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Thirteen

Internal Revenue Scandal May Be Hot Potato In 1952

Investigations into tax fraud scandals which have brought about the firing or suspension of six tax collectors and the indictment of two others for irregularities in Federal tax collectors' offices have brought the 17th Congressional District's representative—Congressman Cecil R. King—into the national spotlight recently.

Representative King, whose district embraces Torrance, Long Beach, Harbor City, and other South Los Angeles areas, is conducting the tax fraud investigations as chairman of the House Ways and Means subcommittee set up for the purpose.

The committee began hitting the national headlines last month with the announcement that more than a score of tax office employees had been suspended, fired, or had resigned under the pressure of investigation.

Included on the list were such names as Denis W. Delaney, Boston Collector, who is under indictment, and James P. Finnegan, St. Louis Collector, who is also under indictment.

The appointment of King, a Democrat, to the chairmanship of the subcommittee is considered by many here as a deserved recognition of the abilities of the Congressman.

In an effort to acquaint the citizens of Torrance with a complete background of the tax fraud investigation, the Torrance Herald is here reprinting an article that appeared recently in the Sunday Star of Washington, D. C.

The hearings will be shifted to the West Coast shortly after the first of the year, Congressman King has announced. He said his committee plans to open hearings in San Francisco about January 7.

How deep have irregularities and corruption gone in the Bureau of Internal Revenue's far-flung tax gathering offices?

A House Ways and Means subcommittee headed by Representative Cecil R. King, Democrat of California, has faced up to that question in a series of public hearings that are expected to continue intermittently well into next year.

With two internal revenue collectors already under indictment on bribery charges, with another suspended on charges of inefficiency and with reports of unsavory conditions in bureau offices pouring in from San Francisco to Boston, the truth, it was admitted by all, needed to be ascertained.

In a comparative sense, the Government could stand scandals in other bureaus. The IRS might be accused of irregularities there might be five-percenters stalking the halls of other agencies; elsewhere, outright thievery might prevail.

But when it came to the Bureau of Internal Revenue, that was a different matter. This was something that struck at the very core of the whole moral fiber of the Government; something that concerned every one in a personal way. This was something like a scandal in the FBI.

Chairman King, expressing the feelings of many who have followed the growing list of reported scandals in the IRS, said that public confidence has been shaken by indications of "corruption and inefficiency" within the bureau. "The foundation stone of our American tax system," he added, "is the belief of the American taxpayer in the integrity of those who administer the system."

Mr. King's point was that today Americans, who are being billed for the heaviest taxes in the Nation's history, have the right to expect utterly fair and dispassionate execution of tax laws. But the King Committee's findings have touched so many offices of the Internal Revenue Bureau, and have turned up so many questionable instances, that the public is entitled to hold serious doubts about the whole tax setup.

Complaints already have involved seven of the largest collection districts in the country—San Francisco, St. Louis, Kansas City, Detroit, New York, Newark, and Boston.

The former Boston collector, Denis W. Delaney, was indicted several weeks ago. A bribery in-

dictment was returned only last Friday (October 12) against the former St. Louis collector, James P. Finnegan. This ruddy-faced, fast-talking friend of President Truman figured prominently in the House subcommittee's recent hearings here (Washington, D. C.). Indictments have been returned or are under consideration against lesser officials in some of the offices.

And that is not all. "This is only the beginning," one official said wryly. Mr. King and his subcommittee are "looking into the affairs" of "two or three other collectors." Another report said the bureau itself, working closely with the House investigators, is checking on "five or six other offices."

What those inquiries would turn up was anyone's guess. Subcommittee members expressed shock at Finnegan's testimony that he spent, at most, only a few hours a day in his office, and that he conducted on the side, a lucrative law practice that included, curiously enough, several clients having tax difficulties and others seeking RFC loans or having some sort of business with the Government.

Asked if other offices might turn up patterns similar to those revealed in the Finnegan hearings, Mr. King said, "Don't be too surprised."

Whatever the extent of corruption, there apparently is no evidence that the Richmond and Baltimore offices—to which Washington area taxpayers send their returns—are involved.

Whether the irregularities might extend into the bureau's Washington headquarters was left hanging. To such a question, Adrian W. DeWind, the subcommittee's 37-year-old, hard-hitting chief counsel, replied: "It's too early to say."

But Mr. King interposed, "It's a little bit too early."

Mr. DeWind, who learned the ins-and-outs of Washington while serving as the Treasury's tax legislative counsel in 1947-48 before joining a New York law firm, hinted at some irregularities while questioning Finnegan last week on his activities as St. Louis collector.

He asked repeatedly if Finnegan had ever given any gifts to Government officials on behalf of the American Lithofold Corporation of St. Louis, which has been in the spotlight of a Senate inquiry into the activities of Democratic National Committee Chairman Bill Boyle. Mr. Finnegan, who acknowledged that he worked simulta-



STRATEGY HUDDLE . . . Democrats O'Brien and King, Republicans Kean and Curtis and Staff Members DeWind and Lyon map further internal revenue hearings. (Star photo.)

taneously for American Lithofold and the Internal Revenue Bureau, said he didn't remember. His amnesia persisted even after it was brought out that, in the Senate inquiry on the Lithofold company, he had denied flatly that he had ever passed any gifts to Government officials.

The exchange has importance in the overall view of the subcommittee's activities, as Mr. DeWind said: "We have some information that some Federal officials received gifts."

Who they are and the circumstances under which the gifts were received remains to be brought out. But it is understood they include, as insignificant as it may seem, such gifts as a camera to a man occupying a key position.

In all fairness, it should be said that the scandals have touched only a relative few of the bureau's 57,000 employees. But all of them are keenly aware of the reflections cast upon the agency by the startling disclosures.

In the 70-odd years the bureau has been a statutory agency, there has never been anything like the scandals now sweeping through the organization. There have been, to be sure, instances of graft and irregularities from time to time. But they have been more or less isolated cases and have passed only the usual and passing attention in the press.

For years the bureau has operated behind a legal cloak of secrecy as far as tax returns and such matters were concerned. Tax matters of individuals, quite rightly, were held in confidence. In that way there grew up the impression—not quite accurate, as impressions are apt to be—that this was one Government agency above and beyond the usual suspicions. This was the prim old maid, safe and secure.

Events in the past year have brushed aside the idea of purity—and have brought to bureau officials a real and pressing problem in restoring public confidence in the tax collection

agency.

For the most part, that burden falls on a stalwart Texan. He is John B. Dunlap, a career man who started out in the bureau nearly 20 years ago as a deputy collector in Dallas and worked his way up through the ranks.

He inherited the present nasty mess in the bureau when he was named commissioner of revenue a little more than two months ago, succeeding George J. Schoeneman, another career man who resigned because of ill health. In his first appearance before the House subcommittee, Mr. Dunlap said he had been given a hand in cleaning up conditions. If that should be withdrawn, Mr. Dunlap added, he would head back to Dallas.

Mr. Dunlap has moved rapidly to straighten out conditions. He has ordered the bureau's supervisory staff strengthened and is pushing the bureau's own investigation into complaints of irregularities and inefficiency. The series of events which have stirred the bureau and shocked the public began a year ago with disclosures by the Senate Crime Investigating Committee in connection with its inquiry into gambling in California. Numerous irregularities were turned up in the bureau's San Francisco office. As a result, two deputy collectors—William D. Malloy and Ernest M. ("Mike") Schino—were fired and Schino has since been indicted on fraud charges.

Then Finnegan, the St. Louis collector, resigned on April 4, with his office under investigation by the federal grand jury that indicted him last week. On June 30 Deputy Collector Sidney Jacobs and Mrs. Ann Brooks McAdoo Serge, an auditor, both of the New York office, were arrested on charges of defrauding the Government of \$40,000 on false claims for overpayments of taxes.

The Boston case broke on July 16 when President Truman fired Delaney as collector. A prelude to the official's indictment later on charges of bribery and false certification

of tax payments.

On August 24 James B. E. Olson, head of the bureau's Alcohol Tax Unit in New York, resigned after House investigators found itself faced with the immediate necessity of looking into these more serious charges. A preliminary survey by the subcommittee indicated that most cases of corruption and irregularities within the bureau occurred in the field and involved collectors, deputies and underlings.

That survey showed that criticisms of the bureau included reports of taxpayers with an "in" receiving unduly favorable treatment; that many bureau employees received outside incomes the particulars of which often were not explained; that there had been little supervision by the bureau over matters in which the country's 64 collectors are involved; that gamblers and racketeers were accorded different and less exacting treatment than the ordinary taxpayer receives, and that red tape, duplication of functions and inefficiency prevailed within the bureau.

In a more disturbing way, the subcommittee learned that a number of bureau employees have been living on a scale beyond anything possible on their Government salaries. Some of these matters have been explored in closed sessions of the subcommittee.

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leads have turned up.

It is within the framework of all these developments that the House subcommittee is swinging into an investigation that promises to be headlined for months to come.

The seven-man subcommittee was set up originally, prospectively enough, to look into the administration of the revenue laws and recommend changes to modernize and strengthen the Government's tax-collecting machinery.

Drawn from the traditionally conservative tax-writing Ways and Means committee, it is composed of Representatives King, Keogh of New York, Combs of Texas and O'Brien of Illinois (Democrats), and Kean of New Jersey, Curtis of Nebraska and Byrnes of Wisconsin (Republicans).

The Kefauver committee disclosures disrupted its quiet pursuits last spring, and it set out then to investigate the tax returns of gamblers and racketeers. For this purpose it obtained the returns of 2500 underworld figures and proposed to begin its investigations by looking into what could be done to see that such characters paid a full tax on their illegal earnings.

But the revelations about corruption and irregularities within the bureau setup switched the emphasis. The subcommittee found itself faced with the immediate necessity of looking into these more serious charges.

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usual incomes were due to great proficiency at bridge and poker, and what Mr. DeWind referred to at one time in the recent public hearings as "an infallible system of winning on the horses."

The subcommittee, astonished by such explanations of income, won reluctant assent from the bureau and Treasury Secretary Snyder for circulation of a questionnaire designed to disclose the net worth of most bureau employees, their sources of income, their holdings in securities and such matters.

Beset with the attacks on its integrity, the bureau went further. It sent out letters seeking to ascertain which employees had outside sources of income and announced, somewhat belatedly, that since last January 1 there has been an "understanding" that collectors must devote their full time to their duties. "In many instances neglect of duty and failure of integrity," the subcommittee has already concluded, "may have been associated with too extensive outside interests."

The subcommittee thus far has held public hearings only on the Olson case in New York and the Finnegan case here.

It has scheduled hearings starting Tuesday into the Boston case in which the former collector, Delaney, is under indictment. In those hearings it will explore further what Mr. King has described as indications of "an organized plot to corrupt collectors in several districts in various parts of the country."

Finnegan, the former St. Louis collector, figures in the Boston case in an important way in what the subcommittee suspects was an insurance scheme, not yet fully explained, involving the solicitation of business from persons having tax difficulties.

After the same question was raised about the St. Louis office, the hearings brought out that Finnegan's brother Hugh, 48-year-old Long Island (N. Y.) resident, and a New York insurance man, Daniel Friedman, arranged interviews with the Philadelphia collector and then the Boston collector.

They got a brushoff in Philadelphia, but after their interview with Delaney they saw Maxwell Shapiro, a Boston woolen manufacturer, and obtained \$10,000 worth of business. The Delaney indictment charges that the former collector received \$2500 to influence his decision in a tax-claim against the woolen manufacturer. Strangely enough, both the Finnegan and Shapiro received payments from the New York insurance firm shortly after it obtained the Shapiro business, although both strongly contend it was for legal and

other services. Testimony received by the subcommittee also indicated that Finnegan figured in the Olson case to the extent that he introduced the former alcohol tax unit official to the American Lithofold Corporation.

In the offing are investigations in San Francisco and other places where irregularities have been reported.

The subcommittee expects its investigations to continue well into 1952, a presidential election year. Inevitably, then, they are likely to become an issue in the campaign, for if indications are borne out, the corruption in the bureau may become the No. 1 scandal of an era already noted for "five percenters," deep freezes and milk coats.

C of C Primary
Results Listed,
Vote Under Way

Results of the primary election to name eight new directors of the Torrance Chamber of Commerce are announced by the election committee composed of James Squire, chairman, Charles Schultz Jr., and Edward Raphael.

The top 16 receiving the largest vote in the order of votes received are announced as follows: Bob L. Haggard (incumbent), Henry W. Creeger (incumbent), G. M. Eastham, M.D., J. H. Paget, Paul D. Loranger (incumbent), Henry Ulbright, A. D. Wagen, J. D. Spalding, Grover C. Whyte, Donald Armstrong, Darwin Parrish, James Squire, Jack Dabbs, Sam Levy, Charles Ver Jones, and John Melville.

From these 16 nominees the membership will elect eight, who with the six directors whose terms have not yet expired, and one new director to be appointed by the new board, will comprise the 15-member board of directors for the ensuing year, according to Chamber President Creeger. Expansion of the governing board from nine to fifteen members was recommended by President Creeger in order to afford broader community representation on the Chamber of Commerce board.

Final run-off ballots are being mailed this week, according to Executive Secretary Blaine Walker, and they must be returned prior to noon, Thursday, November 29, to qualify.

Hold-over directors are O. A. Kresse, Reed H. Parkin, Robert I. Plomert Jr., Charles T. Rippey, Dean L. Sears, and William A. Zoeller.

TWO TORRANCE SOLDIERS
WIN 'WINGS' IN JAPAN

Two Torrance soldiers half-seriously added "airmen" to the list of nicknames they've collected from their Army training.

They were Sgt. Gail Cox, 21161; Andrew Avenue, and Cpl. Bobby L. Tyler, 822 Sartori Avenue, both members of Company C, 578th Engineer Battalion, former Inglewood National Guard unit.

The unit made a one-hour training flight in huge Air Force C-119 and C-46 cargo planes as a climax to several weeks' training in combat air transportability. Vehicles, equipment, and men were loaded aboard the planes at Misawa Air Base, near the engineers' permanent camp at Camp Haugen, then took a brief flight over the surrounding territory.

They had previously qualified as land-fighting "seamen" by making a sea voyage and practice amphibious landing at Chigasaki Beach, near Yokohama, last summer.

Cox is a platoon sergeant in the Inglewood unit, while Tyler serves as a platoon medic.

Torrance's Company A has been taking its pre-flight training in landing techniques at Camp McNair, near Mt. Fuji, but has not participated in actual flights.

The engineers are a part of Southern California's 40th Infantry Division, which was called to active duty last year and sent to Japan in April.

Chamber Head Says

More Water Means More Jobs
And Better Fire Protection

"More water means more jobs and better protection against fire for both home owners and industry," stated Henry W. Creeger, manager of the American Radiator and Standard Sanitary plant at Torrance, Creeger, as president of the Torrance Chamber of Commerce, was discussing the importance of the coming water election on January 8.

"This water election is one of the most progressive moves this growing community has ever undertaken," commented the industrialist who heads one of the major new factories to locate in Torrance.

One of the questions frequently asked by new industries

investigating Torrance as a site is: "How much water can you guarantee us for our future operations," Creeger pointed out.

He expressed the belief that some industries have questioned Torrance's lack of a modern water distribution system as a deterrent to industrial expansion.

Approval of the water development plan by the voters on January 8 will start the encouragement of new industries to build in Torrance at a rate that will continue to furnish new, diversified jobs for local citizens, Creeger emphasized.

Torrance is in an enviable position as far as reserve supplies

of water are concerned because this city was one of the original 13 municipalities to form the Metropolitan Water District which taps the huge resources of the Colorado River.

We have this tremendous backlog of water dammed up at our very doorstep, but our distribution system is entirely inadequate. What we need is more storage tanks, more mains, more pumps, and similar distributing equipment. Authorization to install this equipment to be paid for out of water department revenues is what is asked of the electorate on January 8, concluded Creeger.



PAINT DAUBERS . . . Stirring up another batch of paint to put new life in the stage sets at Torrance High School are (left to right) Richard Uglad, Fenny Baker and Bob Hubbard. The boys are painting the scenes for the forthcoming senior play entitled, "Men Are Like Streetcars." (Herald Photo.)