN GAMBLE: Okay, thank you.

5 MR. DOMAN: Thank you, sir.

6 CHAIRMAN GAMBLE: Is Mr. Grover McLaughlin here?

7 MR. McLAUGHLIN: Yes, sir.

8 CHAIRMAN GAMBLE: Do you have a prepared statement,
9 sir?

10 MR. McLAUGHLIN: No, I don't. I was just asked to
11 attend the hearing and I'm here.

12 CHAIRMAN GAMBLE: Mr. McLaughlin, I understand, has
13 no prepared statement. You are willing to answer questions of
14 the committee?

15 MR. McLAUGHLIN: Yes, sir.

16 CHAIRMAN GAMBLE: We will open it up for questions
17 from the committee. Mr. Wilson.

18 REPRESENTATIVE WILSON: Yes, sir. I guess I could
19 begin with the first one. You have done this audit report,
20 this preliminary report?

21 MR. McLAUGHLIN: Yes, sir.

22 REPRESENTATIVE WILSON: I know it's quite lengthy.
23 It's some 50 pages long and we have discussed and you probably
24 heard us discuss some of the comments that were made in this
25 particular report. One of the things that I thought was most

1 interesting, and maybe I don't have the right terminology, not
2 being an accountant or lawyer, but in the preliminary close-
3 out conference, you called it an exit conference.

4 I suspect that after you finished your work, you sat
5 down with the principals involved?

6 MR. McLAUGHLIN: Correct.

7 REPRESENTATIVE WILSON: I don't suppose you could
8 tell us why the main principals in the Bureau of Aviation were
9 not in attendance to listen to your critique. I don't see
10 Mr. Hamacher, the Airport Manager. I don't see Mr. Bryan, the
11 Deputy Secretary for Aviation. Of course, I didn't expect the
12 Secretary to be there personally. It was such a lengthy
13 criticism, I would have thought they would have been there. I
14 presume they were invited, informed, or something?

15 MR. McLAUGHLIN: It is my understanding that these
16 two were the only ones available at the time.

17 REPRESENTATIVE WILSON: Could you briefly summarize
18 your findings here as you see them--briefly, I know it's
19 lengthy, but did you find anything good down there?

20 MR. McLAUGHLIN: Yes, we did find a couple of areas
21 where they have improved over the audit that was made in 1979,
22 which wasn't done by our office, by the way. At that time
23 the internal audit group was part of ORT in the department. I
24 think I make a comment in here on page six at the bottom of
25 the page, we note that there is evidence that HIA is

1 profitable and people are more concerned and acting that they
2 are interested in what is happening down there.

3 REPRESENTATIVE WILSON: "The commitment was lacking
4 in the previous review". Is that the one you are talking that
5 was done by somebody else in '79, so that between '79 and '84,
6 there was a commitment to do something to make it profitable?

7 MR. McLAUGHLIN: Yes, my auditor's notes there was a
8 big difference in attitude. It so happens that the auditor
9 who was in charge of the 1979 audit for the department is now
10 in my office, so he was aware of the continuity.

11 REPRESENTATIVE WILSON: You stated above there that
12 the effect of the conditions, the accounts, assets required,
13 and so forth, that would have a material impact on any
14 financial statement prepared for HIA using the data produced
15 in the airport's internal accounting system. Somewhere else
16 you kind of allude to the fact there wasn't much of an
17 internal accounting system.

18 MR. McLAUGHLIN: In general, there's a lot of
19 similarities between Mr. Dario's report and our report. We
20 agree on quite a number of --

21 REPRESENTATIVE WILSON: You do agree with Mr. Dario?

22 MR. McLAUGHLIN: On quite a number of the issues that
23 he raised.

24 REPRESENTATIVE WILSON: It comes down to the bottom
25 line, I guess, I don't think it's vital to this committee on

1 HIA's fiscal standing at the moment. I understand the
2 department is making an effort to straighten it out. I just
3 question some of their decisions down there and wondered if
4 you could comment on: One, they hired somebody or let a
5 contract for the \$75,000 accounting system that was supposed
6 to cure this problem several years ago. That didn't seem to
7 work. It was thrown out. They went out and hired somebody to
8 manage the industrial properties that got a contract. Do you
9 critique anything like that? Do you ever get in on anything
10 like that? You are the auditing firm. If I were the
11 department, I would come to you and say, how should we set
12 this up, or who should we go to see to get a good accounting
13 system.

14 MR. McLAUGHLIN: In the past I'm not sure how it was
15 done. At the present time, they are involved, my office, and
16 they are trying to come up with an accounting system that will
17 work and also working towards a computerized accounting
18 system, and we will work with them on that.

19 REPRESENTATIVE WILSON: I guess my biggest problem
20 with that and that kind of statement is that I have been
21 getting that from Secretary Larson and Secretary Bryan for six
22 years. I wondered how long it should take to come up with a
23 viable accounting system.

24 Had they read the report in '79, would they not think
25 they would have done something in that interim rather than

1 waiting five years and start now?

2 MR. McLAUGHLIN: I have no comments on that.

3 REPRESENTATIVE WILSON: He's right behind you, watch
4 him. Do you do the collecting for any of the monies owed to
5 the aviation account? Is that part of your duty or not?

6 MR. McLAUGHLIN: No, we do not get involved in that.

7 REPRESENTATIVE WILSON: You just review it as an
8 auditing function and make recommendations?

9 MR. McLAUGHLIN: I might add that this is an internal
10 audit which was done at the request of the department. An
11 internal audit generally is not for publication. It's to help
12 correct any wrong.

13 REPRESENTATIVE WILSON: I understand. I think it's
14 very constructive myself and helpful. I wondered why it
15 hadn't been done before, perhaps, in the last six years, and
16 if it was, why something hadn't been done with it. I do thank
17 you, gentlemen. I have some other questions that don't apply
18 to you, sir.

19 CHAIRMAN GAMBLE: Any other questions?

20 (No audible response.)

21 CHAIRMAN GAMBLE: Thank you, Mr. McLaughlin, for
22 coming. The last gentleman on the agenda is Glenn Raup,
23 Manager, Flight Operations, Capital City Airport.

24 Is Mr. Raup here?

25 REPRESENTATIVE WILSON: He's not allowed to attend.

1 **CHAIRMAN GAMBLE:** We do not see him. Okay, we have
2 an agenda tomorrow that starts at 9 a.m. Representative
3 Lescovitz, who is Subcommittee Chairman of this Committee --
4 Aviation Subcommittee will chair the hearing in the morning.

5 **MR. DOMAN:** Mr. Chairman, if I may interrupt for a
6 moment. While I was testifying, I was asked a question about
7 a specific date. In a few moments I have sat down and glanced
8 at my notes and I will be happy to answer a question about
9 that date as I know what the plane was doing and where the
10 Secretary was going.

11 **CHAIRMAN GAMBLE:** Are you still interested in the
12 answer?

13 **REPRESENTATIVE WILSON:** I was going to go back and
14 prepare a whole list for you, but go ahead.

15 **MR. DOMAN:** I believe the date that was questioned
16 was January 4, 1980. On that particular date the Secretary
17 flew in a state aircraft from Harrisburg to Clearfield. In
18 Clearfield, Pennsylvania, we have Department of Transportation
19 Engineering District No. 2. He was at Clearfield and had an
20 interview with a press representative from the Clearfield
21 Progress and he then went to Penn State where he had an audio
22 narrative at WPSX Studios that afternoon. That explains why
23 he left Harrisburg and how he ended up at Penn State.

24 **REPRESENTATIVE WILSON:** I missed the date. I didn't
25 get back to my notes.

1 MR. DOMAN: I believe that was January 4th of 1980.

2 REPRESENTATIVE WILSON: Perhaps you can explain why
3 the manifest and the flight documents don't indicate
4 Clearfield?

5 MR. DOMAN: I don't have in front of me what you have
6 in front of you, Representative Wilson.

7 REPRESENTATIVE WILSON: These are extracts we got
8 from the flight logs at Capital City on all of the aircraft
9 available during the period 1980 to 1984. We picked up on all
10 of the aircraft available for passenger carry and took all of
11 the trips out of there. The log simply states Capital City,
12 Belfonte/Penn State, that's a slash there. It certainly would
13 go into Belfonte Airport I'm sure, and Capital City. You said
14 one-fourth right?

15 MR. DOMAN: That's right, and I told you where he was
16 and what he was doing on that date.

17 REPRESENTATIVE WILSON: You said he flew to
18 Clearfield.

19 MR. DOMAN: He had remarks to the management staff of
20 District 2-0, that's in Clearfield.

21 REPRESENTATIVE WILSON: How did you get that? Did
22 you ask him?

23 MR. DOMAN: No, I didn't ask him about every date in
24 the past five years, but there's a very careful schedule of
25 his activities and we looked at that schedule to see where he

1 was on that particular date.

2 REPRESENTATIVE WILSON: And if I sent to you a list
3 of those that I had curiosity about, would you be glad to
4 tell me?

5 MR. DOMAN: I would hope, Representative Wilson, that
6 you had more of an interest than curiosity, but in any event,
7 I'd be glad to tell you.

8 REPRESENTATIVE WILSON: Your sarcasm is
9 appreciated, sir.

10 CHAIRMAN GAMBLE: Well, let's end the hearing on that
11 note.

12 REPRESENTATIVE ALDERETTE: One more question. Since
13 the gentleman came back to make a statement, there was one
14 other thing I'd like to mention.

15 The Auditor General's people under their incomplete
16 investigation made a statement that I believe a charter was
17 taken to Washington, D.C. \$623, and the commercial cost would
18 have been \$120.00.

19 If that were brought to your attention to
20 investigate, would you look into that? Would you might
21 consider that a waste?

22 MR. DOMAN: Yes, sir, I would look into it. But
23 before I would leap to the conclusion it was a waste, I would
24 look at two additional factors.

25 REPRESENTATIVE ALDERETTE: I didn't lead to that

1 conclusion. I'm asking you.

2 MR. DOMAN: If I may, and I don't mean to jump on
3 your question, but there are some things I would be very
4 interested in. I would be particularly interested in how many
5 people were on the flight. If there are a number of people,
6 suddenly it becomes cheaper to charter a plane rather than
7 individually buying tickets on commercial aircraft.

8 Secondly, I'd be interested in the timing of the
9 flight, because on a commercial aircraft one is limited to the
10 times those planes leave; and a charter leaves at a time that
11 is most efficient for the person taking the charter, and that
12 would be crucial in determining whether or not there was any
13 waste involved.

14 REPRESENTAIVE ALDERETTE: Thank you.

15 CHAIRMAN GAMBLE: Thank you.

16 MR. DOMAN: Thank you, Mr. Chairman.

17 CHAIRMAN GAMBLE: 9:00 tomorrow morning.

18 (Whereupon, the hearing was adjourned to reconvene at
19 9:00 a.m., Thursday, November 1, 1984.)

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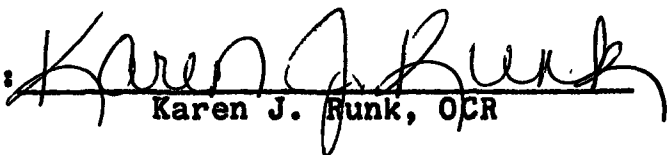
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