

CHAIRMAN

H. Joseph Hopford

MEMBERS

Eugene R. Geesey
Russell J. LaMarca
Joseph Rhodes, Jr.
David M. Turner



Room B-2

OFFICE:

Room 629 - Main Capitol
Phone: AC 717-787-7170

MAILING ADDRESS:

Post Office Box 3900
Harrisburg, Pennsylvania 17105

HOUSE OF REPRESENTATIVES
COMMITTEE TO INVESTIGATE THE ADMINISTRATION OF JUSTICE
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

July 25, 1974

Mr. S. John Cattone
United States Attorney
Middle District of Pennsylvania
U. S. Post Office and Courthouse
Post Office Box 309
Scranton, Pennsylvania 18501

Dear Mr. Cattone:

Mitchell Kenneth Rigel
Alternatives, Inc.
Harrisburg, Pennsylvania

This Committee has recently been making inquiries into the work and functions of the Governor's Justice Commission, the principal agency for disbursing Federal Law Enforcement Assistance Act funds in Pennsylvania.

While reviewing some of the grants and procedures, the Committee received some testimony and documents that prompt us to write to you. In particular, we refer to activities in which the central figure was Mitchell Kenneth Rigel. These were Yoke Crest, Inc. in which Rigel was Executive Director, and Alternatives, Inc. in which he was the dominant figure.

The Governor's Justice Commission has awarded a number of grants to Yoke Crest, Inc. and Alternatives, Inc. In addition, the Public Welfare Department, Commonwealth of Pennsylvania, has contracted with Yoke Crest, Inc. and the State Correctional Institution at Camp Hill with Alternatives, Inc. Enclosed is a copy of a memorandum related to these contracts and grants.

As our Committee policy is to bring to the attention of appropriate authorities occurrences that come to our attention when the facts and circumstances may involve violations or seem to suggest further interest by investigative and prosecutive agencies, we are sending copies of this letter and memorandum to

Mr. S. John Cattone - 2
July 25, 1974

the Federal Bureau of Investigation, Internal Revenue Service, and the
Dauphin County District Attorney.

Material in our files relating to the foregoing matters is available for review
by authorized personnel. Please let me know if further assistance can be
given.

Sincerely,

H. JOSEPH HEPFORD
Chairman

HJH:rf
enclosure

CHAIRMAN

H. Joseph Hepford

MEMBERS

Eugene R. Geesey
Russell J. LaMarca
Joseph Rhodes, Jr.
David M. Turner



OFFICE:

Room 629 - Main Capitol
Phone: AC 717-787-7170

MAILING ADDRESS:

Post Office Box 3900
Harrisburg, Pennsylvania 17105

HOUSE OF REPRESENTATIVES
COMMITTEE TO INVESTIGATE THE ADMINISTRATION OF JUSTICE
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

Memorandum

Alternatives, Inc.
Yoke Crest, Inc.

The Governor's Justice Commission on November 13, 1973 awarded Grant DS-423-73A to Alternatives, Inc. in the amount of \$57,365 for the period November 13, 1973 to February 15, 1974. Alternatives, Inc. was to supply technical assistance and expertise to localities interested in establishing community treatment programs throughout the state, similar to a program being funded by the Governor's Justice Commission and administered by Yoke Crest, Inc. Mitchell Kenneth Rigel was Executive Director of Yoke Crest, Inc. Rigel had also been President of Alternatives, Inc. just prior to the grant award and he was the dominant and controlling figure in that corporation.

At a hearing of this Committee, it was revealed that Alternatives, Inc. received a check in the amount of \$28,682 from the Governor's Justice Commission to initiate this project. This check was deposited in the Alternatives, Inc. general bank account on December 21, 1973. Concurrently, a check for \$5,000 was issued by Alternatives, Inc. on December 21, 1973 to M. K. Rigel and was used by him that same day as partial payment on a house purchased in his and his wife's name. On December 27, 1973, the balance (\$23,682) of the initial draw-down was deposited in a special account related only to the grant. This information was later reported by employees to officials of the Commonwealth and the grant was cancelled. Rigel later made restitution of the \$5,000 on March 5, 1974, several weeks after the ensuing state investigation developed the existence of serious irregularities in the handling of the funds.

An effort was made by the Governor's Justice Commission to audit the grant. This was almost hopeless because, with few exceptions, all invoices for expenditures were non-existent. Social Security taxes had not been deducted from salaries nor paid. At the time of our hearing, efforts had not been made by the Governor's Justice Commission to recover the "match" funds required by the grant. The expenditure of federal funds produced no tangible implementation of the project.

Alternatives, Inc. - Yoke Crest, Inc.

The Governor's Justice Commission awarded grant DS-338-72A to the State Correctional Institution at Camp Hill, Pennsylvania, on April 2, 1973 in the amount of \$179,182 for the period July 1, 1973 to June 30, 1974. This project was to establish a facility within the confines of the institution as a therapeutic community to provide treatment to persons entering the institution who have a history of alcohol or drug abuse. The Bureau of Correction, after receiving the grant, wrote a service purchase contract to Alternatives, Inc. to run the alcohol and drug treatment center for five months at a monthly amount of \$15,102.81. After the disclosure about the irregularities in grant DS-423-73A, the Bureau of Correction cancelled the contract with Alternatives, Inc. after at least \$60,411.28 had been paid to Alternatives, Inc.

Yoke Crest, Inc. received a number of grants from the Governor's Justice Commission while Mitchell K. Rigel was its Executive Director. His resignation was accepted by the Board of Yoke Crest, Inc. on February 13, 1974.

During the audit of the records of Alternatives, Inc. by the staff of the Governor's Justice Commission, it was indicated that income was received by Alternatives, Inc. from a Department of Health grant called "PACIDA."

It has now been determined this was a contract between the Department of Public Welfare, Commonwealth of Pennsylvania, and Yoke Crest, Inc. in the amount of \$86,000 for the period December 1, 1972 through June 30, 1973. All funds were Commonwealth funds; federal funds were not involved.

Yoke Crest, Inc. submitted invoices to the Department of Welfare for \$5,350 for "administrative costs" incurred by Alternatives, Inc., reportedly in support of the contract. It is reported that Alternatives, Inc. received at least \$4,684.59 of this amount. Presumably, a part of these administrative costs were consultant fees and/or salaries paid to Mitchell K. Rigel and Lawrence E. Bienemann. Amounts paid by Alternatives, Inc., from April 1973 through January 1974, to Rigel totalled \$4,421.71 and to Bienemann \$1,500.

Reportedly, Mitchell Rigel was devoting a portion of his time to various grants and/or contracts and charging each for the proper proportionate amount of his total salary; however, Larry Bienemann has informed us that this is not so. He reports that Rigel was being paid his full salary by Yoke Crest, Inc. and was, in effect, getting a second salary through the "gimmick" of billing Yoke Crest, Inc. for administrative costs on the Public Welfare Department contract.

Alternatives, Inc. - Yoke Crest, Inc.

An audit has not been conducted of the PACIDA contract. Neither have we examined the appropriate books and records to determine the exact facts regarding this contract.

The audit report by the Governor's Justice Commission concerning Yoke Crest, Inc. and Alternatives, Inc. set forth information about the failure of the two corporations to withhold the proper amounts from employees' salaries. The exact status of this tax issue is not known.

Neither is the tax status of Alternatives, Inc. known. However, it has been reported that in May 1973, the Board of Directors of Alternatives, Inc. authorized the filing of an application with the Internal Revenue Service for exemption from Federal Income Tax pursuant to Section 501 (C) (3) and 501 (E) of the Internal Revenue Code as a not for profit corporation.

The above mentioned audit report also comments upon quite a number of expenditures made by Yoke Crest, Inc., which expenses were not properly documented and many of them were of a personal nature not relating to the official business of Yoke Crest, Inc.

CHAIRMAN

H. Joseph Hepford

MEMBERS

Eugene R. Geesey
Russell J. LaMarca
Joseph Rhodes, Jr.
David M. Turner



Room B-2

OFFICE:

Room 629 - Main Capitol
Phone: AC 717-787-7170

MAILING ADDRESS:

Post Office Box 3900
Harrisburg, Pennsylvania 17105

HOUSE OF REPRESENTATIVES
COMMITTEE TO INVESTIGATE THE ADMINISTRATION OF JUSTICE
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

July 25, 1974

Mr. LeRoy S. Zimmerman
District Attorney
Dauphin County Courthouse
Front and Market Streets
Harrisburg, Pennsylvania 17101

Dear Mr. Zimmerman:

Yoke Crest, Inc. - Alternatives, Inc.

In connection with the inquiries of our Committee into the above matters, about which we have been in touch, it has now been noted that the audit of the records of Alternatives, Inc. by the staff of the Governor's Justice Commission indicated income was received by Alternatives, Inc. from a Pennsylvania Department of Health grant called "PACIDA." No audit of this grant has been conducted; and owing to the fact that state funds are involved, we are bringing certain information to your attention as you may wish to consider the possibility of state violations.

We have determined that "PACIDA" was a contract between the Department of Public Welfare, Commonwealth of Pennsylvania, and Yoke Crest, Inc. in Dauphin County. The amount of \$86,000 for the period December 1, 1972 through June 30, 1973 was committed. All funds were Commonwealth funds; federal funds were not involved in this grant although federal funds were paid to Yoke Crest, Inc. through an application of the Dauphin County Commissioners for another project.

In the "PACIDA" project, Yoke Crest, Inc. submitted invoices to the Department of Public Welfare for \$5,350 for "administrative costs," ostensibly incurred by Alternatives, Inc., the entity dominated by Mitchell K. Rigel. The reason for the participation of Alternatives, Inc. in the Yoke Crest, Inc./Department of Public Welfare project is not explained. It is reported that Alternatives, Inc. received at least \$4,684.59 of this amount. We understand that a part of this

Mr. LeRoy S. Zimmerman - 2
July 25, 1974

amount was paid to and received by Mitchell K. Rigel and Lawrence E. Bienemann. The latter was a full-time employee of Yoke Crest, Inc. as was Mr. Rigel. Amounts paid by Alternatives, Inc. from April 1973 through January 1974 to Rigel totalled \$4,421.71 and to Bienemann \$1,500, in addition to their full salaries from Yoke Crest, Inc. as detailed in a memorandum attached (Bienemann interview - July 17, 1974).

A review of investigative reports disclosed that Mr. Rigel apparently claimed that he was devoting a portion of his time to various grants and/or contracts and charging each for the proper proportionate amount of his total salary; however, Mr. Bienemann has informed our staff that this was not so. He states that Rigel was being paid his full salary by Yoke Crest, Inc. and was, in effect, getting a second salary through the device of billing Yoke Crest, Inc. for "administrative costs" on the Public Welfare Department contract.

We have not had access to the appropriate books and records to determine all of the exact facts in this case. We have prepared a staff memorandum, dated July 11, 1974, on this subject and it is enclosed for your information. It has also been furnished to the Auditor General's Office as that office is presently conducting an audit of the Governor's Justice Commission and should be concerned with this related contract of state money.

Please let us know if we can be of further assistance.

Sincerely,

H. JOSEPH HEPFORD
Chairman

HJH:rf
enclosures 2

CHAIRMAN

H. Joseph Hepford

MEMBERS

Eugene R. Geesey
Russell J. LaMarca
Joseph Rhodes, Jr.
David M. Turner



Room B-2

OFFICE:

~~Room 629~~ - Main Capitol
Phone: AC 717-787-7170

MAILING ADDRESS:

Post Office Box 3900
Harrisburg, Pennsylvania 17105

HOUSE OF REPRESENTATIVES
COMMITTEE TO INVESTIGATE THE ADMINISTRATION OF JUSTICE
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

July 25, 1974

Administrator
Law Enforcement Assistance Administration
U. S. Department of Justice
Washington, D. C. 20530

Dear Sir:

During the inquiries made by staff members of this Committee relative to the work and functions of the Governor's Justice Commission, Commonwealth of Pennsylvania, the organization formed to handle funds provided by the Federal Law Enforcement Assistance Administration, the Committee became concerned about the failure of officials of the Governor's Justice Commission to report possible violations of state and federal laws to proper authorities.

The Governor's Justice Commission has awarded grants to Alternatives, Inc. and Yoke Crest, Inc. In addition, both of these corporations have entered into contracts to perform certain work on other Governor's Justice Commission grants or Commonwealth of Pennsylvania contracts.

Our inquiries revealed that the officials of the Governor's Justice Commission learned of possible violations of state and federal criminal laws on the part of the two corporations and several employees. Notwithstanding the possession of such information, the officials of the Commission failed to promptly and fully report the details of this information to appropriate state and federal authorities, including your organization.

On behalf of this Committee, I have today reported pertinent information to various state and federal officials so that they may have the opportunity to fully discharge their responsibilities in connection with these matters. Copies of that correspondence are enclosed for your information and such action as you deem appropriate.

- 2 -

Administrator
Law Enforcement Assistance Administration
July 25, 1974

Please let me know if we can furnish additional information or be of further assistance.

Sincerely,

H. JOSEPH HEPFORD
Chairman

HJH:rf
enclosures
cc: Administrator - LEAA - Philadelphia

CHAIRMAN

H. Joseph Hepford

MEMBERS

Eugene R. Geesey
Russell J. LaMarca
Joseph Rhodes, Jr.
David M. Turner



Room B-2

OFFICE:

Room 629 - Main Capitol
Phone: AC 717-787-7170

MAILING ADDRESS:

Post Office Box 3900
Harrisburg, Pennsylvania 17105

HOUSE OF REPRESENTATIVES
COMMITTEE TO INVESTIGATE THE ADMINISTRATION OF JUSTICE
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

July 25, 1974

The Honorable Robert P. Casey
Auditor General
Commonwealth of Pennsylvania
229 Finance Building
Harrisburg, Pennsylvania

Dear Mr. Casey:

This Committee has been making inquiries into the work and functions of the Governor's Justice Commission. We learned that members of your staff are conducting an audit of the Commission. Accordingly, we desire to make available to you some information developed by our staff which may be of interest to you.

The Governor's Justice Commission has awarded a number of grants to Yoke Crest, Inc. and Alternatives, Inc. In addition, the Pennsylvania Public Welfare Department has contracted with Yoke Crest, Inc. The State Correctional Institution at Camp Hill has contracted with Alternatives, Inc. Enclosed is a copy of a memorandum furnishing pertinent information about these grants and contracts that will be of interest to you.

Additionally, we examined the Governor's Justice Commission award to the City of Philadelphia, PH-010-70A. This award, in the amount of \$286,592, was made in order that the Defender Association of Philadelphia could hire twenty-six additional employees for one year, from December 1, 1970 to November 30, 1971. We question the manner in which the Governor's Justice Commission has accepted purportedly supporting documentation for this grant. The Commission file contains information that most of these employees were hired in 1971, many being hired just a month or two before the grant expired so that there was a patent impossibility of carrying out the plan as claimed by the grantees within the time authorized and there was no time extension for the expenditure.

The Honorable Robert P. Casey - 2
July 25, 1974

Material in our files relating to the foregoing cases is available to your staff for review. Please let me know if further assistance can be given.

Sincerely,

H. JOSEPH HEPFORD
Chairman

HJH:rf
enclosure