INTERIOR DEPARTMENT FRAUDS

Report of the Proving Committee of the House of Representatives—Some Remarkable Transactions.

Washington, Feb. 2, 1869.—The House Committee on Printing, to whom was referred the resolution "directing the Committee on Ways and Means, or such other committee as the Interior Department, and which has been purchased as stationery, and the manner in which stationery supplies have been furnished, and whether the same has been procured in violation of law, and if so, to what amount and by whom, and whether any have been paid for and not furnished," submit the following report:

Your committee have devoted what time they could spare to the investigation of the matters therein, and have taken a great deal of testimony and examined much other evidence bearing on the subject.

The statute—or contract for the Interior Department for 1868 was awarded to the highest bidder instead of the lowest by the knowledge of how to bid, which made the column of nulls lowest, while the aggregate was highest. Whether it was honest or an honorable method of awarding contracts we leave to be determined after seeing how it is done, by an example taken from one of the bids:

BENJ'NT & O'TOOLE'S ARM.

	Cents.
100,000 sheets foolscap paper, per ream	1 cent.
11 reams cap paper, best quality, per ream	20
10 gross pens, best quality, per gross	1
1 dozen fine pencils, assorted colors, per dozen	5
Total	34

COYLE & YOUNG'S ARM.

100,000 sheets foolscap paper	$0 20½
11½ reams best cap, per ream	4 48
12 gross barrel pens, per gross	0 75
10 dozen pencils assorted colors, per dozen	1 00
Total	$7 72½

Below is given what the same pens would amount to at the prices of the single bidders:

100,000 sheets foolscap paper, at 6 cents	$6,000 00
11½ reams paper, at 20 cents	2 30
12 gross pens, at 3 cents	36 00
10 dozen pencils, at 3 cents	3 60
Gross amount	$6,041 60

COYLE & YOUNG.

100,000 sheets best paper, 3½ cents	$3,500 00
11½ reams cap paper, $4 48	50 56
12 gross pens, at $4 50	54 00
10 dozen pencils, $1 00	10 00
Total	$3,614 56

By this example, on single items, Dempsey & Coyle are 40 40½ below Benjamin & O'Toole, while in the aggregate total they are $4,912 28 above them. It was by this system of bidding that the stationery contracts were made for Dempsey & Toole, whose bids aggregated $22,859 96, instead of Blanchard's, who bid low, and aggregated $8,616 97. Another method has been to have a good understanding at the beginning of orders and have them shaped for your benefit, calling for few if any goods at a high price, low in cost, and for large orders where the profits are large. So be sure and have a bidder who is not such ordered at the close of your contract, and charge your bills against him, giving your own where you have overstocked. The great house in the Interior Department, which makes purchases outside the contract schedule, which, for the Interior Department, excluding the Patent Office, has been about fifteen per cent. and in the Patent Office nearly seventy-five per cent. All articles not in the schedule are charged at fabulous prices, though the contract provides that they shall be furnished at the lowest market rates. A recent order from the Patent Office for thirty dozen gold pens with gold mounted pens not complied with, and became a subject of correspondence between the Secretary of the Interior and the Commissioner of Patents on account of its extravagance, the price charged for thirty dozen gold pens with silver handles by the contract was but $2 10, and less than fifteen dozen wooden pen handles.

The greatest abuses have been in the Patent Office, where, heretofore, Congress has exercised no control over the expenditures. We find that, in violation of the express provisions of law, the blank books have been procured from July 1, 1867, to August 31, 1868, amounting to $18,201 02, and at prices outrageous and unjust. We also find that they have procured printing against law, and in defiance of it, to the amount of $22,522, at prices which become staggering by their extravagance. This was done by the Commissioner of Patents and continued by Mr. Stout.

When Commissioner Foote entered upon the duties of the office his attention was called to stationery bills, for one quarter, which showed the use of goods charged, and as such prices as to excite his attention, he took time to make inquiries in regard to them, and became convinced that the prices charged for stationery and printing utterly unfitted for by the requirements of the office. Further examination convinced him that great frauds and abuses had been practiced in the supplies. He made complaint to that effect to the Secretary of the Interior, and appointed a commission to investigate his complaints, consisting of S. P. James, Silas W. Burt, and W. W. Griffin—one appointed by the contractors, one by the Commissioner and one by the Secretary. He discharged the messenger, S. J. Parker, who certified to the receipt of the goods, and placed Mr. Charles R. Thomas in charge of supplies and purchases, on the 24th of September. He required all orders to be entered upon an order book, and all issues of stores to keep a pass-book, upon which their requirements were entered, and the record of which shows that they averaged less than $250 per month, with sheet and supplies and a larger stock on hand in January than when the system was inaugurated in September. This does not include blank books and printing, which Congress alone never required by law. The average bills for the three months preceding this and the years from 1867 to 1868 were $4,138 95 was for blank books and printing, or nearly three times as much as for the same articles now cost.

The study of the Patent Office to account for the articles paid for is a still more disgraceful one. Large sums of money have been paid for what have been charged and paid for since February, 1868, at $40 and $41 each, while the same can be found in the office. This is a book of printed forms, which, with the exception of no use outside the office, as testified by all parties, the contract blanks, consisting of letters, decisions, &c., were charged and paid for at $40 each, which could be accounted for by the requirements of the office. Of the re-wrapping $6,000 were charged and paid for at a cost of $57 per 1,000, and sold and charged to contractors for those used and on hand 18,000 cannot be accounted for. Of manila and large brown envelopes, nine by twelve, 145,000 were charged and paid for, while the number of those actually used could not exceed 40,000, leaving unaccounted for 105,000. Of cards for models, 110,000 were charged and paid for at $80 per thousand, while but 40,000 can be accounted for as used and on hand, leaving 110,000 unaccounted for. The above articles could be of no use anywhere but in the legitimate business of the Patent Office or even to its all parties.

Vast quantities of other articles cannot be accounted for in the office, but as they might have been made useful elsewhere they are not so valuable. We give a few cases of the many in evidence—of cycloids, 1,020 boxes were paid for, but only 390 boxes would be required for the business of the office for one year. Of steel pens copy books bought and paid for, but none to be found; 800 sheets French tracing paper bought, seldom if ever used, and but twelve sheets on hand; 105 reams yellow wrapping paper bought, but not over 10½ reams can be accounted for; 1,000,000 envelopes paid for, while the use of the office would amount to about 150,000. Of India rubber 10 lbs. was charged and paid for, and 1,000 gross of rubber bands, and there was no extravagance in the other articles.

The prices charged were as extravagant as the quantities. We give a few cases: Books worth 6c are charged at $40, cash books worth $2 are charged at $25; cards, worth about $3 per thousand, are charged at $80 per thousand; paper worth about $2 50 per thousand, are charged at $20 and $40; ruling, worth about $2 50 per sheet, are charged at $50; printing 500,000 blanks worth perhaps $3 per thousand, charged at $16 50 and $17. To give them all would become odious. The assessing on the Department of the goods and certified to their delivery certified to be received, amounted to $18,201 02 from June 24 to July 21, 1868, aggregating to $7,183 25. From July 3 to July 21 he was 40 per cent, and it was during this time that $8,833 26 out of the $7,183 25 are charged as delivered. His assistant kept a memorandum of all the orders given and the goods received in the absence of the messenger, and the gross amount in issue is less than $250.

How the commission who were appointed to investigate the complaints made by Commissioner Foote to the Secretary of the Interior, with all these facts in testimony before them, could find no evidence of abuse or fraud on the part of the contractors, while they do find and report to the Secretary of the Interior "that the loss to the office since July, 1867, has been $81,649 0," is beyond our comprehension. They had evidence before them, and state in their report that these contractors had charged in their bill for one month and were paid for getting 17,000 blank heads more than they have ever delivered, at $140 per thousand, and were now present with a bill of $25 per thousand, and that they still held 40-odd sheets of bond paper belonging to the Government. It is difficult to conceive what could be an abuse if charging and getting pay at the rate for work to be done at the amount of $2,380 in one month more than was performed was not one.

In another of the findings of the commission we were surprised, considering its attempted results. Your committee have looked in their range of power into complaints made by the Patent Office, and when they decided to enter upon due consideration of the question whether Dempsey & O'Toole had a contract for undelivered bond paper, which was not a matter of complaint, and not legitimately before them, the Patent Office proved against it. Yet with the law specifically requiring all contracts to be made in writing, after advertising for proposals where the exigencies of the service do not forbid the delay, they found a contract verbally made for 60,000 sheets of bond paper at eight cents per sheet, about half of which was undelivered and unpaid for, and without any shown exigency, which would even warrant a purchase in open market, without a written agreement, without even a written order, but upon the testimony of one of the parties in interest—the statement of an employe of the Patent Office that he was acting commissioner and they would have to take the paper, coupled with the drawing of a warrant on the Treasury for $24,000, designed to be used for its payment, having entered upon the commission of that matter it is unaccountable, if they desired to have it done, that they should not have called some Gen. Stout, the acting commissioner, as a witness, who is alleged to have made the contract and who was in charge of the Patent Office at the time.

The committee find the following facts from the testimony: Dempsey & Coyle, partners—Philip & Solomons, former contractors for stationery, and Benjamin & O'Toole, entered a contract for printing specifications with the Patent Office, for which the office furnished bond paper, buying it of Philip & Solomons at eight cents per sheet, and using it upon 200,000 sheets per annum. When Dempsey & O'Toole obtained the Interior stationery contracts they claimed the right to furnish this paper as it was required. This matter became the subject of consideration between the contractors, and the acting Commissioner and the Secretary of the Interior, and resulted in the purchase at different times of 51,000 sheets for patent heads, Philip & Solomons having 40,000 sheets on hand for printing specifications. General Stout, then acting commissioner, states that he sent a communication to the Secretary of the Interior advising the purchase of a large lot of bond paper, and stating that he would do so if ordered or authorized to do so. He