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**State government on trial**

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SPRINGFILED-No Illinois law bars a political contributor from benefitting from state contracts.

That well-understood premise of doing business with Illinois government is about to undergo unprecedented scrutiny in a federal bribery trial in Springfield that could become this summer's political powder keg.

A four-man, eight-woman jury was chosen Thursday in the trial of Management Services of Illinois, a computer firm that poured huge sums of cash and services into Gov. Edgar's campaign at a time when it was allegedly bilking the state Public Aid Department out of millions of dollars.

MSI owner William Ladd and former owner Michael Martin are accused of bribing key state Public Aid officials with out-of-state trips, Super Bowl tickets, high-paying jobs and riverboat gambling money in a scheme federal prosecutors say lost taxpayers at least $ 7.1 million.

Besides Martin and Ladd, those facing bribery-related, mail fraud and other charges include a deputy Public Aid director now on leave and an underling who helped oversee MSI's contracts. Another Public Aid administrator, Curtis G. Fleming, has pleaded guilty and is expected to be a star government witness. Opening arguments are scheduled for Wednesday.

"People who don't follow state government on a daily basis and who would like to believe in their government might be shocked when everything comes out at this trial," said Jim Howard, executive director of the watchdog group, Illinois Common Cause.

The indictments have not reached Edgar's inner circle. But the governor and his top aides could be called to testify just as Edgar charts the direction of his political future later this summer.

The case is complex, drawing little attention outside the halls of power in Springfield. Still, another leading government watchdog, the Chicago-based Better Government Association, recently compared the MSI scandal to a "miniature Illinois version of Watergate."

"It's a picture of an administration for sale to the highest bidder," said J. Terrence Brunner, the BGA's executive director.

Between 1990 and mid-1996, state comptroller records show, MSI received $ 44.3 million in state business from nearly a dozen state agencies. During that span, the firm and its owners contributed $ 273,000 in cash and services to Edgar's 1990 and 1994 gubernatorial campaigns. Only one other contributor, the Illinois State Medical Society, has been more generous to the governor during his career, according to a University of Illinois-Springfield study.

The governor has maintained his distance from the scandal. He repeatedly has denied knowledge of the firm's dealings with the state, despite the role its financial help may have played in his political fortunes.

"As far as the governor is concerned, this contract and the way it was set up had nothing to do with contributions to his campaign," Edgar spokesman Thomas Hardy said. "He doesn't do business that way."

At Public Aid, where MSI held its largest state contract, the company screened Medicaid recipients for private health insurance. The federal trial will focus, in part, on a 1993 overhaul of that contract, boosting state payments to MSI to $ 11.2 million in 1994 from $ 417,080 the previous year. Prosecutors and Illinois Auditor General William Holland contend the pay raise came as MSI performed essentially the same work.

After that contract renegotiation, top Public Aid officials also signed off on $ 4.5 million in payments to MSI. That cash wasn't required under the contract overhaul and was for work that MSI already had performed and been paid for, prosecutors contend.

Neither Edgar nor any of his top aides face criminal charges in the case. But the trial, which is expected to last much of the summer, could expose Edgar to political embarrassment as he prepares to launch a late-summer re-election bid or run for the U.S. Senate.

In taped conversations last summer between indicted former MSI co-owner Martin and Fleming, Martin predicted the scandal would lead "right up to Edgar's lap." Last month, Martin's attorneys included the governor among a lengthy list of witnesses they may call to testify. Edgar aides have characterized Martin's words and legal maneuvering as desperate tactics designed to spare him prison time.

"I, for the life of me, can't figure out what I'd even testify on," the governor said. "What I know about MSI is basically what I read in the paper, hear on radio or see on TV. I'm vaguely aware of it."

His administration takes credit for launching the investigation into MSI after the governor's press secretary at the time, Mike Lawrence, received an anonymous May, 1995, letter outlining the firm's alleged abuses. Lawrence forwarded the charges to the State Police. (The administration has stonewalled calls to make the contents of that letter public and, at one point earlier this spring, rejected a Sun-Times freedom of information request for the document.)

On Wednesday, during a pre-trial hearing, a glimpse of how the State Police began the probe emerged with testimony from a longtime MSI office manager who helped gather key documents for State Police investigators. Those internal papers purportedly showed how MSI's owners lavished gifts of all kinds on state officials.

"I didn't think a lot of the things that were going on were right: the trips, the Christmas gifts for some of the clients, the travel, tickets to the (St. Louis) Rams games, Chicago Bulls tickets, things of that nature," said Julie Tansky, who had worked for the company since Martin and Ladd formed it in 1990.

Some of that company generosity was aimed at Fleming, the former chief of Public Aid's bureau of collections, who helped oversee MSI's contract. In his guilty plea last fall, Fleming admitted accepting $ 16,000 in cash, a computer system and trip to Florida, among other things.

The defense however, contends that nothing in state law prevented the company from rewarding those in state government with whom it dealt. Illinois campaign finance and gift-giving laws place virtually no limits on how much someone can give a state official.

"What they did was not criminal," said Chicago attorney Patrick Tuite, who represents Martin.

If that defense succeeds, good government groups say, it will underscore yet again how Illinois ethics laws are both a laughingstock and tragedy.

"If that is their first defense, that they could do this because it wasn't against the law, that's a horrible statement as to the quality and conditions of our government," said Common Cause's Jim Howard.