

Dwyer holds a masters degree in education, was in House 1964, 66, 68; Senate 1970, 74, 78. Became state treasurer in 1980. Took law degree in 1978.

The largest campaign contribution he ever received was \$5,000 from a teacher political action committee. His committee raised about \$500,000 in his 1984 reelection campaign. This was raised over a four-year period. His spendable fund was \$375,000, plus he borrowed, and has a slight debt. Don Johnson kept the finance records for his last campaign.

The Republican State Committee budgeted about \$40,000 for Dwyer's campaign, either in cash or in-kind.

State committee did not threaten or suggest withholding any money or support in his 1984 campaign.

Dwyer said he had no knowledge about how the lunch at Cafe Maurice with Smith and Torquato was arranged or who invited him. Smith and Torquato, he said, showed him a draft bill, which named the treasurer's office to recover FICA taxes at the lunch. They told him the bill would be introduced. This was in February. He had heard of the legislation as early as Jan., 1984.

"It was very desirable and a positive thing for me to do," in recovering the \$20 million to \$40 million back. "It was very desirable for me to send out checks to 200,000 people." "I had all my lawyers with me, Mr. Phenicie, Mr. Wellington and Mr. Yakowicz.

Sen. Gene Scanlon was mentioned as a possible sponsor of the legislation.

Dwyer said he played a small role in the ultimate prosecution of John Torquato Sr., in the mid-1970s. His staff checked out John Torquato, Jr., he said, and found nothing bad about John Jr., in the Johnstown area.

Dwyer said there was no mention of any campaign contributions at the Maurice meeting.

"I am not sure how the breakfast was arranged on March 2," Dwyer said. Dwyer was in Harrisburg because of AFSME meetings. On March 1 he was advised that breakfast was set up by his secretary. "It was a nusciance meeting as far as I was concerned."

"I expected to find Welington and Yakowicz at the meeting, as well as Smith and Torquato, he said. He knew that Phenicie was with his father who was ill.

"There was a controversy between me and the governor. I was

concerned to get that settled. I agreed with my auditors that the vouchers were returned for Mrs. Thornburgh's travel. I became a door-matt in the thing. We did the right thing. The media had picked up on it."

In the meeting room at the Marriott, the amendment had been written that had to do with school districts having an approved plan for sick leave.

"I don't remember anything else being discussed at the breakfast. (Were any campaign contributions offered that day at the breakfast?) "Absolutely not.," Dwyer answered. "They were asking me to make inquiries on the amendment."

"Did anyone offer you substantial campaign contributions in return for FICA overpayment recovery?" Carroll asked.

"No," Dwyer answered.

In March, 1984, Dwyer said, he had maybe one meeting with his staff around middle of the month; the bill was discussed, and his staff thought that it would pass. "I don't recall any calls from Smith or Torquato" during the rest of March, he said. "I may have appointed the task force at the mid-March meeting."

In April, Dwyer said, he remembers one meeting in which Smith and Torquato attended. Torquato was wanting to do the FICA recovery work. Initially, it was a verbal proposal. There was no mention of any campaign contributions.

Dwyer said it was his idea to get PSBA involved, and he asked Joe Oravitz to attend a meeting. "I was delighted when I heard that PSBA wanted to do the FICA recovery," Dwyer said.

Dwyer said the task force kept him informed orally and by memo. "Many memos," he said.

Dwyer said that after Oravitz saw he could not do the job, he asked the task force to research which firm in Pa. could do the work.

Dwyer said the task force determined that there was only two firms in the state which could do the work. "This was a surprise to me," he said.

Dwyer said his task force decided that CTA was the superior proposal. "The bottom line was that it was a sound proposal because of the interest earning factor."

Dwyer said he asked Wellington to wrap it up before Wellington was to leave on vacation on May 4, 1984.

During an early meeting with task force on May 4, Dwyer said, Wellington had made decision to go with CTA.

"That weekend," Dwyer said, "I went over the contract. I thought there was too much money in the contract. I didn't know about the per capita costs, but I thought the bonus of five percent was too high. I cut it down to one percent, which costs CTA more than \$1.6 million."

Phenicie, Dwyer said, told him Torquato had \$300,000 in fat in the contract. "This fellow was padding the proposal and admitting it. I begin work to tighten up the contract. I negotiated it down to one percent bonus. I then instructed Phenicie to give Lawrence a review of the contract."

Dwyer said he was told by Wellington that Torquato's profit was only one percent.

Torquato, Dwyer said, told him that he was only the peddler. He said he had to call Judy Ellis for her approval. Torquato said contract was very important so he could get additional business in the East.

"We took away a possible \$1.6 million by reducing the 5 percent to one percent," Dwyer said.

Dwyer said he finalized the agreement on May 10. "I signed it with all the changes," he said.

Dwyer said that Smith said that he wanted to have a fund raiser or help my campaign in some way after the contract was signed. He said he told Smith absolutely not. "I wanted no contributions associated with that contract. And I so instructed my staff. I wanted to distinguish myself for the election."

Dwyer said he told Smith that "I wanted no contribution associated with the contract." He said he told both Phenicie and Don Johnson about not accepting any campaign contributions associated with the contract.

"I told the task force," Dwyer said, "that if it was six of one and half a dozen of the other, I thought CTA should get the contract because they had made Pa. aware that a possible \$40 million was available from the federal government."

Dwyer said he, himself checked out CTA. I put in calls to several of the private firms who had contracted CTA to do FICA recovery. Continental Group had been a big job, and they spoke highly of CTA. I talked to Ron Schmeiser, who was very favorable to CTA," Dwyer said.

In the end, Dwyer said, "it was information from Herbert that tipped the scales in favor of CTA. Herbert told two members of the task force that CTA methodology could be certified instantly." The other firm, Arthur Young would take six months to two years, he said.

Dwyer said that during a meeting at State Committee, Asher

asked about CTA. Asher said that Smith had asked Asher to lobby for CTA. Asher asked Dwyer to tell Smith that Asher had asked, "so I can keep Bill off my back," Dwyer quoted Asher as saying.

(Did he ever again speak to you about CTA?) "No, he did not," Dwyer answered.

Dwyer said his first "inkling that anything was wrong was on July 6, when the FBI showed up and began asking questions."

Dwyer said that in the last week of June, a friend told him on June 28 or 29 that he was told Benedict was to use FBI in a campaign smear against Dwyer. Dwyer said he called Bill Sanko on July 2, and Sanko alerted the FBI about Benedict smear. On July 6, after lunch, the FBI was there. He thought it was prompted by the smear scheme. After the FBI interview, he concluded that there was something wrong with the CTA contract. Dwyer said the following Monday his office turned files over to the FBI. There was a second FBI interview he said on July 16.

On July 9, Dwyer said, he met twice with Smith. Smith told him that he had been interviewed by FBI, along with Torquato and others, and that he had learned from Torquato that Torquato had given false figures of costs, and that some people Torquato had mentioned as CTA employees, were really not employees.

Dwyer said he and his staff had a meeting, and decided to cancel the contract because it was based on fraud. Smith returned with Gephart and requested a delay in contract cancellation. Dwyer would not agree, but permitted CTA to "withdraw" from the contract. "I left that in the hands of Yakowicz," Dwyer said.

On cross, Dwyer said that at the Feb. 27 meeting at Maurice Cafe that either Smith or Torquato mentioned that Manderino supported the legislation, as well as Scanlon. Dwyer said he told the FBI on July 16 that one of the men had mentioned these names as supporters of the legislation.

Asked by West if he told Smith and Torquato, "no quid pro quo" at the breakfast meeting, Dwyer said "Absolutely untrue. It is not a term I commonly use."

Asked by West if he told Smith and or Torquato \$100,000 three times, Dwyer said, "That's even more ridiculous than the other allegations."

Asked why his staff picked CTA for \$4.8 million instead of Arthur Young with a cap of \$2.8 million, Dwyer said that "they told me their criteria and why they reached their conclusions. I accepted that."

Dwyer said the immediate credit was the most important factor. Those two words, however, are not in the contract. West pointed out. "We knew that Arthur Young could not get immediate credit."

Three times Judge Muir admonished Dwyer to answer the questions from West concisely. "Read back the question," Muir ordered at one point, "and then you answer it with a single yes or no."

Dwyer said that after contract was signed, Smith made a "generic" offer to help his campaign. West pointed out that during FBI interviews on July 6 and July 16, Dwyer told the FBI that Phenicie was present when Smith made the campaign help offer.

Dwyer told the grand jury he wanted no help from Smith. "I did not want any further talk about such help. I wanted to make sure we accepted no contributions connected with that contract or any other contract. I conveyed this to Mr. Phenicie and Mr. Johnson."

(Did you tell your staff to withhold RFP information from the U.S. Attorney and the FBI?) "Yes, to protect myself because there are confidential figures in the proposals."

Dwyer said that Asher did not tell him what company to pick for the contract, but wanted him to know that Smith was "bugging" Asher to lobby for CTA.

(Did you tell Asher that you wanted no money from the CTA contract?) "I don't think any such subject came up while I talked to Mr. Asher."

(Do you know how school districts are going to collect FICA money?) "No, I don't. Mr. Knepper said he was waiting on an attorney general opinion. The AG must rule on whether the state has blanket sick pay plan."

Dwyer said that weeks after the contract was signed, he received letter from Bittenbinder which was "confusing." "It was meant as a shot at me because of the situation between me and the governor. His letter is full of inaccuracies -- we knew he was wrong. The data was at one place on one computer tape for state employees. The magnitude of the problems was that our endeavors was 612 times bigger than Bittenbinder's."

Dwyer said that he was very sensitive about contributions because he was an "underdog" in the election against Benedict, and he believed that one little criticism could tip the balance."

-- 30 --