

## FEDERAL BUREAU OF INVESTIGATION

12/10/84

Date of transcription

JOHN ROBERT TORQUATO, JR., who resides at 214 Colton Street, Newport Beach, California, was interviewed in the presence of his attorney, THOMAS W. SCOTT. The information furnished by TORQUATO in this interview concerns his efforts in conjunction with others to obtain contracts in the Commonwealth of Pennsylvania to recover Social Security tax (FICA) overpayments made by Pennsylvania state employees and Pennsylvania state school district employees and entities. The corporations to be used to effect these recoveries were XET CORPORATION, doing business as (DBA), CTA LIMITED, a California corporation, and COMPUTER TECHNOLOGY ASSOCIATES INCORPORATED (CTA), a Pennsylvania corporation.

*April* → TORQUATO learned through contacts with his father, JOHN TORQUATO, SR., who resides in Johnstown, Pennsylvania, and others that some FICA recovery was being completed in Pennsylvania. His uncle, RAY TORQUATO, an employee in the Labor and Industry Building in Harrisburg, Pennsylvania, advised him that one DAVID HERBERT was the State Social Security Director in the Commonwealth of Pennsylvania. TORQUATO contacted HERBERT telephonically, probably in June, 1983, introduced himself and discussed FICA recovery and his business. He learned at that time the state of Pennsylvania was actually pursuing a FICA recovery "in-House". In June or July, 1983, TORQUATO flew to Pennsylvania and met with WILLIAM T. SMITH, a lawyer, the Dauphin County Republican Chairman and an old friend. He explained to SMITH what his intentions were concerning FICA recovery and thereafter, he and SMITH personally contacted HERBERT at HERBERT's office. DAVID HERBERT explained about the "in-House" recovery being pursued by the Commonwealth of Pennsylvania for its employees. HERBERT was very impressed with SMITH's political position and reacted in a very positive manner towards TORQUATO's business and his ability to conduct FICA recoveries. TORQUATO explained he thought of HERBERT as being a very necessary part of his plans in Pennsylvania and planned to make him his future "technical or feasibility buyer". He explained these terms by stating HERBERT was an important and necessary person in state FICA recoveries as his knowledge, expertise and contacts would fulfill a "means to an end". He also felt by making HERBERT a part of the team, he could use him as a resource person in other states and help sell CTA by relating how effective they

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were. A short time after this meeting, he had JOHN RYTTER of CENTURY HILL FINANCIAL INCORPORATED of Los Angeles, California, call HERBERT. RYTTER is a money broker, a high-placed fund raiser in the National Democratic Party and a partner of TORQUATO's. RYTTER had been putting together a binder containing technical information concerning FICA recovery in government agencies which included Social Security regulations and Attorney's general opinions. TORQUATO explained he used RYTTER and SMITH to impress and woo HERBERT.

TORQUATO also paid for HERBERT's trip to Portland, Oregon, in August, 1983, to attend the State Social Security Administrator's Convention. TORQUATO had RYTTER contact HERBERT at this convention and continue selling CTA to him. In addition, TORQUATO also had JUDY ELLIS, President of CTA, and possibly JANICE KINCAID call HERBERT in further effort to gain HERBERT's confidence and make him part of the team.

Sometime in late July, 1983, TORQUATO called GEORGE GOLD in the State Treasurer's office and advised him he would contribute one-half million dollars to the Republican Party in Pennsylvania if CTA could get the FICA recovery project for the Pennsylvania State Employees presently being conducted "in-House". GOLD was an old friend with whom he and SMITH had done business many years ago. At about the same time, SMITH and TORQUATO made contact with ROBERT ASHER, the State Republican Chairman, in an attempt to take over the recovery project. SMITH indicated ASHER owed him as he, SMITH, had been instrumental in swinging the central county Republican chairmen to back ASHER for the State Chairmanship. ASHER had only taken office in June, 1983, and was attempting to set up some rules and regulations. TORQUATO advised he told ASHER there was one-half million dollars available for the Republican coffers if CTA could get the contract to do what the State was presently doing.

The next meeting in this regard was a meeting held in the Governor's office attended by TORQUATO, SMITH, ASHER, JOHN PIERCE of the Governor's staff and another unidentified man. Originally the meeting was to be with JAY WALDMAN of the Governor's staff, but he cancelled out of the meeting at the last minute. He recalled ASHER was very angry about WALDMAN's cancellation. This meeting was a get acquainted and informative meeting and although some indirect comments were made, no direct offers of political contributions were mentioned. TORQUATO and SMITH next met in ASHER's office and they decided to more actively pursue the State Employees FICA recovery contract. ASHER assisted them in setting up a meeting with RON CHARNOCK.

Asher lined up Jay  
Waldman son Smith  
torquato.

Then he lined up  
Ron Charnock.



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SMITH and TORQUATO met with CHARNOCK in an office located in the Finance Building in the Capital Complex at Harrisburg. TORQUATO stated that this was a definite "pitch" meeting and SMITH utilized ASHER's name on several occasions. TORQUATO had already determined how far along the FICA recovery was. TORQUATO let CHARNOCK know that he knew how politics were played and would make sure the right contributions were made. SMITH was more specific and offered a substantial amount of money to the Republican Party if CTA got the contract. CHARNOCK acknowledged this offer but did not accept or decline it. CHARNOCK did not feel it would be prudent to change from "in-House" to an outside agency at that time, but he did solicit a proposal from CTA. TORQUATO advised he sent a proposal for the Pennsylvania State Employees FICA recovery contract to CHARNOCK, ASHER, PIERCE, SMITH and others. TORQUATO last met with CHARNOCK in early November, 1983, when CHARNOCK gave him a negative response about the contract. CHARNOCK did, however, state he would give serious consideration to any other like-type programs in the future.

TORQUATO stated on one occasion, he called someone in data processing in the Governor's office to satisfy himself, they did not know what they were doing. He tape recorded this conversation during which the man gave numerous ludicrous answers. He sent this tape to SMITH to demonstrate what an idiot he was. He later played the tape for Senator JOHN SHUMAKER.

Judy Smith is on school district deal from start.

During the unsuccessful attempt to obtain the Pennsylvania State Employees FICA recovery project, contact was maintained with DAVID HERBERT. HERBERT continued mentioning the possibilities of doing a FICA recovery for the Pennsylvania school districts. HERBERT had talked to the school business managers and felt it was a viable project. He indicated he felt state legislation would be necessary and the recovery could be made retroactive to 1979. He felt the legislation would be the only way clear authority could be gained. TORQUATO stated he got excited about this possibility and started to sell SMITH and his wife, JUDY, on the viability of the school district FICA recovery. JUDY SMITH is also a lawyer and is in business with her husband, WILLIAM SMITH; this firm known as SMITH AND SMITH ASSOCIATES, 2931 North Front Street, Harrisburg. JUDY SMITH had as much input and knowledge about the state employees proposal as her husband. TORQUATO had his first meeting with State Senator EUGENE SCANLON sometime near the first of November, 1983. This meeting was held at the MAVERICK STEAK HOUSE in Harrisburg and was also attended by the Senator's brother, JAMES SCANLON, of Allegheny County, Pennsylvania, and probably WILLIAM SMITH. TORQUATO advised he and CTA had worked with JAMES SCANLON in Allegheny County and CTA had done a good job on a FICA recovery for the county employees. In addition, he had flown JIM SCANLON to California in October, 1983, to personally observe the CTA

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operation and to show him a good time. TORQUATO also talked to JIM SCANLON about a job for sometime in the future. Senator GENE SCANLON liked CTA's program. TORQUATO informed the SCANLONS of the possibility of a FICA recovery for the Pennsylvania school districts and the necessity of legislation to support the recovery. Senator SCANLON related he felt the legislation should come from the Republican side of the Legislature and believed the best procedure would be to amend the 1980 bill. SCANLON stated he liked the program and would support the legislation. TORQUATO stated he felt getting JIM SCANLON's backing would help obtain the favor of his brother, Senator EUGENE SCANLON, and also be a key to other future contracts in Allegheny County.

After Democratic support had been developed through Senator SCANLON, BILL and JUDY SMITH became very interested. The State of Idaho had passed similar legislation and TORQUATO believes DAVID HERBERT obtained a copy of this legislation to be used as a sample. BILL and JUDY SMITH then made a pitch to Senator HENRY HAGER, the President Pro Tem of the Senate, to support the proposed legislation. HAGER refused according to the SMITHs. SMITH then obtained the services of STEVE MACNETT who wrote a draft of the proposed legislation at SMITH's request.

TORQUATO advised he believes he first met Senator JOHN SHUMAKER with WILLIAM SMITH at the Dauphin County Republican fund raiser held at the HERSHEY MOTOR LODGE AND CONVENTION CENTER in Hershey, Pennsylvania. He recalls a meeting held at the CAUCUS RESTAURANT in Harrisburg in November, 1983, with SMITH, SHUMAKER and probably DAVID HERBERT being present. This meeting primarily was for the purpose of TORQUATO and HERBERT to explain the mechanics of a Pennsylvania school district FICA recovery program. He recalls there were several meetings with SHUMAKER being present when the legislation was discussed. SHUMAKER had input into these discussions, particularly in the area as to whom should be the responsible entity for administering the recovery. SHUMAKER originally favored the Governor's office but later agreed the State Treasurer would be the proper person to handle the FICA recovery. TORQUATO stated everyone finally agreed that the Treasurer would be the right person to be named in the legislation. This area was discussed with ROBERT ASHER and Senator EUGENE SCANLON as well as with SHUMAKER and SMITH. ASHER cautioned SMITH and TORQUATO to be very careful in working with DWYER and that all decisions should be cleared through his, ASHER's, office. Sometime in February, 1984, MACNETT chose the bill that was to be amended.

SHUMAKER was made aware of the one-half million dollar offer for the state employee FICA recovery contract and was always

*MacNett plays  
Key Role.*

*Asher gives word  
of caution about  
Dwyer.*



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*Shumaker aware of big bribe offers.*

aware TORQUATO and SMITH intended to give a substantial amount of money to the Republican Party whatever contract was obtained by CTA. TORQUATO met with SHUMAKER a number of times. There was never any discussion in front of TORQUATO concerning SHUMAKER getting anything for himself or his campaign for his assistance. If anything was to be done for SHUMAKER, MacNETT, STAN RAPP or JOHN PIERCE, it was up to SMITH to take care of it.

SMITH set up a meeting with the Treasurer, R. BUDD DWYER, this meeting held at MAURICE'S RESTAURANT in Harrisburg near the end of February, 1984. Attending this meeting were DWYER, MARK PHENICIE, JOHN WELLINGTON and VINCE YAKOWICZ, all of the Treasurer's office, along with TORQUATO and SMITH. During this meeting, they discussed the potential of the legislation and the extent of the school district FICA recovery project. A draft of the proposed legislation was furnished DWYER and DWYER appeared to be very interested. YAKOWICZ asked the most important questions and a discussion was had concerning the possibility of letting a contract on a no-bid basis. TORQUATO advised he made a strong pitch favoring a personal services or no-bid contract. He further extolled the positive aspects of CTA and its ability and experience in performing FICA recoveries of this nature. DWYER indicated he would have YAKOWICZ research the area of personal services contracts.

*Before*

*Torquato quotes Judy Smith on bribe for Dwyer.*

Following this meeting, TORQUATO and SMITH discussed how they were "going to get DWYER on board". SMITH asked the question, "How do you bribe the Treasurer of the State of Pennsylvania?" SMITH indicated he had to get a substantial amount of money into the Treasurer's campaign. SMITH stated he would personally make the pitch to DWYER that if CTA should get the contract, he would personally raise \$300,000 for DWYER's campaign. TORQUATO also met with JUDY SMITH during this time frame and she was in agreement that "we have to take care of DWYER, so he'll take care of us". In addition, SMITH and TORQUATO met with ASHER in his office either a day or two prior to the first meeting with DWYER or a day or two following this meeting. It was at this meeting that ASHER agreed DWYER was the right individual to handle the FICA recovery program for the Pennsylvania school districts.

SMITH told TORQUATO he had met or talked to DWYER shortly after the meeting at MAURICE'S RESTAURANT, but does not believe SMITH made any pitch at that time to DWYER. TORQUATO stated he told BILL and JUDY SMITH they would have to act soon as he wanted a face-to-face meeting with DWYER when the offer was made. He also advised he wanted to look into DWYER's eyes when a pitch or an offer of money was made. JUDY SMITH set up a breakfast meeting to be held at the MARRIOTT INN in Harrisburg in the first few days of March, 1984. *Someone* called KAY ARMSTRONG, DWYER's

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secretary, and asked that DWYER come to the meeting at the MARRIOTT INN by himself rather than bringing the whole entourage. TORQUATO indicated he called a girl having the first name of PAM at the MARRIOTT INN and arranged for a very nice suite for the breakfast with DWYER. DWYER did show up late but by himself and during breakfast, TORQUATO explained the mechanics of a FICA recovery program for the Pennsylvania school districts. SMITH then made the offer "If you give us the contract, I will personally raise \$300,000 for your campaign fund." DWYER then said, "Fine, but no quid pro quo, no quid pro quo, no quid pro quo." TORQUATO advised that they then discussed the need for a personal services or no-bid contract at which time DWYER confirmed he had VINCE YAKOWICZ looking into that matter. TORQUATO and SMITH left this meeting elated as there was no question in their minds that they were going to receive the contract.

*Torquato says Smith made offer to DWYER - who accepted \$300,000 for his campaign.*

SMITH, following this meeting, indicated to TORQUATO he wanted to see DWYER again very soon and find out how DWYER wanted the money. TORQUATO returned to his home in Newport Beach, California, and soon thereafter received a telephone call from SMITH. SMITH told TORQUATO he had met with DWYER in DWYER's office on what he believes to be a Tuesday. DWYER told SMITH he wanted the money one-third, one-third, one-third. He further explained this as meaning DWYER wanted \$100,000 for himself, \$100,000 for his campaign and \$100,000 for the Pennsylvania State Republican Committee.

*Shumaker informed on DWYER before it was obtained.*

TORQUATO returned to Harrisburg, Pennsylvania, approximately one to two weeks later. TORQUATO and SMITH then met with ASHER in ASHER's office with (first name unknown) MCCARTNEY, the son of the former Pennsylvania State Police (PSP) Commissioner, and an assistant to ASHER. SMITH related his meeting with DWYER and DWYER's demands concerning the money. ASHER was upset and advised it could not be done that way or "he and you could go to jail". ASHER advised the money would have to come to the State Committee. TORQUATO advised SHUMAKER was aware something was going to be offered DWYER prior to the breakfast meeting at the MARRIOTT INN. Following the MARRIOTT meeting, SHUMAKER was present when DWYER's "no quid pro quo" statement was discussed. In addition, SHUMAKER was present when TORQUATO and SMITH discussed DWYER's one-third, one-third, one-third demand and ASHER's answer. SHUMAKER agreed they should listen to ASHER about how the money was to be handled. TORQUATO advised he was present when these things were discussed with SHUMAKER. TORQUATO believes, however, that SMITH and SHUMAKER had many other meetings when he, TORQUATO, was not present. TORQUATO met with or talked with JUDY SMITH about these items on numerous occasions. He considered her to be very instrumental in the strategy and planning of both the legislation and the

*Torquato was depending on Judy Smith.*



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actual negotiations for the FICA recovery contract itself.

TORQUATO explained the legislation was being presented in the State Senate and the House of Representatives during February and March, 1984. Senator SCANLON liked the legislation and spoke of it as a "piece of cake" and a no-lose situation. SCANLON backed the legislation and it passed in late March, 1984. SCANLON then called JAMES MANDERINO and made an appointment for TORQUATO to visit with him. MANDERINO was aware of the legislation and made the statement, "You better have the Treasurer wired, because the legislation gives him a lot of power." TORQUATO then told MANDERINO, "DWYER is wired as well as he can be." TORQUATO advised he told MANDERINO he would be very appreciative of any help he could give on the legislation in the House of Representatives and would be happy to show his appreciation. TORQUATO stated he found out at this meeting that MANDERINO was having a fund raiser. TORQUATO wrote a check for \$500 at that time and he believes he gave it to MANDERINO's secretary, LEAH. MANDERINO told him it was not necessary for him to do this but he did accept the check. TORQUATO attended the fund raiser and the legislation passed the House of Representatives either that day or the following day. TORQUATO places the date of this fund raiser held at the DAUPHIN COUNTY BAR ASSOCIATION as either on March 25 or March 26, 1984. TORQUATO advised his meetings with MANDERINO were private and believes no one else would have heard their conversations. TORQUATO does not recall to whom he was speaking at the time, but recalls MANDERINO coming up to him at the fund raiser, slapping him on the ass and remarking, "I just made this man \$2 million." TORQUATO advised the legislation was signed by the Governor of Pennsylvania approximately one week later.

Shortly after the legislation was signed into law in early April, 1984, TORQUATO drove to Greensburg, Pennsylvania, to meet with one EGIDIO CERILLI at CERILLI'S RESTAURANT AND BAR in that city. CERILLI talked at length as to why TORQUATO and CTA were not going to receive the FICA recovery contract for Westmoreland County, Pennsylvania. CTA had previously submitted a proposal for FICA recovery in that county. CERILLI knew about the legislation being passed and further that CTA had completed a FICA recovery contract in Allegheny County, Pennsylvania. CERILLI asked if contributions had been made in Allegheny County. CERILLI told TORQUATO he could do a great deal more business in Allegheny County with Representative JAMES MANDERINO, but he indicated this business would all have to be done through him, CERILLI. CERILLI then discussed with TORQUATO political help for Auditor General BENEDICT and State Representative JAMES MANDERINO. CERILLI did not mention any monetary figure for MANDERINO, but stated he wanted

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\$100,000 for BENEDICT. CERILLI told him BENEDICT would "take care of you in other ways". TORQUATO told CERILLI if the contract with the State Treasurer's office came in at no less than 19%, he would be glad to help BENEDICT. CERILLI asked about \$100,000 for BENEDICT. TORQUATO stated he agreed he could do it, but felt in his own mind he would never give that much to BENEDICT. He also agreed to help MANDERINO but CERILLI did not mention a dollar figure. CERILLI told TORQUATO to stay in touch with him and call within a week to ten days.

TORQUATO returned to Harrisburg, Pennsylvania, and shortly thereafter, had another meeting with MANDERINO. The second meeting with MANDERINO was to discuss the meeting with CERILLI, his conversation and his demands. He related to MANDERINO CERILLI's conversation about doing more business in Allegheny County and with MANDERINO and further that the business would have to be done through him. CERILLI. MANDERINO acknowledged this was all true. TORQUATO advised he questioned MANDERINO as to what BENEDICT was doing. MANDERINO stated only that "everyone wanted a piece of the action". MANDERINO related they would do business together in the future but did not at this time mention any dollar figures.

During this period of time in April, 1984, TORQUATO and the SMITHs were in hard negotiations with the Treasurer for the FICA recovery contract. Dwyer's office received an anonymous telephone call advising that BENEDICT was having an investigation conducted into this matter. TORQUATO then contacted Senator GENE SCANLON and confirmed the BENEDICT investigation. TORQUATO asked SCANLON if his hiring of SCANLON's brother, ROBERT, would be a problem and SCANLON did not seem to be concerned. TORQUATO then brought up the pending trip to Los Angeles, California, for JIM SCANLON and his wife which TORQUATO was paying for. Senator SCANLON told TORQUATO not to be concerned about this since it was payment for work JIM SCANLON had done for him and was payment in kind. TORQUATO asked SCANLON about the car he rented for him when he, Senator SCANLON, was in San Diego, California, visiting his brother, ROBERT. SCANLON said that would be no problem and further, he would need another car when he attended the Democratic National Convention in San Francisco, California, later in the summer. TORQUATO shortly thereafter made the reservations for a car for Senator SCANLON in SCANLON's name through one JOAN PIERCE of the AAA of California and confirmation of this was sent to GAIL STAUFFER in SCANLON's office. PIERCE talked directly by telephone to GAIL or TRUDY in Senator SCANLON's office.

TORQUATO was very concerned about a possible investigation and he called CERILLI at CERILLI's cabin and asked him about this.



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CERILLI confirmed the investigation stating it might be true as TORQUATO did not get back to him as he was instructed. TORQUATO then called MANDERINO to inquire about the investigation. TORQUATO then called CERILLI as he had been instructed. CERILLI told him he had talked to the "big guy", BENEDICT, who stated he understood. BENEDICT said he would put CERILLI's son in charge of the investigation and not to worry as it was a "done issue". CERILLI told TORQUATO he had nothing to worry about. TORQUATO told CERILLI he could not come up with \$100,000 for BENEDICT because he could not get the contract at 19% but "he wouldn't forget his friends". TORQUATO told CERILLI he had talked to MANDERINO and he had confirmed they would do some future business together through CERILLI. TORQUATO further advised CERILLI he was in complete agreement with this arrangement and would look forward to future ventures. TORQUATO stated he never had any personal contact with BENEDICT, but the BENEDICT investigation was mentioned in conversations with Senator SCANLON and Representative MANDERINO. SCANLON also confirmed CERILLI's son was to conduct the investigation being conducted by the Auditor General's office. TORQUATO advised that his father, JOHN TORQUATO, SR., told him that AL BENEDICT had called him when he, BENEDICT, was in the area on a campaign trip. TORQUATO stated that TORQUATO, JR., had nothing to worry about concerning BENEDICT's investigation. *initials* \*

Part of DWYER's demands of CTA included incorporating in Pennsylvania and hiring 25 people from Pennsylvania to do the "nuts and bolts" of the school district FICA recovery work. In that light, TORQUATO instructed BILL SMITH to incorporate CTA in Pennsylvania. TORQUATO is aware that was completed in early April, 1984. DWYER further insisted that JOSEPH ORAVITZ, Head of the Pennsylvania School Board Association (PSBA), be brought in on the deal. TORQUATO advised he became aware of a strong friendship between DWYER and ORAVITZ. ORAVITZ wanted to do the FICA recovery contract himself. TORQUATO and SMITH met with ORAVITZ in JOHN WELLINGTON's office and explained the whole process to him. TORQUATO advised he convinced ORAVITZ he could not do the FICA recovery and ORAVITZ finally agreed. DWYER insisted the PSBA and ORAVITZ be brought into the deal. ORAVITZ then wanted them to contract with PSBA to prepare and send out letters to school districts for the Treasurer's office and to help coordinate the planning of the actual FICA recovery process. To appease DWYER, a \$50,000 to \$60,000 contract was drawn up with PSBA to have them prepare a mailing list and send letters to individual school districts. TORQUATO stated this contract and service was unnecessary but insisted upon by DWYER. TORQUATO considered it to be really a payoff to ORAVITZ.

TORQUATO stated the school district FICA recovery contract with CTA was scheduled to be signed on April 29, 1984, but DWYER stalled it and wanted to "sit on it". Problems with DWYER began to surface during negotiations when ARTHUR YOUNG AND COMPANY submitted a proposal at the last minute. TORQUATO, during the week

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prior to the actual contract signing, was in the Treasurer's office. TORQUATO called HERBERT with MARK PHENICIE on the telephone line at which time HERBERT told them CTA could do the job quicker and better than ARTHUR YOUNG AND COMPANY and that if ARTHUR YOUNG did the job, it could take a long time to get the credit from the Social Security Administration (SSA) cleared. DWYER may have been in the office at this time and may have heard this call. TORQUATO acknowledged this call had been previously arranged with HERBERT and HERBERT did, in fact, carry through with their plans. Also at about this time, a comment was made to PHENICIE about there being "\$300,000 fat in the contract". PHENICIE missed the point and placed the \$300,000 fat comment in a memo to DWYER. DWYER then decided to rewrite the commitment and cut the CTA bonus. During the rewriting of this crucial commitment, PHENICIE and YAKOWICZ were present. TORQUATO recalls PHENICIE making the statement "I thought last week you guys almost blew it". At this time, DWYER stated to SMITH and TORQUATO, "The word is on the street you guys are going to make a contribution to my campaign. All bets are off. I don't want a penny."

*Toll  
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SMITH and TORQUATO had a meeting with ASHER in ASHER's office during this period of time and following DWYER's above described comment. ASHER was told DWYER was reneging on the deal. TORQUATO believes ASHER's assistant, McCARTNEY, may have been present at the time. In front of them, ASHER picked up the telephone, called DWYER and ordered him to come directly to his office. SMITH and TORQUATO left through the rear door as DWYER was coming through the front. ASHER reported to SMITH that he "chewed DWYER out". SMITH called TORQUATO and related this to him. TORQUATO advised he then called ASHER at his home about his meeting with DWYER. ASHER told him to stop worrying, that everything would be alright.

The contract awarding the Pennsylvania school district FICA recovery to CTA was signed on May 10, 1984, in the Treasurer's office. The contract was supposedly delivered to DWYER's office by the Attorney General's office on that day but it could not be found. DWYER's secretary finally found the contract and after WILLIAM SMITH had returned to the Treasurer's office, DWYER signed it. TORQUATO advised after the contract signing, SMITH and DWYER walked behind DWYER's desk and started talking about money. SMITH later told TORQUATO that DWYER wanted to know when he was going to get his money. TORQUATO stated he is not certain but PHENICIE may have overheard that conversation.



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TORQUATO furnished the following information concerning his knowledge and recollections of his and WILLIAM SMITH's contacts with the Attorney General of the Commonwealth of Pennsylvania and members of the Attorney General's staff.

TORQUATO advised that slightly before and immediately after CTA was awarded the school district FICA recovery contract, he and BILL SMITH talked about the need for getting an Attorney General's opinion which would bind or commit all the individual school districts to the contract. In effect, they desired to obtain an opinion which would give CTA the sole and exclusive right to make recoveries for all the school districts. TORQUATO advised he was not at all certain this opinion was necessary but SMITH indicated it was. Prior to the contract being signed, TORQUATO and SMITH handcarried the contract to the Attorney General's office and turned the contract over to MICHAEL TRANT, a Deputy Attorney General. The contract was then approved by the Attorney General's staff as to its form and legality.

*Zimmer told Smith that he would take care of the favorable legal opinion.*

SMITH told TORQUATO he had been in touch with the Pennsylvania Attorney General ROY ZIMMERMAN by telephone and had asked for a positive Attorney General's opinion concerning the exclusivity of the Treasurer's contract. TORQUATO believes this contact was reportedly made just prior to the contract signing as there would have been no reason for any earlier contacts. SMITH told TORQUATO he had offered ZIMMERMAN \$100,000 for ZIMMERMAN's campaign in exchange for a positive opinion. SMITH told TORQUATO "ROY says he'll handle it". TORQUATO believes SMITH's first contact with ZIMMERMAN was before the contract was awarded to CTA because of an experience he, TORQUATO, had approximately one week prior to the contract signing. TORQUATO attended the State Republican fund raiser held at the WEST SHORE COUNTRY CLUB in early May, 1984. TORQUATO was standing near the bar talking with (first name unknown) MCCARTNEY an assistant to ROBERT ASHER at the Republican State Committee offices in Harrisburg, Pennsylvania. TORQUATO acknowledged he and MCCARTNEY were talking candidly about the contract when Attorney General ROY ZIMMERMAN walked up to them. MCCARTNEY asked ZIMMERMAN if he knew what they were talking about and ZIMMERMAN acknowledged that he did. TORQUATO stated at that time, he did not know how ZIMMERMAN knew about their efforts to obtain the contract, but he indicated he did know. TORQUATO then told ZIMMERMAN they were having some trouble with DWYER concerning the contract and "you'd think when you bribe the son of a bitch, he'd stay bribed". TORQUATO advised MCCARTNEY laughed out loud while ZIMMERMAN smiled and shortly thereafter walked away. Later, TORQUATO was upset with himself for making that kind of statement in front of ZIMMERMAN.

TORQUATO indicated he is unable to pinpoint SMITH's

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reported contacts with ZIMMERMAN, but recalls SMITH stating he had talked with the Attorney General about the potential exclusivity problem on more than one occasion. On the day the contract was signed or the following day, SMITH stated he had talked to ZIMMERMAN and ZIMMERMAN had directed them to PAT BOYLE, the Attorney General's press secretary. TORQUATO and SMITH met with BOYLE and Deputy Attorney General MICHAEL TRANT at the HARRIS HOUSE RESTAURANT on what he believes to be the afternoon of May 11, 1984. TORQUATO recalls he and SMITH believes they were meeting with BOYLE only and were surprised to see TRANT accompanying him. He recalls TRANT was having pain with his mouth and jaw and may have indicated he had recently been to the dentist and had some work done. TRANT did not do much talking and SMITH and BOYLE proceeded to carry on the discussion. SMITH asked BOYLE for a positive Attorney General's opinion reflecting the Treasurer having exclusive FICA recovery rights regarding his choice of vendor. SMITH offered \$100,000 or a substantial amount of money to ZIMMERMAN's campaign in exchange for the positive opinion. SMITH was selling priority and ended by stating if the positive opinion could be obtained, he was sure his client would contribute \$100,000 or a substantial amount of money to the Attorney General's campaign fund. TORQUATO does not recall whether the figure \$100,000 was mentioned, but if it were not, a substantial amount of money was mentioned. BOYLE was resisting the Attorney General's opinion being given because of the Commonwealth attorney's act and requested SMITH not to put the Attorney General in the fight between the Governor's office and the Treasurer.

TORQUATO returned to his home in California shortly after this meeting. He felt SMITH was still talking to ZIMMERMAN about the opinion. TORQUATO advised SMITH did not tell him he had privately met with BOYLE later and again had offered him \$100,000 for the positive opinion. After the "no opinion" letter dated June 8, 1984, from the Attorney General to the Pennsylvania Treasurer was received, SMITH indicated this might be better than a positive opinion. TORQUATO explained this by stating JOHN WELLINGTON, DWYER's Chief Counsel, was offended by DWYER asking the Attorney General for an opinion on this contract. In addition, WELLINGTON felt SMITH and TORQUATO were not being treated fairly by DWYER in the negotiations for this contract. SMITH felt WELLINGTON would quickly come out with a positive-type opinion which, in fact, he did. TORQUATO recalls telling SMITH they had saved \$100,000. SMITH indicated they would still have to take care of ZIMMERMAN. During this period of time, TORQUATO consulted with JUDY SMITH on numerous occasions and they discussed strategy. TORQUATO described WELLINGTON as a man of integrity. He stated WELLINGTON had nothing to do with any of the bad dealings with

ETA get what it  
wanted from A.G.

Judy Smith  
not posted.

after 7/6  
did



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DWYER. TORQUATO had no arrangements with WELLINGTON and he does not believe SMITH did either. WELLINGTON was very capable of writing a legal opinion, which he did, and was very offended by DWYER asking the Attorney General for his opinion.

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In addition to information previously furnished in the interview, TORQUATO related the following information concerning DAVID I. HERBERT.

*Confidential - info from T-1*

TORQUATO paid HERBERT's expenses to Portland, Oregon, to attend the SSA convention. In October, 1983, HERBERT flew to Newport Beach, California, for several days as a guest of TORQUATO. Both HERBERT and JAMES SCANLON were guests of TORQUATO at the same time in Newport Beach and both stayed at the BALBOA BAY CLUB in Newport Beach as guests of TORQUATO. TORQUATO advised he paid all the expenses for HERBERT on this trip and talked to him about future employment. HERBERT had been very helpful *Early* to TORQUATO in furnishing leads for CTA and as a research person for FICA recovery programs. In *late* 1983, HERBERT began relating his dissatisfaction with his job in Pennsylvania State Government and asked for help from TORQUATO and SMITH in securing a different job. TORQUATO talked to HERBERT about job opportunities with CTA and about future business ventures. *other by* TORQUATO considered *arrange* placing HERBERT's wife on his payroll and talked to HERBERT about it. They discussed this procedure as being a means to get money to HERBERT for the consulting services he had performed for TORQUATO and CTA. He believes they discussed \$15,000 a year. TORQUATO stated he decided against this method of paying HERBERT. TORQUATO indicated he dreamed up a company called COM-MAX INC. and had his attorney, ALAN STONEMAN, file corporate papers for this company in California. He believes in January, 1984, he had STONEMAN send HERBERT a letter with stock options in COM-MAX indicating a \$15,000 buy-back after three years had passed. He instructed STONEMAN to make sure it appeared to come from STONEMAN and not from TORQUATO. During the first part of 1984, up to and including May, 1984, when a contract was signed, HERBERT was considered part of the CTA team. STONEMAN came up with the name "COM-MAX, INC".

*OK*

TORQUATO advised he and SMITH talked about the \$300,000 contribution to DWYER a number of times when HERBERT was present. HERBERT was privy to everything about the dealings surrounding the contract. TORQUATO knows HERBERT was aware of the problems he and SMITH were having with DWYER toward the end of the negotiations for this contract. TORQUATO further recalls a luncheon meeting with SMITH and HERBERT where a discussion was held outlining the involvement of ASHER, DWYER, SHUMAKER and ZIMMERMAN in their pursuit of the contract.

*Herbert becomes Ray witness - knows all about proposed payments to Dwyer, et al.*

On the day the contract was signed, he met with HERBERT at the HARRIS HOUSE RESTAURANT. He told HERBERT he had \$100,000 put aside for him in a Swiss bank account. TORQUATO was not certain what he was going to do about this situation but felt he could find a way to get HERBERT to use the money to buy back



into the business. In addition, TORQUATO recalls a luncheon meeting with SMITH and HERBERT following the awarding of the contract to CTA. During this meeting, the exclusivity problem was discussed along with a monetary offer during the largely unsuccessful meeting with TRANT and BOYLE previously discussed in this interview.

TORQUATO furnished the following additional information concerning ALAN R. STONEMAN. Concerning the \$6,000 plus check sent to ROBERT RADE STONE, President of the Pittsburgh, Pennsylvania, City Council, TORQUATO advised this was a payoff for STONE's assistance in obtaining the FICA recovery contract for the City of Pittsburgh. His instructions to STONEMAN were to keep the check from looking like what it was. He told STONEMAN he had to take care of STONE and he had to do it now. STONEMAN knew very clearly this check was a payoff to STONE. TORQUATO and STONEMAN discussed how the check would be handled. They discussed depositing the check into the account with many other checks and then making it look like a split fee. STONEMAN was aware of whom STONE was and why he was to receive the money. STONEMAN stated he would run the check through his business account. TORQUATO explained the odd amount of the check to STONEMAN. One reason for this amount was to make STONE believe he was getting a legitimate share of the profits, while the other was to simply make it appear not to be a bribe.

TORQUATO had a very thorough discussion with STONEMAN concerning the forming and incorporation of COM-MAX INCORPORATED. TORQUATO instructed STONEMAN to file the corporate papers for COM-MAX in January, 1984. Shortly thereafter, STONEMAN was instructed to send out stock certificates and stock options in COM-MAX to DAVID HERBERT and others in Pittsburgh, Pennsylvania, while not mentioning CTA or TORQUATO in these transactions.

The Allegheny County contract was completed and payment made to CTA in early December, 1983. On the Sunday prior to the Monday when many of the disbursements were made with the Allegheny County money, TORQUATO had asked JANICE KINCAID and ALAN STONEMAN to his home. This meeting ostensibly was to discuss what disbursements were necessary and when, and further, how they were to be made. During this meeting, a theoretical discussion occurred about the traceability of cashier's checks. KINCAID was experienced in banking procedures and she along with STONEMAN were giving advice and counsel. In addition to the discussions, the possibility of running money through escrow accounts was discussed and how that might cover its intended use.

TORQUATO told KINCAID and STONEMAN he had to pay \$102,000 to some people in Pittsburgh for getting him the Allegheny County and City of Pittsburgh jobs. He stated he may have mentioned this to KINCAID prior to this day but believes it was discussed again during this particular meeting. He recalls discussing how he was going to use ED ALLEN and DATA TEN to cover these payoffs. ALLEN later decided not to participate in this but did give TORQUATO some blank DATA TEN stationery. He had related to ALLEN he had to

*This was prior to any offer of bribes in Alle - but Kincaid must have known then that Torquato was offering bribes.*

*Does this make Ed Allen a co-conspirator?*



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take care of some people in Pittsburgh. He then had TORI REES make up a phoney invoice on DATA TEN stationery and place it in the computer. This was to make the two checks totalling approximately \$102,000 appear to be payment to DATA TEN for software development. Sometime later, TORQUATO removed this invoice from the computer. This conversation was primarily to deceive KINCAID as he felt she was starting to want a bigger piece of the action. Later at the same Sunday meeting, TORQUATO took STONEMAN into the den and explained the real purpose of this conversation. He told STONEMAN that he, TORQUATO, was going to get the \$102,000 and the \$76,000 and \$26,000 checks were not to be mailed but given to him. TORQUATO advised these two checks then were placed in his bank account in Zurich, Switzerland.

On July 6, 1984, the Federal Bureau of Investigation (FBI) served a search warrant on TORQUATO's home located at 214 Colton Street, Newport Beach, California. TORQUATO called STONEMAN to his home on that date and had him present before answering any questions. Following the FBI's departure from his home, TORQUATO found the file on COM-MAX INCORPORATED which had apparently been overlooked in the search. This file contained stock options only. He and STONEMAN discussed what they should do with the file. After finding no reason to retain the file, both felt it should be destroyed and it was burned at that time. Later on that day, TORQUATO flew back to Pennsylvania to consult with BILL SMITH and to obtain counsel. While TORQUATO was in Pennsylvania, STONEMAN delivered to TORQUATO's home all the records which had not been subpoenaed. JUDY ELLIS then destroyed these records with STONEMAN's knowledge. He recalls STONEMAN stating that destruction of these records was potentially an obstruction of justice. In addition, STONEMAN hid records in his father's home and agreed to lie about when he actually returned the records to TORQUATO. He was going to state that he returned the records to TORQUATO on June 20, 1984.

When STONEMAN was subpoenaed to testify before the Federal Grand Jury in Pennsylvania, TORQUATO returned to Harrisburg, Pennsylvania, with him. During the trip to Pennsylvania and in subsequent meetings, all of TORQUATO's dealings were discussed with STONEMAN. STONEMAN agreed to lie to the FBI about certain items if asked and eventually took the Fifth Amendment before the Federal Grand Jury. The corporation known as PRODUCTIVITY PERFORMANCE LIMITED held the copyright to TORQUATO's book entitled "Why Winners Win". TORQUATO told STONEMAN this corporation was to be a holding company for a series of interlocking corporations. This corporation was to be a large part of STONEMAN's retirement. *Much later*

*presented the  
was held in a retained  
learning in the  
account was  
phoney for initial  
to pay only.*

*End  
Time*

*for*

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The following additional information concerning JUDY ELLIS was furnished by TORQUATO.

JUDY ELLIS resides with TORQUATO at 214 Colton Street, Newport Beach, California. ELLIS was listed as President of CTA even though she held full-time employment with another company until her resignation in June, 1984. TORQUATO acknowledged CTA was essentially his company and that ELLIS was used to reflect CTA as being a minority-owned company. TORQUATO wrote all of the letters sent out from CTA which were attributed to ELLIS. In addition, either he or ROSEMARY CARROLL would sign ELLIS's name whenever necessary. CARROLL owns and operates the NEWPORT SECRETARIAL SERVICE and handled most of the preparation and mailing of CTA's and TORQUATO's correspondence.

TORQUATO attempted to get ELLIS to resign her job on many occasions. ELLIS is very talented and experienced in the area of computers and is an expert in the development of computer software.

TORQUATO made no attempt to keep his business dealings from ELLIS and used the words bribe and payoff both to and in front of ELLIS. She was very much aware of his way of doing business. TORQUATO had violent arguments with ELLIS about her resigning her job, these arguments intensifying in April and May, 1984. He told her some of what was going on and related he had to put up money for the Pennsylvania contract. As early as late 1983, she was aware that TORQUATO had her cut into the program for 25% of net or approximately one-half million dollars. When they did argue, TORQUATO would point out she stood to make one-half million dollars in the deal.

TORQUATO recalls he and ELLIS having dinner at the LaCAVE RESTAURANT in California when she inquired as to why BILL SMITH was going to get as much money as he was down for. TORQUATO replied SMITH delivered the Republican side of the legislature and he needed him to deliver DWYER. ELLIS was also made aware by TORQUATO of TORQUATO's father's connection with the Democrats in Pennsylvania and SMITH's connection with DWYER and Attorney General LEROY ZIMMERMAN. He also recalls talking to ELLIS about DWYER's so-called doublecross.

On a trip to Hawaii, TORQUATO talked to ELLIS about the absence of any bribes or contributions in his attempt to get the Hawaiian State FICA recovery contract. He told her he felt it was not necessary here and he felt comfortable about having someone on the inside. JOHN RYTTER was hired to find the right person on the inside in Hawaii. Obviously, he did not, as another company was awarded the contract. ELLIS was also very much aware of DAVID



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HERBERT and JAMES SCANLON in Pennsylvania and their importance to TORQUATO in obtaining the FICA recovery contracts in Pennsylvania. ELLIS did, on occasion, talk about becoming independently wealthy, owning a MERCEDES, having a face lift and having more money than she would ever have a chance to earn. She resigned her job in June, 1984, and agreed to travel to Pennsylvania and administer the school district FICA recovery contract along with JUDY and BILL SMITH.

In addition to that information previously furnished in this interview, TORQUATO related the below listed information concerning WILLIAM T. SMITH's wife, JUDY SMITH: JUDY SMITH played a very important role in all the negotiations with respect to CTA's unsuccessful efforts to obtain the FICA recovery contract for the Pennsylvania state employees. She was even more active and important in strategy conducted in their successful attempt in obtaining the award of the Pennsylvania school district FICA recovery contract. [TORQUATO conferred with and reported to JUDY SMITH on almost a daily basis during the period of negotiations with DWYER and after the contract was signed.] TORQUATO met with JUDY SMITH and Senator EUGENE SCANLON at the MAVERICK STEAK HOUSE for a strategy meeting on one occasion. He and JUDY SMITH also met alone at the MAVERICK STEAK HOUSE for another strategy meeting over lunch. On another occasion, TORQUATO and JUDY SMITH were standing in the Capital rotunda talking with (first name unknown) UNGER, an assistant to JOSEPH ORAVITZ, at the Pennsylvania School Board Association (PSBA). Senator EUGENE SCANLON walked over to them at that time and said to UNGER, "You guys are going to work with them, aren't you?" "I'll be upset if you don't". TORQUATO reiterated that JUDY SMITH was very much aware of the money offered to DWYER to secure the school district contract. In addition, she was very instrumental in the planning of the attempts to secure a positive Attorney General's opinion concerning the contract. [She was also present when BILL SMITH related his offer of \$100,000 to Attorney General ROY ZIMMERMAN and later when they discussed their HARPIS HOUSE RESTAURANT meeting with MICHAEL TRANT and PATRICK BOYLE.]

Shortly after the Treasurer signed the contract, BILL and JUDY SMITH, DAVID and BRENDA HERBERT and TORQUATO had dinner at the CASA RILLO RESTAURANT on the West Shore. It was at this meeting when they drafted a letter to (first name unknown) LEMARCA of the Harrisburg School District in Harrisburg, Pennsylvania. This letter was signed by DAVID HERBERT, dated May 18, 1984, and was sent out to numerous Pennsylvania school districts. The letter was intended to communicate the complexity of the FICA recovery and to educate the school districts as to what would be involved in a project of this kind. In addition, and most importantly, the letter was meant to discourage the school districts from attempting the FICA recovery themselves.



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In addition to the information furnished above, TORQUATO related the following additional data concerning his knowledge and experience with Senator JOHN SHUMAKER.

Senator SHUMAKER was involved in several of the strategy meetings involving both the passage of the special State legislation and later the hard negotiations with BUDD DWYER to obtain the school district FICA recovery contract. TORQUATO was present when SMITH told SHUMAKER about the DWYER meeting at the MARRIOTT INN and the "no quid pro quo" story. [In addition, SMITH related to SHUMAKER the later meeting he had with DWYER where DWYER wanted the \$300,000 in a one-third, one-third, one-third manner.] TORQUATO related SHUMAKER was also told about the meeting with ROBERT ASHER, when ASHER became angry and called DWYER to his office. SHUMAKER was present when discussions were held concerning SMITH's contacts with Attorney General ZIMMERMAN and the later unsuccessful meeting with TRANT and BOYLE of the Attorney General's office. TORQUATO advised he cannot say SHUMAKER knew about the \$100,000 offer to ZIMMERMAN's campaign, but is aware SHUMAKER was present when SMITH stated something to the effect he would take care of ZIMMERMAN.

TORQUATO indicated Senator Shumaker's secretary, LINDA (last name unknown), was a very close confidant of SMITH. He was able to call her and determine SHUMAKER's exact whereabouts at any moment and was able to get messages to him quickly. After the investigation became public, TORQUATO did not meet or have contact with SHUMAKER again.

Shumaker denied  
this on witness  
stand.

Does this make  
Shumaker an  
undisputed co-  
conspirator?

Concerning STANLEY RAPP, TORQUATO furnished the following information:

STANLEY RAPP is an assistant to Senator HENRY HAGER, President Pro Tempore of the Pennsylvania State Senate. RAPP further appeared to be a friend and political ally of BILL SMITH. TORQUATO and SMITH had several meetings in RAPP's office, maybe as many as ten, and an occasional lunch with RAPP. SMITH used RAPP as a sounding board and he was basically a strategist. Regarding the planning of the proposed legislation, RAPP was always in favor of handling the school district FICA recovery through the Treasurer's office rather than the Governor's office. On several occasions, SMITH and TORQUATO, in the presence of RAPP, discussed what was going on at the time, including the \$300,000 offer to DWYER and his campaign fund along with the \$100,000 to Attorney General ZIMMERMAN's campaign. TORQUATO advised RAPP also was aware of their attempts to secure the positive Attorney General's opinion with TRANT and BOYLE. In addition to these facts, RAPP knew of SMITH and TORQUATO's contacts and arrangements with ROBERT ASHER, Pennsylvania State Republican Chairman.

TORQUATO indicated an individual having the last name of PETRONE was in and around RAPP's office on occasion and may have overheard some of their discussions. He believes PETRONE was present when DWYER's "no quid pro quo" story was related.



MARK PHENICIE is a Deputy Counsel to the Pennsylvania Treasurer, R. BUDD DWYER. TORQUATO related the following information concerning PHENICIE in addition to that previously furnished and set forth above:

TORQUATO indicated most of the information he has concerning PHENICIE was related to him by BILL SMITH. SMITH told TORQUATO he had met with PHENICIE a number of times and PHENICIE would remark "You guys are going to make a lot money in this." SMITH stated he had promised PHENICIE they would take care of him and indicated PHENICIE knew about the contribution to DWYER's campaign and what was happening.

*Knew something - Didn't know <sup>9</sup> it out.*

TORQUATO stated he had no direct knowledge of these contacts and conversations with PHENICIE as he was not present when these conversations occurred. His information concerning PHENICIE is attributable only from statements made to him by SMITH.

TORQUATO advised he is not aware directly that VINCE YAKOWICZ, a Deputy Counsel to the Pennsylvania Treasurer, was aware of their deal with DWYER concerning the Pennsylvania school district FICA recovery contract.

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(First name unknown) MCCARTNEY is described by TORQUATO as being an assistant to ROBERT ASHER, the State Republican Chairman. He was further identified and introduced as the son of a former Pennsylvania State Police commissioner. MCCARTNEY was present on at least two occasions when SMITH and TORQUATO met with ASHER. He was present when they discussed the \$300,000 contribution to DWYER and how ASHER demanded it be handled through the Pennsylvania Republican State Committee. He was also present when SMITH and TORQUATO related to ASHER the serious problems they were having in their negotiations with DWYER. At this meeting, ASHER picked up the telephone and ordered DWYER to come to his office. In addition, MCCARTNEY was present when TORQUATO made the bribe statement to Attorney General ZIMMERMAN at the Republican fund raiser held at the WEST SHORE COUNTRY CLUB in early May, 1984. MCCARTNEY was obviously a supporter and assistant of ASHER's in these meetings but offered very little in the way of advice and counsel.



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TORQUATO met JOHN RYTTER in the summer of 1983, through a social acquaintance, PAT FERRELL. RYTTER owns a company known as CENTURY HILL FINANCIAL INCORPORATED in Los Angeles, California. RYTTER played money broker to the Democratic party and had his political connections through the National Democratic Chairman CHARLES MANNET. RYTTER would find a bank in financial trouble and determine the rate for which he could sell them money. He would then approach those in charge of the political retirement funds and convince them to sell money to this financially troubled bank. He would make his money by quoting a percentage rate slightly higher to cover his profit.

RYTTER is not as close to MANNET as he would like people to believe. He does some work for MANNET primarily as a "bag man" for the Democratic Party.

*PAT Ferrell  
RYTTER met him then 3/4*

TORQUATO arranged to have lunch with RYTTER and thereafter interested him in CTA and the FICA recovery business. They struck a deal and TORQUATO agreed to pay RYTTER 50% of the net profits for any FICA recovery business he, RYTTER, generated. RYTTER thereafter set up two meetings to which both RYTTER and TORQUATO travelled. One meeting was the national convention for secretaries of state which was held in North Dakota and the other being the Democratic National Committee meeting held in Detroit, Michigan. On both occasions, TORQUATO would make a presentation explaining the business of FICA recovery and CTA's expertise in conducting these recoveries. RYTTER then would explain how CENTURY HILL FINANCIAL INCORPORATED and CTA would contribute to the Democratic National Committee if FICA recovery contracts were received from their respective states. He would also explain how these contributions would find their way down to them through their state organizations. TORQUATO related the only business actually generated by RYTTER was the FICA recovery conducted at the VALLEY PRESBYTERIAN HOSPITAL in California. TORQUATO actually paid RYTTER slightly more than \$3,000 for his split of the net profits in this job. TORQUATO admitted he shorted RYTTER on his fee for this contract. RYTTER took TORQUATO to a national Democratic fund raiser held at the BEVERLY HILLS HOTEL where TORQUATO was introduced to MANNET and several Democratic governors whom he later used or attempted to use to gain entry to states, counties and municipalities where FICA recovery was feasible.

*RYTTER*

*NO MANNET in Detroit.*

TORQUATO and RYTTER travelled to Hawaii in an attempt to obtain the state employees FICA recovery contract. JUDY ELLIS accompanied TORQUATO on at least one of these Hawaiian trips and worked on the Hawaiian proposal with him. TORQUATO stated he entered a bid proposal for the Hawaiian contract which was really too low to show much profit. He stated he did not offer any money or promises

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of contributions for this job as RYTTER indicated he was connected and would handle that end of the negotiations. TORQUATO did not know who RYTTER's contact was or what he intended to offer. Hawaii had demanded a performance bond which did not please many of the competing companies. A company known as OLD DOMINION was awarded the contract but TORQUATO is not certain the job was ever completed.

TORQUATO advised he and RYTTER made several trips to Texas in an attempt to secure that state's FICA recovery contract. RYTTER made the contact with one ELAINE POWELL in the Texas Governor's office who set up an appointment for them to meet with FRED MILLER of the State Social Security Administrators office. From the very beginning, MILLER was against the FICA recovery process and was making very arbitrary decisions concerning the description of sick leave. He recalled making contact with a man in the Governor's office, whose name he does not now recall, and relating to him the problems they were having with MILLER.

On one trip to Austin, Texas, TORQUATO and RYTTER met with an attorney identified as GEORGE BRISTOL at which time TORQUATO made a technical presentation concerning FICA recoveries. BRISTOL ended up referring them to another lawyer, whose name he does not now recall, after stating he had a conflict. TORQUATO recalls flying to Texas for lunch with a man from the Governor's office on one occasion. He related to this individual about how CTA conducted FICA recoveries, the amounts of money which could be recovered and the possibilities of political contributions for the party. RYTTER and TORQUATO later on a Saturday, flew to Austin to meet with the lawyer to whom they had been referred by BRISTOL. TORQUATO advised he and RYTTER gave this individual the full "pitch" package which included a complete discussion of FICA recovery, amounts expected in recovery contracts, legislation, money to be contributed to the Democratic party, legal fees, consulting fees, etc.

RYTTER knew ANN RICHARDS, Treasurer for the State of Texas. RYTTER and TORQUATO had approximately the same conversation with her as related above, in that she was made aware of money being available for the Democratic party if CTA was awarded the contract. RICHARDS acknowledged the offer but outlined the problems the Texas State Government had with the divisions of "turf". She outlined approximately 7 different groups in state government which Governor MARK WHITE was trying to hold together. In the end, CTA did not get the contract and TORQUATO believes the FICA recovery has not been conducted to this date. TORQUATO obtained the Travis County, Austin, Texas, FICA recovery contract through very normal procedures, without any promise of money or political contributions being made. This county contract was subcontracted to BILL JOHNSON and a company known as SRI in



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Pittsburgh, Pennsylvania. TORQUATO later received a letter pulling SRI and JOHNSON out of the project completely.

Concerning their attempts to sell CTA and the FICA recovery business in Minnesota, TORQUATO advised RYTTER had met the State Treasurer of Minnesota, BOB MATTSON, at a national convention. RYTTER stated MATTSON liked the "pitch" and indicated Minnesota would be interested in CTA's FICA recovery program. MATTSON referred them to JAMES LORD, Attorney-at-Law, Minneapolis, Minnesota, and formerly the Minnesota State Treasurer. While meeting with LORD on this matter, campaign contributions were discussed at length. RYTTER assured LORD that should anything go down, it would be between LORD and MATTSON. RYTTER had a contact he used in Minnesota who was either a national or state committeewoman who was bird dogging for CTA in Minneapolis, St. Paul and Hennepin County, Minnesota. LORD reportedly made a campaign contribution to the chairman of the Hennepin County commissioners who was running for the State Senate.

TORQUATO stated CTA received no contracts in Minnesota for a number of reasons. The problems consisted of the State Social Security Administrator, JAMES LORD's civil action filed against the State of Minnesota and an adverse Attorney General's opinion on FICA recovery in that state. MATTSON was the requestor in this matter and TORQUATO believes that may have been the reason a final and direct "no" was received on a proposed state FICA recovery contract by CTA.

TORQUATO met New Mexico Governor, TONY ANAYA, and Arizona Governor, BRUCE BABBITT, at the Democratic fund raiser he attended with RYTTER at the BEVERLY HILLS HOTEL. He did not go to Arizona or New Mexico in pursuit of FICA recovery work, but believes RYTTER made personal contacts with both in unsuccessful bids for their respective state contracts.

TORQUATO was not personally involved in the attempts to obtain the FICA recovery contract in Fairfax County, Virginia. TORQUATO did talk to a BEVERLY SCOTT in that county, but RYTTER felt he had a county commissioner "wired". This project ended with no contract in Fairfax County as the county decided to solicit bid proposals. TORQUATO lost confidence in RYTTER about this time. RYTTER offered to travel to Pennsylvania and contact Pennsylvania Governor, RICHARD THORNBURGH, or State Legislator, DONALD BAILY, in an effort to assist CTA in their FICA contract negotiation. TORQUATO did not accept this offer as he wanted RYTTER out of his organization. TORQUATO informally broke his relationship with RYTTER when he determined RYTTER was also dealing with a competing FICA recovery company known as WESTERN ASSURANCE. He formally broke his connections with RYTTER after the Pennsylvania contract was signed.

PEN. NAT. BANK

XET

CTA LTD  
PH 1340-361

CTA INC

JAMES SCANLON

SEN. GENE SCANLON

JOAN PIERCE

BILL SMITH

JUDY SMITH

(INC) APPLIED SOFTWARE SYSTEMS

BUD DWYER

OUTSIDE PARTNERS

OTHERS

EGIDIO CERILLI

JAMES MANDERINO

AL BENEDICT

11/19, 20, 23,

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On

SCHOOL DIST K

TORQUATO was furnished several of the computer printouts which reflected his calculations as to anticipated costs and profits concerning the FICA recovery contract for the Pennsylvania school districts. He explained the figure of \$300,000 earmarked for "our guy" or DWYER under the listing of outside partners never changed but remained constant. He stated the total of \$600,000 total designated for outside partners remained basically the same but the individual amounts changed as he experimented with different amounts for "others". He stated basically "others" were the same people. On one printout, the figure for "others" rose to \$350,000 or an \$50,000 increase over the other printout figures. He advised this figure increased after he had met with and listened to EGIDIO CERILLI's demands for contributions to JAMES MANDERINO and AL BENEDICT. He explained on the last spread sheet "others" referred to MANDERINO, BENEDICT and CERILLI.

SCHOOL DIST. K

When the investigation became public, TORQUATO talked to JIM SCANLON who told him to cancel his trip to California and to cancel GENE SCANLON's car for the Democratic National Convention. TORQUATO called JOAN PIERCE of the AAA of California who cancelled Senator SCANLON's car, JIM SCANLON's trip reservations along with the reservations at the BALBOA BAY CLUB in Newport Beach, California.

SCHOOL DIST K

When TORQUATO had reservations as to how the \$300,000 might be passed on to DWYER, he instructed BILL and JUDY SMITH to incorporate a company in Pennsylvania he called APPLIED SOFTWARE SYSTEMS, INCORPORATED. This was done in June, 1984. He stated this company was a shell company which was never needed or used. He stated he had the company incorporated in Pennsylvania in case it was needed as a vehicle for getting money to DWYER. He indicated the SMITHs were not told why this company was formed or what its intended use might be.

SCHOOL DIST K

TORQUATO furnished bank records obtained when CTA opened a new account at the PENNSYLVANIA NATIONAL BANK in Harrisburg, Pennsylvania, for their use when the FICA school district recovery project needed money for its operation. He turned over four signature cards for the opening of a general account and four signature cards for a payable account, all signed by JUDY ELLIS and WILLIAM T. SMITH. TORQUATO advised these accounts required three signators and the third signator was to be JUDY SMITH. TORQUATO further furnished XET checks number 238 and number 239 in the amounts of \$2,000 and \$3,000 respectively both marked void. These checks were made payable to CTA, INC., signed by TORQUATO, marked as a "loan from CTA, LIMITED, to CTA, INC."