

IN THE DISTRICT COURT OF THE UNITED STATES OF AMERICA FOR THE WESTERN DISTRICT OF
MISSOURI WESTERN DIVISION

United States of America,
Plaintiff,

vs

Matthew S. Murray,
Defendant.

MO. 14652

OPENING STATEMENT OF MAURICE M. MILLIGAN, UNITED STATES ATTORNEY, OF THE
GOVERNMENT'S EVIDENCE

The indictment in this case charges in five counts wilful attempts to evade and defeat income tax due the Government for the years 1934 to 1938, inclusive, as provided by Section 146, Title 26, U.S.C.A. The defendant duly filed a return for each of the years herein mentioned with the Department of Internal Revenue.

Defendant Murray was Appointed Director of Public Works for the City of Kansas City, Missouri, in May, 1926, and continued in such capacity until June, 1939. June, 1935, the defendant, while acting also in the capacity of director of Public Works, was appointed State Administrator of the Works Progress Administration, and continued in said capacity until August, 1939.

The indictment charges that for the year 1934 the defendant reported income of no amount taxable to the Government, while the indictment charges that he received taxable income for said year of 1934 in the sum of of 15,306.25; he therefore evaded taxable income in the amount of \$15,606.25.

The indictment charges that in 1935 the defendant reported a net income in his return of the mount of 3,500.35, but that he actually received a net income taxable under the law in the sum of \$14,576.88; therefore, it is charged that for the year 1935 the defendant evaded income tax on the amount of \$11,076.03.

The indictment charges that la the year 1936, while the defendant reported in a return made to the Government that he had received a net taxable income in the sum of \$6,522.24, in truth and in fact he actually received a taxable income of 12,650.52; thereby failing to report a taxable income of \$6,128.23 for said year.

The indictment charges that for the year 1937 the defendant reported a net taxable income of 4,373.27, while in truth and in fact the defendant received a net taxable income in the sum of \$20,665.27. Thereby the indictment charges that he failed to report the sum of \$16,292.00 for said year of 1937.

The indictment also charges that in 1938 the defendant, while he reported a net taxable income in the sum of \$6,732.04, in truth and in fact received a net taxable income in the sum of \$27,321.28; that he thereby failed to report and pay a tax on the net sum of \$20,589.24.

The evidence will disclose that for the years 1934 to 1938, inclusive, the defendant reported net income to the Government of only 21,128.40, while in truth and in fact the defendant had received net taxable income for those years in the sum of \$90,820.20; thereby the defendant failed wilfully refused, to report to the Government during the years 1934 to 1938, inclusive, the sum of \$69,691.80 above the amounts he had so reported.

The indictment alleges that for the years 1934 to 1938 inclusive, the defendant paid a tax in

a total amount of \$248.24; that in truth and in fact he owed to the Government for those years a tax of \$6,825.52; and that by said false and fraudulent returns he had defrauded the Government out of the sum of

The evidence will disclose that for many years the defendant by training was a civil engineer, and as such had been employed by the State Highway Department in the construction and building of roads and highways in Missouri; that at a later date he was Director of Public Works of Kansas City, Missouri, and that he had attained distinction as an engineer. He occupied a position of distinction as Administrator of the Works Progress Administration for the State of Missouri, in such positions he had charge of the construction of many public buildings and other projects. In both of these capacities he was in charge of the spending of millions of dollars of public funds, and therefore knew the value of keeping exact and careful records of the same. But the evidence will disclose that he did not maintain any records of his personal financial transactions. The evidence will further show that virtually the only records he had of any of his business transactions for these years in question were merely the bank records kept by the bank itself of his accounts. But as a matter of fact his handling of his personal financial transactions was of such character that the only logical conclusion that could be drawn therefrom is that it was for the purpose of concealing and covering up receipts and expenditures. The evidence will disclose that he handled yearly large amounts of currency and cash, and that his expenditures were to a large extent made by way of cash and currency. It should be borne in mind that the matters spoken of here of the expenditures made were above and over the anal salaries that he received from the city and the government

Another interesting fact which will be detailed to you in the evidence is that the defendant maintained a safety deposit box in the Commerce Trust Company, a banking house in Kansas City, Missouri. It is noteworthy that on the majority of the dates that he made expenditures of cash or currency, the records disclose that entry was made in his safety deposit box on the same dates. The evidence reveals that when he made deposits of currency to his banking account or his brokerage account and paid loans as a general rule he had likewise entered his safety deposit box on said occasions.

To illustrate to the Court the point relative to this character of testimony, I desire at this time to show the Court by dates and testimony that will be adduced relative thereto. As to cash deposits made during the series of years from 1934 to 1938, inclusive, into the banking account of defendant Murray, as typical of this testimony I refer to the following deposits made in cash to the banking account for the year 1934:

Date	Amount	Deposit Box Entered
January 18	\$ 470.00	Yea
March 9	40.00	Mo
April 11	400.00	Yes
April 20	180.00	So
May 18	100.00	Yes
June 6	200.00	Yes
July 3	200.00	Yes
Sept. 12	1,000.00	Yes
TOTAL	\$2,590.00	

Also for the year 1936:

Late	Amount	Deposit Box Entered
January 20	\$ 140.00	Yes
February 1	500.00	No
TOTAL	\$640.00	

Also for the year 1937:

Late	Amount	Deposit Box Entered
April 17	\$ 1,860.00	Yes
June 14	200.00	Yes
July 12	250.00	Yes
Aug. 7	2,000.00	Yes
Oct. 18	1,500.00	Yes
Nov. 22	700.00	Yes
Nov. 29	300.00	Yes
Dec. 6	420.00	Yes
Dec. 20	1,200.00	Yes
TOTAL	\$ 8,430.00	

And for the year 1938:

Late	Amount	Deposit Box Entered
April 16	\$ 1,100.00	Yes
Sept. 26	1,400.00	Yes
TOTAL	\$2,500.00	

The above refer to cash deposits that were made by defendant into his banking account. I wish also to call to the attention of the Court that during the said series of years from 1934 to 1938, inclusive, defendant made certain payments on loans he owed the bank; that typical of this character of testimony it is shown by the following dates and amounts that he also entered his safety deposit box on the majority of these occasions. For the year 1934 the records will show the following payments on loans were made, and will also show that Mr. Murray entered his safety deposit box on those pertinent dates, as follows:

Loan Number	Date Payment	Amount	Box Entered
44184	January 18	\$ 400.00	Yes
46211	April 18	600.00	Yea
48369	July 27	500.00	Yea
50164	November 1	500.00	Yea
TOTAL		\$2,000.00	

for the year 1936 the records will show as follows:

Loan Number	Date Payment	Amount	Box Entered
-------------	--------------	--------	-------------

64768	August 29	500.00	Yes
67111	December 4	500.00	Yes
TOTAL		\$1,000.00	

for the year 1937 the records will show as follows:

Loan Number	Date Payment	Amount	Box Entered
76224	October 18	\$ 500.00	Yes

For the year 1938 the records will show as follows:

Loan Number	Date Payment	Amount	Box Entered
79098	January 18	\$ 500.00	No
81604	April 18	500.00	Yes
83026	May 31	1,000.00	Yes
83636	June 7	500.00	Yes
84189	July 18	500.00	Yea
84263	May 16	1,000.00	Yes
86869	October 15	500.00	Yes
TOTAL		\$4,500.00	

The evidence discloses relative to cash transactions that during these years from 1934 to 1938 inclusive, he deposited in cash or currency, to his bank account the sum of \$15,060. During the years 1934 to 1938, he deposited \$8,075 in cash or currency to his stock brokerage account. During the years 1934 to 1938 inclusive the sum of \$9000 in currency was used as a reduction of notes payable to the Commerce Trust Company. During said year he expended currency in the amount of \$3876 in the purchase of bonds at the Bond Department of the Commerce Trust Company. That he paid off loans in the sum of \$4,536.25, in cash to the J. F. Houlehan Realty Company during said years. During the years he made loans in cash to the Marshall-Penn Company in the amount of \$4300. During said years he purchased Guaranty Mining and Royalty Company stock from Victor J. Silliman for cash in the amount of \$1600.00. He made investments with the Dover Drilling Block Company, an Oklahoma Oil Syndicate, for cash paid to Leroy J. Schneider, in the amount of \$1762.49. During the years involved, 1934 to 1938 inclusive, there were payments made to the account of Matthew S. Murray at the Jaccard Jewelry Company, in cash in the amount of \$564.21. During these same years cash contributions to the Democratic Campaign committee amounted to \$3600. Relative to cash expenditures, the evidence will further disclose that \$1100 was used to purchase cashier's and treasurer's checks at the Commerce Trust Company at Kansas City, Missouri. That during the years of 1934 to 1938 inclusive he handled through his dealings a total of \$53,473.46 in cash.

The evidence will disclose that in both his official capacity as Director of Public Works and that of administrator of the W. P. A. for Missouri, he was incharge of many construction projects, that in said capacity he had various business deals with the Boyle-Pryor Construction Company, the Dixie Machinery and Equipment Company, the Missouri Asphalt Products Company, of which John J. Pryor was an official, and as owner of a large amount of the stock therein. That in such capacity during the years 1934 to 1938 inclusive he also had many

business dealings with the Ready-Mixed Concrete Company, the Midwest Paving Company, the Midwest Pre Cote Company, of which Thomas J. Pendergast was a large owner of the stock of said corporations. The evidence will disclose that Edward L. Schneider was secretary and treasurer of said Ready-Mixed Concrete Company, Midwest Paving Company and the Midwest Pre Cote Company.

The investigation reveals and the evidence will show in this trial that in 1934 on one occasion he received from John J. Pryor the sum of \$3800 in cash. In 1937, on another occasion he received the sum of \$4000 in United States Treasury Bonds from the said John J. Pryor. The investigation revealed and the evidence will show that in 1935 he received a cashier's check in the sum of \$2000 from Edward L. Schneider as well as many payments in cash during said years from 1934 to 1938 inclusive.

The evidence will show that beginning shortly after the organization of the Boyle-Pryor Construction Company, the Dixie Machinery and Equipment Company and the Missouri Asphalt products Company, all of which were owned in practically their entirety by the late William D. Boyle and by John J. Pryor, were favored by Murray in his official capacity in the awarding of contracts in the purchase of materials and in the hiring of equipment.

The evidence will show that the city charter of Kansas City, Missouri provided for open unrestricted and competitive bidding on all contracts to be awarded where the cost of the work to be done amounted to \$2500 or more, and that to evade the express provisions of the charter, defendant Murray, by virtue of the authority conferred upon him by the charter as director of Public Works, adopted a subterfuge of breaking up the costs of construction work and improvement work undertaken by the city and coming under the control of his department, into purchase orders for less than \$2500.00.

Illustrations of this will be shown in connection with the work done on the Brush Creek Sewer Improvement in Kansas City, on the Gillham Road Sewer and the construction of the Municipal Airport of Kansas City, Missouri.

The work at the Kansas City Municipal Airport was a joint enterprise of the city of Kansas City, Missouri and the W. P. A. It will be shown that the concrete materials purchased by the City of Kansas City were not purchased in accordance with the provisions of the charter but were purchased from the Ready-Mixed Concrete Company for which Edward L. Schneider was secretary and treasurer, on purchase orders under \$2500.00, and that the total amount of the cost of the material so purchased from the Ready-Mixed Company by the city of Kansas City, Missouri, through the Public Works Department, was approximately \$289,000. None of the concrete materials purchased by the city in the construction work at the Kansas City Municipal Airport was purchased by bids invited from material companies as provided for by the express terms of the Kansas City charter.

The evidence will show that during a period of from 1932 to 1938 inclusive, the Ready-Mixed Concrete Company was paid by the City of Kansas City, Missouri, through the Public Works Department of which defendant Murray was director, upon purchase orders in the manner heretofore described, a total sum of \$1,400,000 and that in none of these purchases was there any competitive bidding as provided by the Charter.

The evidence will also show for the same period of time that the city of Kansas City, Missouri, through the Public Works Department, the Dixie Machinery and Equipment Company, the Boyle-Pryor Construction Company and the Missouri Asphalt Products Company were paid

a total of \$2,300,000 upon purchase orders as hereinbefore described and without any competitive bidding whatever. The evidence will show that in construction work upon projects undertaken by the W. P. A. in the Kansas City District of the State of Missouri, that Ready-Mixed Concrete was used on every possible occasion and that the regulations of the Procurement Division of the Treasury Department provided that if plant mixed concrete was to be used the State Administrator of the W. P. A. must set forth in writing the reasons for the use of the same. In this connection the evidence will show that at the Kansas City Municipal Airport, the defendant Murray gave as his reason in writing to the Procurement Division of the Treasury Department for the use of Ready-Mixed Concrete, & statement that congested conditions at the site of the work precluded the mixing of concrete there.

The evidence we believe will conclusively show that during the years mentioned in the indictment defendant at Murray extended to these various companies heretofore mentioned immense favors to contracts in complete disregard and derogation of the direct provisions of the City Charter. That in granting of these favors he virtually eliminated all competition in purchase of materials and supplies by the City in the construction of public buildings, streets and other improvements within the City of Kansas City, during said years.

Not only within the scope of defendant Murray's influence as Director of Public Works in Kansas City, Missouri, but elsewhere, wherever he was able to exert influence, the same favoritism towards the Ready-Mixed Concrete Company, the Boyle- Pryor Construction Company and other affiliated companies was shown.

I have heretofore mentioned that the evidence will show that at one time the defendant Murray was a high-ranking engineer in the Missouri State Highway Department. After his retirement from that position and while he was Director of Public Works for Kansas City, Missouri, the evidence will show that he approached members of the State Highway Commission and Mr. Thomas H. Cutler, the Chief Engineer of the State Highway Commission, all members of the State Highway Commission, and solicited the awarding of contracts to the Boyle-Pryor Construction Company for highway construction upon highways being built in Barry County, Missouri, and McDonald County, Missouri, during the year 1933.

The evidence will show that the Boyle-Pryor Construction Company began work upon the construction of highway units on State Highway No. 37 and United States Highway No. 71, located respectively in Barry and McDonald Counties, Missouri. It will be in evidence that these contracts were irregularly awarded to the Boyle-Pryor Construction Company; first, in that invitations for bids were not advertised in the counties where the highway construction was to be done, and second, that in violation of the Missouri statutes, which provide that in any one contractor the unit of construction shall not exceed five miles, the unit of construction awarded the Boyle-Pryor Construction Company in Barry County was slightly in excess of 13 miles, and that in McDonald County about 12 miles in length.

After the work upon State Highway No. 37 in Barry County and United States Highway No. 71 in McDonald County had been completed by the Boyle-Pryor Construction Company, it will be shown by the minutes of the State Highway Commission, which will be introduced in evidence, that the Commission was supplied with the written opinion of its Chief Counsel, advising them that the work had been illegally done for the reasons heretofore given, The minutes of later meetings of the State Highway Commission will be in evidence, which will show that this company compromised its claim of \$90,000 as the final payment for the work done

upon these two highways in question for slightly more than 50% of the amount claimed.

As I have mentioned, the defendant Murray, in 1935, became State Administrator of the Works Progress Administration for the State of Missouri, and the evidence will show that favoritism towards the companies already referred to was continued by him, and that he used his official position to assist these companies in obtaining public contracts, in violation of the statutes in Missouri and the regulations of the Works Progress Administration.

The evidence also will be that in the year 1936 the State Building Commission of the State of Missouri, in cooperation with the Public Works Administration, invited bids for the construction of the new a State Penitentiary building at Jefferson City, Missouri, and that an association of individuals was formed to submit a bid in the name of the Boyle-Pryor Construction Company for the erection of this building. These individuals were the late William Boyle, John J. Pryor, Thomas L. Farrington of St. Louis City and the defendant, Matthew S. Murray. They entered into a contract by the terms of which the working capital for the construction of this building was to be furnished by Boyle, Pryor and Farrington, but under the terms of which Murray was to receive 25% the profit, if there were profits, and was not to participate in losses if there were losses. The evidence will show that the total cost of construction of this building on the contract awarded the Boyle-Pryor Construction Company was in excess of two million dollars.

In conclusion I desire to state to the Court that the evidence will show that defendant Murray made certain denials and admissions to the agents of the Intelligence Unit of the Internal Revenue Department; that on September 1, 1939, he made a statement under oath. In which he denied that he had ever received any gifts in the form of cash, bonds or other securities; he denied also that he had ever assured any income of any nature not reflected by the return for each of the years from 1934 to 1938, inclusive, but the evidence will disclose that a later date, on September 21, 1939, the defendant Murray admitted to said agents of the Department of Internal Revenue that he had received other income than was reflected in his return for the years 1934 to 1938, inclusive. Defendant admitted that in 1933 he had received in cash \$6600.00 above that he had reported for that year. The defendant admitted that in 1934 he had received \$11,700 in cash more than he had reported by his income tax return for that year. The defendant admitted that during the year 1935 he had received \$9,200.00 in cash more than he had reported to the Government in his income tax return for that year. Defendant further admitted that in 1936 he received certain sums, of which he was unable to give the exact amounts he had received in cash above his income tax reported for that year. Defendant further admitted in this statement on September 21, 1939, that he had received, in 1937 the sum of \$7,000 in cash more than he had reported in his income tax return for that year, and that in 1938 he had received \$1000 more than reported to the Government for the income tax; in all a total of \$33,500. Defendant Murray further admitted under oath to the agents of the Internal Revenue Department that during the whole of those years from 1933 to 1938, inclusive, he had received substantial amounts in cash and currency from Edward L. Schneider three or four times each year. Defendant Murray further admitted that in 1934 he received from John J. Pryor the sum of \$3,800.00 in cash, and that in 1937 John J. Pryor gave him \$4000 worth of United States Government bonds.

I desire to state to the Court that although defendant Murray denied in his sworn statement on September 1, 1939, that he had ever received any gifts in forms of cash, bonds or other securities, and denied that he had ever received any income of any nature not reflected by

returns for each of the years 1934 to 1938 inclusive, yet in his statement on September 21, 1939, when he admitted that he had received various sums of money from E. L. Schneider, Secretary & Treasurer of the Ready-Mixed Concrete Company and other companies, and from John J. Pryor of the Boyle-Pryor Construction Company and other affiliated companies, he stated to these agents that he considered these sums so given him by these parties as gifts and gratuities and not in the nature of income.

it is the contention of the Government that these payments so made to defendant by John J. Pryor and E. L. Schneider were not mere gifts or gratuities, but that every dollar so received by defendant from them was for most valuable services rendered and were made in anticipation of such future favors, and that those items and others shown by receipts and expenditures were taxable income received by him and on which he defrauded the Government of its just taxes.