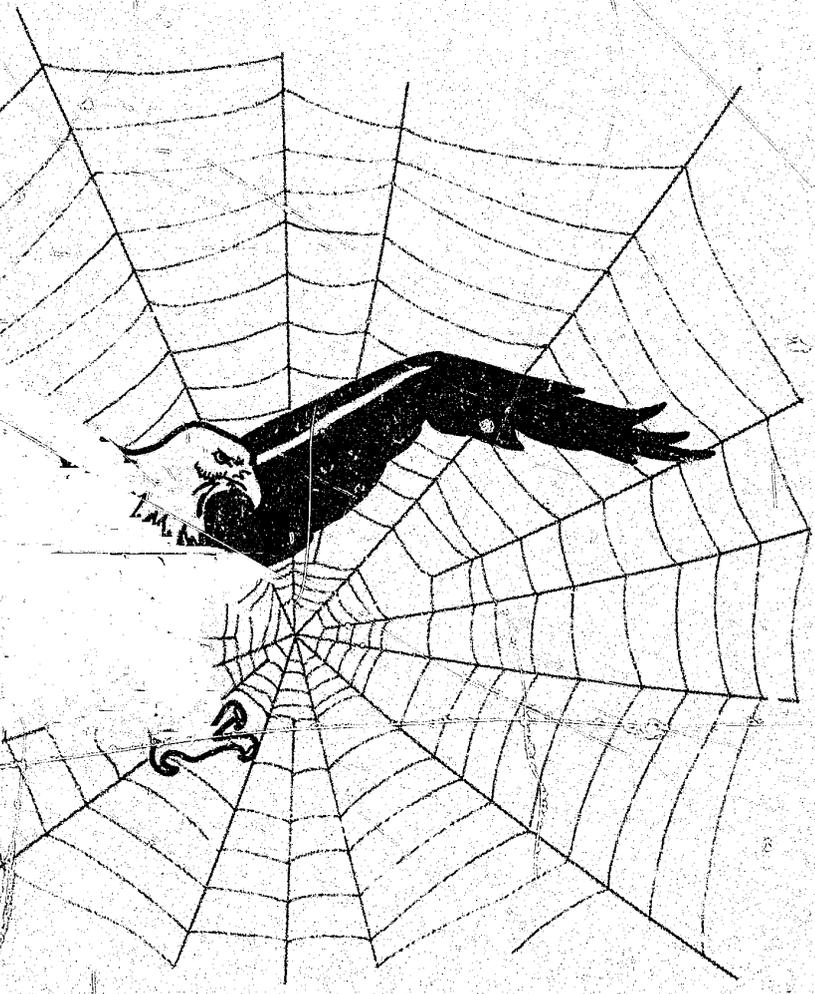


U.S. Department of Justice  
Law Enforcement Assistance Administration  
National Institute of Law Enforcement and Criminal Justice



# ESTABLISHING A CITIZENS' WATCHDOG GROUP



58523

# **Establishing a Citizens' Watchdog Group**

**Program for the Study of Corruption in Local Government**  
Theodore R. Lyman, *Program Director*

Prepared by  
Peter Manikas  
David Protes  
Better Government Association  
Chicago, Illinois

**September 1979**

U. S. Department of Justice  
Law Enforcement Assistance Administration  
**National Institute of Law Enforcement and Criminal Justice**



**Law Enforcement Assistance Administration**

**Henry S. Dogin,**

*Administrator*

**Homer F. Broome, Jr.,**

*Deputy Administrator for Administration*

**National Institute of Law Enforcement  
and Criminal Justice**

**Harry M. Bratt,**

*Acting Director*

This project was supported by Grant Number 76-NI-99-0087, awarded to SRI International by the National Institute of Law Enforcement and Criminal Justice, Law Enforcement Assistance Administration, U. S. Department of Justice, under the Omnibus Crime Control and Safe Streets Act of 1968, as amended. Research on this project was completed in January 1979. Points of view or opinions stated in this document are those of the authors and do not necessarily represent the official position or policies of the U. S. Department of Justice.

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Washington, D.C. 20402

Stock Number 027-000-00837-2

## PREFACE

### The Project

Under a grant from the National Institute of Law Enforcement and Criminal Justice, SRI International (formerly Stanford Research Institute) has conducted a 2-year study of problems of local-government corruption in land-use and building regulation. We have found such corruption to be a significant problem in many areas in the United States and it is not likely to be insignificant in the areas we could not study. To provide a detailed understanding of how corruption occurs and how it can be prevented, SRI researched the environment in cities that had faced corruption problems in recent years, undertook an extensive literature search, analyzed the causes of corruption, identified numerous corruption prescriptions, and commissioned specialized studies from recognized experts in the field.

The results of this 2-year study program are contained in six reports, as follows:

- Volume I: Corruption in Land Use and Building Regulation: An Integrated Report of Conclusions--A summary of the environment in which corruption can occur in land use and building regulation, and possible corrective and preventive measures. Illustrations are drawn from the case studies (Volume II).
- Volume II: Appendix--Case Studies of Corruption and Reform-- Documented incidents of corruption in nine cities and one documented absence-of-corruption case. In each case study, the factors that acted to allow the corruption are pointed out.
- An Anticorruption Strategy for Local Governments--This report describes a countercorruption strategy that can be implemented by city administrators to monitor the performance of employees and to increase their understanding of what constitutes corruption and how to avoid it.
- An Analysis of Zoning Reforms: Minimizing the Incentive for Corruption--This report, prepared by staff of the American Society of Planning Officials, discusses zoning reforms that can be considered by planners, zoning commissioners, and others involved in land-use regulation.

- Establishing a Citizens' Watchdog Group--This manual, prepared by the Better Government Association of Chicago, shows how to establish a citizens' group to expose corruption and bring pressure for reform. .
- Analysis and Bibliography of Literature on Corruption--The results of a detailed search of books, journals, and newspapers made to identify descriptive accounts of corruption, theoretical analyses of the causes of corruption, and strategies proposed or implemented to control it.

### This Report

This report, the fifth in the series, deals with one possible weapon against corruption, the citizen watchdog group, and one of several possible models of such a group, the Better Government Association of Chicago. The BGA was selected because it focuses primarily on corruption in government and because two BGA staff were members of the project team. Other groups that could serve as models include the New York Citizens Budget Commission and Cleveland's ALERT.

The original focus of these reports was on corruption in land-use and building regulation. However, two factors dictated a broader focus to the anticorruption remedies suggested: First, focusing only on reform of the land-use and building regulation functions would, if completely successful, leave a local government with one or two islands of purity in a government where the absence of corruption was not known for sure and the presence of corruption had not been precluded (or at least minimized). Islands of purity are difficult to maintain; also, if corruption is abhorrent in land-use and building regulation, why not in public works or tax assessment?

Second, the study of corruption in land-use and building regulation resulted in a number of tentative conclusions that are, really, hypotheses. Some of these appear to be of general application; only testing in real situations and observation of the results will show to what degree these hypotheses are valid. One such conclusion is that where corruption appears to be entrenched, and where the affected part of the local government sees no need for reform, citizen action can be highly effective. Chicago's Better Government Association is an example; testing this

model in other cities and in other situations can provide useful information--as well as providing a powerful anticorruption weapon.

This report addresses the following hypotheses derived in Volume I of "Corruption in Land-Use and Building Regulation":

- The attractiveness of an opportunity for corruption is inversely proportional to its visibility.
- The incentive of an applicant to participate in an act of corruption will be minimized if he not only believes that his participation would be wrong, but that his refusal to participate would be supported by his company and his community.
- The incentive of an official to participate in a corrupt act will be increased by experiences in which corruption was condoned.
- An official or an applicant will have an incentive to engage in corruption when the anticipated gains from corruption, less its cost, exceed the gains to be expected from legitimate activities, less their costs.

Other hypotheses are addressed in other reports in this series.

### Organization and Use

This report is organized to be suitable for use as a handbook for those considering establishing a citizen watchdog group using the Better Government Association as a model.

Section I, the Introduction, explains why a citizen watchdog group is needed. Section II provides a brief overview of the BGA and its history. Section III focuses on how to organize a citizen watchdog group. Important questions of fund raising are addressed in Section IV. Section V provides an in-depth discussion of the programs and activities of BGA as a model for those of a citizen watchdog group. Section VI presents case histories of six investigations undertaken by the BGA, to show how those programs and activities work out in practice. Finally, appendices present a brief annotated bibliography of additional case materials, and information that may be useful to citizens who are considering establishing such a group.

Each section contains a brief summary of the points made in the section. If desired, the summary sheets can be copied and used as a discussion guide.

## ACKNOWLEDGMENTS

Projects that require years to complete and that require data to be collected from all over the country inevitably depend heavily on the contributions of many persons outside the project team. The project director and the authors of the various reports in this series take this opportunity to thank all of those who have talked, debated, and argued with us for the past two years. The project has benefited greatly from your involvement.

In addition to the grant from the National Institute of Law Enforcement and Criminal Justice, support has been provided by the University of Illinois (sabbatical support for John Gardiner), by the American Society of Planning Officials, by the Better Government Association of Chicago, and the executives and management of SRI International.

The six volumes of this series have benefited from, among others, the substantive contribution of the following SRI International staff: Thomas Fletcher and Iram Weinstein who have played major roles in defining and setting the initial direction for the project; James Gollub, Shirley Hentzell, Lois Kraft, Cecilia Molesworth, and Stephen Oura who have all helped shape various aspects of our work. George I. Balch from the University of Illinois and Joseph McGough and Thomas Roche from New York City's Department of Investigations have served as outside consultants providing valuable assistance.

The project has also been guided by an Advisory Committee, members of which have been drawn from the ranks of public interest groups, academia, and research. Representatives at the three Washington, D.C. meetings included Joseph Alviani, United States Conference of Mayors; William Drake, National League of Cities; Donald Murray and Nancy Levinson, National Association of Counties; Claire Rubin and Philip Singer, International City Management Association; Richard Sanderson, Building Officials and Code

Administrators International; Richard Sullivan, American Public Works Association; Nicholas Scopetta, New York Department of Investigation; Jonathan Rubenstein, the Policy Sciences Center; Geoffry Hazzard, Yale Law School; and Victor Rosenblum, Northwestern Law School. To these individuals we extend our appreciation; any frustrations their difficult role may have created were always masked by their evident enthusiasm.

Others have graciously taken valuable time to review one or more of the many working papers that underpin our final products. Elinor Bowen, Gerald Caiden, Michael Maltz, Daniel Mandelker, David Olson, and Larry Sherman have been prominent among these reviewers.

In each city studied for this project we talked with officials from throughout government service, journalists, clergymen, and citizens. While we will always honor our agreements as to confidentiality, we wish to express our gratitude to them for their comments and reactions.

Our project monitors, David Farmer and Philip Travers, justly deserve acknowledgment. They have been helpful not only in ensuring our compliance with the National Institute's rules and regulations but in helping us adhere to our research design even when we were in danger of being buried by the petty details of project work.

Finally, we could never overlook the people who put our often incomprehensible work into readable form. Edith Duncan, Sandra Lawall, and Josie Sedillo of SRI and Anita Worthington of the University of Illinois have earned more than simple acknowledgment, so let mention of their names serve as only a small token of our appreciation.

## CONTENTS

PREFACE . . . . .		iii
ACKNOWLEDGMENTS . . . . .		vii
LIST OF ILLUSTRATIONS . . . . .		xi
I INTRODUCTION . . . . .		1
The Problem of Political Corruption and its Social Costs . . . . .		2
Recent Reforms . . . . .		6
II THE CITIZEN WATCHDOG GROUP . . . . .		11
The Better Government Association: A Model for Citizen Action . . . . .		11
General Structure and Operating Procedures . . . . .		13
Investigative Program . . . . .		14
The Public Interest Legal Program . . . . .		18
Performance . . . . .		19
III ORGANIZING THE CITIZEN WATCHDOG GROUP . . . . .		23
Overview . . . . .		23
Forming the Watchdog Group: Identifying Sponsors . . . . .		25
Model Structure of the Watchdog Group . . . . .		28
IV FINANCING THE CITIZEN WATCHDOG GROUP . . . . .		35
Funding Sources . . . . .		35
Fund Raising Strategies and Techniques . . . . .		38
Using Funds Effectively . . . . .		41
V PROGRAMS AND ACTIVITIES . . . . .		45
Selecting Investigations: How to Establish Priorities . . . . .		45
Investigative Processes . . . . .		49
The Watchdog Organization's Relationship with the News Media . . . . .		56
Public Education: Generating Citizen Support for Reform . . . . .		60
Legal Counsel and Litigation . . . . .		63
VI PROFILES IN GOVERNMENT MONITORING . . . . .		67
Introduction . . . . .		67
The Use of Public Office for Personal Financial Gain: Investigating Individual Corruption . . . . .		68
Institutional Abuse . . . . .		74
Analyzing a City Budget . . . . .		83
Investigating Chicago's City Budget . . . . .		87

Challenging Police Spying Through Legal Action: The	
BGA's Police Surveillance Case . . . . .	91
Legal Action and Public Education . . . . .	95

**APPENDICES**

A ANNOTATED BIBLIOGRAPHY . . . . .	99
B BY-LAWS, BUDGET, IRS LETTER, AND INVESTIGATIVE GUIDELINES OF THE BETTER GOVERNMENT ASSOCIATION . . . . .	103
C SAMPLE OF A BGA WHITE PAPER: THE MIRAGE: A REPORT ON THE FIX IN CHICAGO . . . . .	115

**ILLUSTRATIONS**

1	Organization of Chicago's Better Government Association . . .	15
2	Monthly Contributions to BGA for 1975-1977 . . . . .	36

## WHY START A CITIZEN WATCHDOG GROUP

### **The need for greater citizen control over government**

- Voting may determine who heads a government and its agencies, but it will not necessarily ensure that the operations of that government or its agencies are honest, open, and accountable to the citizens.
- Government accountability is hindered by secrecy, helped by exposure to the public view.
- New forms of citizen action can assure that local governments are accountable to their citizens on more than Election Day.

### **Political corruption and its costs**

- Whether because there has been an increase in political corruption or because there has been a decrease in willingness to tolerate political corruption, indictments and convictions of office holders have proliferated in recent years.
- Political corruption is not a victimless crime; all residents of an area whose government is corrupt suffer as a result of that corruption, either in higher taxes or in lower service levels.
- In addition to fiscal costs, political corruption incurs social costs: alienation, resentment, and loss of confidence in public institutions and public efforts.
- Political parties have also suffered a loss of power as a result of the loss of public confidence.

### **The citizen watchdog group as a remedy**

- Citizen reform efforts are not new (witness the League of Women Voters), but new types of citizen reform efforts have been developed, such as Common Cause on the national level.
- State legislatures have begun to respond to citizen reform efforts with laws aimed at making clear the affiliation of lobbyists, putting limitations on campaign contributions, and other measures aimed at maintaining ethical standards.
- No single individual can be fully informed on all of the Federal, state, and local political acts that will affect his/her life, but a citizen can increase his/her ability to exert control over those political acts by joining a collaborative, nonpartisan effort.
- A fruitful type of collaborative effort is that where citizens get together and hire professional investigators to expose corruption in local government; the Better Government Association of Chicago is an example.

## I INTRODUCTION

"If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed, and in the next place oblige it to control itself. A dependence on the people is, no doubt, the primary control on government; but experience has taught mankind the necessity of auxiliary precautions."

--James Madison, Federalist #51  
(emphasis added)

Madison's words, written over 200 years ago, constitute an eloquent defense of our constitutional system of checks and balances designed to prevent the abuse of governmental authority. Yet the events of the past decade have made it quite clear that the formal diffusion of power alone is not enough to ensure the accountability of our public institutions. Watergate and its related political scandals are the most dramatic recent examples of governmental unaccountability. But the corruption of governmental authority is hardly confined to one political party or a single level of government--no aspect of public life appears to be exempt from possible corruption.

Citizens have lost control over their public institutions and new modes of citizen action must be created to restore the imbalance. In Madison's terms, new "auxiliary precautions" must be taken to ensure that government does indeed control itself. What follows is an explanation of one form of citizen action based on Chicago's Better Government Association which focuses primarily on combating public corruption at the state and local levels of government. This introduction discusses the problem of political corruption and why new forms of citizen involvement are needed. Succeeding sections discuss how such an organization can be organized, operated, and maintained.

## The Problem of Political Corruption and Its Social Costs

There is no way of knowing for sure whether official corruption is more widespread now than in earlier times. Nevertheless, it is clear that during the past decade indictments and convictions of major office-holders have proliferated. Between 1970 and 1977, over 1,000 public officials were convicted on Federal criminal charges (Chicago Daily News, February 10, 1977, p. 1). And, as Watergate taught us, government corruption is not confined to the avaricious local building inspector. Two former Maryland governors, Spiro Agnew and Marvin Mandel, were convicted of offenses committed during their term of office. In Illinois alone, 135 governmental officials; including a former governor, Otto Kerner, have been convicted for using their public office for their personal gain.\*

While large industrial states like Illinois and New Jersey clearly have the highest incidence of prosecutions for public corruption, the conviction of public-office holders is by no means limited to those states. In recent years public officials from all sections of the nation, from the Governor of Oklahoma to a Federal court clerk in Mississippi, were convicted for crimes committed while in office.†

The term "political corruption" is not always used only to indicate those acts that violate Federal and state criminal statutes. It is also used to designate a variety of situations commonly thought to contravene ethical standards to which most citizens expect public officials to adhere. For example, patronage abuse, nepotism, and an almost infinite variety of conflicts of interest are generally thought of as corrupt acts. Using this broader definition there are probably few communities

---

\* Convictions of Illinois public officials between 1970 and 1976 were more numerous than in any other state. New Jersey, with 66 convictions during the same period, had the second greatest number of convictions (U.S. News and World Report, February 28, 1977, p. 36).

† For a brief overview of the scope of Federal prosecutions and the expanded use of specific Federal criminal statutes, such as the Hobbes Act, for obtaining convictions in public corruption cases, see the 1976 Annual Report of the U.S. Attorney General (1977).

throughout the nation that do not have some degree of "political corruption" in some department.

What is the impact of corruption on local communities and how does it affect public policy? Until recently little systematic research was done to answer these questions but it would be mistaken to assume that corruption has few social costs.

When a suburban zoning official accepts a bribe in exchange for favorable action on a zoning change, entire communities suffer in a direct and tangible way. Services that were designed to accommodate a low density neighborhood are found insufficient to support the high density apartment complexes that spring up overnight. Highways clog due to increased congestion and schools become overcrowded. Parking space, which was once no problem for the suburbanite, is at a premium. Taxes must be increased so that services can be expanded and environmental problems resolved.

That political corruption can lead to direct economic injury to the public was dramatically illustrated in a recent Illinois case involving the Metropolitan Sanitary District. In sentencing the District's vice-president, convicted of accepting a bribe in exchange for awarding a lucrative sludge hauling contract, Federal District Court Judge John F. Grady noted:

"...This was not merely the appearance of impropriety. There was actual injury to the public weal...we know that \$1 million was added to the Ingram contract by the action of Mr. Janicki and the other conspirators in this case. I know of no other where you can simply point to a specific instance of that kind and say that the public was injured in the amount of \$1 million by the action of a public official in a specific situation..."

(Chicago Daily News, December 6, 1977)

Wasteful and inefficient local governments also increase costs to taxpayers and property owners. (Tax increases resulting from governmental waste are passed on to apartment dwellers in the form of increased rents.) And in this time of urban fiscal scarcity, waste in one governmental program surely means that financial resources will not be redirected toward real problems that are now ignored.

The indirect costs of corruption can also be substantial. Democratic government places a high value on citizen participation. Yet corruption breeds distrust of government and democratic processes.

It should not be surprising then that pollsters have been able to chronicle a growing public malaise. For the past several years public opinion surveys have documented the American people's rising alienation. In December 1977, Louis Harris reported that the "Index of Alienation" had reached 58%, almost 20% higher than it was 11 years ago when 29% of the public could be classified as alienated. The Harris survey found that 76% of all Americans believe that "special interests get more from government than the people do" and that 65% think that "most elected officials are in politics for all they personally can get out of it for themselves" (Chicago Tribune, December 8, 1977).

Harris has also reported that the public's confidence in major institutions is low, although it has increased slightly since 1976. Less than one-third of the American people express a high level of confidence in the White House and only 18% express much confidence in local government. Not a single major American institution now evokes a high level of confidence from the American people, although five out of twelve institutions scored 50% or more in 1966 (Chicago Tribune, March 14, 1977).

How can our governmental institutions be revitalized and made more accountable to the American people? Throughout our history the most significant form of citizen involvement in government has been through the electoral process. By voting and working within the political party framework, citizens would act as the ultimate check on governmental power and ensure that governmental action would be taken only with the consent of the governed.

Yet, in increasing numbers, Americans are abandoning the political party system. Indeed, one major study of political attitudes recently concluded that the public's rejection of political parties was "Perhaps the most dramatic political change in the American public over the past

two decades...." (Nie, Verba, and Petrocik, 1976, p. 47). In 1974 only about one out of every four persons could be counted as strongly identifying themselves as a Republican or Democrat while 38% considered themselves to be independent (Nie, Verba, and Petrocik, 1976, p. 49).<sup>\*</sup> Clearly, most citizens do not view the existing political parties as vehicles through which government is likely to be reformed.

A growing number of citizens are also becoming disenchanted with the electoral process itself. In the 1976 presidential elections, 81.5 million Americans voted, nearly 4 million more than had voted in the past. However, the 1976 voters represented only 54.4% of the adult population, a full percentage point below the 1972 turnout. In fact, the 1976 Presidential election evoked the lowest rate of voter participation since the Dewey-Truman contest of 1948 (Manikas and Protes, 1977, p. 70).

Local government--the government "closest to the people"--consistently experiences an even lower voter-turnout rate than national elections. Voting in city elections typically involves no more than 35% of the eligible local electorate and turnouts of 5% to 10% are common in referenda and special district elections (Lineberry and Sharkansky, 1971, p. 60).

However, if citizens have withdrawn their support from the two major political parties because of their sense of frustration, they are even less likely to influence government by acting alone. Government is growing increasingly large and complex. Even local issues are moving far beyond the ordinary citizen's understanding.

Nationwide, over 500,000 officials are elected to public office in a Presidential election year. In Illinois, for example, so many officials are elected to obscure offices that it is virtually impossible for citizens to hold them accountable for their official acts. A resident of the City

---

<sup>\*</sup>Comparing voting statistics and survey research data from 1952 to 1972, the authors found that citizens are now "less likely to identify with a party, to feel positively about a party or be guided in their voting behavior by partisan cues" (Nie, Verba, and Petrocik, 1976, p. 57).

of Chicago finds himself faced with the task of casting a ballot for almost 100 public officials ranging from high national, state, and local officials to the trustees of the University of Illinois and the Metropolitan Sanitary District as well as a host of circuit court judges (Simpson and Beam, 1976, pp. 18-19).

Moreover, the multiplication of governmental jurisdictions has rendered individual efforts to monitor public officials an absurdity (Rehfus and Tobias, 1977). In Illinois there were 2,407 Special Districts in 1972, over 1,400 of which levied their own property tax. These specialized governments deal with such matters as sewage treatment, fire protection, and mosquito abatement. Illinois is certainly not alone in its propensity to generate new governments. Nationwide, over 228 metropolitan areas are served by over 20,000 local governments (Bureau of the Census, 1973).

Yet even if citizens could contend with government's size and complexity, additional problems remain. Obscure agency procedures and unofficial government secrecy still frequently bar the way to effective participation. Citizen involvement is still an alien concept to almost all governmental bureaucracies. Individual activists can encounter obstacles at every stage of their efforts to understand, as well as influence, city hall.

#### Recent Reforms

To fill the void left by the declining political parties, bipartisan and nonpartisan citizen groups have been formed to revitalize public institutions (Saloma and Sontag, pp. 217-245). At the national level, Common Cause may already have more active volunteer members than either major political party, although it has only been in operation since 1970. The proliferation of such groups has led two political commentators to conclude: "The stirring of the public interest movement and the proliferation of issue-oriented citizen groups suggest that the United States is entering a new era of citizen involvement and political reform in the 1970s. Citizen politics will undoubtedly shape the new political alignments and institutional forms of the decade" (Saloma and Sontag, 1972, p. 235).

While few groups have been as successful as Common Cause at the national level, several ad hoc issue-oriented citizens' groups have met with considerable success in urging specific reforms at the level of state government. Largely because of pressure from such citizens' groups, 40 state legislatures enacted reforms in 1973 and 1974 limiting campaign contributions and expenditures and monitoring ethical standards of public officials. By 1976, 49 states required some form of public disclosure of campaign financing, 38 states required public officials to disclose their personal finances, all 50 states had enacted some measure requiring lobbyists to register, and 27 states required public agencies to open their meetings to the public (press release from Common Cause, March 1976).

Perhaps the most publicized success of these reform attempts was the passage of Proposition 9 by referendum in California. Over 3 million Californians voted for the complex reform law that contained provisions regulating campaign financial disclosure, provisions that required public officials to disclose their financial interests and placed a limit on expenditures made by lobbyists.

Yet despite such successes, these citizen reform efforts have not been free of problems. Many of the issue-oriented reform groups that have been successful have faded with time. And as David Broder has noted, reform through referendum is "not devoid of important policy and practical problems." Broder observed that "The notion of a 200,000 word law being submitted to a yes or no decision by the voters troubled even some of the proponents of Proposition 9. That is hardly the ideal way to legislate in a sensitive area" (Broder, 1976).

But perhaps the most important problem involves the ability of such groups to maintain their involvement after reform has been initiated. Clearly reform alone is not enough, for if the reform is to be effective it must be properly enforced. For example, it was recently reported that 3 months after the Federal "Sunshine Act" took effect, most Federal agencies were still conducting their meetings behind closed doors, claiming

the meetings fell within one of the Act's ten exemptions.\* Fortunately, in this instance someone was watching. At the level of state government, that has not usually been the case.

What then is the answer? We believe that democracy need not be a casualty of our present institutional plight. Democracy, as the political theorist E. E. Schattschneider has said, "is like nearly everything else we do; it is a form of collaboration of ignorant people and experts" (Schattschneider, 1960). What is needed is a new form of collaboration--one in which citizens band together and select their own expert professional government-watchers who can hold governmental officials accountable for their actions each day of the year.

This new form of collaboration is what we mean by "citizen watchdogs." Citizens, with their staff of professionals, can expose public corruption, waste, and mismanagement, and enhance the accountability of the government process.

What follows is an attempt to explain just how this might be done, using the efforts of Chicago's Better Government Association (BGA) in monitoring government in Illinois as the model for a watchdog organization that many persons believe can be replicated elsewhere.

Different circumstances will, of course, require varying approaches. Nevertheless, it is hoped that BGA's experiences in Illinois will convince others that new forms of citizen involvement can be effective, and that concepts like "citizen participation" and "accountability" are not mere relics of the past.

---

\* Common Cause surveyed 591 meetings between March and June of 1977 and found that 232 were entirely closed to the public, 143 were partially closed, and 216 were totally open (Chicago Sun-Times, September 30, 1977).

## REFERENCES FOR SECTION I

- Attorney General of the United States, 1976 Annual Report of the Attorney General of the United States, U.S. Department of Justice, pp. 7-8 and 69-70 (Washington, D.C.: 1977).
- Broder, David, "Assessing Campaign Reform: Lessons for the Future," in H. Alexander (Ed.), Campaign Money: Reform and Reality in the States, p. 320 (New York: The Free Press, 1976).
- Bureau of the Census, 1972 Census of Governments, Vol. I--Government Organizations, U.S. Department of Commerce (Washington, D.C., U.S. Government Printing Office, 1973).
- Lineberry, Robert, and Ira Sharkansky, Urban Politics and Public Policy, p. 60 (New York: Harper and Row, 1971).
- Manikas, Peter, and David Protess, "President Carter," Congressional Quarterly, p. 70 (April 1977).
- Nie, Norman, Sidney Verba, and John Petrocik, The Changing American Voter (Cambridge, Mass.: Harvard University Press, 1976).
- Saloma, John, and Frederick Sontag, Parties: The Real Opportunity for Effective Citizen Politics (New York: Vintage Books, 1972).
- Schattschneider, E. E., The Semi-Sovereign People, p. 137 (New York; Holt, Rinehart and Winston, 1960).
- Simpson, Dick, and George Beam, Strategies for Change, pp. 18-19 (Chicago: Swallow Press, Inc., 1976).

## WHAT IT TAKES TO HAVE A CITIZEN WATCHDOG GROUP

### What a citizen watchdog group can do

- Existing law enforcement units and government investigative or prosecuting units may have little incentive to investigate because of fear of loss of votes or political support.
- A citizen watchdog group that is separate from government, privately funded, and nonpartisan has a strong incentive to eliminate corruption, of which the taxpaying citizen is the ultimate victim.

### What makes a citizen watchdog group successful

- Strong leadership contributes to momentum.
- A relatively stable funding base allows planning.
- A full-time professional staff provides a dependable investigative core, to be supplemented by volunteers as needed.
- A close working relationship with local news media assures that results of investigation will be put before the public, and increases the investigative resources available.

### Funding a citizen watchdog group

- Individual citizen memberships (\$25 or more) provide a wide base of support.
- Corporate memberships provide more stable funding, but a ceiling is needed (say \$5,000).
- Foundation grants should be used only to support capacity building efforts or special studies, not to support daily operations.

### Selecting what to watch

- Vote fraud and election law violations directly disenfranchise citizens.
- Corruption, fraud, and mismanagement in local government waste tax funds and arouse contempt for government.
- Abuse by government regulatory agencies violates the principle of equal protection, as do abuses by firms doing business with local government.

### Seeking redress and relief

- Making public the results of investigations gives law enforcement and prosecuting units an incentive to act.
- Filing formal complaints with election commissions and other regulatory groups forces them to respond.
- Litigation in court can offer a remedy where the government is unwilling to act or the practice complained of appears too important to leave to local government.

### Measures of performance

- Survival and continued vigor are necessary.
- Changes in local government practices as a result of watchdog group activities show effectiveness of the group.
- The goal — to make local government fully responsive to public needs rather than private interest — may be eclipsed but should not be abandoned.

## II THE CITIZEN WATCHDOG GROUP

### The Better Government Association: A Model for Citizen Action

Political corruption has flourished in the nation's local communities since the mid-nineteenth century. Yet, with the exception of the intense era of municipal reform from around 1890 to 1920, the problem of local corruption has largely been ignored. Recently, however, governmental commissions, journalists, and academics have renewed their focus on the corrupt use of public office, and their reports abound with recommended strategies of reform (see, for example, Amick, 1976, pp. 209-220). Typically, the studies conclude with a plea for citizen action, confirming what should have been known all along: fleeting public outrage and expressions of indignation will not ensure public virtue. What is needed was recently described by John Gardner, the founder and former president of Common Cause as "highly organized, tough-minded citizen action to hold government continuously accountable, a means of voting between elections" (quoted in The New Yorker, p. 37, July 23, 1973). Yet, if there is an emerging consensus regarding what must be done, the best solution for how to achieve it remains unresolved.

There is clearly no single formula for designing an effective citizens' organization to combat local corruption. However, several recent reports have suggested that Chicago's Better Government Association (BGA) can serve as a model for citizens throughout the nation who are interested in monitoring government in their communities.

Certainly, the BGA has been an effective force for reform in Illinois. A study recently completed by Andrew Bavas, former dean of the University of Illinois' College of Urban Sciences, concluded that the BGA "represents a model that should be replicated elsewhere" (Bavas, 1976). And in The American Way of Graft, published by the Center for Analysis of Public Issues, George Amick stated that the BGA represents "the kind of independent public interest groups that are needed in every state and

metropolitan area" (Amick, 1976; NACCJSG, 1973). The BGA's exposés of public corruption such as its recent investigation with CBS's "60 Minutes" of fraud in Illinois' Medicaid program have brought national attention to the organization, which began its aggressive investigation program only a short time ago.

A brief and very general overview of the BGA is presented here in the hope that a discussion of its experiences and internal structure might be of value to those who want to pursue similar reform efforts. However, it would certainly be a mistake to assume that the BGA is a "typical" citizens' watchdog group. The BGA's success is due to many factors, including the organization's long and unique relationship with the local news media. The close working relationship between the two groups arose in the context of a highly competitive media environment that simply does not exist in many areas of the nation. Also, unlike many other watchdog groups, the BGA has benefited from strong leadership and has established a relatively stable funding base which has allowed the organization to recruit a full-time professional staff. And, of course, Chicago is by no means a typical city, nor is Illinois a typical state in terms of the abundance of the type of problems which a group like the BGA seeks to identify. Chicago, in particular, provides a cast of local political actors that command media attention by being both colorful and obstreperous when aroused. Additionally, the city's machine politics provides an endless supply of material to any citizen interested in reform. In Chicago, to be sure, the quest for better government starts from a very low base.

But even if the BGA is not a "typical" citizens' organization, many of its investigative techniques that have proved effective can be attempted elsewhere. Moreover, the organization's internal structure and operating procedures have provided it with an independence and flexibility that have been essential to its success and should certainly be considered by organizations interested in conducting analogous programs.

The following, then, is designed to acquaint those unfamiliar with the BGA with its general framework and range of activities. A fuller examination of the issues raised here will be covered in succeeding sections.

## General Structure and Operating Procedures

Founded by the former director of the Anti-Saloon League, the Better Government Association (BGA) has acted as an independent monitor of government in Illinois for over 50 years. The organization's character has, however, changed considerably over the last half-century.

The BGA's earliest years were devoted largely to voter education, election reform, and encouraging the efficient use of tax dollars. The BGA has maintained its interests in ensuring honest elections and in monitoring government spending, but in the last several years its activities have become considerably more diverse. The BGA now broadly defines its concerns as "waste, inefficiency and corruption in government," and BGA investigations are as likely to focus upon errant public officials or the complex administration of a multi-million dollar governmental program as upon efforts to falsify election returns.

To retain its independence, the BGA receives no government money\* and relies solely on private contributions, or "memberships," from over 3,000 individuals and corporations. The BGA also receives limited foundation support. These private sources provide the organization with an income of approximately \$375,000 per year.

Typically, in 1977, the BGA's corporate contributions accounted for slightly over half of its total annual budget (55%), and included funds from major corporations such as Standard Oil of Indiana, Sears-Roebuck and Company, the MacDonald Corporation, Playboy Enterprises, and Quaker Oats Company. The BGA's largest single corporate contribution is \$5,000. Slightly over 23% of the budget comprised personal noncorporate contributions from almost 2,000 individuals. The remainder of the budget consists of foundation grants totaling about \$80,000, and is used largely

---

\*The Better Government Association prepared the draft of this report on a subcontract from SRI International and thus was not the direct recipient of the grant from the Law Enforcement Assistance Administration of the Federal government; the indirect receipt of government funds, however, does make this an exception to BGA practice.

to support the organization's public-interest law and student-intern programs.

The BGA's entire staff (Figure 1) consists of about 15 persons, including an executive director, a membership coordinator, 6 professional investigators, and a legal staff of 4 attorneys who both advise the investigators regarding legal questions that arise during the course of an investigation, and pursue litigation related to the organization's goals.

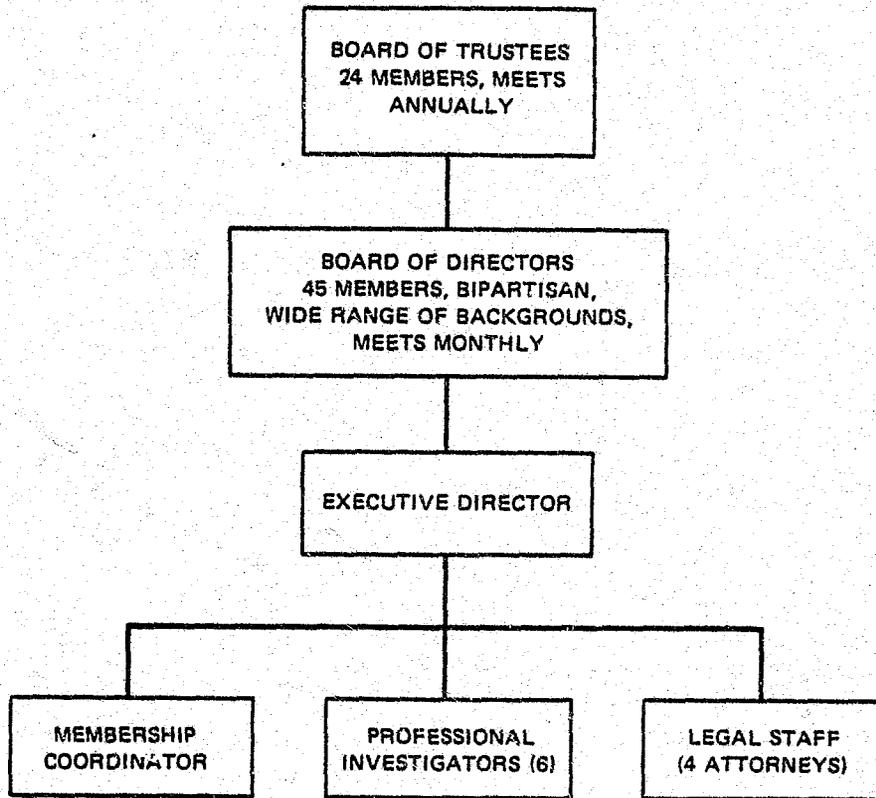
The BGA is governed by a bipartisan board of 45 directors who are recruited from a wide range of backgrounds--including law, business, and academia. The board of directors meets monthly to review the organization's activities and to carry out the general policies established by a 24-member board of trustees, which meets annually to adopt a budget and determine basic policy directions.

#### Investigative Program

BGA investigations are generally conducted on a cooperative basis with the local news media (newspapers, radio, or television), a relationship that has been mutually beneficial. The BGA is assured that its findings will be widely disseminated and have a substantial public impact. It also profits from the expertise and access to sources that journalists bring to the investigation, supplementing the resources of the BGA staff. The news media benefits by obtaining an exclusive story and the assistance of the BGA's investigative and legal talent. Many investigations that require the scrutiny and interpretation of hundreds of complex documents would probably not be feasible without the help and additional manpower that the BGA provides.

The BGA's aggressive investigative program is of fairly recent origin; it did not emerge until 1961 when a citizens' committee established to review the BGA's operations recommended that the organization launch "Operation Watchdog," a task force designed to evaluate the performance of public officials in Cook County.

The BGA's earliest major investigations showed a marked creativity and quickly established the organization as a forceful watchdog group.



**FIGURE 1 ORGANIZATION OF CHICAGO'S BETTER GOVERNMENT ASSOCIATION**

For example, in a 1968 effort to firmly document what had already been widely suspected but not fully documented--that vote fraud persisted in many of Chicago's precincts--BGA investigator William Recktenwald disguised himself as a skid row derelict, and, in an uncharacteristic display of literary flair, checked into various flophouses that line Chicago's West Madison Street under the names of James Joyce, William Faulkner, and T. S. Eliot. Although no attempt was made to register to vote, the assumed names later turned up on the city's voter registration lists. In fact, votes were cast in their names ~~on~~ election day. The BGA's ploy resulted in the first convictions under the 1965 Federal Voting Rights Act.

The BGA's interest in fair elections has continued. In 1972, the Chicago Tribune was awarded a Pulitzer Prize for its election day activities which were coordinated with the BGA. A team of 30 BGA investigators, student interns, and Tribune reporters concentrated their primary election activities in precincts that had historically been identified as areas where vote fraud was commonplace. The pollwatchers later testified before a Cook County grand jury regarding the election law violations they witnessed. Poll watching on election day has since become a routine BGA activity.

Election law violations appear to be rarer now than in the past, in no small measure due to the joint effort of the BGA and hundreds of other citizens. Despite being subjected to frequent intimidation and abuse from city employees, the BGA successfully sought to ensure the fundamental premise of democratic elections: that citizens could vote only once, and they could cast their vote in private.

In addition to the BGA's continued interest in preserving the integrity of the electoral process, BGA investigations have focused on corruption on the part of high-ranking officials and elected officeholders, fraud and mismanagement in the delivery of social services, and abuses by government regulatory agencies. In all areas, many of the investigations have had an important impact by both educating citizens regarding the inner workings of government and producing tangible results in the form of new legislation, administrative reforms, and judicial action.

For example, following the BGA-Chicago Tribune investigation of a former Alderman, who was a close political associate of the late Mayor Richard Daley, and that of Cook County's former Circuit Court Clerk, both officials were indicted on the basis of the BGA's findings. The Alderman was subsequently convicted in Federal District Court on mail fraud charges, while the former Court Clerk died before he could be brought to trial.

In the aftermath of a BGA-Chicago Tribune investigation of the Chicago Housing Authority (CHA), which found obvious mismanagement and a serious conflict of interest on the part of the Authority's chairman, the Federal government ordered the CHA to transfer funds it had deposited in interest-free accounts to accounts where interest would accrue. Consequently, the public agency now earns interest on over \$20 million that once sat idle. Furthermore, after the BGA and Chicago Tribune identified millions of dollars in waste in Chicago's municipal budget, the Mayor reorganized the city's Fire Department, in accordance with many of the BGA's recommendations.

As will be discussed later, the BGA's investigations of political corruption have attracted much public attention. However, the organization has gradually increased its emphasis on more systematic, institutional abuses of power. Consequently, major state regulatory agencies such as Illinois' Savings and Loan Commission and the state's Department of Financial Institutions, as well as specialized governmental units (for example, the Chicago Housing Authority mentioned above), have all been the subject of recent BGA scrutiny.

The BGA's purpose in examining regulatory and service-providing agencies has not been to challenge their public mandate, their raison d'être, except perhaps when absolutely no legitimate reason for their existence could be found. Rather, the BGA's goal in these investigations has been to hold the agencies accountable for their actions and to ensure that their avowed public purpose is in fact fulfilled.

## The Public Interest Legal Program

In 1975, the Better Government Association established a legal program to supplement the organization's investigative capabilities. The purpose of the Legal Program is twofold: to act as the organization's general counsel on all legal matters that arise during the course of investigations, and to pursue litigation related to the BGA's general purpose.

The Legal Program consists of a general counsel and three staff attorneys, as well as law students from Northwestern University Law School who receive law school credit for their work at the BGA. The Law Program is supervised by the BGA's Executive Director as well as a committee of BGA directors who must approve major litigation before it is undertaken.

The Legal Program's present docket is both ambitious and diverse. One major project concerns a suit that was filed in Federal District Court challenging the domestic surveillance practices of local and Federal law enforcement agencies. The BGA filed the suit, with the American Civil Liberties Union (ACLU) and Business and Professional People for the Public Interest (BPI), a public interest law firm, on behalf of all of those in the Chicago area who have been the target of unlawful governmental surveillance.

Additionally, the Legal Program has tested enforcement of Illinois' Campaign Disclosure law by filing complaints before the State Elections Board. The BGA has alleged that neither former Governor Daniel Walker nor the late Mayor Richard Daley fully complied with the requirements of the Act. Most recently, the Legal Program filed suit in Federal District Court against seven major contractors in the Chicago area who had pleaded guilty to criminal charges related to a bid-rigging scheme for work done by the firms at Chicago's O'Hare Airport. The BGA's suit attempts to recapture the illegal profits the companies acquired. The suit was filed on behalf of the City of Chicago after the city refused to enforce its own right. Any funds recaptured as a result of the lawsuit would be returned to the city.

## Performance

Objective measures for organizations like the BGA are elusive, but using almost any reasonable criteria the BGA must be considered a success. For over 50 years the organization has survived in a hostile environment. Antagonized politicians have challenged the BGA's tax-exempt status in the state capitol and a former governor while still in office unleashed an elaborate campaign to destroy the organization's credibility. But the BGA has endured; indeed, it has even prospered in the face of adversity.

Of course, all success must be regarded as preliminary, for the future is always uncertain. Serious questions remain unanswered and unanswerable. What will become of the BGA if the public's commitment to rooting out political corruption wanes? Can political corruption be "over-exposed," inviting a public reaction to blame the bearer of bad tidings for the republic's plight? The BGA's reputation for effectiveness has been enhanced by Federal prosecutions based on facts developed by BGA investigations. But Federal law enforcement policies change over time, and there is no assurance that the United States Attorneys across the nation will maintain their momentum in attacking political corruption.

Despite such nagging questions, the record suggests that the BGA is not merely an ephemeral, faddish response to the complex problems of corruption and the lack of government accountability. The organization has not proved to be one of the fragile flowers characterized by Tammany Hall's George Washington Plunkitt as "mornin' glories" that "looked lovely in the mornin' and withered up in a short time, while the regular machines went on flourishin' forever, like fine old oaks." In fact, the BGA has grown in terms of its resources and impact, while Chicago's entrenched political machine has suffered some serious defeats at both the polls and in the courts.

Might the BGA's own success render the organization obsolete? If the forces of reform seize the reins of power, will there remain a need for the BGA? In the context of Illinois politics, the question seems absurdly hypothetical. Nevertheless, the following observation is

offered. Just a few months ago Illinois' present governor, James R. Thompson, held the office of U.S. Attorney, where he vigorously prosecuted hundreds of cases involving public corruption and spoke persuasively of the need for high standards of public service. Yet, the BGA recently found that those in charge of the governor's campaign committee actively solicited campaign contributions from contractors who profited substantially from state business. It was all quite legal, of course, and certainly the governor's reputation for personal honesty has not been assailed. However, when state contractors provide the funds that a state official needs to reach and stay in public office, who can be sure that their contracts are being awarded on the basis of public rather than private need? The situation forcefully demonstrates that the integrity of our governmental institutions will not be restored quickly, or merely by changing the names of incumbent officeholders. More systematic reform is called for, and for that there remains a continuing and urgent need.

REFERENCES FOR SECTION II

Amick, George, The American Way of Graft (Princeton, N.J.: Center for the Analysis of Public Issues, 1976).

Bavas, Andrew, A National Survey of Citizens' Watchdog Organizations (Chicago: Center for Urban Studies, University of Illinois, 1976).

## **ORGANIZING AND STAFFING A CITIZEN WATCHDOG GROUP**

### **Principles of organization**

- Should be problem oriented (corruption, abuse of power) rather than issue oriented (high property taxes, redlining).
- Should initiate investigations.
- Should be nonpartisan, nonprofit, broadly based, and privately funded so that it represents the public and not any special interest.
- Should expose situations to public view and to existing law enforcement mechanisms rather than seeking to gain office or control government processes.

### **Steps to organization**

- Identify potential sponsors from among local businessmen and corporation executives, local professionals, (lawyers, accountants, professors), union leaders, community leaders (League of Women Voters, United Way, neighborhood improvement associations).
- Set up an initial meeting.
- At the meeting, discuss principles of organization, goals, and funding; agree on a structure for the organization; set up a timetable for establishing the organization and decide on milestones; set up a steering committee that represents the widest possible range of viewpoints and reflects the makeup of the local population.
- Set up a steering committee meeting.
- At the steering committee meeting, determine how much funding is needed and how funds will be raised.

### **Organizational structure**

- A board of directors is needed not only to set policy for the group and monitor its operations, but also to raise funds. It should meet monthly or bimonthly.
- An executive director is needed to manage the staff and guide daily operations.
- Staff investigators are needed who should be skilled in investigative research.

### **Principles of operation**

- The board of directors should, to the extent possible without compromising the effectiveness of an investigation, know what is going on and agree beforehand that a particular investigation is to be undertaken.
- The group should have a public spokesman (normally the executive director) who is able to make the aims of the group clear to the public, and generate enthusiasm for those aims.
- Both the board of directors and the executive director should attend to the problem of maintaining funding support, ensuring that the group maintains a reputation for careful, fair, and impartial investigation, for maintaining confidentiality of ongoing investigations (no leaks or unsupported charges), and for ensuring that the subjects of investigation are allowed a chance to respond to the charges made against them before the results of the investigation are made public.
- Investigators should not only be ethical but be knowledgeable about what constitutes ethical behavior, should be flexible enough to discard an unproductive investigation but persistent enough to overcome obstacles including initial lack of data and initial criticism, and should not demand star billing, total autonomy, or freedom to pursue personal agendas.

### III ORGANIZING THE CITIZEN WATCHDOG GROUP

#### Overview

America is a nation rich in a heritage of voluntary associations. In the early nineteenth century, the foreign student of American affairs, Alexis de Tocqueville, observed that "In no country in the world has the principle of association been more successfully used or applied to a greater multitude of objects than in America" (de Tocqueville, 1945 ed.). The propensity of Americans to band together has not abated since de Tocqueville's day. There seems to be an almost infinite variety of groups--political parties, trade associations, unions, civic organizations, and the like--which pursue their numerous interests in equally numerous ways.

According to one recent survey, there are about 2,000 local citizen watchdog groups throughout the nation that attempt to monitor some aspects of local and state government (Bavas, 1976). These groups range from the local chapters of the League of Women Voters, whose interests range from voter education to ecology, to taxpayer associations concerned primarily with monitoring public spending and preventing local taxes from rising. Local citizens' groups have been formed to monitor activities related to the environment, education, economic development, and almost every other conceivable governmental program. Moreover, these diverse interests are paralleled by diverse organizational structures. Some associations have paid, full-time staffs, while others do not; a membership in some organizations is open to all citizens, while others follow more exclusive policies.

Clearly then, there is no single way a watchdog group must be organized, for its structure will vary with the organization's goals and the environment in which it exists. Consequently, the model for a citizens' watchdog group set forth below is not the only one imaginable; it is recommended here, however, because it is a form of organization that has proved highly effective. This organizational structure is patterned

after that of Chicago's Better Government Association, an organization whose stated purpose is to "combat waste, inefficiency and corruption" in government.

The BGA is a special type of watchdog group. It is "problem" rather than "issue" oriented. It does not confine its watchdog role to certain subject-matter categories such as housing, taxes, education, or ecology, but focuses on issues that may relate to all of these matters.

As envisioned here, the proposed citizens' watchdog group has the following characteristics: (1) it is a nonpartisan, nonprofit organization; (2) it is not "issue" or "subject matter" oriented, but rather is concerned with more general abuses of the governmental process such as corruption, electoral reform, and the general lack of accountability of governmental institutions; (3) the organization initiates investigations and does not merely respond to the reports of others; (4) the watchdog group maintains a close relationship with the news media with whom it often works on a cooperative basis; (5) it is financed entirely (or almost entirely) by funds raised from private sources such as individuals and corporations, which become members of the watchdog organization. Membership status can be obtained by contributing a minimal fee based on ability to pay. (The BGA's membership cost is \$25, but contributions range from \$5 to \$5,000); and (6) the watchdog group's funding base is sufficient to support a full-time executive director and research staff.

The citizens' watchdog group can also be defined by what it is not. It is a nonpartisan organization, not affiliated with a political party or faction of a political party. The organization's investigations should be scrupulously fair to all public officials, and the organization should not be used as the tool of any particular person or group. This stricture is more than an obligatory piety. The watchdog group will not survive long if it becomes a partisan in disputes over who shall control city hall. In the long run, the organization must be able to command respect throughout the political spectrum if its findings are to be credible.

On the other hand, the citizens' watchdog group is not a law enforcement agency and has no law enforcement powers. The organization's purpose is to expose governmental wrongdoing and to educate citizens about how government is working and how it might be made to work better. It relies for the most part on the mass media to bring its findings to the public's attention, though it might also issue more elaborate reports from time to time for citizens interested in a more thorough discussion of the organization's activities.

The citizens' watchdog group is concerned with the openness and accountability of all governmental institutions. Citizens should have the ability to influence the decisions that affect their lives, and the watchdog group should attempt to ensure that individuals and groups are not unfairly shut out of the decision-making process.

#### Forming the Watchdog Group: Identifying Sponsors

What criteria should be used in recruiting the initial sponsors for the citizens' watchdog group? Leadership ability, knowledge of the community, a familiarity with the matters the organization will deal with, the ability to raise funds, the availability of time to devote to the organization are important factors that should be considered in identifying potential sponsors. The likeliest sources of support for establishing a watchdog group will be found among businessmen, professionals such as lawyers, accountants, and academics, and other community leaders; for example, men and women who are already active in philanthropic, civic, or neighborhood organizations.

Each of these sources of support can bring unique talents and perspectives to the watchdog group. Businessmen, particularly those in the upper levels of corporate management, should be attracted to the watchdog group because of its interest in managerial reform and the efficient use of tax dollars. In a community dominated by a political machine, businessmen may be victimized by extortionate demands from policemen, health inspectors, or other officials who use the leverage of their regulatory authority to extract illegal payments. Businessmen may also

be subject to harrassment from politicians seeking campaign contributions under the tacit or expressed threat that those who do not contribute will not receive government business. These abuses can generate a powerful impulse for reform among business leaders.

Corporations, of course, can provide the watchdog group with an essential base of financial support which can become a dependable source of funds. (The organization should be set up in such a way that all contributions are tax deductible.) Businessmen can also provide the organization with access to expertise in such fields as accounting and banking which may be useful in the organization's investigative efforts.

Lawyers, accountants, and academics are also potential sources of leadership for the watchdog group. They and other professionals may be attracted to the watchdog organization because of their general interests in promoting reform, saving taxpayer funds, and upholding high standards of public service. Many Bar Associations and other professional organizations have established various committees that deal with matters such as governmental ethics and conflicts of interest. Professionals who are already active in these reform efforts might well be interested in pursuing their interests through the watchdog organization.

Members of the academic community should also be considered as potential sponsors for the citizens' watchdog group. While academics may not have the same ability to raise much needed funds as members of other professional groups, their expertise in government-related matters can be a valuable resource. Academics may also lend credibility to the organization, and provide "student interns" as volunteers to fill the group's manpower requisites.

It is important that the initial sponsors be a bipartisan group, committed to the goals of the organization, and that they represent a broad segment of the public. They should reflect the racial make-up of

the community, include both sexes, and union as well as business leaders.\* This diversity is of course a goal and may not be perfectly realized in every organization. However, if the watchdog group is to generate a broad base of support for its activities it should make every effort to avoid being labeled as either "conservative," "liberal," "Republican," or "Democratic," as a result of its sponsors' social backgrounds or political affiliations.

Sponsors should not include persons who are either governmental officials or employees, persons who hold official positions within a political party, or individuals who are seeking or plan to seek political office. While a person's former involvement in political activities should not be a bar to participation, the watchdog group should avoid actions that would engender undue suspicions of its organization's motives.

One essential function of the watchdog group's sponsors is to lend legitimacy to the organization, which must be viewed as responsible and reliable by others, especially those from whom financial support will be solicited. The sponsors, therefore, should be prestigious members of the community and articulate spokesmen for the organization.

Once several potential sponsors have been identified, they should be contacted personally and asked to recommend others who might also be interested in organizing the watchdog group. When a sufficient number of persons have demonstrated enthusiasm for the project, they might be invited to attend an organizational meeting where the formation of the watchdog group can be discussed in detail.

The sponsors should consider the following early in their discussions:

---

\*The BGA, once characterized as "an arm of the Republican Party," has attracted strong bipartisan support in recent years. Although no watchdog group should employ any sort of quota system to limit numbers, a broad base of support will not only strengthen the organization but help it to weather political storms. Thus, an imbalance should be addressed by a special effort to gain members who will restore the balance.

- (1) The scope of the watchdog group's activities and the investigative procedures to be followed. These should be incorporated in the form of the organization's charter and by-laws. (The BGA's by-laws appear in Appendix A.)
- (2) The watchdog group's organizational structure. For example, how large should the group's board of directors be, what functions will they perform, and how will they perform them?
- (3) How will the organization's executive director and staff be selected?
- (4) How much financing is needed and how will funds be raised?
- (5) What steps should be taken to incorporate the organization and apply for tax-exempt status?

One initial organizing possibility would be for those attending the first meeting to appoint a steering committee to explore the extent of community support for the project and evaluate various sources of funding. Certainly, the question of organizational financing should be dealt with in the early stages of discussion. A preliminary assessment should be made of the minimum level of funding needed to attain the group's goals; the group should discuss in detail how and from whom the funds will be raised.

#### Model Structure of the Watchdog Group

While the details of the citizens' watchdog group will vary in every community, the use of a model may well be useful in planning the organization's structure. This basic structure should include a board of directors, an executive committee, officers (president, vice-president, treasurer, and secretary), and executive director. By-laws, budget, IRS letter, and investigative guidelines for the BGA are given in Appendix B.

#### Board of Directors

The board of directors is responsible for establishing the organization's basic policies, including its investigative priorities and procedures, for raising funds, and for reviewing the organization's operations on an ongoing basis.

The board of directors is composed of the organization's sponsors, those who were responsible for establishing the watchdog group, and

others who have something to contribute in helping the organization attain its goals.

The board may be self-perpetuating; that is, current board members may select new board members to replace those who have resigned; or a more elaborate system might be adopted whereby board members are elected by the organization's total membership. In either case, it seems that the same personal characteristics that were sought in the initial sponsors--such as leadership potential, fund-raising ability, expertise, and knowledge of public affairs--should also be used as the criteria for selecting new board members.

The size of the board of directors will vary with the size of the community the watchdog group will serve. In medium-sized to large cities (those with populations in excess of 100,000), the board could range in membership from 25 to 50 persons.

The board of directors should meet on a monthly or bimonthly basis, so that the directors can review the progress of current investigations and discuss fund-raising activities. The board should be kept fully informed by the executive director regarding all of the organization's activities.

Unfortunately, complete candor can pose serious problems for the watchdog organization. Obviously, by informing a group of 25 to 50 persons of the details of a sensitive investigation, a risk is taken that information will be revealed to the public before the organization is ready to release its findings. There are several reasons for preventing the premature release of investigative information, including the need to protect the exclusive nature of the story from journalistic competitors. A dilemma therefore arises. Candor is an obvious requirement if the executive director is to ensure the continued support of the board of directors. Moreover, the board cannot fulfill its responsibilities without full knowledge of the organization's activities. On the other hand, some degree of secrecy is needed if the watchdog organization is to prevent the considerable damage that can result from the untimely release of data it has gathered.

The need for secrecy, of course, ends after the results of the investigation have been made public, or the investigation has been terminated. Then the matter should be discussed thoroughly with the entire board of directors. In any case, if information is being withheld, the reasons for doing so should be discussed. Any procedures for maintaining secrecy should be the result of a firmly established policy enacted by the board of directors.

The board of directors should elect officers (president, vice-president, secretary, and treasurer) to perform the duties generally associated with those offices. The president, along with the organization's executive director, will be the chief spokesperson for the watchdog group and will preside at the board's meetings. The board of directors should also empower the president to appoint committees, composed of other board members, to perform specific duties related to the organization's activities. The creation of a fund-raising committee and an investigative committee, for example, are efficient ways in which board members can exercise their responsibilities in important areas of the organization's operations and develop a better understanding of how the watchdog group performs on a daily basis.

#### The Executive Director

The selection of the watchdog group's executive director will obviously be one of the most important decisions the new organization will face. There does not seem to be any one best background for an executive director that will meet the watchdog group's diverse needs. The executive director's personal qualifications should, of course, include a reputation for integrity and the leadership ability that will enable him or her to effectively represent the organization before all segments of the community. Since it is essential that the watchdog group maintain a nonpartisan posture, the executive director should not be closely identified with any political party. The executive director should preferably not be a former elected official or candidate for public office. Just as important, the executive director should not be a person likely to use the office for his or her personal advantage in securing a public position at some later date.

Finding a potential executive director with these qualifications may be more difficult than it first appears. Most individuals who are attracted to the position of executive director will be interested and involved in public affairs; precisely those persons who would be likely prospects for public office. Moreover, if the organization is successful, its executive director will be placed in a position of high public visibility. If the executive director did not have any intention of launching a candidacy for elective office when the position was filled, such plans might well, and quite understandably, materialize after a few months or years on the job.

There is no particularly good answer to the problem. The watchdog group certainly will want to make every effort to avoid notoriety as a stepping stone to political office, yet it would be unrealistic and unworkable to require employees to sign an oath forswearing any interest in elective office. Perhaps in the long run the watchdog group can only hope that not too many of its leaders will respond to the call of politics, and that those who do will spread themselves out among a variety of partisan labels. To avoid the most flagrant abuses of the position, the board of directors should consider asking candidates for the job of executive director to make at least a three-year commitment to the watchdog organization.

Several quite different sorts of professional background seem equally appropriate for the job of executive director because of the variety of roles associated with the position. Professional experience in law, journalism, and teaching are all relevant to the functions the executive director will perform. A strong background in some form of investigative work or research seems especially desirable since a principal task of the executive director will involve guiding the staff's research process and evaluating investigative findings.

Since the executive director will often be called upon to represent the watchdog organization in public appearances, he or she should be an experienced speaker who has the capacity for working effectively with many different types of people, including public officials, journalists, and businessmen.

Finally, the executive director should have the organizational ability to ensure that the organization operates effectively on a day-to-day basis. Unlike the manager in a large firm or the chief executive officer of a corporation, the executive director of the citizens' watchdog group heads an organization whose paid staff will almost always be quite small. Consequently, the tasks of defining particular goals and selecting strategies to achieve them cannot be readily delegated. Ordinarily, then, if many of the daily details of the organization do not receive the attention of the executive director, they will simply remain ignored.

### Professional Staff

Researchers or investigators will form the major part of the professional staff, and as with the executive director, there appears to be no single background most suitable for the job. Investigators for the BGA have been recruited from the fields of journalism, law, teaching, law enforcement, and from social science graduate schools. Perhaps the most essential characteristics of the successful investigator are a natural curiosity about the inner workings of the governmental process and the tenacity necessary to dig for information despite the numerous obstacles that recalcitrant officials will set before him or her.

The investigator must be able to define his research objectives and formulate a strategy for pursuing investigative goals. Since investigators will be working in tandem with journalists from both the print and broadcast media, a knowledge of all aspects of news operations will be essential for conducting an orderly investigation.

On a day-to-day basis, the investigator's time will be spent largely in retrieving information, interpreting documents, interviewing sources, and planning what to do next. Since the watchdog organization's investigators might focus on any one of hundreds of governmental programs or the financial dealings of any of several public officials, a broad knowledge of the governmental process is generally more useful than expertise in a particular area of government operations.

Clearly, each investigator should understand the goals of the watchdog organization and agree to work within the constraints set forth in the investigative guidelines. In short, investigators must understand that their research must be objective and all persons with whom they deal must be treated fairly. The investigative process must not be abused for the purpose of conducting a vendetta against a public official or governmental program that has fallen into the investigator's disfavor.

#### REFERENCES FOR SECTION III

Bavas, Andrew, A National Survey of Citizens' Watchdog Organizations (Chicago: Center for Urban Studies, University of Illinois, 1976).

de Tocqueville, Alexis, Democracy in America, edited by Phillips Bradley, Vol. I, p. 191 (New York: Alfred A. Knopf, Inc., 1945).

## **FINANCING A CITIZEN WATCHDOG GROUP**

### **Permissible funding sources**

- Funding for a watchdog group should come from private individuals and from corporations (with a minimum for individuals and a ceiling for corporations) and perhaps from foundations.
- Funds should not be accepted from government entities, from public officials, or from political parties because accepting funds from any of them will bring the integrity and impartiality of the group into question.

### **Funding techniques**

- Members can be attracted by evidence that the group is effective, by a reputation for credibility, fairness, independence, and high ethical standards, and by the ability to deduct contributions from taxable income.
- Public service announcements are not as effective as word of mouth and press coverage.
- Members can be retained by a sense of participation (receiving a newsletter, attending informal meetings), by a sense that their support matters, and by assurance that their investment is not being wasted or mismanaged.
- Corporate memberships are usually obtained (and maintained) by personal appeals.
- Foundation support must be competed for and should be limited to special projects because it is always given for a limited period.
- Supplemental funds for one-time or short-term needs can be raised by special activities such as benefits, raffles, auctions, fairs, book sales, plant or craft sales, and flea markets.

### **Managing funds effectively**

- Funds not needed for immediate expenses should be kept in interest-bearing accounts (BGA keeps only enough for 2 months in the checking account).
- Keep complete books and arrange for an annual professional audit so that members and corporate contributors are assured of the group's fiscal soundness.
- Because income from memberships is unlikely to come in at the same rate every month, monthly expenditures should be kept below the average monthly income, in order to avoid debt.

#### IV FINANCING THE CITIZEN WATCHDOG GROUP

The success of the citizens' watchdog group will to a large extent depend on its ability to raise the financial support necessary to carry out an effective investigative program. Unlike the organization's income, bills will arrive on a disconcertingly predictable basis (Figure 2 shows the pattern of contributions by month for 1975-1977). Rent, utility and telephone bills must be paid, and payrolls must be met, on a monthly basis. But if the watchdog group has secured a financial base sufficient to begin operations by raising funds or securing pledges from its sponsors, then additional funds can be raised as the organization develops a record for effectiveness and for providing the citizens of the community with a unique and valuable service.

##### Funding Sources

The watchdog organization's funding is based on the concept of membership. Individuals and businesses become members of the organization by making a contribution that might range between \$25 and \$5,000. The organization should have a "suggested membership fee," although the group should of course graciously accept whatever amount is offered. The BGA recommends that individuals contribute from \$25 to \$1,000 and corporations begin their memberships at \$100.

Because the watchdog group is in the business of investigating governmental misconduct, funds should not be accepted from government entities, or at least not from those that could be the subject of the group's watchdog activities. Likewise, the watchdog group should not accept personal contributions from public officials or officers of a political party. While such contributions may not in fact influence the operations of the watchdog group, the organization should make every effort to avoid even the appearance of impropriety. The watchdog group simply cannot credibly claim to be an independent monitor of government and at the same time

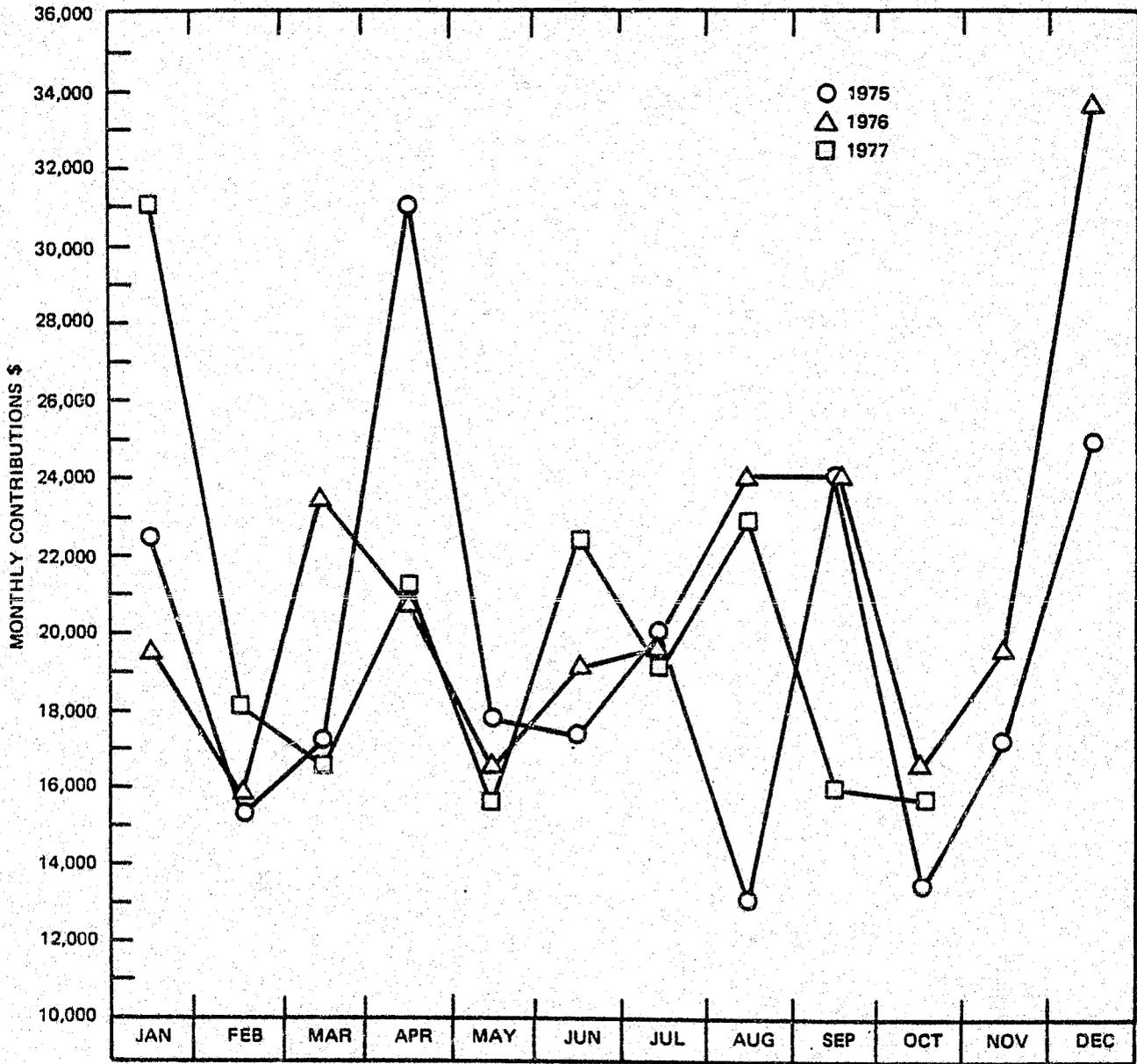


FIGURE 2 MONTHLY CONTRIBUTIONS TO BGA FOR 1975-1977

receive a substantial amount of its funding from governmental or political sources.

Similarly, the watchdog group should seek a broad base of financial support so it does not rely on a single individual or corporation (or a small identifiable group of either individuals or corporations) for a major portion of its funding. The watchdog organization should not place itself in a position where a few parties could jeopardize its very existence by threatening to withdraw their membership.

Establishing a diverse and stable funding base is unquestionably a difficult task, but it can be done. The Better Government Association has been able to attract widespread support for its investigative program from both individual and corporate givers, with over 2,600 members in 1977 throughout Illinois. Slightly more than 23% of the BGA funding comes from individual contributors, 55% comes from corporate sources, and the remainder is supplied by four foundation grants. In 1976, the average individual contribution was \$47, and the average corporate contribution was \$289. Excluding foundation support, no single contribution exceeds \$5,000, a small percentage of the organization's \$375,000 budget.

As these figures indicate, while a majority of members are private individuals, over one-half of the organization's funding comes from corporate sources. Corporate support, perhaps because it is somewhat less affected by slight vacillations in the economic climate and because corporate contribution policies eventually become routinized, has been a more reliable source of annual income for the BGA than individual membership dues. Corporations are simply more likely to renew their memberships each year than are individual donors. Consequently, corporate support can be an important element of stability in the watchdog group's funding base.

Moreover, while it may appear to be easier to rely on many small contributions, for example raising a dollar each from 5,000 individuals rather than seeking a larger amount from fewer people, it is often much more difficult. The expenses related to raising many small contributions

can quickly become prohibitive. Generally, a mix of small and large, corporate and individual contributions seems to be the best way to establish a financially adequate and stable base of support.

### Fund Raising Strategies and Techniques

#### Memberships

To attract the support necessary to carry out a successful investigative program, the watchdog group should maintain a position of high public visibility. Even the most effective citizens' group will not be able to attract many supporters if the group's existence is not widely known. Press conferences, speeches, public service announcements, and other public exposure are necessary in any effort to inform the public of the watchdog group's activities.

The watchdog organization must "sell" its program to the public in order to raise financial support. It must answer the implicit question of why anyone would want to become a member and contribute funds to the watchdog group. There seem to be several essential elements that should always be stressed when raising funds.

First, the organization should emphasize that it is effective; that its investigations have achieved results--savings for the taxpayers or specific reforms. Second, the watchdog group should stress that it is unique. For example, unlike other civic groups, the watchdog group works directly with the news media to expose waste and corruption in government. Third, the watchdog group should emphasize that it relies on contributions from private individuals and corporations for its support. Without the help of private citizens, the watchdog organization cannot exist. Fourth, the group should always inform its potential contributors that their contributions are tax deductible (if, as recommended, the watchdog group has properly filed with the IRS as a 501 (C)(3) not-for-profit corporation. (See Appendix B for copy of an IRS determination letter.)

The watchdog group should also consider additional methods of recruiting and maintaining its members by offering specific membership benefits.

Contributors, after all, are becoming "members" of an organization and should be made to feel a special attachment with the watchdog group. Invitations to informal gatherings, an organization newsletter, and an annual report are some ways in which the organization can maintain the support of its members.

The watchdog group should consider hiring a professional fund-raiser at least part-time. Much work is involved in maintaining and trying to expand the organization's financial base. The work may be well beyond the capabilities of the executive director and the volunteer efforts of the board.\* For example, fund-raising letters must be written, files on contributors must be maintained and updated, and the efforts of all those involved in fund-raising must be coordinated so that individual efforts are not duplicated.

The BGA's membership files have become fairly elaborate. The membership files are divided into two basic categories: individual and corporate. Two file cards are prepared for each member, listing the name, address, date, and amount of the contribution. The file cards also contain a notation indicating the origin of the membership--if it was in response to a direct mail solicitation or whether the member has been in contact with a member of the board of directors. One card is filed alphabetically as either a corporation or individual, and the other is filed under the month in which the last contribution was given. Cards are filed under the contribution date so that renewal notices can be sent periodically notifying the members that dues must again be paid. A month before the anniversary date of the last contribution, the member is sent a personal letter for a renewal of the membership. A request is made for an increased contribution. If the member does not respond, an additional letter is sent 2 months after the membership is due.

A major responsibility for fund-raising lies with the organization's board of directors. Potential directors should be fully aware of their fund-raising responsibilities before agreeing to serve on the board of

---

\*Fund raising is a principal responsibility of the BGA Executive Director.

the watchdog group. Many board members are selected precisely because of their ability to raise funds for the organization, and their enthusiasm for that job.

Whenever possible, a personal approach to fund-raising should be used. For example, board members should personally contact friends and business acquaintances who are likely to be interested in supporting the work of the watchdog group. Such personal contact has seemed to be far more effective than sending out letters addressed to "Dear Friend."

The board of directors should establish a fund-raising or membership committee composed of members who are willing to devote a substantial portion of time to raising funds for the watchdog group. The directors serving on the committee should identify potential members and write to them or call on them personally to seek their support for the organization.

It is, of course, just as important to maintain the organization's membership as it is to recruit new members. Here too, personal contact can be crucial. Board members should again write personal notes to those organization members they know or do business with, and ask them to renew or increase their contribution to the watchdog group as those contributions or membership fees become due. As mentioned earlier, these activities should be conducted systematically and should be coordinated by an individual whose primary responsibility is fund-raising.

#### Foundation Support

In addition to the regular membership dues, the watchdog group may want to consider foundations as an additional source of funding. However, foundation support is best used (and most easily obtained) for financing special research projects rather than for funding the organization's ongoing programs.

Perhaps the largest single problem associated with foundation funding is that its termination is certain and generally irrevocable. Unlike membership dues, foundation support cannot be continued indefinitely. Consequently, if the organization cannot increase its support from other

sources to support an activity begun with foundation financing, that activity must be discontinued. Worse, if the foundation grant paid staff salaries, expiration of the grant can lead to a staff member's loss of employment. Hence, to avoid the demoralizing disruption that termination of the grant can cause, there is a need to effectively plan for what will occur when the grant expires.

However, foundation support can provide valuable short-term financing for special projects or "seed money" for new programs and, if used with sufficient planning, allows the watchdog group to initiate new and worthwhile projects. Organizations that want to pursue foundation support should consult sources such as the Directory of Foundations to obtain a list of both small and large foundations that have awarded grants in the areas of education, public affairs, and law and contact those foundations directly to determine the appropriate procedures to follow in applying for a grant.

#### Supplemental Funding Sources

Several other special activities may be used to raise funds (Flanigin, 1977). Benefits, auctions, antique and art fairs, raffles, and book or plant sales have all proved to be effective methods to raise short-term financing. It should be recognized, however, that these methods are short-term; they should be used to supplement an organization's income and not be relied on as the sole basis for the watchdog group's support.

#### Using Funds Effectively

Effective financial planning is essential for the orderly operation of the watchdog group and, as Figure 2 made clear, planning is no easy matter. Despite the watchdog group's best efforts, funds simply will not come in on a regular basis. Some months will be good, others bad, and there may be little predictive value in reviewing the history of the organization's fund-raising on a month-to-month basis. Consequently, the watchdog group should manage its funds wisely and seek the advice of experts in banking and accounting.

While the requirements of financial management will vary with the amount of the organization's income, a few considerations apply to all citizens' watchdog groups. If it is at all possible, debt should be avoided (Flanigin, 1977, pp. 181-190). Once a large debt is incurred, the organization may find that all of its subsequent fund-raising efforts must be designed merely to pay off what is owed. The citizens' group should shop for the best interest notes on its savings accounts and select the bank that offers the best professional banking services. Money should be invested whenever possible. Since funds do come in on an uneven basis, the citizens' group may find that during a "good month" funds can be invested in short-term notes or certificates of deposit and earn additional funds for the organization. Similarly, if the organization has received a foundation grant that is paid in one or two large checks annually, a large portion of the grant can probably be invested. The citizens' group does not need to cover expenses for more than 2 months in its checking account. Finally, the organization should receive a professional audit every year. The group may find an auditing firm to discount or donate its time, for professional audits can be quite expensive. The audit will demonstrate to the public that a neutral professional observer has found the financing to be in order. The organization's fund-raising efforts will be easier if the public is assured that its financing is on a good footing.

REFERENCE FOR SECTION IV

Flanigin, Joan, The Grass Roots Fundraising Book (Chicago: The Swallow Press, 1977).

## **PROGRAMS AND ACTIVITIES OF A CITIZEN WATCHDOG GROUP**

### **Setting investigative priorities**

- To merit the commitment of limited resources, a subject for investigation should be important — either in terms of number of dollars or degree of abuse — and its investigation should be within the capacity of the group (which has no power to subpoena witnesses or compel testimony).
- A beginning watchdog group should select subjects of investigation that are likely to lead to a successful outcome within a relatively short time.

### **Investigative principles for watchdog groups**

- Make no public allegations before the proof is in hand.
- Avoid investigations that can be turned to purely partisan ends.
- Accept anonymous tips, but act only on those that can be verified, preferably through public documents. Protect anonymous sources.
- Understand that an investigation is likely to include only a few moments of drama and hundreds of hours of detailed, routine work (such as sorting through thousands of records of real-estate transactions).
- Make no public allegations about an official before giving him/her a chance to explain what appears to be an impropriety.
- Maintain a high ethical standard in investigations: avoid subterfuge, deception, and artifice (or misrepresentation) if possible; avoid entrapment at all costs.

### **Working with the news media**

- If possible, carry out the investigation in partnership with one of the news media, to assure that the newspaper, television reporter, or radio news staff has a stake in providing coverage of the investigation results.
- Select the media partner to fit the needs of the particular investigation, and avoid building a dependent or long-term relationship with one partner.
- Always allow the media partner to break the story; the role of the watchdog group is then to advance some reform measure that would prevent a recurrence of the situation that has been exposed.

### **Legal assistance**

- Some source of legal assistance is essential: a local law firm may assist on a "pro bono publico" basis, or an attorney may agree to serve on the board of directors, or an in-house legal staff can be retained, or legal services can be purchased as needed.
- Legal assistance can be used not only to protect the watchdog group by advising when an action might be illegal, but to attain some of the ends of the group, such as forcing the return of public funds wrongfully appropriated from the public treasury, or forcing the release of public documents that hold evidence of wrongdoing (but not to fish for indications of possible wrongdoing), and to force discontinuance of wrongful practices or cancellation of contracts wrongly let.
- Litigation is expensive in money and time, and should be entered into only when nothing else will work.

## V PROGRAMS AND ACTIVITIES

### Selecting Investigations: How To Establish Priorities

Each citizens' watchdog organization must establish its investigative priorities based on the needs of the community it serves, and on its own capacity for meeting those needs. What is feasible, as well as what is needed, are questions that must be asked before the investigator's agenda is set.

Should the organization focus on political corruption? The extent to which political corruption is prevalent in any particular community is sometimes fairly easy to determine. Have many officials recently been convicted for offenses concerning their conduct in office? Is government business being conducted in an obvious illegal manner? Are there persistent rumors alleging illegal conduct, for example, in the areas of building code enforcement, health inspection, or the awarding of various licenses? These are, of course, the first questions that might be asked in determining if political corruption is an appropriate focus for the organization.

However, political corruption may exist without being widely known. Officials engaged in corrupt acts will usually make considerable efforts to conceal their illegal activities through the formation of corporate entities, partnerships, and the like that effectively shield their corrupt activities from public scrutiny. Consequently, citizens should also examine those governmental activities that contain the most likely opportunities for corruption. Are there large tracts of land in the vicinity that are being rapidly developed and require zoning changes and the expansion of local services, such as sewer connections, services from utilities, or streets? Are there areas of governmental activities in which officials operate under a broad grant of discretionary power; for example, where contracts can be let without competitive bidding, or in tax assessment policies?

In determining if corruption is a significant problem, it is useful to consider the findings of one national commission, which stated

"The greatest single cause of corruption in government operations is the availability of excessive discretion in decisions involving significant sums of money. Vague and improperly stated decision guidelines invite attempts at manipulation and fraud ..."

(National Association of Citizens Crime Commissions; 1974, p. 37)

The commission singled out governmental policies such as zoning, licensing, and tax assessment as areas where corruption is most likely to occur. This was attributed to the unchecked discretionary power public officials generally exercise when dealing with matters within those policy arenas.

Official corruption is, of course, only one of several possible investigative foci for citizens' watchdog groups. If the organization is interested in determining whether or not local government spending practices are wasteful, or if the delivery of social services is inefficient or ineffective, a preliminary look at those activities should rather quickly reveal if they are in need of greater public scrutiny. In determining if taxpayer funds are being needlessly wasted, the organization often needs only to use its staff to visually survey the area to determine if city workers are in fact working. Do city workers stand around idly for hours talking or drinking coffee? Are there whole agencies of local government that apparently serve no useful purpose? (For example, in 1973, the BGA found that Cook County maintained a Rabies Control Department at a cost of \$327,000 per year, although there had not been a recorded case of rabies due to dog bites for 19 years.) If a preliminary examination suggests that manpower is not being used effectively or is not being supervised adequately, or that whole agencies are maintained at public expense but serve no useful purpose, a more thorough investigation is clearly in order.

The examination of social service agencies is generally more problematic, but not beyond the reach of most citizens' groups. For example, nursing homes and mental health facilities can be visually examined to determine the adequacy of the physical structures being used to house

the elderly or mentally handicapped. It often does not require a great deal of expertise to determine if health standards or building codes are being violated. If investigators know what questions to ask, interviews with elderly patients at a nursing home can reveal whether residents are being provided with inadequate medical attention or are being physically abused by nursing home personnel.

Once an organization determines what governmental activities demand attention, it must then assess its own strengths and weaknesses to determine how the resources of the watchdog group can best be allocated. The skills of the staff and the financial resources available will, of course, determine to a large extent what sorts of investigations can be undertaken. Not every organization will at first have the staff resources to investigate a complicated land development scheme involving complex financial transactions that could take months to unravel. Each watchdog group obviously must be aware of its limitations and define the scope of its activities accordingly.

New organizations should be particularly careful in selecting those investigations most likely to be successful. For the newly formed watchdog group, it is essential that an early record be developed that indicates that the organization's "research" is accurate, reliable, and fair. Early successes will clearly go far in solidifying the support of the organization's financial contributors, in gaining the respect of ordinary citizens, and in instilling confidence in the staff to expand the scope of its activities.

A recently formed organization should therefore seriously consider which investigations are most likely to reveal significant instances of corruption or mismanagement and can be conducted in the context of the new organization's limited experience and financial resources. Such investigations might include the examination of waste in selected local government agencies, or documenting the existence of vote fraud or other election law violations. Investigating election law violators may require no more than a brief training of organization staff and volunteers in the election law, and a concentrated effort to police the polling places on election day.

There are several other types of investigations which are slightly more complex, but can be conducted by a new organization with substantial results. For example, many local governmental units engage in banking practices that waste tax dollars and often involve serious conflicts of interest. It is not uncommon for local officials to deposit millions of dollars of public funds in the interest-free accounts of local banks. The interest-free funds, of course, provide the banks with large profits while the local government making the deposit receives nothing in return. The practice is sometimes the result of insufficient knowledge of banking practices and local money markets by the responsible local officials. But often the practice may be motivated by more self-serving considerations, as when deposits are made in banks that offer discounted stock to the officials making the deposit. In 1972, the BGA and newspaper reporters from Chicago Today revealed that \$30 million in County funds were placed in the interest-free accounts of banks in which several Cook County officials and other local politicians owned stock. The funds had been deposited in the politically connected banks by the County Treasurer and the clerk of the circuit court.

There was, of course, no reasonable justification for the practice of allowing millions of dollars in public funds to sit idle, earning no interest for the taxpayers of Cook County. As a result of the disclosures, several politicians disposed of their bank stock to avoid conflict of interest allegations and the governmental units involved began to invest their funds in interest-bearing accounts. The local public prosecutor filed an unsuccessful suit against the 33 banks involved in an attempt to recover the interest the taxpayers had lost.

The investigation did not require a sophisticated understanding of banking practices; the necessary information was acquired almost solely from discussions with local government officials and examination of public documents.

On the other hand, a new watchdog organization should avoid spending a great deal of time checking allegations that cannot be successfully proved, nor should it become involved in issues more appropriate to the

realm of partisan politics. For instance, allegations that an official has received a cash payoff in exchange for some official favor are generally beyond the ability of an organization without law enforcement powers to either prove or disprove. Usually, one party makes the allegation and the other denies it; who is telling the truth? In the absence of a grand jury proceeding and subpoena powers, it is unlikely that any reliable method can be found for determining where the truth lies. Lie detector tests are far from foolproof and are generally not admissible as evidence in a court of law.

Likewise, matters best left to the political arena should be avoided. The watchdog organization is more effective when its findings are viewed as impartial and nonpartisan. Consequently, issues such as whether more or less money should be spent on education or health or whether more or less public housing should be built are usually not matters with which the watchdog organization should be concerned.

#### Investigative Processes

The processes that are actually used to uncover waste, inefficiency, and corruption in government and to release investigative findings to the public are central to the measure of professionalism achieved by the watchdog organization. The processes should be designed to ensure that the organization's findings will be accurate, objective, and presented in a fair manner. Under no circumstances should investigations be used to reward friends or punish enemies, and they should never be slanted for or against a political party. The result of such bias can only, in the long run, destroy the credibility of the organization and damage other attempts to enhance the integrity of governmental institutions.

Investigations that explore the integrity of particular officials and that can result in allegations of serious offenses such as political corruption obviously carry with them an enormous potential for abuse. It is extremely important then that the watchdog organization establish firm guidelines for how investigative decisions are to be made, to ensure that the principals of an investigation are treated fairly (see Appendix

B). Furthermore, internal checks must be built in to minimize the possibility of error. Such procedures are time-consuming and sometimes inconvenient, but the stakes are high. Mistakes can result in causing substantial harm to an official who is erroneously accused of wrongdoing and considerable embarrassment to the organization forced to retract a statement or offer a public apology. A series of such mistakes will surely spell the demise of any citizens' watchdog group.

Checks established to ensure the accuracy of investigative findings can be both internal and external. The primary source of the external checks is the organization's board of directors, or one of its committees that can review investigative findings before they have been released to the public. Since the board members have not participated in the actual investigative process, they can listen to a staff presentation of the findings as disinterested citizens, demanding that facts be checked and rechecked and that conclusions drawn from the investigation be fully supported by the facts disclosed.

However, since board members can never be as fully informed concerning the facts uncovered by an investigation as the staff itself, and because directors cannot usually devote large amounts of time to the detailed consideration of individual investigations, the most important checks on the investigative process are internal. Regardless of how the staff has been organized (for example, whether there is a chief investigator in charge of supervising the work of others or whether several investigators have the responsibility for pursuing their own projects more or less autonomously), it is important to provide a mechanism through which the entire staff can review each investigation. This can be done simply by holding staff meetings on a routine basis at which on-going investigations can be reviewed. Such a collective examination of each investigation is, of course, more likely to disclose errors and provide helpful advice than would be otherwise forthcoming. But most importantly, it is essential that each investigation be reviewed by persons who have not worked on the project on a day-to-day basis and do not have a personal stake in the investigation's outcome. There is a need for a neutral voice that can authoritatively state that a particular line of

inquiry is not likely to be fruitful and should be dropped, or that the facts so far uncovered simply are not strong enough to support a conclusion that a public official has been involved in wrongdoing.

It is also essential, to ensure both accuracy and fairness, that the principals of each investigation are interviewed and offered the opportunity to explain or rebut any findings before the watchdog organization issues a public statement. For example, serious mistakes can be avoided simply by asking a public official to explain his financial involvements when the watchdog organization is investigating an apparent conflict of interest. Unfortunately, not all officials will agree to be interviewed. In such cases, there is often no alternative to simply offering them the opportunity to tell their side of the story, and if they refuse to do so, to present the facts and shift the burden to the public official to explain what may appear to be financial improprieties.

When investigations are conducted jointly with the news media, individual reporters, their editors, and perhaps their attorneys also provide valuable checks on the investigative process, since the agreement of even more people is thereby required before a consensus can be reached concerning the strength of an investigative project. Of course, the process of involving more and more people in the decision-making process becomes counterproductive at some point, and if too many people become involved the result is chaos.

Moreover, if the investigation is being conducted as an "exposé," a certain degree of secrecy is required. The reasons for secrecy are two-fold. First, because some segment of the news media is involved in the investigation, there will always be a concern that the story will be "scooped" by a competitor and thus will no longer be exclusive to those who may have worked on it for many months. Second, secrecy may prevent officials from concealing information from investigators. Documents can be altered, destroyed, or conveniently mislaid in an effort to interrupt the research if the precise nature of the information sought is known.

To summarize, there is a need to institutionalize a system of checks on the investigative process to ensure that all of the necessary groundwork has been laid before information is released to the public. Persons

who have not been involved in the day-to-day investigative process should participate in candidly assessing the strengths and weaknesses of each project before any public statements are made.

### The Mechanics of the Investigative Process

Watergate focused the public's attention, perhaps for the first time, on the mechanics of the investigative process. The popular image of predawn meetings between investigative reporters and their sources in secluded underground garages has become a national legend. Such meetings do occur, but they hardly constitute a major portion of the investigative process. For the most part, the types of investigations discussed here are tedious, time-consuming undertakings that rely mainly on the analysis of public documents and a seemingly endless stream of on-the-record discussions with public officials. For example, in the BGA investigation of The Combine, discussed in Section VI, dozens of hours were spent by researchers in the Cook County Recorder's Office scrutinizing real estate documents. Information or "tips" from news sources often provide crucial information, to be sure, and several important BGA investigations could not have been conducted without them. Nevertheless, even when information from anonymous sources is forthcoming, every effort is made to verify the information through public documents.

Even though the citizens' watchdog organization should try not to rely on anonymous tips as the sole source of information, such tips can be invaluable in developing investigative leads. As the reputation of the watchdog group evolves, it can expect to receive information from private citizens reporting on their own observations of the performance of various officials or agencies. Of course, much of this information (indeed, perhaps most of it) will not be of value, for it often contains nothing more than malicious gossip and even deliberate falsehoods that are part of some personal vendetta the citizen is conducting against an official or government employee. Frequently, however, private citizens will telephone the organization or visit it personally to offer information that may be valuable. For example, the "tip" might be that the informer's neighbor is a government employee, but also holds a second job

where he spends most of his time. The situation, while inconsequential when considered alone, may be part of a pattern of patronage abuse, which the watchdog group can systematically investigate and fully document by examining public payroll records.

Another important source of information concerning governmental performance is government officials and employees themselves. Many officials and employees, while not willing to be identified as the source of the information for fear their jobs will be jeopardized, are willing to provide valuable information about government operations if anonymity is assured. Their information should usually not be used alone as the basis for a major investigative finding, if not confirmed by others who are willing to be publicly identified or by public documents. But such anonymous sources often possess valuable expertise that can aid investigators in interpreting documents or explaining complex administrative procedures and should become an essential part of the organization's information network.

A major source of information is the news media. Experienced investigative reporters will generally have access to sources both within and outside of government. When a project is being conducted jointly with a news organization, the reporter and the watchdog group should freely exchange the information they acquire.

The free exchange of information, however, need not necessarily include the full disclosure of each other's sources. Indeed, there are several reasons why a mutual disclosure of sources should not be made. Most important, such disclosure may violate an agreement either party has with his source who wants to remain completely anonymous to all but the person to whom he has spoken. Additionally, since there is no generally recognized "newsman's privilege," reporters as well as other citizens may be required to testify in a judicial proceeding concerning the source of their information. If the investigators from the watchdog organization cannot identify their colleagues' sources, they obviously cannot be placed in the embarrassing position of being compelled to testify and reveal those sources. It should be noted that the issue of privilege does not really seem to merit much concern for the citizens'

watchdog group. In 50 years, there have been no occasions in which BGA investigators have been compelled by a grand jury to reveal sources who wished to remain anonymous.

### The Use of Subterfuge

One of the most delicate issues a citizens' watchdog group faces is under what conditions the use of subterfuge to obtain information is desirable or ethically acceptable. Certainly, in most circumstances it is not necessary for investigators seeking information from government agencies to assume a false identity or otherwise misrepresent themselves. While Chicago's late Mayor Richard Daley was often quoted as saying that BGA investigators "peek through keyholes and over transoms," in fact the research efforts of a citizens' organization will rarely, if ever, use surreptitious investigative methods. Since the organization will rely for the most part on public records, a straightforward request to an agency in one's own name or in the name of the organization seems the most appropriate way to communicate with any government employee.

There may be times, however, when mere disclosure of the watchdog organization's interest in a matter would render the investigation impossible. In such cases, some form of subterfuge may be necessary. Usually such situations can be handled without employing outright fabrications. For example, if there is good reason to believe local government officials or employees will alter or destroy records once they know of the watchdog group's interest, the records can be requested in the name of a person who will examine the documents. That person's connection with the watchdog organization need not be revealed. If local law or agency practice calls for the disclosure of the purpose for examining a particular document, general explanations such as "research" may sufficiently fulfill the requirement.

The more difficult question involves the direct use of artifice or misrepresentation to expose government wrongdoing (Carmody, 1978). For example, in the BGA-CBS/60 Minutes expose of Medicaid fraud in Illinois (referred to in Section VI), BGA investigators posed as agents for a Medicaid clinic that was soon to open. Of course, the clinic itself did not exist.

The BGA rented a storefront office for the purpose of inviting representatives from nearby medical laboratories to come and discuss possible business relationships.

Spokesmen for the medical labs entered the BGA storefront office where they offered BGA investigators illegal kickbacks to obtain referrals from the clinic. As the offers were being made, a CBS/60 Minutes camera crew secretly filmed the conversations. Before the representatives from the medical labs left the storefront, they were confronted by Mike Wallace of CBS and told that their conversations had been filmed. Since Illinois law prohibits the secret recording of conversations, no tape could be made of the actual words spoken by the agents of the medical labs. Only one side of the conversation was recorded--the voices of the BGA investigators. However, a BGA stenographer took shorthand notes of all that was said.

Clearly, a persuasive documentation of fraud on the part of vendors doing business in the state Medicaid program could not have been successfully undertaken without some form of subterfuge or undercover work. The BGA has taken the position that if some form of deception is absolutely necessary to expose a serious and harmful governmental practice, and if the use of subterfuge is clearly legal and is later publicly and candidly acknowledged, it may be appropriately used. In no way should this be taken as a general endorsement of the principle that the ends justify the means. It is essential that a watchdog organization at all times not only conform to the law but also respect the rights of every person who may be touched by its activities. If there is any question whatsoever of the legality of any project, the organization should seek legal counsel. The organization should also consult with law enforcement officials to clarify any uncertainty regarding the lawfulness of any of its projects.

As a part of the "Mirage" expose carried out by the BGA and the Chicago Sun-Times (see Appendix C), the BGA and the newspaper became the owners and operators of a tavern on Chicago's near north side in an effort to document payoffs to local and state government inspectors. The

artifice employed in the undertaking has generated considerable discussion of journalistic ethics. The consensus among newspaper editors seems to be that such tactics should be used only when no other method could succeed in exposing serious wrongdoing.

#### The Watchdog Organization's Relationship with the News Media

The effectiveness of BGA as a watchdog group is undoubtedly due in large measure to the unique relationship the organization has developed with the local news media. The BGA works jointly with the news media--newspapers, radio, and television--on its investigative projects to ensure that investigative findings receive widespread coverage and generate citizen support for needed reform. One journalist recently described the relationship as providing "for the marriage of manpower and talent. In most instances, it doubles the firepower news organizations can concentrate on any investigation" (Green, 1977). Certainly many of the BGA's recent investigations, such as those focusing on complicated real estate transactions, would have been much more difficult for either the BGA or the news media to conduct in the absence of this tandem investigative approach.

Many civic organizations do not find the BGA's investigative, media-oriented style congenial. Instead they prefer to take their findings to the public officials directly in the hope that the civic group and the officials can sit down together and establish an agenda for reform, shielded from the intrusive and distracting glare of public scrutiny. The BGA has rejected this approach for several reasons. First, the organization's experience shows that officials are unlikely to enact long-lasting reform measures in the absence of widespread public pressure to do so. All too often, the process in which civic leaders and officials sit down quietly together to "work things out" leads at best to minor changes and allows the old patterns of abuse to return at any time. This is undoubtedly because there has been no public acknowledgment that any problem exists. But most important, the BGA is committed to the principle that government must be made accountable to all citizens. Only public exposure of government malfeasance, not secret meetings behind

closed doors, will aid citizens in understanding how public funds are being spent and how government activities are being performed.

The BGA's association with the news media has developed over a long period of time and is quite informal. Investigative projects may be suggested by the news media or the watchdog group. Once an agreement is reached that an investigation should be undertaken, the two groups generally work closely together at every stage of the project, sharing information and jointly planning the steps to be taken.

The BGA attempts to work with the area's new organizations on a rotating basis so that all of the local news organizations who are competing against one another for investigative news stories share in the BGA's resources. In return, of course, the watchdog group benefits from its wide exposure to the journalistic talent available throughout all segments of the news media and is not forced to rely on any one newspaper or television station which may later alter its news policy, de-emphasizing investigative news stories.

When the BGA works with the news media on a project, the investigative findings are considered the exclusive property of the participating news organization until released to the public. For example, when working with a newspaper, the BGA will not issue any press releases or make a public statement concerning the investigation until the first story has appeared. At that point, the watchdog group will usually hold a press conference providing a more detailed background to the investigation that has appeared in the newspaper articles, releasing any relevant documents that support the investigation's findings, and perhaps making recommendations concerning needed reform. This procedure allows the other news organizations to pick up the story and develop their own news leads if they believe the investigation is worth pursuing independently.

When a project is initiated by the watchdog group, there are several considerations that should be made before determining whether a newspaper, a television station, or a radio station should be asked to participate in the project. The skills needed to conduct the investigation, as well as the interests and available time of local journalists, are

factors that should be considered. Also, some investigations clearly are better suited for coverage by particular news media. While complicated financial schemes, which may form the basis of a story concerning an official who illegally profited from his office, are often difficult to explain in a lengthy newspaper article, they are even more difficult to present succinctly in a one and one-half minute time slot on a local television station's evening news program. On the other hand, investigations that involve a less complex set of facts and better visual effects, such as interviews with public officials or film of hearings held by a government agency, might best be conducted with a television news program.

After the watchdog group becomes established, it should also consider other possible television formats, such as documentaries made jointly with either local commercial TV stations or a local affiliate of the Public Broadcasting System (PBS). Such documentaries could explore in much greater detail the operations of a government agency or specific problems that affect a wide range of government programs, like the need for better conflict-of-interest regulation.

There is, of course, an alternative to this joint investigative approach. The watchdog group could simply conduct its own investigation and release its findings to the public at a news conference where the news media would have access to the findings on an equal basis. The BGA has opted for the joint-investigative approach simply because it is the only course assuring that at least one news organization--the one participating in the investigation-- will display the story prominently. The question of how any investigative story will be displayed by a news organization is contingent on many factors. It ultimately depends, of course, on how newspaper editors or managers of local television stations view the "newsworthiness" of the investigative findings. If the facts the investigation reveals are not viewed as important enough to merit prominent display as news, no news organization, including the one that has participated in the investigation, will give the story prominent coverage. Additionally, the day's news events can always push even a strong investigative story off of the front page. Nevertheless, since

the judgment of news editors involves a great deal of discretion, it seems much more likely that a newspaper or a radio or television station that had committed manpower and financial resources to an investigative project will provide the coverage the watchdog group needs.

The relationship of BGA with the news media developed in the context of a highly competitive newspaper town. Chicago's major newspapers have a long history of vigorous investigative reporting, and competition is fierce for the journalistic rewards that a strong investigative news story can bring. Since the same competitive situation will obviously not prevail in every community, citizens establishing a watchdog group may have to consider alternatives to the model described here. For example, in smaller cities it is not uncommon for one small group of people, or even one family, to control access to the local media, which may consist of only one newspaper. In such cases, the financial interests that control access to the local news media market may not be receptive to investigative projects that threaten the status quo, or they may simply be reluctant to develop a novel relationship with a group that does not yet have a record of reliability or success. However, if a local monopoly does block access to news outlets in the community, the citizens' watchdog group can still look to other major cities within the region. Larger, nearby cities may have news organizations that disseminate news throughout the region, and those news organizations might well be interested in developing relationships with community groups. For example, most areas of downstate Illinois are served not only by a local newspaper but also by the Chicago and St. Louis news media. Citizens' groups as far from Chicago as South Bend (approximately 75 miles) could attempt to form cooperative relationships with the suburban departments of Chicago's major newspapers if the local paper is unresponsive to efforts to undertake joint projects.

In addition to looking for major regional news outlets, the citizens' watchdog group might also contact news service organizations such as the Associated Press (AP) and United Press International (UPI) to generate interest in launching cooperative investigations. The news service organizations might be especially helpful in investigations that

focus on rural communities and encompass a large geographical area. This approach was successfully used by the BGA in 1973, when BGA investigators worked with Associated Press reporters in uncovering an extensive system of kickbacks that involved local government officials in 56 of Illinois' 102 counties. The BGA investigation revealed that chemical company salesmen, who sold items such as weed killer, ice-melt pellets, and aerosol insect spray, offered substantial kickbacks or "premiums" to officials who agreed to purchase the goods. Because the geographical area far exceeded the market of any Illinois' downstate local newspapers and because the area covered was sometimes far from any major metropolitan center, the BGA sought the help of AP, which services local newspapers throughout the state.

In summary, the BGA's symbiotic relationship to the news media has made the organization unique among the nation's civic groups. By regularly being able to present investigative findings to the general public through dramatic media disclosures, the BGA has enhanced its survival capacity by staying in the public limelight. More important, the organization has demonstrated that when citizens, angered by public revelations of official misconduct, express a demand for change governmental reform often results. A citizens' watchdog group should seriously consider this cooperative approach to media relations.

#### Public Education: Generating Citizen Support for Reform

The efforts of the watchdog organization need not end with the disclosure of corruption or government waste. If investigations reveal serious problems in the governmental process, recommendations should be made to deal with them. The recommendations might range from demands that a corrupt official be removed from office to more far reaching suggestions advocating structural changes in the management of certain governmental agencies. But all recommendations should be firmly justified by the watchdog organization's research. All reform proposals should be able to withstand a cost benefit analysis and they should be administratively feasible.

This definitely does not mean that the watchdog group should pretend it has expertise it does not in fact have. Clearly, it would be presumptuous, to say the least, for most citizens' organizations to draft a proposal after a few months' work outlining in detail how a major state agency should be reorganized. Nevertheless, specific reforms might be clearly indicated from the facts an investigation has revealed.

For example, if the organization has found that a public official has profited from his office, the watchdog group might point to the need for a financial disclosure law or recommend ways to increase the effectiveness of any existing regulations. If a regulatory agency has become the captive of the very groups it is supposed to regulate, the watchdog group might recommend procedures that would delimit the discretion the regulatory officials exercise, or propose changes in the enabling statute, which created the agency in the first place. Other administrative reforms that might be considered include sunset laws, which set an expiration date for governmental agencies and programs. Sunset laws are designed to ensure that selective governmental programs will undergo a periodic reappraisal to increase their accountability. Should more public members be added to the board of an agency or commission? Should a legislative mandate be rewritten? Should a program be terminated altogether because it no longer serves a useful purpose? Sunset laws force legislators to seek answers to these questions, which all too often are never asked. In 1976 every state at least considered some form of sunset legislation and ten states have enacted such measures.

Similarly, legislation requiring access to information and open meetings, lobbyist disclosure, and campaign finance regulation are measures that watchdog groups might consider as proposals for reform. These reforms are generally aimed at increasing information about, and expanding public participation in, the governmental process. They are therefore consistent with the goals of the watchdog group, and if enacted they can also make the job of monitoring government much more manageable.

When investigations reveal the need for remedial measures, recommendations for reform should be made at the time when the investigative findings are released. (See the model "white paper" in Appendix C.)

This procedure emphasizes that such reform will aid in preventing the sorts of abuses the investigation has disclosed. Furthermore, joining the proposals for reform with investigative findings documenting known, obvious abuses in the exercise of governmental power, may increase public pressure on officials to respond to the call for reform.

While formal press conferences can be of central importance in informing and educating the public, the watchdog group is by no means confined to this format for bringing its message to the public. The group's executive director, and when appropriate other members of the staff or board of directors, should make every effort to appear before public and private gatherings to outline investigative findings, and explain and promote the organization's goals. The executive director, investigators, and staff lawyers of BGA have spoken before community groups and to college audiences, participated in workshops, and appeared on local television and radio programs. These appearances provide the watchdog group with indispensable opportunities to increase public awareness of the governmental institutions that shape our lives.

The BGA has also frequently been asked to testify before public hearings to explain the findings of an investigation to a group of state legislators or other officials. The organization has used such opportunities to urge the enactment of campaign finance and financial disclosure reform. However, because of the BGA's tax-exempt status, the organization rarely endorses any particular piece of legislation, nor does it engage in direct lobbying activities. When testifying, BGA spokesmen will simply testify to the facts an investigation has disclosed, discuss the problems these facts present for government performance, and indicate what general principles the organization believes ought to be included in any reform legislation.

The BGA has also experimented with other methods of increasing public awareness of governmental problems. From 1974 and through mid-1976, the BGA, in conjunction with Loyola University, sponsored a series of symposia focusing broadly on "Ethics in Government." The discussions brought together journalists, academics, and public officials from across the nation to share their views on various aspects of official corruption

and attempts to combat it. The symposia were televised by Chicago's Public Television station.

### Legal Counsel and Litigation

The watchdog group should have access to legal counsel for advice concerning legal problems that the group will face as an organization; for example, questions concerning libel or Internal Revenue Service rulings regarding nonprofit corporations and also for routine investigative assistance. Since investigations frequently involve questions of the statutory obligations and rights of public officials and government agencies, the correct interpretation of a statute, an ordinance or an agency regulation can be crucial to the outcome of an investigation.

This does not mean that the organization must employ a full-time legal counsel--an undertaking that may prove too costly for the recently formed watchdog group. Instead, the organization might look for legal advice from sympathetic law firms who are willing to contribute some time on a "pro bono publico" basis, or from attorneys on the board of directors (or the staff). Legal work is, to be sure, costly, time-consuming, and complicated. Thus, if the watchdog group does consider establishing a legal component as part of their program, they should first make a realistic assessment of the resources required for the law program's success.

Lawyers' salaries, rent, at least a small law library, court fees, and secretarial support are major financial requirements in any public interest law program. Additionally, the watchdog organization must be sure to consider other overhead costs. Lawyers generate a substantial amount of paperwork, so that copying equipment and office supplies will increase the organization's cost of doing business.

If the watchdog group finds that it can support a legal program, either through its regular budget or independent foundation funding, it may well find the investment worthwhile. The legal program, in addition to its role as in-house counsel for the investigative staff, can often provide the citizens' organization with alternative ways of gaining the desired end.

For example, as the BGA suit challenging governmental surveillance practices suggests, lawsuits not only seek to provide a remedy for known governmental abuses but can serve an exposé function as well. A suit challenging the government's unlawful conduct can produce new information concerning governmental operations that could have a significant effect on public opinion.

Certainly that has been the case with the BGA's litigation against Chicago's Police Department. Information received by the plaintiffs' lawyers since the suit has commenced has provided wholly new documentation that the city's surveillance practices were directed by Chicago's late mayor and that political opponents of the mayor were the chief targets. This revelation might never have reached the public without compulsory legal processes that forced the City of Chicago to release the relevant documents. Such disclosures seem to have generated public support for ending politically motivated surveillance operations and implementing fundamental reform in police procedures.

In some circumstances, filing a lawsuit may be the only way to obtain information regarding government operations. For example, a government official may possess certain records or documents that are not available to the public through a local or state access-to-information statute, yet access to these documents might be necessary in order to establish governmental wrongdoing. Consequently, only by instituting legal proceedings and obtaining the documents through the court's power to order the production of records will the public ever have the chance to scrutinize the government's conduct.

Clearly this does not mean that the courts can be used by lawyers or organizations to fish for information that might or might not reveal governmental misconduct. However, it does mean that legal action can be used to examine records that would otherwise be unavailable for public inspection.

In addition to counseling and exposé functions, the legal program also provides the citizens' organization with a follow-through capability that strengthens the group's credibility. Investigations that find a

public official to have misappropriated taxpayer funds, for example, can be followed by a suit forcing the official to restore the funds to the public treasury. Or, if the organization has disclosed that a governmental body has illegally awarded a contract to a politically favored firm, legal action might be taken to rescind the contract. The capacity to undertake this kind of litigation ensures that investigative findings will not simply be ignored. Public officials will be put on notice that if they do not act to remedy the abuses that have been disclosed, someone else will.

Legal expertise is valuable not only in litigation but also in appearing before administrative bodies. While it may not be essential that a lawyer appear at administrative proceedings when a governmental regulation is challenged or a complaint filed, a knowledge of legal procedure can be extremely helpful.

#### REFERENCES FOR SECTION V

Carmody, Deirdre, "Exposure of Corruption Raises Questions About Reporters' Masquerading," The New York Times, p. 12 (February 23, 1978).

Green, Larry, "Watchdog Group Has High Batting Average," Los Angeles Times (October 9, 1977).

National Association of Citizens Crime Commissions, How to Organize and Operate a Citizens Crime Commission (Waukegan, Ill.: National Association of Citizens Crime Commissions, 1974).

## INVESTIGATIONS FOR A CITIZEN WATCHDOG GROUP

### Personal vs. institutional corruption

- Personal corruption is more easily understood by the public than institutional corruption and therefore is easier to respond to (remove the person).
- Institutional corruption is more difficult to combat. Public officials may be unresponsive to methods to weed out such corruption. They may claim that if only one bad apple is found, and it has been removed, the rest of the barrel holds only sound apples.
- The watchdog group must decide if it should encourage a fundamental restructuring of an agency or program, or merely attempt to insert safeguards in the existing process.
- Different targets require different approaches. The watchdog group should select both targets and approaches with care.

### Investigating personal corruption

- With enough digging, it is possible to document laundered payments, holdings in secret land trusts, and ownership of dummy corporations, but in order to sift through hundreds of public records it may be necessary to recruit a number of volunteers.
- Investigations can reinforce each other; material uncovered in an investigation of an individual can point to poor institutional practices, and the converse.

### Investigating institutional corruption

- A detailed analysis of campaign contributions can provide valuable information.
- Computers can make many hundred detailed comparisons that can reveal patterns of corruption or abuse (however, putting data into computer-readable form can be extremely costly).
- Contacting former employees, clients, or contractors no longer in a position to be forced to be quiet may provide information that cannot only be used in the investigation, but in indicating to subsequent prosecutors where to look for possible witnesses.
- Covert techniques, such as using hidden television cameras to record transactions or events, introducing an undercover investigator into the institution as an employee, or setting up a dummy unit to do business with the agency or group suspected of corruption should not be employed without concurrence of counsel. Even if the group's counsel concurs that the covert technique can be done legally, it is better left to a law enforcement agency or to some other group with more experience in such techniques.

### Investigating the city budget

- Because of tight budget schedules and the difficulty of making any effective changes when the budget reaches the public hearing stage, the group is likely to have to make its charges of waste and inefficiency after the budget has been adopted. This implies a need to suggest specific budget reforms with sound supporting documentation in order to force changes in fiscal policies.
- Because a budget is a highly complex document that may have thousands of line items, it can best be approached with some idea of what to look for in terms of waste and inefficiency. Citizen perceptions and observations of waste and inefficiency can be clues to what services to look at, and comparison figures from other cities with the same demographic and size characteristics can indicate what costs in those services might be out of line.

### Persisting in investigations

- To avoid being stonewalled in an investigation, the group can seek the support of other organizations in the effort to obtain information.
- When real evidence has been amassed that cannot be explained away but the agency has refused to admit the possibility of wrongdoing, litigation may be used to force disclosure of documents that have been withheld.
- When an investigation has been stonewalled from one direction, it may be possible to get the information another way. For example, Federal support can be obtained if a civil rights violation can be shown, or some violation of a Federal regulation affecting Federal funds.

## VI PROFILES IN GOVERNMENT MONITORING

### Introduction

The six case histories that appear below represent the broad range of investigations the Better Government Association has worked on in recent years. Problems such as conflicts of interest, fraud in the delivery of social services, and abuses in the exercise of the government's regulatory authority and police powers all have been the subject of BGA scrutiny. These problems, and the BGA's efforts to disclose and ameliorate them, are selected to illustrate how a citizens' organization can monitor the operations of local and state government and expose misconduct that threatens the integrity of the governmental process.

In large measure, BGA investigations have focused on public officials and governmental operations in Chicago and its surrounding metropolitan area. Consequently, big city politics and the public and private institutions that thrive in the modern megalopolis have shaped many of the particular facts that comprise the illustrations that follow. For example, it is difficult to imagine a career such as that of one former alderman outside of a big city like Chicago, particularly its machine-dominated 31st Ward. Moreover, the former Alderman's use of secret land trusts to shield his illegal real estate transactions from public scrutiny could occur in few places outside of Illinois, for secret land trusts are a device recognized by very few states. Certainly the BGA-CBS/60 Minutes disclosure of massive fraud in Illinois' Medicaid program exposed a special problem that is magnified in the nation's large industrial states. The Medicaid mills that have proliferated in recent years amid the slums of Chicago's south and west sides are clearly an urban phenomenon. The illegal kickbacks to medical clinic operators from laboratories for Medicaid business can obviously most easily go undetected where the volume of Medicaid business is high and where the state welfare department's investigative unit is overworked and understaffed.

Yet, such instances of abuse of power and fraud uncovered by the BGA are not confined to communities of a particular size, nor are they inextricably related to unique political arrangements. BGA investigations of governmental operations in Illinois villages and townships have also uncovered flagrant examples of the corruption of public authority. Indeed, the schemes and artifices employed to violate the public trust are often strikingly similar despite fundamental differences in the size, political organization, and personalities that characterized the local communities in which they occur. The following case histories should therefore be helpful in identifying how governmental processes can be abused not only in one city or state but rather in many very different political and social settings.

The Use of Public Office for Personal  
Financial Gain: Investigating Individual Corruption

The exposure of corruption in high political office has been a recurrent theme in recent years at all levels of American government. Investigations that focus on individual misconduct, rather than more systematic abuses of public authority, often generate an interest on the part of the news media and the general public that far exceeds their response to more pervasive but less individualistic forms of public corruption. Misconduct by well-known and highly visible public officials, no matter how arcane the scheme they employ, is perhaps better understood by most citizens than the seemingly more remote failings of governmental institutions. It seems likely that most citizens better understand the allegations of bribery, conspiracy, and tax evasion that forced the resignation of a former Vice-President than the maze of institutional abuses that fall under the rubric of Watergate. Such a response is understandable. When a regulatory commission abuses its power, or when fraud is found to permeate a governmental program, the offenders are often anonymous bureaucrats, businessmen, or the faceless beneficiaries of the government's largess. The victim is frequently the general public, who have difficulty envisioning precisely how they have been wronged or how the uncovered scheme affects their daily lives. Old-fashioned graft and

greed is not nearly so abstruse. If the details of the scheme are complex, at least the motivation is easily understood. As a result, the work of the Better Government Association is frequently identified with those investigations that led to the indictment and conviction of major Chicago politicians. Thus, the following case studies begin with a synopsis of BGA investigations into the activities of two powerful Chicago office-holders, and proceed to an analysis of more systematic abuses of power.

### The Combine

In March, 1973 the Better Government Association and reporters from the Chicago Sun-Times culminated a 3-month examination of the complex web of business entanglements that made up the financial empire of a former alderman. After poring over hundreds of documents, the findings appeared in a series of stories beneath the front page lead: "Clout City USA." The stories detailed a multitude of real estate transactions and financial manipulation that would eventually lead to the indictment and conviction in Federal District Court of one of Chicago's most powerful political figures.

The Alderman's rise to political prominence was hardly meteoric (Bergan and Samuel, 1974). He gained his first elective office in 1937, emerging from the matrix of a family dynasty that has controlled Chicago's 31st Ward for generations. Both his grandfather and his uncle had been members of the Central Committee of the Cook County Democratic Party and his father had also served as State representative, City Collector, Financial Secretary to the county party organization, and finally as Alderman (city councilman).

Before his conviction, he was the floor leader of Chicago's City Council, a position he held since 1955, the year Richard J. Daley was first elected mayor. He was the Chairman of the City Council's powerful Finance Committee, which controls the City's billion dollar budget, determines how and where revenue is to be raised, and generally acts as the City administration's steering committee for legislative matters.

In fact, the information developed on the Alderman's financial holdings was actually the result of a decision to examine the Council's Finance Committee and the City's budget-making process. BGA staff had previously met with reporters as well as editors at the Chicago Sun-Times and had tentatively selected the Finance Committee and its budget-making powers as a topic worth pursuing. But as the investigation evolved, it narrowed in focus when it became apparent that the task of thoroughly examining the Committee's budget-making operations was more than could be done in the allotted time. And information regarding the personal financial dealings of the Finance Committee Chairman was already at hand.

In December 1972, the BGA and the Chicago Sun-Times had revealed that the Alderman had an interest in three parking lots near Chicago's Loop area which were leased to the Airport Parking Company of America (APCOA). At the same time a lease between APCOA and the City of Chicago was pending in the City Council where the Alderman had failed to disclose his interest. The lease agreement between APCOA and the City was to be awarded without competitive bidding and would have given APCOA the exclusive right to operate the new O'Hare Field Parking Garage for a period of 10 years. The matter had first come to the BGA's attention when the press and political dissidents attacked the proposed nonbid agreement. It was not until the BGA-Chicago Sun-Times disclosures that the public learned of the Alderman's interest in the lease, which was concealed in a secret land trust, and that the land trust beneficiaries, including the Alderman, would collect a quarter of a million dollars over the terms of the agreement.

As the inquiry into the Alderman's financial empire unfolded, it soon became clear that real estate was the underpinning of "The Combine." The Combine itself was a group of developers and politicians, centered around the Alderman, which reaped enormous profits by using his influence and inside knowledge.

Real estate was certainly an ideal investment opportunity for such a group. Steadily increasing land values and the lack of regulatory controls increased the inherent attraction of real estate investment--maximum leverage with minimum capital input. And in Illinois the device of the

secret land trust provides the real estate investor the additional advantage of anonymity. The device of the land trust allows the property owner to convert his holding from real property to personal property. The owner becomes a beneficiary of the trust while legal title is held by a trustee, usually a bank. Beneficiaries need not reveal their identities and all transactions regarding the property are recorded only by indicating a trust number. Consequently, The Combine could carry out its multimillion dollar dealings while being shielded from public scrutiny by a series of land trust numbers.

However, several of these trusts were "broken" by matching up a few anonymous trust numbers with parcels of property in which it was known that the Alderman and his partners had a financial interest. After that major investigative breakthrough occurred, public records could be examined by merely searching for the trust numbers known to be associated with the group.

One aspect of The Combine's scheme involved the purchase at County Auctions of hundreds of parcels of almost worthless, tax-delinquent land in the most blighted areas of the City. The property was placed in land trusts to conceal the identity of the owners and then resold at a substantial profit.

BGA researchers described The Combine's plan this way:

"Central to the deal was a procedure to clear the land of outstanding liens occasioned by the nonpayment of special taxes levied by the city for the construction of sewers and sidewalks. These liens often amounted to thousands of dollars on a single parcel.

The liens were wiped out by means of foreclosure suits in the Chancery Division of the Circuit Court. The judgments rendered in these legal actions enabled [the Alderman] and his partners to settle their tax obligations for a fraction of the total amount due. The lawsuits were instituted following resolutions passed by the City Council calling on the city attorney to foreclose on the liens. And these resolutions had their origin in the Finance Committee where they were, in fact, introduced by the alderman himself.

Alternatively, one of [his] partners--whose links with the alderman were, of course, unknown--would apply to the Finance Committee and offer to make a compromise settlement of the

special taxes due the city, again at a fraction of their total amount. These compromise offers would then be submitted to the full City Council for approval.

Thus at meeting after meeting of the Council between 1969 and 1971, [the Alderman] rose to propose measures which would enhance the sale value of parcel after parcel of land in which he had a financial interest. And the Council dutifully passed the proposals without so much as a single dissent, oblivious of the fact that there could have been no more classic examples of 'special interest' legislation than the resolutions being offered by [the Alderman].

Once they had cleared their property of its tax encumbrances, [the Alderman] and his partners attempted to unload it as expeditiously as possible. They sold many parcels to private developers for the construction of low cost, modular housing. But a significant amount of their real estate was picked up by local governmental bodies, in some cases following action by the City Council aided by [the Alderman's] vote."

(Bergan and Samuel, 1974).

In fact, the Alderman had used his influence to sell almost 200 parcels of land to public agencies such as the Metropolitan Sanitary District, the City's Department of Urban Renewal, the Chicago Park District, the Chicago Housing Authority, and the Chicago Dwellings Association. The Chicago Dwellings Association agreed to purchase Keane property even after one CDA official protested that the per unit costs were over twice the amount normally paid. It has been estimated that the Alderman realized a gross profit of over \$167,000 from the sale of land to both public agencies and private parties, although he himself contends that when all of his transactions are taken into account, he suffered a net loss.

If his deals did not work out as he had intended, still greater personal losses were to accrue. Only 18 months after the BGA and Chicago Sun-Times outlined the activities of The Combine, the Alderman was convicted in United States District Court on 17 counts of mail fraud and one count of conspiracy to commit mail fraud. He was sentenced to 5 years in prison and fined \$27,000. But, Chicago politics being what they are, all is not lost to the former alderman. His seat is now held by his wife, who was elected in a landslide victory. The 31st Ward remains in the hands of the family.

## The Politics of Real Estate Development

As the adroit manipulations of The Combine suggest, real property can be acquired and sold with a minimum of governmental supervision. Nevertheless, how land is actually used is often subject to innumerable public restrictions. Zoning officials determine the standards for the size and purpose of structures that are to be placed upon the land. And, of course, decisions such as whether a parcel of real estate will be classified as "commercial" or "residential" greatly affect the value of the real estate. Yet zoning is only one factor in the political calculus of real estate development. Building and construction codes and tax assessment policies are just as important to developers as zoning. Public authorities must also authorize sewer connections, provide water, gas and electric lines, and vacate streets and alley-ways to ensure the economic viability of a private development plan.

As pressure for urban and suburban growth continues to expand, so do the financial stakes of private developers. The National Advisory Commission on Criminal Justice Standards and Goals has estimated that residential and commercial developers, as well as businesses building for themselves, will face over \$60 billion in investments during the next 30 years (NACCJSG, 1973). As a result, private pressures on the public officials responsible for making decisions affecting land values are enormous. And that pressure sometimes emerges in the form of political corruption.

In late 1973, the Better Government Association and the Chicago Sun-Times disclosed improper financial dealings by the Cook County Circuit Court Clerk, Mayor Daley's former administrative assistant. The story alleged that he received \$300,000 in illegal payments in exchange for his influence in the City Council, where he was to obtain favorable zoning decisions for a group of real estate developers. He received the illegal payments from Maple Park Development Company (later known as Arjack) through a corporate shell created by him and his brother-in-law, the President of Evergreen Savings and Loan Association. The corporation known as Garden Realty Company existed only on paper, its purpose being solely

to launder funds to him from the private developers. The payments came in the form of "commissions" that Garden Realty received, ostensibly to aid the developers in selling the newly constructed homes. Garden Realty was paid about \$300 for each of hundreds of homes which were sold in Maple Park Subdivision on Chicago's South Side. The ploy, however, became apparent when the Better Government Association and reporters from the Chicago Sun-Times interviewed residents of the development. They had never heard of Garden Realty.

The payments to Garden Realty were in fact made in exchange for loans from Evergreen Savings and Loan Association and for favorable City Council actions which were necessary to complete the development. During the period in which the commissions were paid, no fewer than a dozen zoning changes were requested by Maple Park Development Company. In one instance, the zoning actions allowed Maple Park's owners to reap a land speculation profit of some \$400,000 within a two-year period.

One of the owners of Maple Park Development Company had retired to Florida after severing his relationship with the company in 1967. He spoke candidly to the BGA and Chicago Sun-Times from his sunny retirement home. "We needed certain things done--zoning, street improvements," he said. "We paid for that ... we paid the price. This was the cost of doing business in Chicago ... you do it on every deal."

On April 10, 1974, the man who had once been the Mayor's neighborhood confidant was indicted by a Federal grand jury along with his brother-in-law. The grand jury alleged that Garden Realty Company had served as a conduit for illegal zoning payoffs. He died in December 1974, shortly before he was to go to trial, but his brother-in-law pleaded guilty to the charges.

### Institutional Abuse

There is little doubt that investigations of corruption by well-known politicians contributed greatly to the BGA's credibility as a government watchdog agency. The removal from power of two apparently invulnerable figures was vital to establishing the BGA in the public mind as

a force that could counter abuses of power at the highest levels of local government. Moreover, these two probes drew respect for the organization from Chicago's news media, who became more interested than ever in cooperating with the BGA in its efforts. Consequently, the organization was guaranteed a wide audience for future research findings. It was hoped that these investigations would also put all public officials on notice that their activities might become subject to public scrutiny.

But what about the less individualistic, yet more pervasive forms of governmental misconduct? Is it possible to disclose complex social injustices and more systemic government misconduct in ways that would enlighten the public and produce reform? These questions led the BGA and news media to undertake long-term examinations of three such subjects: lack of state oversight of the business practices of the powerful community currency exchange industry, Medicaid fraud, and waste in the city budget.

#### Chicago's Money Merchants

Community currency exchanges developed in Illinois during the Great Depression. While banks were failing, currency exchanges prospered by charging fees for cashing checks and selling money orders. Today, the industry has continued to thrive by also providing such routine financial services as accepting utility bill payments, distributing food stamps and welfare checks, and selling traveler's checks and automobile licenses.

To the casual observer, currency exchanges operate out of unimposing storefronts to provide simple financial services as backups to commercial banks. In fact, in a 6-month study with the Chicago Sun-Times, the BGA revealed that currency exchanges are a \$20-million-a-year industry that have captured the public agencies set up to regulate them. Moreover, we found that this system of "private government" has allowed currency exchanges to reap substantial profits at the expense of their often impoverished clientele. For many of the city's neighborhoods, which are without commercial banks, they are "Chicago's Money Merchants."

Two years prior to the release of these findings, currency exchanges had been the subject of a preliminary inquiry by the BGA. Investigators had received information from a high-ranking employee of the Illinois Department of Financial Institutions (IDFI), the state agency responsible for licensing and regulating currency exchange practices, that exchanges were engaged in a plethora of questionable activities that were deliberately ignored by IDFI employees. While this inside tip was not pursued to its logical conclusion (in part because of lack of staff time and resources), the groundwork was nonetheless laid for a subsequent investigation. This investigation began in earnest when the BGA learned that a local reporter from the Chicago Sun-Times had initiated her own preliminary investigation into currency exchanges. The BGA agreed to pool information and resources with the reporter, and the investigation began.

A natural division of labor developed between the BGA and the newspaper. The BGA, as a government watchdog agency, was most concerned about the political and governmental problem areas of currency exchanges. Thus, emphasis was placed on abuses that flowed from legislative inaction and the lack of oversight by the IDFI. The Sun-Times focused on the private financial holdings and transactions of currency exchange owners. Both BGA and Sun-Times personnel cooperated in a thorough examination of the relationship between rates charged for currency exchange services and the demographic makeup of the communities they served.

Some of the investigative procedures employed during the course of the probe included:

- The use of a computer to test for possible associations between currency exchange rates and the social and economic composition of the area surrounding their location.
- A detailed analysis of campaign contributions from currency exchange owners and officers of the Community Currency Exchange Association of Illinois (the powerful political arm of the currency exchange industry) to top state officials.
- Interviews with state legislators about the lobbying techniques of representatives of the currency exchange industry.
- Extensive searches through public legal documents (e.g., probate, chancery) that helped identify the net worth of prominent currency exchange owners, and the sources of financial backing for their business practices.

As a result of the use of these procedures, the BGA and Sun-Times were able to reveal dramatic, in-depth findings that appeared in newspaper headlines for 10 days.

The computer analysis demonstrated that currency exchanges discriminate in the fees they charge customers in minority and impoverished communities. Currency exchanges in Black sections of the city, for example, were found to charge almost 30% more for their services than currency exchanges in largely White communities. An analysis of the rates of currency exchanges along Chicago's longest running streets graphically illustrated that fees substantially increased as one passed into Black and Latino communities and out of White, middle class communities. Moreover, we found that the highest fees of all were charged by currency exchanges that were part of a chain. Public records revealed that most currency exchanges were owned by a few families, and that these chain owners had made millions of dollars from their control of the state licensing process, use of differential rate charges, and other money-making schemes. The rate discrimination and monopolistic licensing practices were not only tolerated but reinforced by the IDFI, despite the agency's legislative mandate to regulate currency exchanges for the "convenience, welfare, and economic interest" of their clientele.

A survey of campaign disclosure records provided the primary explanation for the laissez-faire stance of the regulatory agency. The currency exchange industry and individual owners were found to provide large political contributions to the Governor, who appointed the IDFI director. In addition, the IDFI director relied heavily upon his licensees for financial support in the political fund-raising events he was expected to sponsor on the Governor's behalf. In short, the IDFI, by seeking political rather than professional ends, became reliant upon the special interests it was set up to regulate. Consequently, the agency was ultimately more concerned with serving the interests of currency exchange owners than consumers.

Interviews with state officials and searches of various public records revealed that close ties also existed between the currency exchange industry and other areas of Illinois government. The use of campaign contributions to state legislators and heavy-handed lobbying techniques by

the currency exchange association protected the industry's privileged legal status. One state legislator admitted that a top official of the currency exchange industry offered him an exchange as a bribe to get him to kill legislation that would have reformed the industry. The use of political pressure as a key factor in inducing the state's Department of Public Aid to begin delivering almost all welfare checks directly to currency exchanges, instead of a recipient's place of residence. Favored contractual agreements were made by the Secretary of State's office that allowed currency exchanges to sell license plates at high fees, after a close friend and top campaign official of the Secretary received a large contract to his private advertising firm from the currency exchange industry. In short, the investigation exposed the presence of "cozy relationships" between regulators and regulated, and the severe consequences for consumers that eventuated from these ties.

Subsequent to the publication of the revelations in the newspaper, the BGA issued a White Paper that summarized the basic findings and presented a series of recommendations for reform. The White Paper was distributed to the Governor, all state legislators, and local news media. The timing of the White Paper coincided with editorial support for reform legislation by the Sun-Times.

The response to the investigation by government officials was strong and immediate. The new Governor presented a package of reform bills to the legislature that were designed, in the Governor's words, to "end the 'cozy relationships' between currency exchanges and state government that were identified by the BGA-Sun-Times probe." Legislative hearings were held in which BGA staff testified on the abuses we had brought to light in the investigation. Ten months after the publication of the initial findings, the Governor signed into law a package of ten reform measures that were virtually identical to the original BGA proposals for change. A final BGA press release was issued which stated:

"The new laws should go a long way toward eliminating a system of private privilege at public expense ... The enactment of these reforms is a victory for every consumer who utilizes the services of currency exchanges in Illinois ... Hopefully, the new reforms will take on broader meaning by re-establishing

the principle that public regulatory bodies in all areas of state government should be accountable to the general public, and not to the special interests they are supposed to regulate."

#### Health Care Fraud: Politics, Bureaucracy, and Medicaid

In December of 1975, the BGA (working with CBS-60 Minutes) the staff of the U.S. Senate Special Committee on Aging, and the Chicago Tribune, launched one of its most ambitious investigations. For years, accusations abounded charging that Illinois' Medicaid program was riddled with fraud. The program's critics alleged that hundreds of thousands of dollars were paid out each year to ineligible beneficiaries; that factoring companies (private parties who discount state billings) used "inside connections" at the state Department of Public Aid to reap enormous returns on their investments; and that other private parties (clinical laboratories, doctors, dentists, nursing homes, and other businesses) submitted false billings to the State and otherwise illegally used the program for their own personal gain.

These allegations were vehemently denied by state officials who maintained that the program's problems were minimal. Periodic efforts were made to remove ineligible recipients from the program but no systematic examination was made to determine if the massive social welfare program was really working as intended. Against this backdrop of accusation and denial the BGA decided to make its own investigation.

Rather than focusing on "welfare cheaters" who had been the object of so much scrutiny in the past, BGA investigators instead decided to examine the activities of private vendors who sold their services to the State. Specifically, investigators focused their efforts on clinical laboratories who conducted analyses of urine and blood samples, and submitted the bills for the tests directly to the State.

Clinical laboratories had come to the attention of Senate investigators in the past. And in late 1975, William Recktenwald, the BGA's chief investigator, had taken a leave of absence to direct the Senate Committee's investigation of abuses in the Medicare and Medicaid program. The BGA's relationship with the Senate Committee was therefore well established,

and it seemed logical to combine forces when the Committee's focus shifted to Illinois after having examined New York, New Jersey, and other large industrial states. The additional efforts of CBS-60 Minutes were, of course, invaluable. If fraud was found to be substantial, the investigators would have access to a nationwide audience to illustrate what had gone wrong in this major social program in which costs increased at a rate of \$3 billion per year.

As in other large states, Illinois' Medicaid program had grown enormously since the program's inception in 1966. Then, Medicaid was conceived as a limited effort to bring needed health services to low-income residents, the blind, and the disabled, just as Medicare was to provide hospitalization insurance to the nation's elderly. In 1967, Illinois reported that the State's program served 367,000 of the state's residents at a cost of \$60 million per year, half of which was paid by Federal funds. By 1976, more than one million of the state's residents were covered by the Medicaid "green card" at a cost of \$700 million.

Yet despite this rapid expansion in the program, little effort was made on the part of either the State or the Federal government to police the billing practices of private parties who did Medicaid business. The Department (HEW) had only eight investigators nationwide to safeguard the multi-billion dollar program against fraud.

The lack of Federal oversight in this area was indeed peculiar, for the methods of payment under Medicare and Medicaid had been perceived as a serious problem since the program's beginning (Marmor, 1970). Federal law had not set specific limitations on what a doctor or other vendors could charge for their services. Instead, they were to be paid "reasonable charges," which were defined as charges customary for the individual performing the service, and no higher than the prices prevailing in his locale or no greater than the charges paid by insurance companies in similar circumstances.

The problem was that no one knew what "customary charges" were. There was little agreement between governmental officials and the private sector as to what charges "prevailed," and commercial insurance companies, while

having a record of past payments, did not reach a consensus as to what constituted "comparable services" in "comparable circumstances." One observer of health care politics observed that during the year following Medicare and Medicaid's enactment, the rate of increase in physician fees more than doubled (Marmor, 1970, p. 89). He concluded, "Some portion of that increase was caused by Medicare's payment method, and the continuing overall rise in physician fees has presented serious political problems" (Marmor, 1970, p. 90). In this context of rising health care costs a charged political atmosphere and apparent bureaucratic sluggishness, the BGA set out to determine just how the program was functioning in Illinois. The BGA and CBS rented a simple storefront office on Morse Avenue, in the Rogers Park community on Chicago's northside. A sign was placed in the storefront's window announcing that a medical clinic would be opening soon at that location. BGA investigators invited clinical laboratories to send representatives to the Morse Avenue "clinic" to discuss the possibility of using their lab services. Inside the "clinic," CBS's 60-Minutes had equipped the store with a special one-way mirror that concealed a camera crew who would film what occurred.

A BGA investigator posed as a business agent and met with the clinic operators who came to offer their services. Thirteen laboratories appeared seeking the "clinic's" business. These thirteen laboratories accounted for 65%, or \$6.9 million, of Illinois' Medicaid payments to clinical laboratories in 1975.

Of the 13 laboratories whose representatives were interviewed, 11 offered illegal kickbacks, or rebates, on the dollar amount of laboratory business referred by the clinic to the medical lab. The kickbacks offered were to be based on a percentage of Medicaid billings for a week's or a month's laboratory tests referred by the Morse Avenue "clinic" to the labs. Although the percentages of the kickbacks varied from 15% to 50%, the method of payment was consistent. Each of the labs offering kickbacks also offered to rent space at the "clinic." The rented space would ostensibly be for the purpose of drawing blood. For example, if the volume of Medicaid laboratory business was \$4,000 in any month at the "clinic," and the fixed percentage of rebate was 50%, then the medical lab would pay

the clinic \$2,000. The rented space, of course, might be as small as two square feet, just a large enough space to accommodate a technician, provided by the lab, drawing blood samples. Moreover, the whole Morse Avenue storefront rented for only \$400 per month.

The laboratories, of course, stressed volume. The greater the number of Medicaid tests, the larger the kickback would be. One laboratory owner told a BGA investigator that the "clinic" should order a minimum of two or three tests per patient. "What the hell," he said, "go ahead and order ten tests, just go ahead. The state pays for it."

The hidden CBS cameras filmed these and other abuses. For example, investigators learned that in some instances the laboratories billed the State for tests that were never performed and that through a dual system of pricing, the labs charged the State more for tests performed on Medicaid beneficiaries than was charged to private patients.

The results of the investigation were released simultaneously by CBS-60 Minutes and the Chicago Tribune. The next day, the BGA Executive Director and the investigators who set up the simulated "clinic" testified before the U.S. Senate Committee on Aging. The disclosures graphically illustrated the nature of the problem. Widespread fraud did exist in the Medicaid program and using a little imagination, the fraud was not difficult to find. Yet State and Federal authorities had for years minimized the degree of fraud by vendors and instead took the path of least political resistance by campaigning against "welfare cheats."

As of January 1977, the State of Illinois has recovered \$1.6 million from medical providers identified in the BGA-60 Minutes exposé as offering illegal kickbacks. Dozens of other medical providers have been prosecuted for defrauding the State. A special State commission has recently recommended that State responsibility for administering the program should not rest solely with the Illinois Department of Public Aid. Governmental officials have clearly reversed their position that no serious problems existed in the Medicaid program. Now that the problem is visible, it cannot be denied.

**CONTINUED**

**1 OF 2**

## Analyzing a City Budget

### The Need for Citizen Involvement

For most citizens budgets are mysterious documents, replete with esoteric accounting terms that seem incomprehensible to all but a small group of lawyers, financiers, and city officials. But despite its intimidating nature, a city budget can be understood by ordinary citizens and there are good reasons to make the attempt.

A municipal budget reflects a city's economic strengths and weaknesses. How city officials raise and spend tax money affects people's jobs and shapes the quality of life in the communities where they live. Indeed the practical importance of a city budget can hardly be overestimated. Budgets establish priorities to determine whether neighborhoods will receive adequate police and fire protection and how much will be spent on street repair, building inspection, and pollution control. Excessive waste in municipal spending is often directly translated into higher property taxes for homeowners and higher rents for apartment dwellers. But most importantly, the need for citizen involvement is great because the fiscal choices that are made now will have effects far into the future.

It may well be that the budgeting decisions now facing our older central cities will shape the economic and political structures of the entire nation (Haider, 1976; Feins, 1976). Aging cities like Chicago, New York, Detroit, and St. Louis face declining populations, deteriorating housing conditions, the withdrawal of investments by banks and savings and loan associations, as well as an influx of racial minorities who are unable to fully participate in the local economy. As a result, the urban tax base shrinks while the demand for governmental services continues to swell. Yet, at the same time, central cities have increased their budgets, allowed property taxes to grow, and continued their seemingly endless search for new sales taxes, license fees, and user charges. Bonded indebtedness increases yearly, encumbering the ability of coming generations to meet the fiscal needs of the future urban environments. Such a long-term trend may mean that even cities still fiscally healthy will have to seek Federal intervention in the years to come.

Additionally, city budget-making becomes enmeshed in political controversy as pressures mount from municipal employees for higher pay, earlier retirement, improved pension plans and a host of other special benefits.\* In many cities politically powerful bureaucracies have successfully negotiated concessions from city hall increasing the costs of running American cities still further. The adverse consequences that can result from the clash of these economic and political forces are dramatically illustrated by the plight of New York City. There, threats of massive layoffs, cutbacks in important city services and steadily increasing taxes jeopardize the very viability of municipal government. But perhaps the most important lessons to be learned from New York's crisis are political rather than economic. New York's Mayor sought and received State and Federal aid but lost control over the city budget in the bargain. Now only "Big Mac," the State agency created to lead the city out of its crisis can borrow funds on the city's behalf. Yet, "Big Mac," unlike the Mayor, is wholly unaccountable to New York City's citizens.

Who now governs New York City? At the peak of the crisis Mayor Beame was compelled to declare "I'm the Mayor." That such an assertion had to be made at all simply underscores the intricate nexus between municipal finance and politics and demonstrates how fragile the connection can become. The Mayor, of course, paid a high political price for the city's financial plight in still another way. In the wake of disclosures by the Securities Exchange Commission that he had sold worthless securities to an unsuspecting public, the Mayor was defeated in his bid for renomination.

Unfortunately, the fiscal remedy imposed on New York City left the city's residents even more divorced from the budget-making process than before (Haider, 1976, pp. 186-216). The possibility of greater citizen

---

\*For example, "the power of teachers and other employees to win financial concessions has proved so substantial that, in the light of their declining competitive position, big central cities, even in a healthy economy, may someday be rescued from bankruptcy only by outside intervention (Peterson, 1976, p. 255).

involvement in critical fiscal decisions has diminished, not increased. Consequently, one lesson should clearly emerge from the crisis. The time for citizen involvement in city budgeting is now. The future may be too late.

### How Rules Discourage Citizen Participation

Chicago, it seems, has in large measure avoided the most severe aspects of New York City's fiscal plight. With its AA bond rating, investors can be confident that the city does not stand wavering on the precipice of bankruptcy. The undiluted faith of the banking community should not, however, obscure the serious problems that exist in Chicago's fiscal management. For in Chicago budget-making has long been mired in secrecy and deception and even if most citizens could understand the city budget--a book-length, poorly organized compendium of facts and figures--City Council procedures effectively prevent citizen participation in the budgetary process.

A brief look at how the budget is drafted, submitted to the City Council, and approved should make the point clear. In July of each year the process begins as the Mayor receives from each city agency estimates of their needs. In August, each city department is instructed to complete its budgets after the estimates have been reviewed. In September and part of October, hearings are held between the department heads, the Mayor, the Budget Director and the City Comptroller. By November 15, the Mayor must issue an executive budget that the City Council must approve in some form by December 15.

The Mayor has a year to prepare the budget, but the City Council and the public have about 30 days to review it. Between November 15 and December 31, the city's Aldermen must examine the budget, which contains over 200,000 line items, hold public hearings, make revisions and vote on its final passage.

The budget hearings held by the City Council are consistently hurried and routine affairs where few penetrating questions are asked. For example, Andrea Rozran, Vice President of the League of Women Voters of Chicago,

reports that in 1973 the Council's Finance Committee heard annual reports and questioned budget allocations and past expenditures of 43 departments in 8 days (Haider, 1976, pp. 186-216). As many as eight departments were scheduled for testimony in a single day, with no specific timetable as to when a particular department head would testify.

Following the departmental hearings, a one-day public hearing on the budget is held in the City Council Chambers. No schedule is established to determine the order of testifying. Citizens notify the Budget Director that they wish to testify and register on the day of the hearing.

Clearly the budget-making process in Chicago does not encourage public involvement. Citizens trying to understand the budget and attempting to influence the setting of budget priorities are met with resistance at every stage. But once a budget is in effect, attempts to analyze where city money is spent and how efficiently city services are performed have been successful. Public exposure of waste and mismanagement can force at least limited changes on a city's fiscal policies even when citizen involvement in the earlier formative procedures is kept to a minimum.

#### A Citizen Strategy

The Better Government Association has used two techniques for examining municipal budgets with considerable success. The techniques are relatively simple and can easily be duplicated by citizen groups elsewhere. The first approach involves a comparison of budgetary outlays with those of similar city governments. For example, the cost of maintaining street lights, or salaries of municipal employees are compared with such costs in a city of similar size and demographic characteristics. The second approach merely calls for observing how city services are performed. Citizens can watch a city construction crew repair a curb or pave a street. Are more employees present than are obviously needed? Does the crew spend an entire day doing work that could be performed in a few hours? The answers to these questions may yield answers that are accurate, simple, and direct. And the information that emerges can be readily understood by every taxpayer who helps finance city government.

While the techniques used by the BGA are relatively straightforward, a few caveats are nevertheless in order. First, budget comparisons may be more complicated than they first appear. Since cities do not follow uniform procedures in preparing their budgets, citizens must always be alert to the possibility that they are comparing apples with oranges. It is essential that the per unit cost in one city is compared with the same unit cost in another. Additionally, it is not always as easy as it may first seem to find cities with similar demographic compositions. The problem arises when special problems exist in one city that quite justifiably raise costs there in the performance of certain operations. For example, if one city has a lower per capita income and a relatively larger percentage of juveniles in its population than another, the first city's incidence of vandalism may be greater, resulting in greater costs for repairing streetlights or maintaining school facilities.

These difficulties are far from insurmountable. Discussions with city officials in each city where comparisons are made can identify the areas where comparisons are inappropriate. Additionally reference sources such as the Municipal Yearbook often contain detailed information concerning a city's demographic characteristics.

#### Investigating Chicago's City Budget

With these caveats in mind, the Better Government Association and the Chicago Tribune launched an investigation of city spending in September of 1974. Certainly the time for such an investigation was ripe, for it was in 1974 that Chicago's city budget first exceeded the \$1 billion mark. Yet as city spending increased yearly, so too did allegations of excessive waste and patronage abuses which, reformers argued, greatly inflated the cost of city operations.

What the BGA and Chicago Tribune found confirmed what critics of Chicago's budget had long contended. Chicago spends more money and utilizes more manpower to perform basic municipal services than do other cities of comparable size.

### Garbage Collection

Chicago taxpayers pay \$34.48 per ton to have their garbage picked up. In Milwaukee the cost is \$30.84 per ton; in Kansas City, \$23.70; in Los Angeles, \$14.40; in Dallas, \$11.00. Chicago garbage men pick up only one-quarter ton per manhour, compared with more than one-half ton in Kansas City and in Dallas, and three-fifths of a ton per manhour in Los Angeles.

Chicago's garbage trucks are manned by four men as are Milwaukee's. The other cities studied have two- or three-man crews, with commensurate savings in tax dollars. Chicago could save some \$7 million per year if one man was eliminated from each crew; the City could save \$14 million per year with two-man crews.

### Street Cleaning

It costs \$1,623 to clean a mile of street in Chicago. Los Angeles does the job for \$1,075 per mile. Kansas City spends \$920 per mile, and Milwaukee spends only \$571 per mile. If Chicago crews were as efficient as Milwaukee's, some \$3.8 million per year would be saved.

### Water Meter Reading

In Chicago it costs \$1.23 every time a city employee reads a water meter. Milwaukee performs the same function for \$0.75. Indianapolis, with a privately owned water company, does the same job for only \$0.275 cents.

A Chicago meter reader reads 48 meters each day. A meter reader in Detroit reads 71 each day, in Milwaukee, he reads 98 meters daily, and in Indianapolis, 150 meters daily.

If Chicago's meter readers were as efficient as their counterparts in Milwaukee, the city would save \$1.3 million a year. The meter-reading force could be cut from 94 men to 45.

### Sign Washing (Yes, sign washing)

Chicago employs 20 men full time to wash street signs. They are paid \$6.66 per hour; taken together, their annual salaries amount to more than \$300,000. There are no comparable figures for other cities because Chicago is the only city in the country that washes signs on such a large scale. In most cities, rain performs this function. Chicago's Commissioner of Streets and Sanitation claimed in 1974 that this would not work in Chicago because "Some rain is dirty."

### Street Lights

Each year, the City of Chicago spends \$37.43 per light to maintain its more than 260,000 street lights. The maintenance program includes relamping, cleaning, and maintaining circuits in working order. The same work is accomplished in Milwaukee at a cost of \$14.19 per light. Detroit spends \$18.94 per light.

In Detroit one man performs the maintenance function. He drives a "cherry picker" truck.

### The Fire Department

The BGA and the Task Force identified \$22.8 million of waste in the \$83.8 million departmental budget. Most of the waste is the result of "Daley Days," 20 extra days off each year, given to Chicago firemen by Mayor Daley in 1968. Because of Daley Days, Chicago firemen work only a 42-hour work week, the shortest in the nation except for New York City. Daley Days mean that there are four firemen on the payroll doing the work formerly accomplished by three, at an additional cost of some \$17 million per year.

Many men listed in the budget as fire fighters and fire inspectors were found to be performing other functions. For example, eight lieutenants, with a combined salary of some \$144,000 per year, were detailed to patrol an abandoned Loop hotel on a round-the-clock basis. A group of six firemen, known as the "Five Funny Flames," were paid \$96,000 in

salaries for providing entertainment at parades and other social functions. They had no fire-fighting duties. Their booking agent was the Fire Commissioner.

The BGA and Chicago Tribune also found that city spending is intimately tied to the city's political structure and that one can never be fully understood without some knowledge of the other. So while most of the BGA and Task Force investigators were pouring over expenditure records and observing city work crews, a Tribune reporter infiltrated the city's political organization.

The reporter posed as an unemployed former landscaping employee who had recently moved to Chicago. He worked inside the 48th Ward Regular Democratic Organization for several weeks as a precinct worker and was finally rewarded for his labors with a job at the Board of Health. His vantage point gave him the opportunity to observe firsthand the mechanics of a city machine which produces both huge vote totals and excessive municipal spending.

His reports allowed those he met to explain city politics and their city jobs in their own words. For example, a precinct worker and a clerk in the Department of Streets and Sanitation said:

"I'm a clerk in Streets and Sanitation. I don't do anything for a living. I work one hour a day and sit on my duff the rest of the time. I twiddle my thumbs. But, that's the problem. I want to work. I want a job where I can work eight hours a day. Just like all those other guys in the Department. We work one hour and then kill time the rest of the day."

"All I want is a nice, quiet little job driving a little truck for the Park District. The Park District has three little trucks, and they're easy to drive, and you don't do nothing and the pay is good. That's all I want."

"You got to sell tickets to the dinner (the annual 48th Ward Dinner), and maybe take out an ad in the magazine (the 48th Ward Ad Book). What they do is, they assess you so much depending on how much you're making--\$200 at \$500 a month, \$300 at \$600 a month, or whatever it is."

As others told a similar story, it became clear that city spending will not be controlled until the vast patronage army of almost 30,000 political employees is curtailed. But in Chicago, reforming the city

budget means reforming city politics. So far, there is little indication that Chicago is ready for reform.

Yet, if thorough-going reform did not flow from the BGA-Chicago Tribune expose, some improvements did directly result from the investigation. Mayor Daley ordered the reorganization of the Fire Department in response to the BGA-Tribune disclosures concerning personnel utilization.

Specifically, the mayor ordered the Department to:

- (1) Remove and reassign the eight fire lieutenants who were providing a 24-hour guard for a Loop hotel.
- (2) Disband the "Five Funny Flames" clown unit in the Fire Department.
- (3) Disband the 18-man special driver unit that provided chauffeur service for Department personnel and visiting dignitaries.
- (4) Assign only disabled firemen to the Mayor's Youth Foundation and to the Department's repair shop.

In addition, the mayor appointed an outside consultant to study areas of waste pinpointed by the BGA and the Tribune.

During the consideration of the city budget for 1975, minority aldermen offered budget amendments which reflected the findings of the BGA. The amendments were soundly defeated, but, they provided another forum for a public discussion of how Chicago spends its money.

Finally, various lower-level city employees were suspended or fired. However, Mayor Daley refused to criticize or discipline any of the department heads or bureau directors who were responsible for the waste of city funds.

#### Challenging Police Spying Through Legal Action: The BGA's Police Surveillance Case

A working knowledge of the law and legal procedures is extremely useful in monitoring government, and a legal staff or the availability of an attorney for on-going consultations is a necessity in the operation of a citizens' watchdog organization. In the final case history presented here, the legal staff of the BGA went beyond a consulting function and undertook controversial litigation. The "police spying" case opened up new areas

for the BGA, not only in suggesting possible ways of following up investigative findings with lawsuits, but also in establishing channels of communication and cooperation with other reform organizations in the city. As in our other research, the BGA worked with the media in publicizing the dramatic findings described below:

When the police maintain records on an individual simply because that individual has exercised his right to speak and associate freely, it is but a short journey to a Police State. A program in which a police agency surreptitiously seeks to obtain control over a community group's policies and goals must not be tolerated in a free society ....

Report of the Cook County Grand Jury, November 10, 1975.

This ominous warning of the Cook County Grand Jury was no speculative discourse on some future Orwellian nightmare. The report came after the grand jurors had patiently sat for months hearing testimony about the covert surveillance practices of the Chicago Police Department's Security Section, often known as the "Red Squad." The Report described how local and Federal law enforcement agencies monitored the activities of prominent civic leaders and infiltrated community groups when there was no reason to believe that criminal behavior was threatened.

The Grand Jury's report, in part, merely confirmed what had been known for some time. Since 1972 national commissions and Congressional hearings had focused on the domestic intelligence abuses of both Federal and local law enforcement agencies. But with the Grand Jury Report, Chicagoans were hearing for the first time from a panel of ordinary citizens that the rights of privacy and free expression had been seriously threatened and that police officers had themselves committed criminal acts in the course of their covert intelligence operations.

Many Chicagoans were understandably shocked to learn that police spies had infiltrated law abiding neighborhood organizations and attained leadership positions only to disrupt the groups' activities. In one case, a police agent became the president of a community group, the Organization for a Better Austin, totally destroying the group's efforts to bring financial aid to their deteriorating neighborhood. Testimony before the grand

jury also revealed instances of illegal wiretapping, electronic surveillance and even burglary by police agents of the offices of community groups.

In the wake of these disclosures, the Better Government Association, acting with the American Civil Liberties Union (ACLU) and Business and Professional People for the Public Interest (BPI), a Chicago-based public interest law firm, filed a class action suit in Federal district court challenging the constitutionality of the government's surveillance of civic and community groups in the Chicago area (Howard, 1977).

The BGA's suit asks the Federal district court to enjoin the further use of police spies against individuals and groups who are not suspected of criminal conduct. A crucial goal of the lawsuit is to establish legally enforceable guidelines for the use of police informants and the collection of intelligence data.

The BGA-ACLU-BPI suit was not the first legal challenge to the Chicago Police Department's intelligence operation. In late 1974, a suit contesting the legality of police spying was filed by the Alliance to End Repression, a coalition of community groups. The Alliance had for years been collecting information from various citizens organizations about the Police Department's Security Section, the name then used for the "Red Squad."

The BGA and other groups filed suit almost a year later, in October of 1975, on behalf of 10 organizations and 17 individuals who had been the targets of police spying. Since the BGA-ACLU-BPI case has been certified as a class action, the named plaintiffs are allowed to represent all Chicago-area victims of domestic intelligence abuses. The new case has expanded the list of defendants named in the Alliance case to include not only the Chicago Police Department but the Federal Bureau of Investigation and U.S. Military Intelligence as well. Both lawsuits have been consolidated for discovery--the court procedure which allows one side to obtain evidence their adversary has in its possession.

The process of discovery has proved to be both massive and complex. Some 112,500 index cards have been produced and photocopied since the suit was filed. At the same time, a similar number of additional cards

were "purged" by the Police Department when it learned that the lawsuit would be filed. Even after allowing for multiple cards on some persons and organizations, it appears that information was gathered on more than 100,000 citizens. The BGA has also secured court orders for the inventory, inspection, and copying of the source document files underlying the index cards. These files--at least the ones the Police Department admits possessing--consist of five interrelated filing systems containing about 350,000 pages of documents. Files on selected persons and organizations have been designated for photocopying and detailed evaluation. The evaluation process involves more than a dozen law students and undergraduates, and two paralegal supervisors. The files are now being studied with the help of the groups that were their targets, to develop evidence for the trial.

The index cards and documents reveal that the information, gathered by the Security Section over a period of more than 40 years, is almost uniformly concerned with lawful social and political activity. The police files are little more than a detailed chronicle of the daily activities of religious, professional, civil rights, and political groups. The files contain membership and mailing lists, organizational plans, and information concerning the target groups' financial support. There is virtually nothing in the hundreds of thousands of pages of documents that reveals any valid law-enforcement purpose for the massive intelligence operation. The data, gathered at great public expense and at the greater cost of wholesale invasion of privacy of so many citizens, do not concern actual or potential crimes or civil disorders, but instead focus on citizen activity that is entirely peaceful, lawful, and constitutionally protected.

The groups that found themselves the target of police spying did have one thing in common: At one time or another, they opposed the policies of City Hall.

Unfortunately, it is unlikely that the full extent of police spying will ever be known. The Police Department has admitted to destroying many of its files before legal action began. And destruction of documents is by no means the only aspect of the City's reluctance to submit to disclosure of its intelligence activities. When BGA requested a list

of the organizations on which separate, numbered source document files had been compiled, the City maintained for weeks that no such list could be found and that they doubted it existed. But when the BGA inventoried the file room, a copy of the list was found in the back of a file drawer. The list indicated that 1199 organizations had been made the subject of source document files, covering a wide cross section of civic and political activity. It revealed that a file had been opened on BGA (#642) approximately 30 years ago. The file itself, however, is gone--one of those purged after the lawsuit was initiated. The City also claims to have destroyed its lists of informers and the reports that recorded who had access to the Security Section files.

Because the police deliberately destroyed important records, the City has suffered a major legal set-back. The Federal district court judge hearing the case issued an order that requires the city to prove that "agent provocateur" activity did not take place.

#### Legal Action and Public Education

Through its litigation, the BGA has been able to keep the issue of police spying on the public agenda by releasing new information as it becomes available to the plaintiffs and their attorneys. As a result, the police Department's internal files have finally been opened to public scrutiny. Police and city officials have not been able to simply "stone-wall" and let the initial cries of outrage subside. Officials have repeatedly been forced to publicly justify police tactics that included the use of illegal wiretaps and burglaries against individuals and groups who had done nothing more than exercise their constitutional rights. Despite the Police Superintendent's adamant refusal to admit that any wrongdoing occurred, the picture that has emerged from the Police Department's own files has convinced many citizens that police surveillance is partisan, financially wasteful, and constitutionally untenable.

An example of how the BGA has effectively used previously secret information to educate public opinion was recently demonstrated in a series of articles in the Chicago Tribune (Mullen and Neubauer, 1977). Basing their account on documents obtained by the plaintiffs in the BGA suit,

reporters William Mullen and Chuck Neubauer graphically illustrated how the Police Department's Intelligence Unit had been used politically to spy on those who disagreed with the policies of City Hall. For example, Neubauer and Mullen reported that one target of the Police Department's surveillance operation was the Community Renewal Society, an affiliate of the United Church of Christ. Police reports accused the organization of attempting to "secure a political and/or social revolution in the United States" at a time when the Society's Board of Directors included many of the city's most prominent businessmen, lawyers, and clergymen. The Board of Directors included the president of Commonwealth Edison and the executive director of the American Bar Foundation as well as the president of the Church Federation of Greater Chicago. Indeed, those affiliated with the organization included some of the Mayor's most active supporters.

Clearly, the Community Renewal Society did not become a target of police surveillance because of its revolutionary goals but rather because its staff had disagreed with the city administration over the future course of the city's \$37 million Model Cities Program. The police reports, in fact, refer to the Model Cities dispute and note that the Society has "goals diametrically opposed to the Administration."

The Neubauer and Mullen articles have offered the first firm documentary proof that police spying was a political operation aimed at the city administration's political opponents. In addition to the Community Renewal Society, several candidates for public office, opposing the Cook County Democratic party, became the targets of police surveillance. Candidates seeking election to the City Council, School Board presidency, and United States Congress became the subjects of police dossiers. To compound the harm done, the information compiled by the Police Department was sometimes forwarded to Federal agencies such as the Internal Revenue Service, the Civil Service Commission, and the State Department.

The disclosure of these abuses has generated a public outcry for reform from businessmen and civic groups as well as community activists. For the first time in Chicago, support for fundamental reform of police practices seems to be found throughout the political spectrum. And there

is some indication that the mounting public pressure for reform is having an effect. Chicago's current Mayor recently appointed a five-member panel of prominent citizens to audit police intelligence files. It is the first indication, though a meager one, that City officials understand that their continued denials of wrongdoing are an insufficient response to the demands for reform. In addition, the pending lawsuit, which allows scrutiny of police intelligence operations as a result of the Court's discovery orders, has sharply curtailed the improper conduct--at least in the short run.

The ultimate success of reform is still uncertain. The City maintains that while "excesses" may have occurred, nothing illegal was done. In fact, the City still officially takes the position that it should be allowed to spy on lawyers who sue the City. The final measure of success will be whether legally enforceable regulations can be imposed on police intelligence activity, whether by injunction, by consent decree, or by legislation. Legislation to require police agencies to present evidence sufficient to support a "reasonable suspicion" of criminal activity before groups could be spied upon was introduced in the Illinois General Assembly. The bill passed the House but was rejected by the Illinois Senate's Judiciary Committee. The bill was said to have been defeated through the lobbying efforts of the Chicago Democratic Organization ("Police-spying curb rejected by Senate Unit," Chicago Tribune, June 19, 1977).

## REFERENCES FOR SECTION VI

- Bergan, Harold, and Richard Samuel, "Tom Keane: Whiter than White in Chicago," unpublished manuscript, 1974.
- Feins, Judith, Managing Chicago's Urban Dollars (Chicago: Trust Inc., 1976).
- Haider, Donald, "Fiscal Scarcity: A New Urban Perspective," in Louis Masotti and Robert Lineberry (Eds.), The New Urban Politics (Cambridge, Mass.: Ballinger Publishing Co., 1976).
- Howard, Robert, "Litigation Against Intelligence Operations of Local Police and Federal Agencies in Chicago," First Principles 2, 5 (January 1977).
- Marmor, Theodore, The Politics of Medicare (London: Routledge and Kegan Paul, 1970).
- Mullen, William, and Chuck Neubauer, "Chicago Police Used for Political Spying," Chicago Tribune (June 19, 1977).
- NACCJSG, Community Crime Prevention, National Advisory Commission on Criminal Justice Standards and Goals (Washington, D.C.: U.S. Government Printing Office, 1973).
- Peterson, Paul, School Politics Chicago Style (Chicago: The University of Chicago Press, 1976).
- Rozran, Andrea Rice, "City Finance," in R. Simpson (Ed.), Chicago's Future (Chicago: Stipes Publishing Company, 1976).
- Singer, William, "Budget Cuts and the Budget Process," in R. Simpson (Ed.), Chicago's Future (Chicago: Stipes Publishing Company, 1976).

Appendix A  
ANNOTATED BIBLIOGRAPHY

## Appendix A

### ANNOTATED BIBLIOGRAPHY

The following books represent useful sources in the field of investigative research not already cited in the text of the handbook. The reader is encouraged to examine them to obtain additional case materials and methods to those described here.

Anderson, David and Benjaminson, Peter. Investigative Reporting. Bloomington: Indiana University Press, 1976.

A thorough book on techniques of investigative journalism. The section on sources covers: public and private records, zoning, land use and property tax documents, as well as court and police records. Emphasis is placed on where to find records and what they can include. The section on techniques includes tips on writing, getting the most effect from a story and other helpful comments. Several case studies are included at the end of the book--these are reprints of completed investigative work. The 1974 BGA/Chicago Tribune story on patronage is included among the case examples.

Copple, Neale. Depth Reporting. Prentice Hall, Inc., Englewood Cliffs, N.J., 1964.

This book focuses on organization and writing of investigative stories. The work includes a history of depth reporting and tips on planning research, organization and writing these stories. There is less emphasis on how to do research and more on writing stories. There is a bibliography of general sources for various subject matter in the back--the purpose being to give a journalist easy access to background information.

Downie, Leonard Jr. The New Muckrakers: An Inside Look at American Investigative Reporters, Washington, D.C., New Republic Book Co., 1976.

A popular account of the famous investigative journalists of today--focusing on how they work and what they work on. It talks about the new in-depth method that includes interviews and use of records, with some tips on techniques.

Dygert, James. The Investigative Journalist: Folk Heroes of a New Era. New York: Prentice Hall, 1976.

An account of how investigative reporters do their work. There is a "how-to" section focusing on analysis of records, interviewing, and specific investigative techniques.

In addition, the reader is referred to "Newsleads" (Investigative Journalism Program, 321 So. Beverly Dr., Suite W, Beverly Hills, Calif.), a periodical containing the most up-to-date developments and insights on investigative reporting. The reader might also find SRI International's Analysis and Bibliography of the Literature on Corruption (Menlo Park: SRI International, 1978) of interest.

**Appendix B**

**BY-LAWS, BUDGET, IRS LETTER,  
AND INVESTIGATIVE GUIDELINES  
OF THE BETTER GOVERNMENT ASSOCIATION**

## BY-LAWS

of the

### BETTER GOVERNMENT ASSOCIATION, INC.

#### Article I - Name

The name of this organization shall be BETTER GOVERNMENT ASSOCIATION, INC.

#### Article II - Objects

The objects of this organization are (a) To promote respect for law; (b) To support public officials in the rightful performance of their duties; and (c) To act as a watchdog agency over waste, inefficiency, and corruption in government. This organization shall not participate in, or intervene in, any political campaign on behalf of any candidate for public office, including the rating or endorsement of candidates.

#### Article III - Membership

1. All persons without regard to race, sex, religious or political affiliations who sympathize with the objects of this organization shall be eligible for membership. Corporations shall also be eligible.
2. The Board of Trustees may establish membership classifications, and fix the amount of membership dues for each class.

#### Article IV - Board of Trustees

1. The Board of Trustees shall consist of not less than nine nor more than twenty-five members. At each annual meeting, the Board of Trustees shall elect one-third of its members for a term of three years.
2. The Board of Trustees, at its annual meeting, shall determine the basic program of the organization for the year, adopt a budget, and elect the Chairman and Vice Chairman of the Board of Trustees from among its members.
3. The annual meeting of the Board of Trustees shall be held on a date and at a time and place to be determined jointly by the Chairman of the Board of Trustees and the President. The Board may, by resolution, provide for additional regular meetings. A special meeting of the Board may be called at any time by the Chairman or by any five Trustees. Written notice of all meetings of the Board of Trustees shall be issued to each Trustee, stating the date, time and place of the meeting, and the purpose thereof, not less than seventy-two hours preceding the meeting. At all meetings of the Board, a majority of the Board shall constitute a quorum; provided that, if the Board exceeds thirteen members, seven shall constitute a quorum.

4. Vacancies arising in the Board of Trustees, or in the office of Chairman or Vice Chairman shall be filled at any regular or special meeting of the Board of Trustees by a majority vote of all Trustees, who, if unable to be present, may indicate their vote by letter delivered to the Chairman or Vice Chairman, as the case may be, before the time of the regular or special meeting. Persons to fill vacancies on the Board shall be nominated by a Nominating Committee appointed by the President. Names of persons proposed for election will be furnished to all Trustees 30 days prior to the proposed election.

5. The Board of Trustees, upon the recommendation of the Board of Directors, shall employ an Executive Director who shall be in charge of the Association's headquarters, shall be responsible for the implementation of the program, and the policies of the Association, employ and supervise personnel, and perform such other duties as may be assigned to him by the Board of Trustees and the Board of Directors.

#### Article V - Board of Directors

1. The Board of Directors shall consist of not less than twelve nor more than forty-eight, and shall include the President, Secretary, and Treasurer (or Secretary-Treasurer). Members of the Board of Directors shall be elected for three year terms, one-third to be elected each year at the meeting in January. Interim vacancies on the Board of Directors shall be filled for the unexpired terms at any regular or special meeting of the Board of Directors by a majority vote of all Directors, who, if unable to be present, may indicate their vote by letter delivered to the President or Vice President, as the case may be, before the time of the regular or special meeting. Persons to fill vacancies on the Board shall be nominated by a Nominating Committee appointed by the President. Names of persons proposed for election will be furnished to all Directors at the regular meeting preceding the time of election.

2. The Board of Directors shall pursue the basic program of the organization and decide all questions of policy arising between meetings of the Board of Trustees. The Board of Directors shall have such other powers and duties as may be delegated to it by the Board of Trustees. A copy of the minutes of each meeting of the Board of Directors shall be sent to each member of the Board of Directors and Board of Trustees.

3. Prior to each annual meeting of the Board of Trustees, the Board of Directors shall prepare for the Board of Trustees a recommended basic program for the coming year, and a recommended budget.

4. The Board of Directors shall meet, following the annual meeting of the Board of Trustees at a time, place, and date determined by the President. At this meeting, the Board of Directors shall, by resolution, provide for additional regular meetings. A special meeting of the Board of Directors may be called at any time by the President or by any five Directors. Written notice of all meetings of the Board of Directors shall be issued to each Director not less than seventy-two hours preceding the meeting, and shall set forth the date, time, place, and purpose of the meeting. At the meetings of the Board of Directors, seven shall constitute a quorum.

#### Article VI - Officers

1. The officers of the Association shall consist of a Chairman and Vice Chairman of the Board of Trustees, a President, Vice President, Secretary and Treasurer (or Secretary-Treasurer). The President shall be ex officio a member of the Board of Trustees. In addition the Board of Trustees may create such other offices as the Board may deem necessary. Officers shall serve for one year commencing on the date of the regular Board of Directors meeting in December of each year, and until their successors have been elected.

2. The President shall preside at meetings of the Board of Directors. The duties of the officers shall be as their titles, by general usage, indicate and such as are required by law.

#### Article VII - Committees

1. Committees may be created from time to time by the Board of Trustees or Board of Directors.

2. At committee meetings, a majority shall constitute a quorum, except that when a committee consists of more than nine members, five shall constitute a quorum.

#### Article VIII - Procedure

All questions of parliamentary procedure shall be settled according to Robert's Rules of Order, Revised, whenever such rules are not inconsistent with the By-Laws of this organization.

#### Article IX - Fiscal Year

(The fiscal year shall be from the first day of December through the last day of November of the succeeding year.) A financial audit of the books and records by a certified public accountant selected by the Board of Trustees shall be made each year.

#### Article X - Amendments

These By-Laws may be amended at any regular or special meeting of the Board of Trustees, by a vote of two-thirds of the members present, provided that a notice in writing of the proposed amendment is mailed to each member of the Board of Trustees at least two weeks in advance of such meeting, and provided that the amendment is concurred in by the Board of Directors after similar notice.

BGA BUDGET  
Regular Program -- 1977

Income:

Membership Contributions	\$269,706
Directors Dues	4,800
Membership Luncheons	4,800
Interest & Dividends	600
Royalties	120
Benefit	<u>20,000</u>
Total Income	\$300,026

Expenses:

Payroll Tax Expense	\$ 8,400
Pension Expense	7,200
Insurance	8,400
Administrative Staff Expense	3,600
Investigative Program Expense	19,000
Member Promotion	18,000
Intern Expense	5,000
Office Expense	10,500
Rent & Utilities	20,000
Telephone	6,000
Postage	3,600
Library	--
Professional Services	6,000
Boards & Committees	3,600
Members Luncheon	6,000
Overhead transferred to Counsel Program	<u>&lt;17,000&gt;</u>
Regular Program	\$108,300
Salaries	<u>173,250</u>
Total Expenses	<u>\$281,550</u>
Total All Programs	<u>\$397,050</u>
Excess Income or <Expenses>	\$ 18,476

Counsel Program -- 1977

Income:

Grants	\$ 85,000
BGA Funding	<u>30,500</u>
Total Income	\$115,500

Expenses:

Salaries	\$ 79,000
Payroll Tax	4,700
Insurance	3,200
Library	2,000
Program Expense	1,200
Intern Expense	4,500
Office Equipment	1,000
Travel	400
Litigation Costs	2,500
Overhead	<u>17,000</u>
Total Expenses	\$115,500

Department of the Treasury

District Director  
Internal Revenue Service

Date:

DEC 23 1970

In reply refer to:

CHI-EO-70-481

A:F:209:LM



► Better Government Association, Inc.  
75 East Wacker Drive  
Chicago, Illinois 60101

Gentlemen:

Purpose: Educational

Accounting Period Ending: November 30

Annual Information Return  
Form 990 Required:  Yes  No

Based on information supplied, and assuming your operations will be as stated in your exemption application, we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Any change in your purposes, character, or method of operation must be reported to us so we may consider the effect of the change on your exempt status. You must also report any change in your name and address.

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code because you are an organization described in section 509(a)(2).

If you are required to file an annual information return Form 990, it is due on or before the fifteenth day of the fifth month after the end of your annual accounting period. Failure to file the Form 990 by this date may subject you to a penalty of \$10.00 for each day during which such failure continues, up to a maximum of \$5,000.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T. In this letter we are not determining whether any of your present or proposed activities is unrelated trade or business as defined in section 513 of the Code.

You are not liable for Federal unemployment taxes. You are liable for social security taxes only if you have filed waiver of exemption certificates as provided in the Federal Insurance Contributions Act.

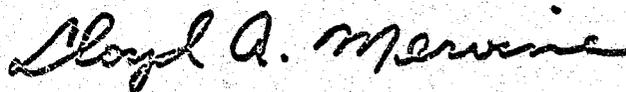
Donors may deduct contributions to you as provided by section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes under sections 2055 and 2522 of the Code.

You need an employer identification number even if you don't have any employees. This number is used on all your tax returns and in your correspondence with the Internal Revenue Service.

This determination is issued with the understanding that your organization has discontinued its political activity which resulted in the revocation of your exempt status for years beginning on or after December 1, 1967. The evidence furnished disclosed that your Board of Directors voted to discontinue such activity on November 6, 1970 as confirmed in a statement from your Executive Director on November 24, 1970. Accordingly, you have amended your Articles of Incorporation under the date of November 23, 1970 to include the prohibition of political activity. Therefore, your exemption is being restored for years beginning on or after December 1, 1970.

This is a determination letter.

Very truly yours,



Lloyd A. Mervine  
Acting District Director

## INVESTIGATIVE GUIDELINES

(As Adopted May 16, 1978)

1. Areas of Investigation. The Better Government Association is a non-partisan citizens "watchdog" and educational organization. It is dedicated to promoting efficient utilization of tax dollars and high standards of public service. The BGA will investigate waste, inefficiency, and corruption at all levels of government in Illinois.
2. Priority and Depth of Investigation. Concentration will be in areas of maximum savings to taxpayers, and where regulation affects the most people. Although there are exceptions, the BGA is generally more concerned with a pattern of waste, inefficiency and corruption than with an individual occurrence. Priority will be given to investigations of public officials who use their offices for the enrichment of themselves and their associates. Particular emphasis will be placed on those officials most responsible for setting and implementing public policy. All investigations will be thorough, professional and conducted in an ethical manner. In every instance investigations will be even-handed and, whenever possible, the agency or individual being investigated will be informed and given an opportunity to respond prior to public disclosure.
3. Selection of Media: The BGA will work with reporters who come to the Association with a story or an investigative project. When an investigation is generated by the BGA, media will be chosen on a rotating basis, with weight given to special areas of experience and maximum impact.

4. Manner of Reporting. BGA investigations will be given maximum public exposure in order to educate the public regarding their government. Once an investigation has begun with a particular news medium, all information developed through that investigation will be the "exclusive" property of the cooperating medium until such time as it is published. At that time the BGA will confirm this information to other interested media.
5. Follow - through. The BGA will determine and recommend the appropriate corrective measures through judicial, legislative or administrative action. The BGA will cooperate with all law enforcement officials when there is a violation or possible violation of the law. BGA staff members will testify at legal proceedings and at official committee and commission hearings when it is appropriate. Where the facts indicate a need, the BGA will issue a report containing a synopsis of our findings and conclusions drawn from the information generated in a particular investigation.
6. Approval and Review. The Chief Investigator will maintain a file of proposed, current, and completed investigations and their status. The Investigative Committee will determine the overall investigative policies. Implementation of these policies will be the responsibility of the Executive Director or, in his absence, the Chief Investigator.

Appendix C

SAMPLE OF A BGA WHITE PAPER:  
THE MIRAGE: A REPORT ON THE FIX IN CHICAGO

Prepared by the staff of  
The Better Government Association  
230 N. Michigan Ave.  
Chicago, Illinois 60601

February 1978

## THE MIRAGE: A REPORT ON THE FIX IN CHICAGO\*

### Background

For many years the BGA has received complaints from small businesses. Those complaints have related a story of petty corruption, harassment and malfeasance by government inspectors whose actions cause serious harm to small businessmen and to the general public as well.

Tales of extortion and other official misdeeds are, of course, not new in Chicago. In fact, a growing number of public officials have been prosecuted for official corruption in recent years. Yet, the rumors of a pervasive system of graft have remained undocumented. Those who are more than willing to report corruption to the BGA are unwilling to make the same reports to city officials. Perhaps their reluctance is understandable. Not knowing the full extent of official corruption and being vulnerable to even greater harassment by city inspectors, small businessmen might well fail to report corruption due to their fear of reprisal from City Hall.

Most complaints about city inspectors concern the enforcement of Chicago's Building Code, an 800 page document that many observers report is both overly complex and antiquated. Businessmen have frequently asserted that the Code contains many ambiguous provisions and that inspectors have a great deal of discretion in their enforcement responsibilities.

To be sure, a host of inspectors are employed by the city and the state to enforce the Building Code and other city and state regulations. Building, plumbing, ventilation and electrical inspectors enforce various provisions of the Building Code. Food, environmental control, elevator, refrigeration and public ways (streets) inspectors enforce other municipal regulations.

---

\* Edited by SRI International.

Critics have maintained that many inspectors are poorly trained and lack the skills necessary to do their jobs adequately. Others contend that several inspectors deliberately enforce regulations in an arbitrary and capricious manner. And still others state that the city's inspection efforts are designed to extort money from businessmen and others subject to the regulatory provisions of the City Code.

Consequently, with reports of corruption and abuses by city inspectors increasing, the BGA, working with the Chicago Sun-Times, decided to provide a firsthand account of what it is like to be a small businessman in Chicago. To determine if Chicago did indeed have a pervasive system of graft, the BGA and the newspaper became the secret owners and operators of a small business of their own--a neighborhood tavern. CBS's "60 Minutes" later covered the story for a nation-wide audience, interviewing the principal characters in the investigation.

The tavern, named the Mirage and located at 731 North Wells Street in Chicago, was operated for four months by BGA investigators and Sun-Times reporters. During the late summer and autumn of 1977, the BGA and the Sun-Times demonstrated in graphic photos and conversations how Chicago is truly "the city that works," but only for those who know the rules and are able to pay the price.

As a result of the BGA and Sun-Times unprecedented, inside look at corruption, the investigation's major findings revealed that:

- Several city inspectors routinely ignored the city health and safety codes for payoffs ranging from \$10 to \$100.
- Private contractors sometimes acted as payoff intermediaries for city inspectors afraid to accept illegal gifts from strangers.
- Several accountants and tax preparers specialized in illegally keeping two sets of books and sold their services to small businessmen.
- Vending machine distributors skimmed cash off the top of their weekly collections from pinball and other amusement machines.
- State liquor inspectors shook down tavern owners and demanded whatever was in a tavern's cash register in return for their silence about liquor law violations.

## It Was All a Mirage\*

It looked like any neighborhood tavern in Chicago, but the Mirage was never quite what it seemed to the casual customer. The bartenders were reporters and investigators. The repairmen were Sun-Times photographers or CBS "60 Minutes" cameramen. The bartenders kept going out of sight to write and dictate the hundreds of pages of detailed notes on which the investigation would be based. The photographers and cameramen were hidden in a loft at the rear of the Mirage. They carried their cameras in tool kits and added visual documentation to every significant event.

The BGA and the Chicago Sun-Times developed guidelines to ensure that the Mirage investigation stayed within legal and ethical boundaries:

- Investigators and reporters were careful to always abide by state entrapment laws. No one was entrapped at the Mirage.
- Whenever a law was broken, it was reported immediately to the Illinois Department of Law Enforcement.
- The Mirage, while it kept six fraudulent sets of books, used a seventh and honest set to pay its taxes.
- All illegal gifts of money were returned, although the original cash and checks were saved for evidence.

## The Payoff Parade

The Mirage received 12 inspections by local and state officials. Six inspectors ignored gross health and safety hazards for cash payoffs ranging from \$10 to \$100.<sup>†</sup> The remainder were negligent at no charge. And, there was certainly a lot to be negligent about.

The BGA and the Sun-Times hired an architect of Dearborn Associates of Chicago to catalogue the health and safety violations in the Mirage. He found an inordinate amount of exposed wiring, that the walls were

---

\* This account is based on BGA files and the 25-part series by Pamela Zekman and Zay N. Smith which began on January 8, 1978 in the Chicago Sun-Times.

<sup>†</sup> The six inspectors included: one city fire inspector, one building inspector, one ventilation inspector, one plumbing inspector and two state liquor control inspectors.

covered with inflammable materials, and that the flooring was rotting and the ceiling was losing large chunks of plaster. In all, the BGA and the Sun-Times found 33 serious health and safety code violations. That was 33 more violations than the city and state licensing inspectors ever found.

The city inspection process was "smoothed" by a Chicago business broker who would act as an intermediary between the Mirage owners and the government inspectors. The broker's card and \$10 to \$100 in an envelope meant a no-hassle inspection. The Mirage first met the broker while shopping for a tavern and he lost no time in getting down to business. He gave the Mirage a civics lesson in government by envelope. "Don't worry about a thing," Barasch said, referring to the inspectors. "I'll walk you right through." The day before the first licensing inspection was to take place, Barasch called the Mirage. "The fire inspector will be there at 10 a.m.," he said. "You leave a ten-spot in an envelope and give it to him with my card."

A Chicago fire inspector arrived at the Mirage at 10:10 a.m. in his Ford station wagon. He made only a cursory inspection of the bar. He never went in the Mirage's basement, which was filled with trash and junk, exposed electrical wiring, and a decrepit ceiling. He did reach across the bar for a small white envelope with \$10 inside. He slid the envelope in his pile of inspection papers. "Beautiful day," he said as he left.

The Mirage later told the broker that the payoff to the fire inspector had happened just as he had arranged it. He said, "See, I saved you all kinds of money that way."

A building inspector was involved in the Mirage's second payoff. It would have cost thousands of dollars to have fixed the Mirage's structural problems, but the Mirage learned that it could fix a building inspector for \$15 instead.

"The building inspector, he'll be in there sometime Thursday between nine and twelve," the broker said. "Put \$15 in an envelope."

The building inspector came to the Mirage shortly after 11 a.m. on July 28. He made a quick tour of the Mirage, asking only that the bathroom fans be fixed. That was the end of the inspection, except for some

special paperwork when the building inspector pocketed his \$15 envelope and left without a word. The Mirage had passed its building inspection.

When the broker was informed that the building inspector had looked the other way, he said, "He could have made you tear all that stuff out. It could have cost you \$1,500. So for \$15 I saved you \$1,500."

Others would quickly volunteer as payoff go-betweens for the city inspectors. The Mirage discovered this payoff system when it installed a washroom urinal without a city permit. Construction contractors would, as part of routine business, act as conduits for illegal bribes to inspectors.

"As long as the job is done half right," advised a \$26,868 plumbing inspector, the Mirage could install the washroom urinal without a city permit. (It was the inspector who suggested doing the work without a permit.)

The Mirage contacted a plumbing contractor recommended by the inspector; the owner said, "This kind of job would ordinarily require a permit. But since...called, I know we won't have to get one...This way I'll be able to save you some money. But I'll have to talk to...and see how much he wants."

The plumbing contractor presented the Mirage with a \$375 bill for installing the urinal, and the bill included a \$50 payoff to the city plumbing inspector. The contractor did the negotiating, carried the cash, and handled the payoff. He apparently considered it part of his job. The inspector later acknowledged receipt of the \$50.

#### Close it Down or Shake it Down

The state liquor inspector said he might have to close down the Mirage, the violations were that serious. But then he grinned; he wasn't going to close down the Mirage, he was going to shake it down.

The shakedown lasted almost 30 minutes and ended with a \$50 payoff. The inspector took the money, forgot about the illegal liquor bottles he spotted from retail liquor stores, and left the Mirage with some free

advice. "You should keep \$50 in your pocket so if the police come in, or anybody else comes in, you have some ready money to pay them off with," he said.

### The Mirage's Largest Payoff

For allowing the Mirage to install an illegal ventilation system in the makeshift kitchen of the tavern, the city ventilation inspector demanded a \$100 payoff. It was the steepest payoff in the Mirage's short existence. But the \$100 slipped to the ventilation inspector through a third party allowed the Mirage to forget about the \$2,000 needed to do the ventilation job properly. As a result, a serious fire hazard was permitted to remain uncorrected. (To avoid the possibility of a fire, the BGA did not use the kitchen.)

Here too, a contractor would act as an intermediary in the payoff. All three parties--the Mirage's owners, the inspector and the contractor hired by the Mirage to install a new ventilation system--negotiated the deal. After the contractor completed his work, which did not comply with the city code, he submitted his bill. In return, he was given a check for \$342.90 for labor and materials--and \$100 in cash for the inspector. The ventilation inspector later confirmed to the Mirage's owner that he received the cash.

### Negligence at No Charge

Not all city inspectors who came into the Mirage sought illegal payoffs; some were merely negligent at no charge. Chicago taxpayers spend more than \$15 million a year on salaries for inspectors who are supposed to keep business establishments sanitary and safe. While many close their eyes to potentially fatal hazards for a price, others just seem to walk around aimlessly, as they collect a paycheck from the taxpayers every week.

Two of those people were the health inspectors that came to the Mirage. They just wandered around for a few minutes, careful not to step on the cockroaches, and gave the place a pass. They ignored filth. They ignored code violations. Neither set foot in the Mirage's basement, a place so foul even the vermin seemed to be dying.

"Go ahead and open," said the city health inspector who had just finished inspecting the Mirage's two washrooms from a distance of 20 feet. If he had ventured closer, he might have noticed that the washroom ventilation system was not up to code. The washroom air, instead of being exhausted directly outside the building as required, passed through the kitchen and into the tavern.

"We can bend the rules a little," said another health inspector. In fact, he could bend the rules a lot; he did not mark down a single code violation when he filled out his report--it read "Premises Clean."

A \$25,812-a-year city electrical inspector, laughed off every safety hazard, and had a joke for every code violation he saw.

The people of Chicago spend more than \$2.3 million each year in salaries for their electrical safety. The BGA and the Sun-Times asked Chicago's chief electrical inspector, for his reaction to an inspector who would laugh off code violations. "It would disturb me," he said, "if I were to find out that he didn't take any action. That's what he is paid to do. The reason for his existence is the electrical safety of the people of Chicago."

#### Vending Machine Salesmen Offer Kickbacks and Tax-Skimming Schemes

The nearly two dozen vending machine salesmen interviewed by the BGA and the Sun-Times undercover investigators were eager and enthusiastic. It was a difficult task to choose among them, for most of the salesmen offered attractive inducements in the form of illegal gifts and tax-skimming operations. But the Mirage owners finally settled on two salesmen who provided the undercover investigators with a revealing view of their blatantly illegal business practices.

The first vending machine salesman, a former Chicago policeman, offered the Mirage a package deal. He would provide the tavern owners with an illegal kickback of \$1,200 to accept his vending machines and "guarantee" that the tavern would receive its liquor license. He would also recommend the services of a lawyer, a former corporation counsel for the City of Chicago, to represent the Mirage if any trouble, such as killing, occurred in the tavern.

But the major part of the deal was tax fraud. The method suggested was to trim the vending machine income off the top before paying taxes. The vendor and the tavern would then split the take. For the two pinball machines and the jukebox installed by this vendor, the skim would begin at 50%.

The Mirage, of course, reported its true income, paid its proper taxes, and returned all of the illegal gifts it received. But during the investigation, the skimming operations were allowed to flow in the natural course of doing business in Chicago.

### Dividing up the Territory

The Mirage owners were quick to find that there is an unwritten rule in the vending machine business. One salesman is not to compete with another. This arrangement is now attracting the attention of Illinois antitrust investigators.

The Mirage undercover owners tested the strength of the rule by sharing its vending machine business with more than one salesman. When the salesman who had installed the tavern's first machines learned what the Mirage had done, his response was predictable.

"Where did you get this foosball?" he asked, noting the Mirage's new machine. "Why did you do this to me? I didn't give you \$1,200 so somebody else could put games in here and take business away from me!"

He even threatened to take legal action against the Mirage. The tavern, he reasoned, had made an agreement when it accepted an illegal kickback, and now the Mirage had broken that agreement. The kickback had been meant to ensure that no competition would be allowed to install their machines in the Mirage. It would have made an interesting lawsuit.

The Mirage would encounter other more threatening efforts to restrain competition in the vending machine business. The Mirage allowed a vending corporation to install a cigarette machine in the tavern. Despite warnings received from other firms that once one vending machine company installed its machines in a location, other companies would stay away, the Mirage, about two months later, announced that it was dissatisfied. After

contacting several other vending machine companies, the Mirage could find only one that was willing to replace the first company's machine with its own.

The first company's salesman, demanded to know who his competitor was. Why did he want to know, the Mirage asked? "Because I'm interested," he replied. "If he steals this location from me, I'll steal five locations, maybe more, from him. I don't care what it takes or how much I have to spend. I'll offer his accounts \$100, \$200, \$500, \$1,000. I'll go out and take five or ten of his accounts away. And if he's a small businessman, he'll be out of business," he said.

The Mirage relayed the threat to the company that had installed the new machine. Their salesman was worried, so he worked out a deal. He would pay cash to the first company for the right to do business at the Mirage.

#### BGA Uncovers Widespread Tax Fraud

The BGA and the Sun-Times hired six accountants to help with the book-keeping at the Mirage. They specialized in selling tax fraud. Investigators soon learned that it was routine practice for taverns to skim cash off the top of their income before paying taxes.

The six accountants unknowingly provided investigators with a special course in tax cheating. That course included how to keep two sets of books, how to throw away incriminating bills and receipts and how to slide by the Internal Revenue Service and the Illinois Department of Revenue. This seminar on tax cheating taught the BGA how to illegally pocket the sales tax collected from the tavern's customers.

The six accountants hired by the BGA and the Sun-Times skimmed between 27% and 65% of the Mirage's income off the top before paying taxes. As one accountant brazenly told us, "Uncle Sam will be paying your accounting fees." The accountants said they represented nearly a thousand taverns in the Chicago area.

These tax skimming operations result in a loss of between \$16 and \$20 million each year for the State of Illinois. If 90% of the taverns skim

40% off of their income, the average tax fraud used by the Mirage's six accountants, the annual losses run to the \$16 million level. The high estimate of the percentage of taverns participating in the scheme was justified by scores of random interviews that were conducted with tavern owners and accountants.

"Most of the taverns work it this way," one said. "It's a cash business and you get away with it." No one interviewed by the BGA and the Sun-Times suggested otherwise.

The tax fraud scheme was a simple one. It worked this way:

- The tavern owner can fraudulently underreport his income by an arbitrary amount, say 30%, and adjust this daily income records accordingly. He subtracts a little here, a little there, until his business appears to be 30% smaller than it actually is.
- Since the tavern owner's records must be consistent with each other, expense records must be reduced along with the income records. Therefore, the tavern owner must purchase some items for cash and destroy the receipts.
- The owner must transfer the illusion he has created to state and Federal income tax returns. If the owner cheats, he must cheat equally on both state and Federal records so that the auditors will not find an obvious inconsistency.

#### BGA Recommends Specific Reforms

In the immediate aftermath of the BGA investigation, 11 city inspectors were suspended for their activities at the Mirage. Those suspensions were, of course, a highly superficial response to the deeply-rooted problems of the corruption the BGA identified.

Consequently, the BGA recommended that the following steps be taken to attack the corrupt and negligent practices of city inspectors:

- Mayor Bilandic and the Chicago City Council should create an Office of Ombudsman to oversee the inspection practices of all city agencies which are responsible for enforcing provisions of the city code. The Ombudsman's Office should hear and investigate complaints about improper inspection practices, and regularly turn its findings over to local law enforcement and administrative officials for corrective action. Local businesses should have an official, effective and independent place to go with problems about public inspections.

- The Chicago City Council should review and update the city's building code to eliminate confusing, contradictory, unnecessary, and outdated sections. The voluminous code allows for selective enforcement by city inspectors. The process of revising the code should occur with the maximum involvement of architects, engineers and other expert consultants.
- Until the code is revised, city inspectors should reasonably enforce its provisions to protect the health and welfare of the citizens of Chicago. The city needs inspectors who will do their jobs in an honest and efficient manner. Responsible officials should move swiftly to remove inspectors who fail to do so.
- The Cook County State's Attorney should review all instances of bribery and official misconduct that occurred.

The BGA will cooperate in any city investigation of the wrongdoings we have revealed.

#### Tax Reforms Urged

In the wake of the BGA revelations concerning tax fraud, both state and city officials responded with proposals for reform. And the need for reform is clearly urgent. In Illinois, sales taxes account for one-third of the state's revenue, yet the Illinois Revenue Director noted that the state's sales tax system is "the weakest system we have." He called upon the state legislature to grant him the computers, auditors and a revamped sales tax system to help curb the abuses uncovered by the BGA. Tax reforms were also proposed by state legislators and independent aldermen in Chicago's City Council.

The BGA recommended that:

- The General Assembly should appropriate funds to substantially strengthen the Compliance Division of the State Department of Revenue. Illinois has 30% fewer auditors than Wisconsin, Ohio, and California per thousand residents. Chicago is allocated only 20 full-time state revenue investigators. More funds are needed to increase state auditing and inspectional capabilities.
- The Illinois Department of Revenue must install modern, computerized techniques to ensure the collection of all revenue owed to the state. A computerized system to cross-check income tax returns with sales tax returns is sorely needed in Illinois. Inadequate facilities in Illinois permit businesses to be subjected to an audit on the average of only once every

33 years. In Wisconsin, every liquor establishment in the state is scrutinized for possible fraud once every four years. A recent study by Arthur Andersen & Co. indicates that the installation of \$6.6 million in modern facilities would generate as much as \$34.3 million in new revenue by FY 1980. The General Assembly should provide the funds to allow the Department of Revenue to upgrade its revenue collection capabilities as a long-range investment for saving taxpayers' dollars.

- The Governor should create a State Revenue Strike Force. The Strike Force would bring together state revenue auditors, investigators, Illinois Liquor Control Commission staff, and counsel from the Attorney General's office to more effectively coordinate efforts to investigate tax fraud and expedite prosecutions of potential tax cheaters. Present efforts to monitor the collection of Illinois' 26 different sources of revenue involve inadequate administrative coordination and contain unnecessary overlap and duplication of effort.
- The Federal IRS should immediately crack down on tax cheating by small businesses. One IRS Commissioner estimates that while individuals pay the Federal government 93% of the tax dollars they owe, businesses with adjusted gross income under \$10,000 show a compliance rate of only 57%. This massive discrepancy shifts the Federal tax burden onto the individual taxpayer. The IRS must take strong action to end this system of tax fraud and discrimination.
- State and Federal prosecutors should review all instances of misconduct by tax accountants and liquor control inspectors that occurred at the Mirage. The BGA promised full cooperation with any law enforcement investigation of wrongdoing revealed.

#### Official Response to the Mirage Investigation

The BGA/Sun-Times investigation generated immediate responses from Federal, state, and local political officials. The Mayor quickly suspended 11 city employees for their conduct at the Mirage. He also called for team inspections by city inspectors and the creation of an Office of Professional Review to investigate reports of impropriety. He also ordered that the city's licensing codes be rewritten to eliminate ambiguous and obsolete sections. Chicago's three independent aldermen rejected portions of the Mayor's plan and instead urged the creation of an investigating commission outside of City Hall, paralleling the reform proposal of the BGA and the Sun-Times.

The Governor, as well as Democratic leaders in the state's General Assembly, proposed reforms to combat sales tax fraud. One proposal, urged by a State Representative, would establish a 14-member bipartisan panel to investigate sales tax abuses. The Illinois Department of Law Enforcement and the State Revenue Department formed a tax fraud task force to investigate the Mirage disclosures. State and Federal agencies launched a cooperative tax fraud investigation as well.

In the wake of disclosures that amusement machine operators engaged in anti-competitive practices, the Illinois Attorney General renewed an antitrust investigation of the amusement machine industry. In addition, the Illinois Department of Revenue confiscated over 800 improperly licensed or unlicensed pinball and jukebox machines throughout the state.

★U.S. GOVERNMENT PRINTING OFFICE: 1979-281-380/1653

**END**