

HEADLINE: 'A LICENSE TO STEAL' ... 11/03/2002

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HEADLINE: 'A license to steal' After floods, lax oversight leads to questionable spending

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There were no checks and balances, no internal controls. After floodwaters ravaged 10 schools in Wyoming and McDowell counties on July 8, 2001, all the rules were thrown out.

"It was like a license to steal," said David Sneed, architectural chief at the state School Building Authority.

Some schools had been transformed to mucky fish tanks. Mold, mildew and slime grew everywhere. It was a mess.

Assistant state schools Superintendent G.A. McClung was given a charge: Get the schools open on time.

His orders came from state schools Superintendent David Stewart and Gov. Bob Wise.

McClung didn't hesitate. "I needed a couple of people who could flat-out get this job done," he said last week.

So he turned to a friend: Phillip "Pork Chop" Booth.

Booth was a college buddy McClung met 30 years ago. They had stayed in touch. They hung out together at the condominium Booth rented at Glade Springs Resort near Beckley.

Booth had formed a partnership with the president of a well-respected Charleston contracting company, Carl Agsten.

Booth's company sold school furniture. Agsten's company, Agsten Construction, built schools.

They accomplished their mission. Schools opened on time. Students walked into classrooms with new chairs, desks, marker boards, carpets, a fresh coat of paint.

"It was a remarkable performance," McClung declared.

But every step of the way, people asked questions. Something didn't seem right:

- s School furniture and kitchen equipment got dumped that shouldn't have.

- s Vendors charged exorbitant prices - up to four times the going rate.

- s Booth and Agsten received exclusive deals. Competing vendors were shut out and told to go home.

- s McDowell County school administrators hand-delivered a \$350,000 check to Booth at a Charleston hotel.

- s Agsten hired the son of Department of Education Facilities Director Bill Elswick to handle payroll and pick up checks after the flood. Elswick, who supervised much of the flood cleanup, recommended his son for the job.

- s And who was Booth, known by everyone as "Pork Chop"? Who was the guy with the fluorescent green sport coat who boasted of his friendship with McClung?

Last week, McClung resigned under pressure amid an investigation into the \$2.3 million furniture deal he arranged for Booth. He has denied any wrongdoing.

The Department of Education's internal investigation will continue this week. The state Legislature's Commission on Special Investigation is interviewing school officials across the state.

More department employees who supervise flood projects may be on the firing line.

"We're not finished yet," said state schools Superintendent David Stewart.

New, matching seats for the auditorium

The day of the flood, a drainpipe backed up in Wyoming East High School's auditorium, spilling river water over the legs of the bottom three rows of cushioned seats.

Booth said he couldn't find a matching color for the replacement seats. So his company wound up replacing every seat in the auditorium.

Nobody called the Cincinnati, Ohio-based company that supplied the auditorium seats three years before, when Wyoming East opened its doors.

If someone had, The Farnham Co. would have supplied three rows of seats that matched the undamaged seats, said company President Tim Farnham.

"Yes, you can buy replacements. Yes, you can get that matching color, no problem," he said last week. "But if you don't want a match, you don't call. There's no reason you have to replace all those chairs."

Instead, the Wyoming County school board paid Booth \$79,000 for 400 new auditorium seats. That's nearly \$200 a seat.

Farnham charged \$49,000, or \$120 a seat in 1998.

Farnham, who's sold seating for more than 20 years, said he's never heard of any company getting more than \$150 a seat for an auditorium project.

Wyoming County Superintendent Frank "Bucky" Blackwell, Booth's one-time brother-in-law, defended the purchases. School officials didn't discover the damage at Wyoming East until several days after the floods because the high school was closed during the summer.

Blackwell said the price was higher because Booth's company also removed all the auditorium seats.

Blackwell also said Elswick and state schools employee Ben Shew decided that all the seats had to be replaced.

"We didn't necessarily agree with that," Blackwell said. "But mold and mildew is a problem. Everybody was concerned that mold and mildew would set in."

School Building Authority Director Clacy Williams, who visited the auditorium after the floods, disputed the decision.

"No seats were under water," Williams said. "Those seats could just as easily [have] been reupholstered."

As it turns out, Booth's company didn't install the seats until more than two months after school reopened in late August.

McClung, Shew, Elswick and Blackwell have said they don't know what happened to the damaged and undamaged auditorium seats.

"I have no idea," Blackwell said. "I assume they were disposed of."

Blackwell's wife and Booth's ex-wife are sisters, Wyoming County courthouse records show. Blackwell said he had no association with Booth for 28 years until the floods.

"He was a fine brother-in-law then, and he's a fine fellow to this day," Blackwell said.

Salvageable furniture, equipment thrown away

In May, three feet of floodwater filled the first floor of the McDowell County Library in Welch. Volunteers spent hours cleaning the muck off metal shelves so they could be used again.

Less than a year earlier, one inch of water covered the kitchen floor at Mullens Middle School.

Instead of cleaning and sanitizing the equipment, as Federal Emergency Management Agency officials recommend, Elswick and McClung said to throw it out.

At Riverside Elementary in Pineville, the situation was different, said Wilda Powell, director of Wyoming County's food service program.

In that school's kitchen, chest-high floodwaters filled stoves and cabinets with mud. A freezer floated down the river, never to be found.

But Powell questioned the need to throw away equipment at Mullens Middle that hardly even touched floodwaters.

"I wanted to salvage some of the equipment at Mullens Middle," she said, "but it wasn't my call to make. To be fair, when it comes to the safety of children, I didn't want to take any chances."

Booth's company sold almost \$500,000 in kitchen equipment to Wyoming County alone.

After the July 2001 floods, victims asked health officials which items they could keep, and which they had to throw away.

Elswick asked Randy Curtis at the state Bureau of Public Health to draft a letter, telling school officials what to discard and what to keep.

Curtis says he had never crafted such a letter before for other floods, and that his recommendations carry no force at all.

Still, his letter was used to justify getting rid of metal doors, bookshelves, and kitchen equipment.

"With regard to metal materials, a judgment call is usually necessary," the letter says. Mold can grow on rusty surfaces, it says.

"If there is any reason to believe that food service equipment cannot be properly cleaned and sanitized, it should also be discarded," it says.

That advice seems to contradict a fact sheet on mold written by the Bureau of Public Health before the floods.

That fact sheet says materials such as hard plastic, glass and metal can be cleaned and disinfected to prevent mold growth.

In most cases, stainless steel equipment and almost all metallic materials can be cleaned, sanitized and reused after a flood, said David Parks, a FEMA specialist who worked in West Virginia after the July 2001 floods.

Repeatedly, FEMA workers told state and county school officials, Agsten Construction and National Equity that they were throwing away items that could be salvaged.

They warned that FEMA might not reimburse the school system for those purchases.

When Parks came to West Virginia six weeks after the floods, it was too late to salvage anything.

"By the time we arrived, much of the stuff already was discarded, or they were in the process of hauling it away," he said.

In February, Gazette reporter Fanny Seiler wrote a story about furniture and equipment that might have been salvaged after the floods.

A week later, Elswick asked Curtis at the Bureau of Public Health to amend his original letter, and suggested what words to change.

The revised paragraph no longer mentions replacing kitchen equipment. It reads, "Metal materials can probably be left in the structure if they are cleaned and sanitized and have not oxidized."

Curtis said he isn't sure why Elswick wanted the change, but it had something to do with asking FEMA to reimburse the school systems for their post-flood purchases.

FEMA and the state Office of Emergency Services questioned several invoices provided to them by the boards of education in Wyoming and McDowell counties.

Eventually, they paid out 90 percent of the \$1.1 million they set aside for flooded schools.

But the boards of education might have to pay back some of that flood aid, said Stephen Kappa, director of the state Office of Emergency Services.

"If FEMA decides that too much money was spent for a given service, the FEMA can withhold funding for the remaining amount, or ask for money back," he said.

A \$350,000 check, hand-delivered

In early August 2001, McClung issued a directive to then-McDowell County Schools Superintendent Ken Roberts that caught Roberts by surprise.

McClung telephoned Roberts and ordered him to get a \$350,000 check to Booth quickly, Roberts said.

It was payment in advance, before Booth's company had delivered a single piece of classroom furniture.

Roberts found McClung's directive unusual.

Vendors who deal with schools normally receive payment 30 days after delivery. But Roberts said McClung promised the state and federal government would reimburse McDowell schools promptly.

"I didn't want to obligate money we didn't have," said Roberts, who retired in November 2001, shortly before the state takeover of McDowell County schools.

"But G.A. [McClung] went to our board meeting and told the board to cut the checks," he said. "I don't spend a whole lot of time questioning things when it's the state assistant superintendent telling me to do it."

On Aug. 10, Roberts and Maintenance Director Tom Fanning drove to Charleston and left a \$350,000 check at the Embassy Suites' concierge desk. Booth has a second-floor office at the downtown hotel.

"I took a smoke break while he was in there," Fanning recalled last week. "What he done, he done."

McClung has said that he never asked Roberts to pay Booth in advance.

Agsten Construction also picked up checks at the McDowell school board office. Elswick's son, Calvin "Trey" Elswick, was the courier.

'The governor wants this job done'

The 2001 floods struck only a few weeks before school started.

State and county officials said their first priority was to open those schools on time, so children of flood victims would have a safe harbor in a troubled time.

"The heat is on, the pressure is on," McClung told the Wyoming County school board a month after the flood. "The governor wants this job done. I want this job done, too."

To speed up the work, Wise suspended the rules that require county boards of education to ask for bids before giving out a contract.

That allowed only two people, Elswick and McClung, to choose which companies received \$13 million of flood relief work.

They picked Booth's company, which had no experience supplying school furniture to the state. They could have purchased furniture just as quickly through an existing state contract, according to Williams, the SBA director.

They also picked Agsten's company for the job over several others with more experience in state construction, like G&G Builders in Scott Depot.

G&G Builders is responsible for several school construction projects statewide, including the renovation of St. Albans and Hurricane high schools.

Shortly after the 2001 floods, Shew from the state Department of Education called Mike Davis of G&G Builders, Davis said.

Shew asked if that company would be interested in the flood work, and Davis answered they were. Shew never called them back.

Parks, the FEMA specialist, said in other states the bidding rules are often suspended after a natural disaster, but they are often reinstated a month later. They were never reinstated for the 2001 flood work.

Also, because natural disasters are bound to happen, other state and federal agencies often have ongoing contracts with certain companies for disaster work.

The rates are negotiated in advance, and contracts are chosen through a competitive bidding process. When a flood strikes, that company can be on the ground within hours to begin work, he said.

Two weeks after the floods, Wise also signed an executive order that suspended sales taxes on building materials for flood victims.

Homeowners would save money fixing their homes, and contractors doing flood repair work could lower their prices to help victims.

The sales-tax exemption also applied to schools, according to Michael Muchow of the state Department of Tax and Revenue.

That means Agsten's and Booth's companies were not required to pay sales tax on the millions they spent to repair the schools.

Since they never had to compete for the project, it remains unclear whether they merely pocketed the 6 percent savings on sales tax.

'We're talking a difference of 200 to 300 percent'

When state School Building Authority employees started scrutinizing furniture invoices from McDowell and Wyoming counties last year, they immediately became suspicious.

The counties had asked the authority to provide emergency money to help pay for flood expenses.

SBA officials asked Kanawha County Purchasing Director Tim Easterday to review a sampling of furniture invoices. Easterday calculated prices based on an existing state furniture contract that school systems throughout the state often use.

Booth charged the state \$142,000 in three randomly selected invoices. If the state had purchased the same items through the state contract, the cost would have been \$30,000, according to Easterday's analysis.

"We're talking a difference of 200 to 300 percent," Easterday said last week. "Whoever made these decisions, there's definitely something wrong."

"The way it was handled was way out of line. Why was an assistant state superintendent handling something outside his expertise?"

The Gazette-Mail also asked South Charleston furniture supplier, Architectural Products Inc., to review Booth's invoices. The company's representative, Jim Francis, has been selling classroom furniture to West Virginia schools for more than 25 years.

Francis said Booth received more than twice what Architectural Products would have charged in the same emergency situation.

"Someone walked out with a pile of money," Francis said.

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HEADLINE: School officials subject of probe

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Assistant state schools Superintendent G.A. McClung steered more than \$2.3 million in school furniture sales to longtime friend Phillip "Pork Chop" Booth after floods ravaged McDowell and Wyoming county schools last year.

With bid laws suspended and a state of emergency declared, McClung handpicked Booth to provide school equipment and classroom furniture to the schools.

Booth's company, which required payment "100 percent in advance" before delivery, wound up selling Wyoming and McDowell counties more school furniture than they needed at a price at least twice its value, according to a state analysis of the purchases obtained by the Gazette.

State schools Superintendent David Stewart launched an internal investigation Thursday.

He ordered McClung to deliver documents to the Commission on Special Investigations. He also appointed department attorney Rebecca Tinder to lead the internal investigation.

"It will be thorough and expedient," Stewart said.

The state Legislature's Commission on Special Investigations also is investigating. The agency has requested documents about the flood work from the Department of Education.

"This is awful, just awful," said state school board President Howard Persinger Jr.

McClung vigorously asserted Thursday that he had done nothing wrong. He said his actions were approved by Stewart and Gov. Bob Wise.

"The governor wanted the schools to open on time," McClung said. "That was my charge. We pursued that thing with a missionary zeal.

"The clock was off the wall. We threw it in the trash. We did a hell of a job. It was an outstanding performance."

Booth spoke briefly on a cell phone with a reporter earlier this week. He said his company had experience supplying schools with furniture, but abruptly ended the conversation soon after saying he couldn't hear a reporter's questions.

Booth has failed to return several phone calls or answer written requests for interviews since then.

Booth's company, National Equity, had never previously sold classroom furniture to public schools in the state, according to state education officials. McClung contacted no other school furniture suppliers in the state about the flood-damaged desks and chairs that needed to be replaced.

The assistant superintendent also bypassed an existing state classroom furniture contract with another company.

Booth's company also completed the inventory of damaged school desks, chairs, cabinets, auditorium seats, blackboards and office furniture shortly after floods devastated McDowell and Wyoming counties in July 2001.

"On its face, it looks funny," said Ben Shew, a Department of Education technician who works under McClung and assisted the cleanup in McDowell and Wyoming counties. "But I don't know whether there was anything other than friends dealing with friends."

McClung, after consulting with Shew and the department's Facilities Director Bill Elswick, also handpicked Agsten Construction Co. to clean up and repair the schools. At the time, Agsten was a partner in Booth's company and had secured a contractor's license for Booth.

Weeks later, Agsten hired Elswick's son to oversee the company's payroll during the project.

Calvin "Trey" Elswick received \$12,800 in five months, acting as a courier, picking up checks from county board offices and delivering them to Agsten's temporary office.

Elswick solicited employment for his son over lunch with Agsten President Carl Agsten at McDonald's.

"I said, 'Are you going to need additional people?' " Elswick recalled this week. "He said, 'Sure.' " I said, 'I have a son who needs a job.' He said, 'Well he's got a job.' "

Agsten described Elswick's son's performance as "not super-skilled."

Agsten's company was paid \$11 million for repairing and renovating schools after the floods. He severed ties with Booth last spring, he said Wednesday. He said he wasn't involved with any of Booth's purchases.

"I've heard those same accusations," Agsten said. "I had no involvement in their end of the business. I had no personal knowledge and no personal gain from it."

McDowell and Wyoming county school officials have paid Booth and Agsten for their services, but the state and federal government have only partially reimbursed the counties.

The state's failure to reimburse the county for flood expenses has saddled McDowell County with a \$700,000 deficit and Wyoming with a \$600,000 deficit, state records show.

McDowell County school officials said they've had to put excess furniture delivered by Booth in storage.

Booth's company charged more than four times the going rate for chairs, desks and other school furniture, according to an analysis completed for the state School Building Authority, which has doled out nearly \$5 million in emergency funds to McDowell and Wyoming counties.

Booth charged the state \$142,000 in three randomly selected invoices. If the state had purchased the same items through the existing state contract, the cost would be only \$30,000.

Last week, the Gazette requested flood-related documents from McDowell and Wyoming counties under the Freedom of Information Act. The counties hadn't turned over the records this week.

McClung and Elswick also secured work for Booth inside the state Department of Education office at the State Capitol Complex, according to records.

Another Booth company, Office Furniture Plus, sold more than \$6,000 in office furniture to the department. The department still owes Booth \$4,500 of that amount.

In June, Elswick and McClung arranged a \$30,000 office furniture purchase for Booth, but department staff members rejected it. Booth's company wasn't on the state's contract of approved vendors.

On Wednesday, Booth's account manager submitted a separate \$30,000 proposal to refurbish Department of Education offices. Stewart ordered staff members to tear up the proposal.

Department employees said McClung and Elswick urged them to use Booth's company for the office renovations.

On two separate occasions, McClung has introduced Booth, whom he befriended 30 years ago at Concord College, to state school administrators.

Two years ago, shortly after McClung was hired as assistant superintendent, he arranged a meeting with Booth and School Building Authority Architectural Chief David Sneed. Booth asked to be placed on the state's vendor list.

Earlier this year, McClung arranged a private meeting with Booth, state Transportation Director Wayne Clutter, Shew and state Administration Secretary Greg Burton at Booth's second-floor office at the Embassy Suites, Clutter said.

Booth introduced the administrators to two men selling a school bus engine lubricant, Clutter said.

Booth has been sued five times in Kanawha County Circuit Court and once in U.S. District Court in Charleston.

In 1997, Thomas Kamm filed a lawsuit against Booth, claiming he swindled him out of more than \$500,000 in an investment plan. That case is set for trial next spring.

In 1997, Joe and Deborah White accused Booth of cheating them out of \$275,000 in an elaborate stock scheme in 1997. That case and three others were settled out of court. One case was dismissed.

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**HEADLINE: School official resigns**

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Assistant state schools Superintendent G.A. McClung resigned Friday afternoon amid an investigation into a \$2.3 million school furniture deal he arranged for longtime friend Phillip "Pork Chop" Booth after floods damaged schools in Wyoming and McDowell counties.

McClung handpicked Booth's company, National Equity, to replace school furniture and equipment. Booth received at least twice the value of the items, according to a state analysis.

McClung also steered furniture sales to Booth at the state Department of Education.

State schools Superintendent David Stewart demanded McClung's resignation Friday afternoon, following an internal investigation by department Attorney Rebecca Tinder.

Stewart gave McClung an hour to resign, and he did.

"I'm as shocked as anyone," said state school board member Paul Morris. "We're going to have to do something to ensure that something like this doesn't happen again in the department."

Other Department of Education employees, including Facilities Director Bill Elswick, also are being investigated for their role in the flood repair projects.

"We have quite a bit more investigating to do," Stewart said. "We're still being very aggressive. We're not finished."

McClung declined to comment Friday afternoon, then hung up on a reporter.

In an interview earlier this week, McClung insisted that there was no wrongdoing on his part.

"If there was a problem, I don't know where the hell it was," McClung said. "It was a remarkable performance. It was the right thing to do."

McClung's departure comes three weeks after state School Board President J.D. Morris resigned under a cloud. Morris is expected to plead guilty Monday to charges he embezzled \$172,000 as president of Clay County Bank.

After the 2001 floods, Gov. Bob Wise waived normal purchasing rules. That allowed McClung to pick his 30-year friend, Booth, to supply furniture to the flooded schools.

Booth had never sold classroom furniture to schools in West Virginia before McClung selected him for the flood job, according to state school officials.

Also, McClung did not contact any other furniture suppliers besides Booth, they said.

Booth has turned down repeated requests for interviews.

McClung also hand-picked Agsten Construction Co. of Charleston to clean up and repair the schools. The company's president, Carl Agsten, owned a partial stake in Booth's company, but resigned from National Equity earlier this year.

McClung directed McDowell and Wyoming school officials to pay Agsten and Booth, sometimes in advance before items were delivered.

The state and federal government have only partially reimbursed the counties.

The state's refusal to pay the counties left Wyoming with a \$680,000 deficit and McDowell schools with a \$700,000 deficit, according to school superintendents in both counties.

McClung said Booth deserved the money he received. Booth provided quality furnishings and schools opened on time in August 2001, he said.

"We were lucky to have someone like that," McClung said. "We were very lucky to have Pork Chop."

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HEADLINE: STATE EQUIPMENT MAIN ... 11/15/2002

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HEADLINE: State equipment maintenance contract under review Ex-school official picks friend's company for deal

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A company under investigation for its furniture deals to flood-damaged schools also has brokered an exclusive multimillion dollar equipment maintenance contract with agencies across the state.

Phillip "Pork Chop" Booth and his company, National Equity, serve as the insurance agent on the maintenance contract for Specialty Underwriters of Oak Creek, Wis.

Secretary of Administration Greg Burton launched a review of that contract Thursday.

Booth's longtime friend, G.A. McClung, sat on the purchasing committee that awarded the contract to Specialty Underwriters. He never disclosed his relationship with Booth during the selection process.

McClung, a former state schools assistant superintendent, resigned Nov. 1 under a cloud. The U.S. attorney's office and two state agencies are investigating the deal McClung arranged for Booth to sell \$2.3 million in furniture to McDowell and Wyoming county schools after the 2001 floods.

McClung said this week he didn't know Booth stood to gain from the equipment maintenance contract.

"It's not a crooked deal," McClung said. "It was a straight up and down program."

Burton, who oversees purchasing, said he didn't find out that McClung served on the selection committee until Tuesday, after the Gazette requested purchasing documents.

"When I found that out, my jaw dropped to the table," Burton said. "I'll give you that. It looks bad."

Booth introduced Specialty Underwriters executives to Burton in a private meeting about a year ago.

"Pork Chop's a salesman," Burton said. "He said, 'I have Specialty Underwriters, they have the product. Will you listen to it?' I said, 'Sure.'"

Burton said he and his wife have known Booth for years and once visited the condominium Booth rents at Glade Springs Resort in Beckley.

Burton said he listens to anyone with ideas for saving the state money and that Booth received no special treatment.

Booth declined comment and referred questions to Bob Allen, a Charleston lawyer. Allen could not be reached Thursday.

Specialty Underwriters declined to release the terms of its agreement with Booth. Agents often receive about 5 percent commission from similar contracts, according to local insurance agents.

Last month, Burton sent a memo to all state agencies, requiring them to transfer existing maintenance contracts to Specialty Underwriters. Local governments, schools and universities have the option to join the program.

The maintenance contract covers everything from office equipment like computers, copiers and fax machines to sophisticated medical equipment like ultrasound units and electron microscopes.

Burton predicted the contract eventually will save the state \$1 million a year. Specialty Underwriters and National Equity say the state will pay 20 percent less by consolidating equipment maintenance contracts.

Under the contract, Specialty Underwriting could receive up to \$4 million a year, and National Equity \$200,000, if it receives 5 percent of that.

Specialty Underwriters executives have sent a letter to state agencies announcing the statewide contract, which they were awarded in April. National Equity also is administering the contract, the letter states.

Tom Maddox of National Equity contacted Specialty Underwriters and asked if the company was interested in doing business in West Virginia, said Bob Saull, the company's vice president.

Saull, reached by cell phone Thursday, confirmed that National Equity is the local insurance agent for the company.

Saull would not reveal what Booth's company received for being the insurance agent. He also refused to say what Booth's role might be in administering the contract.

"It is up to us and the state, in terms of what the needs are," he said. "This conversation has gone far enough."

Before, each state agency made its own contract with a company to fix and maintain office equipment.

Now, if something breaks down, the agency employee would call Specialty Underwriters, who would in turn call the maintenance company.

That's supposed to save money, because Specialty Underwriters "manages" the repair event, like an HMO manages a visit to the doctor.

There's no guarantee that Specialty Underwriters will save the state money. If it doesn't after one year, Burton promises to yank the contract.

Burton said he removed himself from the selection process after he arranged the initial meeting with Booth and Specialty Underwriters, because of his relationship with Booth.

He asked Evan Williams, a senior buyer at the state Division of Purchasing, to bid out the contract.

Williams advertised in the state purchasing bulletin twice in November. Specialty Underwriters was the only company to submit a bid.

Williams then decided that the traditional bid process would not work. He said he didn't have a complete list of all equipment that might be involved.

Instead, he selected a three-member committee, including McClung, to pick the best company.

Williams invited two other companies to make presentations to the committee: Technology Management Group of Oak Creek, Wis., and locally owned Commercial Insurance Services, which represented Client Services Network Inc.

In its proposal, Technology Management Group promised to save the state between 15 and 25 percent - the same as Specialty Underwriters.

According to committee documents, the other companies were not chosen because "Specialty Underwriters was the only company providing this service to a state government [Alabama]."

Also, the other companies, "being established in a short period of time, did not have the experience to service a client as large as the state of West Virginia."

But Steve Mattiacci of Technology Management Group says his company works for the state of Mississippi and has been in existence since the early 1980s.

He called the interview "perfunctory" and said McClung, in particular, asked questions that appeared to favor Specialty Underwriters.

Williams said he wanted representatives from state agencies that use the most equipment to serve on the maintenance contract selection committee.

So he selected purchasing directors from the Department of Transportation and Department of Health and Human Resources. But he bypassed the state Department of Education's purchasing coordinator, Phillip Uy, and chose McClung instead.

Williams said McClung was more qualified than Uy to review purchasing contracts.

He said McClung had visited his office more than 20 times to resolve purchasing problems in the year after McClung was hired as a state assistant superintendent.

Members of the selection committee said Specialty Underwriters officials never mentioned Booth's role in the maintenance deal.

They also said McClung never disclosed that he knew Booth.

"If I would have known that at the time, I would have selected someone else," Williams said. "That's not how we do business here."

Last spring, McClung gave the opening remarks at a meeting sponsored by Specialty Underwriters at the Charleston Embassy Suites.

He urged about 100 employees from different state agencies to switch their service agreements to Specialty Underwriters.

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HEADLINE: Flooded coffers FEMA, state officials question decisions that quadrupled cost of school repairs

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PINEVILLE - They fanned out across Wyoming and McDowell counties with clipboards and hip boots, slogging through schools after the July 2001 floods.

The Federal Emergency Management Agency workers determined what could be replaced and what could be repaired and how much it would cost.

Their estimate: \$3 million.

But school officials spent four times that amount, or \$12 million, to repair schools and replace classroom furniture over the following year.

In McDowell County, Kimball Elementary School got two truckloads of classroom furniture that school officials said it didn't need. Floodwaters never touched elevated school lockers, but 134 new ones were installed. The school also now boasts a \$100,000 state-of-the-art video surveillance and fire alarm system.

In Wyoming County, everything in the kitchen and cafeteria at Mullens Middle School kitchen was given away, and new gym bleachers were put in, even though floodwaters reached only an inch high in both areas.

At Wyoming East High School, 400 auditorium seats were replaced. Only the first three rows were touched by floodwaters. The 350 undamaged seats, which had been put in just three years before, were dumped in a refuse pile beside the road.

"You see the damages, and they ran with it," said Garry Stewart, finance director at the state School Building Authority. "These guys just went crazy."

Two state agencies and the U.S. Attorney's Office are investigating flood spending.

State schools Assistant Superintendent G.A. McClung resigned on Nov. 1 under pressure from state schools Superintendent David Stewart.

McClung arranged an exclusive \$2.3 million classroom furniture deal for his longtime friend, Phillip "Pork Chop" Booth.

Flooded schools got more new equipment and furniture than they needed at a price up to four times higher than normal, according to a state analysis of the purchases.

McClung has denied any wrongdoing.

McClung, with approval from public health officials, gave the orders to tear down classroom walls, yank doors, gut kitchens and dump hundreds of desks, chairs, auditorium seats and lockers.

The decision paved the way for Booth and contractors to make millions from the flood.

But FEMA officials say many of the discarded items could have been sanitized and reused at no risk to children.

Instead, school equipment and furniture were donated to church and community groups, or placed outside schools and whisked away in the middle of the night.

"We were informed early on that this stuff never made it to the dump," said John Connelly, a FEMA team leader during the flood. "This situation smells. It attracts its own flies."

'FEMA got amnesia'

The dispute with FEMA has left the Wyoming County school board with a \$1 million hole in its budget.

The federal agency already has doled out \$742,000 for flood repairs in Wyoming County. But school officials have appealed for more.

They say they have photographs and reports to back up their claims.

"Everything we did, we're trying to explain why we did it," said Wyoming schools Superintendent Frank "Bucky" Blackwell. "We tried to go to the point where we felt very comfortable that we'd have no future problems."

McClung and Department of Education Facilities Director Bill Elswick have defended their decision to gut the schools. They said they erred on the side of caution.

"If we had done it any other way, children would have been compromised," Elswick said. "About the time we got rid of everything, FEMA got amnesia. We're not putting animals in those schools, we're putting children in them."

Connelly vigorously defended the safety of cleaning and sanitizing certain stainless steel and metal items.

"I really feel we've been accountable and extremely concerned about the well-being of students," he said. "If in doubt, we give the benefit to the schools. This flood was no exception."

Elswick and other Wyoming officials claim someone from FEMA authorized them to dump equipment and furniture in classrooms where floodwaters poured in, even if water never touched it.

FEMA officials deny that anyone from their organization ever gave that order.

Local and state school officials couldn't identify the FEMA official who allegedly gave that advice, or locate any letter or document with that recommendation.

Blackwell said the school board will ask the state Legislature for reimbursement money in January if FEMA rejects its appeal.

"Everybody had good intentions," Blackwell said. "Anybody can be a Monday morning quarterback. But we got the job done and opened schools on time."

#### New kitchen equipment

In Wyoming County, kitchen equipment deemed too contaminated for schools has found a new home in a church.

A deep-fryer big enough to cook 100 pounds of potatoes, a stainless steel double sink, a two-burner gas stove, two steel tables - all have a second life at First Pentecostal Holiness Church in Mullens.

Church members were thrilled to receive the kitchen equipment, since their kitchen was flooded in July 2001.

"It was in great shape," said Alice Arnold, the pastor's wife.

At Mullens Middle School, floodwaters reached about an inch high in the gymnasium, cafeteria and kitchen.

Within hours, the school's custodian and principal were mucking out the school.

Later, a school cook washed everything with bleach. The school's staff thought the equipment looked as good as new. Much of it was only a couple of years old.

At first, a Wyoming County health official advised that most kitchen equipment could be cleaned and kept.

"Only those items actually covered by floodwaters need to be discarded," wrote county Sanitarian Rick Baldrige on July 27, 2001, to Wilda Powell, the school system's food services director.

But less than two weeks later, Baldrige issued a second memo, reversing his advice.

"Please know that FEMA demanded that Wilda Powell of the Wyoming County Board of Education destroy and replace all equipment in the Pineville-Riverside School and Mullens Middle School," Baldrige wrote.

FEMA officials and Powell dispute Baldrige's statement.

Powell said Elswick and McClung told her to throw away the equipment. And FEMA officials said, to their knowledge, no federal workers gave that advice.

Last week, Baldrige said he never asked FEMA or anyone else about what to save and what to toss.

Contractors were paid tens of thousands of dollars to sanitize schools after the flood. But Baldrige said he found sediment in table and chair legs after the schools were cleaned.

He couldn't personally check every chair leg in every school in the county, so he told school officials to dump it all.

"My God, we were dealing with a 500-year flood," Baldrige said. "And now our decisions to protect the kids are being questioned? If you had a kid, and he was eating food from a kitchen with floodwaters that were one inch, how would you feel?"

'The guy who got the money'

At Kimball Elementary in McDowell County, the kitchen equipment disappeared in the middle of the night.

Two-and-a-half inches of water washed into the school during the July 2001 flood.

McClung and Elswick ordered everything on the first floor thrown away. Airborne contaminants from the fetid floodwaters could spread mold, they said.

School employees and National Guardsmen hauled out more than 1,000 pieces of furniture: desks, chairs, podiums, tables, cabinets, bookshelves. They yanked out 134 lockers and 45 chalkboards never touched by floodwaters.

And they toted 60 pieces of kitchen equipment - industrial-size refrigerators, stoves, deep fryers, dishwashers, stainless steel sinks - to the Dumpster.

Most of it never made it to the dump.

"In the evening, there'd be a pile of stuff out by the Dumpster," recalled Principal A.B. Eanes last week. "I'd come back in the morning, and it would be gone."

When contractors arrived, they didn't just repair the school, they made improvements: a \$250,000 heating system, a \$100,000 fire alarm and security system, new doors, ceilings and lockers.

The school received so many extra desks and chairs, delivery workers had to stack them in the gymnasium. At the start of the school year, Eanes sent two truckloads of furniture to Jaeger Elementary, which wasn't damaged by the 2001 floods.

Kimball custodian Edward Burger helped carry school equipment to the Dumpster after the floods. He watched contractors tear down chalkboards, lockers and ceilings untouched by floodwaters. He wondered why 60 teacher's desks were delivered to the school, even though only 15 classrooms were flooded.

"If you find the guy that got all the money," Burger said, "tell him to bring some of it back."

'Tomorrow it could be gone'

How did repair bills for flood-damaged schools spiral so high?

For one thing, Booth's company sold furniture for at least twice and up to four times its value, according to an analysis by Tim Easterday, the purchasing director for the Regional Education Service Agency in Dunbar.

McDowell County, for instance, was charged \$136 for each activity table at Kimball Elementary. The tables cost about \$47 each, Easterday determined. Teacher chairs cost the county \$250 each. They should have paid about \$75 for each chair, according to price sheets Easterday analyzed.

What's more, labor costs seemed "extraordinarily high," according to Stewart, the School Building Authority finance director.

McClung and Elswick selected Agsten Construction of Charleston for the flood renovation job. Normal bidding rules were bypassed to try to speed flood repairs.

Also, the state promised to pay all expenses, plus give Agsten a guaranteed profit, by using the "cost-plus" method of financing, according to a February memo by Stewart.

"I am sure after the initial shock of the flood, everyone proceeded with the best of intentions to clean the affected buildings and return them to operation," he wrote.

"However, it appears that by choosing this method of construction, multiple layers of overhead and profit markups were created, and as a result the cost of the needed repairs was very expensive."

Stewart found it "nearly impossible to track labor and material costs" because of incomplete records.

"This problem is compounded by the fact that significant labor costs are documented but minimal material costs are shown," he wrote. "This does not reflect traditional labor/material expenditures."

More than \$8 million has been spent to repair two flood-damaged elementary schools, Kimball and Pineville.

Both those schools still sit in the flood plain.

For \$2 million more, two schools could have been built outside the flood plain, Stewart said.

"All that work, and come tomorrow, it all could be gone," he said.

To contact staff writers Eric Eyre and Scott Finn, use e-mail or call 357-3523.

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HEADLINE: Investigated company supplied Ground Zero rescuers Hazmat program won't say what it paid for equipment

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Phillip "Pork Chop" Booth, under investigation for his sale of furniture to flood-damaged schools in Southern West Virginia, also sold thousands of respirators and other safety equipment to rescue workers at the World Trade Center after the Sept. 11 terrorist attacks.

Booth's company, National Equity, was the sole provider of respirators and protective gear to the International Union of Operating Engineers National Hazmat Program during the rescue effort, according to a letter to Booth from Sen. Robert C. Byrd, D-W.Va.

The National Hazmat Program, located near Beckley, distributed more than 11,000 respirators to workers, as well as 2,000 Tyvek protective suits and other gear, according to a union information sheet.

Program staff declined to say how much they paid for the equipment, or why they picked Booth's company to supply it.

The U.S. attorney for Southern West Virginia and two state agencies are investigating Booth's company for its sales to flood-damaged schools last year.

Booth's company charged between two and four times more than normal to replace furniture and equipment in the schools, according to a state analysis of the purchases.

Staff at the National Hazmat Program chose Booth to supply the protective gear, even though his company is not an authorized distributor of one of the major brands they purchased.

"He once approached us to become a distributor, but we turned him down because he's not in a target market," said Ben DeMaria, a spokesman for safety equipment manufacturer MSA.

In fact, neither Booth nor National Equity bought any safety equipment directly from the Pittsburgh-based company, DeMaria said.

Three companies manufactured the respirators distributed by the National Hazmat Program: 3M, North and MSA, according to Bruce Lippy, a former industrial hygienist for the program.

If Booth sold MSA equipment to the union, he'd have to buy it from one of their approved distributors first, DeMaria said.

The extra layer of overhead would inflate prices, unless Booth sold the respirators at a loss, he said.

A National Hazmat Program employee said he would not reveal how much was spent for the respirators, or why Booth's company was picked to supply them.

"I would rather not comment on that right now," said Pat Bell, who said he ordered some of the equipment. "I do know there is some controversy around that right now."

Bell said the program did not ask for bids. He said he contacted more than one vendor, but wouldn't say how many or what their names were.

"His prices were cheaper than what we could buy from other companies," he said.

Respirators can cost \$10 to \$30 each, with \$14 to \$20 for each pair of filtering cartridges, according to MSA.

If all 11,000 respirators and cartridges came from National Equity, the total cost would be between about \$250,000 and \$500,000.

Some manufacturers donated supplies directly to the rescue workers. St. Paul, Minn.-based 3M donated \$1 million in products, including 65,000 respirators, according to a May 2002 article in Occupational Hazards magazine.

The National Hazmat Program and other IUOE training programs receive much of their funding from the federal government - about \$1 million each year, according to an October 2001 article in The Washington Post.

The program is the largest provider of environmental health and safety training in North America, according to the company's Web site.

The program's director, Don Carson, could not be reached for comment. His administrative assistant said an accident had sent him to the hospital.

In January, Booth received a letter of commendation from Byrd.

Carson had contacted Byrd's office to inform them about Booth's role in the recovery effort, according to the letter.

Carson said Booth's company was "the sole provider of respirators and personal protective equipment for the workers at the World Trade Center disaster site," the letter says.

"You are to be commended for the service and dedication that National Equity has rendered to both New York City and our nation in the wake of the September 11 tragedy," Byrd wrote in the letter.

Byrd spokesman Tom Gavin said last week that the senator receives many requests for commendation letters and that Byrd has no relationship with Booth or National Equity.

The Gazette submitted a Freedom of Information Act request last week, asking to review the invoices from Booth.

Dick Griffin, general counsel for the IUOE, said he received a copy of the Gazette request Thursday. He also declined to release the information but said he would "look into" the matter.

Booth has referred questions to his Charleston lawyer, Bob Allen, who could not be reached for comment last week.

Booth is a longtime friend of G.A. McClung, a former state schools assistant superintendent who resigned Nov. 1 under pressure from state schools Superintendent David Stewart.

McClung arranged the exclusive \$2.3 million classroom furniture deal for Booth that is now under investigation.

Booth also brokered a multimillion-dollar deal for Wisconsin-based Specialty Underwriters to take over maintenance on most state office equipment.

McClung sat on the four-person committee that picked Specialty Underwriters for the contract. Other committee members say he did not reveal his relationship with Booth to them, and that they didn't know Booth's company would profit.

State Secretary of Administration Greg Burton launched a review of that contract Thursday.

To contact staff writers Eric Eyre or Scott Finn, use e-mail or call 357-4323.

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HEADLINE: State drops equipment repair deal Former school official's friend stood to benefit from contract

Byline: Eric Eyre and Scott Finn

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Secretary of Administration Greg Burton plans to cancel an exclusive, statewide equipment maintenance contract with a Wisconsin company.

Former state schools Assistant Superintendent G.A. McClung, who sat on a four-person committee that awarded the contract to Specialty Underwriters of Oak Creek, Wis., didn't disclose that his longtime friend, Phillip "Pork Chop" Booth, stood to gain from the deal.

Booth and McClung are being investigated by state and federal authorities.

Booth's company, National Equity, was the local insurance broker that helped Specialty Underwriters secure the statewide contract.

Burton declined to discuss his reasons for scrapping the contract. He said the state would exercise a clause in the contract that allows it to end the deal after 30 days' notice.

"We feel this is in the best interests of all parties involved," Burton said Thursday.

The state's Purchasing Division plans to solicit bids for a new statewide equipment maintenance deal, possibly as early as February. Specialty Underwriters will have another chance to make a pitch for the contract, Burton said.

Specialty Underwriters executive Bob Saull could not be reached for comment Thursday.

In a letter to the Gazette earlier this week, Saull said he was "unaware of any wrongdoing, or any allegation of wrongdoing in connection with the solicitation, procurement and implementation" of the statewide contract.

The maintenance contract covers everything from office machines to sophisticated medical equipment.

The state Legislature's Commission on Special Investigations and the U.S. Attorney's Office are investigating a \$2.3 million classroom furniture deal that McClung arranged for Booth after floods ravaged schools in Wyoming and McDowell counties.

McClung resigned Nov. 1 under pressure from state schools Superintendent David Stewart, who's conducting an internal investigation.

McClung repeatedly has denied any wrongdoing. He could not be reached for comment Thursday.

At least a dozen state agencies, including the governor's office, State Police and Division of Corrections, transferred equipment- maintenance service agreements to Specialty Underwriters during the past year. Those agencies plan to reinstate service agreements with local companies, Burton said.

"They felt they could get their previous providers to service their machines," he said.

Specialty Underwriters has declined to release the terms of its agreement with Booth. Such agents typically receive a 5 to 10 percent commission.

The current policy premium for the state is about \$600,000, but that number could have risen as high as \$4 million if most state agencies joined the contract.

Beginning in July 2001, McClung met with school officials across the state, urging them to scrap their equipment maintenance contracts and switch to Specialty Underwriters.

Sometimes McClung traveled with Booth, other times with Specialty Underwriters representatives.

At least seven county school boards declined to switch their service agreements to Specialty Underwriters.

Nonetheless, Specialty Underwriters billed the counties, which refused to pay.

"They couldn't see how the company was going to save them any money," said Joe Panetta, executive director of the state Department of Education's Office of School Finance, who advised county school officials not to pay the invoices.

A Dunbar-based Regional Education Service Agency, which represents four county school boards, including Kanawha County, also refused.

"I felt uncomfortable with the program," said Tim Easterday, purchasing director for the agency. "It just wasn't handled with the proper method."

In November 2001, McClung, who was then McDowell County's interim superintendent following a state takeover, ordered a \$2,000 check be sent to Specialty Underwriters. McClung also signed a contract for the company to review school maintenance contracts in McDowell County.

Specialty Underwriters never started the review.

Last week, company executives promised to return the money.

Earlier this year, McClung was picked to serve on a purchasing committee that would select a company for the statewide maintenance contract.

Three companies were interviewed, and Specialty Underwriters was awarded the contract. The company promised to save the state at least 20 percent a year on equipment maintenance.

Last month, Burton sent a memo to all state agencies, requiring them to transfer existing maintenance contracts to Specialty Underwriters.

Burton has acknowledged that he and his wife have known Booth for years and have visited the condominium Booth rents at Glade Springs Resort near Beckley.

Booth introduced Specialty Underwriters executives to Burton in a private meeting about a year ago.

Burton said he removed himself from the maintenance-contract selection process after he arranged the initial meeting, because of his relationship with Booth.

Burton plans to revise purchasing rules by the end of the year.

He might require selection committee members to disclose in writing whether they have done business with prospective companies in the past.

To contact staff writers Eric Eyre and Scott Finn, use e-mail or call 348-5100.

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HEADLINE: School official was pressured for flood funds Delegates upset with director, demand to see travel expenses

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When the executive director of the state School Building Authority refused to spend more money on flood-damaged schools, two legislators from Wyoming County asked for his travel expenses to pressure him to release the funds.

Delegate Richard Browning and House Majority Leader Rick Staton fired off a letter in July, requesting all travel records from SBA Executive Director Clacy Williams.

Three weeks earlier, Williams had declined to direct additional flood emergency money to Wyoming and McDowell counties.

Last week, Staton and Browning acknowledged they were trying to force Williams to pay more flood repair bills.

"I'm extremely upset with Clacy," Staton said. "I'm not through with him yet. If he's going to micromanage how well Wyoming County schools run, I'm going to see how well he runs his agency."

The lawmakers sent copies of their request to School Building Authority board members, Senate President Earl Ray Tomblin, D-Logan, House Speaker Bob Kiss, D-Raleigh, House Finance Chairman Harold Michael, D-Hardy, and Senate Finance Chairman Oshel Craigo, D-Putnam.

The week after Staton and Browning made the request, Wyoming County Schools Superintendent Frank "Bucky" Blackwell sent a letter to Williams asking for another \$1.3 million from the agency.

The Gazette-Mail obtained the legislators' letter to Williams under the state Freedom of Information Act.

As early as January, School Building Authority officials questioned whether they had spent too much money to repair flood-damaged schools. They balked at paying more.

Now, the U.S. Attorney's Office and the state Commission on Special Investigations are investigating school spending after the 2001 floods.

Former state schools Assistant Superintendent G.A. McClung resigned Nov. 1 under pressure from state schools Superintendent David Stewart.

A day earlier, The Charleston Gazette reported that McClung had arranged a \$2.3 million furniture deal for longtime friend Phillip "Pork Chop" Booth after the floods.

McClung has denied any wrongdoing.

Booth's company charged between two and four times more than normal to replace furniture and equipment in the schools, according to a state analysis of the purchases.

Also, county and state school officials wound up spending \$12 million on the flooded schools - four times what the Federal Emergency Management Agency recommended.

Staton said he became "furious" at Williams last spring when he refused to spend more on flood repairs.

Browning and Staton said they had struck a deal with Williams after the floods: The School Building Authority and the Legislature would pay for flood bills that FEMA wouldn't cover.

If Williams suspected illegal or improper spending, Staton and Browning said, he never told them.

"If he would have taken me aside at some point and said, 'Look, something funny is going on here,' I would have backed off completely," Staton said.

In an interview last week, Williams said he didn't talk to Staton or Browning about possible overcharging by flood contractors.

But he remembers telling them about kitchen equipment and other furnishings that were thrown away that could have been cleaned and sanitized instead.

Williams said he was surprised that Staton and Browning wanted to review his travel expenses.

He turned over the records to the delegates.

Copies also were sent to the other state legislators and SBA board members.

"We haven't anything to hide or be ashamed of," said Williams, who charged the state \$50,000 for travel since 1992. "We've given them everything they asked for. I haven't heard anything from them since."

"They screwed it up"

Six months after the floods ravaged schools in Wyoming and McDowell counties, School Building Authority administrators started to ask tough questions about flood spending, according to internal memos obtained by the Gazette-Mail.

The agency already had spent more than \$3 million on the cleanup. Staff members wondered why there were being asked to pay more.

In a Jan. 30 letter, SBA Finance Director Garry Stewart asked McClung to explain why costs had escalated.

Two weeks later, another SBA administrator, David Sneed, wrote Stewart a memo criticizing decisions by state and local officials.

For one thing, they authorized repairs "beyond the flood-affected areas" and replaced equipment that could have been cleaned and repaired, Sneed determined.

What's more, poor accounting by the contractors made it "nearly impossible to track labor and material costs," he wrote.

The School Building Authority had given more than enough money to the flood-damaged schools, Sneed concluded.

Staton and Browning said they were "frustrated" by Williams, and his reluctance to release more emergency money.

Wyoming school officials said they followed McClung's spending directives after the floods. At a Wyoming school board meeting, McClung promised that the state would reimburse the county.

"We were told all along everything would be paid for in Wyoming County," Browning said last week. "Frankly, they weren't and still haven't been."

State Tax and Revenue Secretary Brian Kastick was asked to resolve the dispute.

In a November interview, Kastick said he wanted to figure out how much the state owed to contractors, and who would pay the bill.

He turned to McClung for a final estimate.

"I tried to get a real number to wrap it up," Kastick said. "[McClung] came back a number of times to say the number had gone up."

At the time, Kastick said Williams told him "they screwed it up" in Wyoming and McDowell counties, but Williams never elaborated.

In March, Kastick ordered \$3.8 million in direct payments to Agsten Construction Co., Camel Technologies and National Equity, the company run by Booth that's now being investigated.

The School Building Authority paid \$1.8 million of that amount. Gov. Bob Wise released \$2 million from his contingency fund.

"Our main focus was long-term recovery," Kastick said. "We just wanted to close the books on it."

In June, school superintendents in Wyoming and McDowell County revealed that they still had more than \$2 million in unpaid flood bills.

Williams told The Associated Press that the local school boards, and not the state, should pay for the rest. He faulted them for not having flood insurance for most of their buildings.

"It's not really the responsibility of the state to be the flood insurance vendor to the counties," he said at the time.

Three weeks later, Staton and Browning sent the letter to Williams asking for more than a decade of travel receipts.

Deficit could hurt children

The questionable spending has left Wyoming County schools with a \$1.3 million budget deficit.

If school officials can't reduce the deficit, they may have to cut student programs or school personnel.

Staton and Browning have asked the governor for additional funds to pay flood bills for Wyoming schools. If Wise balks, they plan to ask for the money from the state Legislature.

Wyoming County school officials also have asked the Federal Emergency Management Agency for additional money.

The School Building Authority already has doled out more than \$2.7 million in emergency funds to Wyoming County, and another \$2.2 million to McDowell County.

Williams said he and SBA board members might review Wyoming County's request after the county resolves its ongoing dispute with FEMA.

"The reality is they made purchases that weren't necessarily prudent," Williams said. "But now there's a situation where kids could be potentially harmed."

To contact staff writers Eric Eyre and Scott Finn, use e-mail or call 348-4869 or 357-4323.

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HEADLINE: Flood insurance deal scuttled Former state school official's plan favored friends, agents say

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He drew up a proposal for school flood insurance that five experienced agents would later call flawed and biased.

He ignored direct orders from his boss, the state superintendent of schools, about whom to place on a selection committee.

And he solicited a bid from a company, Proserv Insurance, with ties to his friends but no previous experience selling flood insurance to schools in West Virginia.

G.A. McClung, a former state schools assistant superintendent, spent four months setting up an insurance deal to provide about \$275 million of flood coverage for schools across the state. The state had planned to award the contract last Tuesday.

But McClung never delivered.

State schools Superintendent David Stewart quietly scrapped the proposal on Nov. 4, three days after McClung resigned amid state and federal investigations.

"Anything he was involved in, we needed to shut it down," said Mike McKown, executive director of the state Department of Education's Office of Internal Operations.

The state Legislature's Commission on Special Investigations and the U.S. Attorney's Office are investigating the proposed flood insurance deal.

It's the second time state officials have canceled a statewide contract or proposal because of McClung's involvement. Last month, Secretary of Administration Greg Burton terminated a multimillion-dollar equipment maintenance deal with Specialty Underwriters of Wisconsin.

In a brief interview last week, McClung said he followed purchasing rules to the letter.

"It was a straight up and down deal," McClung said. "That's a dead issue now."

McClung ignored Stewart's directives to put two senior Department of Education administrators on the contract's selection committee, the superintendent said.

Instead, McClung handpicked panel members with little insurance experience.

"I felt, and I knew, this proposal was flawed," Stewart said last week. "I knew the expertise I was looking for to draft the proposal wasn't used. It was not constructed by the individuals I directed."

Proserv Insurance, a for-profit division of the West Virginia Bankers Association, has ties to two owners of National Equity, a Charleston company being investigated by state and federal authorities.

McClung's longtime friend, Phillip "Pork Chop" Booth, helped establish Proserv Insurance two years ago.

Booth's partner at National Equity, Charleston insurance agent Thomas Maddox, is a consultant for Proserv and has his own office there.

McClung arranged a \$2.4 million classroom furniture deal for National Equity after floods ravaged schools in Wyoming and McDowell counties in 2001.

The company charged two to four times more than normal to replace furniture and equipment in schools, according to a state analysis of the purchases.

In a July 17 letter, McClung asked Proserv to bid on the statewide flood insurance contract, saying, "You could well be the source for that product."

Proserv had never provided flood insurance to any county school system in West Virginia. McClung asked no other insurance agencies to bid on the exclusive contract, department officials said.

Proserv executive vice president Jerry Blankenship initially denied he had ever spoken with McClung about the flood insurance proposal.

After the Gazette-Mail presented a list of more than a dozen phone messages Blankenship had left at McClung's office in July, September and October, Blankenship acknowledged that he had talked to McClung.

He said he couldn't recall why he called McClung or what they discussed.

Doug Maddy, who heads the West Virginia Bankers Association, said Maddox was a company adviser who played no role in Proserv's attempt to secure the statewide contract.

The insurance agency also never consulted Booth about the proposal, Maddy said.

"The edge we had was services," said Maddy, who has known Booth for more than 30 years. "We had banks in every county. It was a natural fit for us."

Booth and Maddox didn't return phone calls last week.

At least five other insurance agencies have raised questions about the flood proposal.

McClung changed the normal criteria the state uses for evaluating bids - over the objections of the Department of Education's purchasing coordinator.

Under McClung's proposal, the least important factor was how much the company would charge the state for flood insurance.

Most important: whether the company had an Internet-based tracking system with high security.

"It sounds to me like somebody was creating a bid specification tailored to one respondent," said Frank Baer III, chief executive officer of Commercial Insurance Services of Charleston.

Would have saved money

After floods swept through schools in Wyoming and McDowell counties in the summer of 2001, state school officials surveyed county school boards to find out how many schools had flood insurance.

Their finding: Three of every four schools across the state that sat in the flood plain didn't have insurance.

Flood insurance was expensive, county schools officials said. They'd rather gamble.

And why not? The state always bailed them out with emergency funds after floods damaged schools.

At a September 2001 meeting, state School Building Authority Executive Director Clacy Williams suggested the state might want to secure flood insurance for schools.

The statewide group purchase would reduce the insurance premium, Williams reasoned.

Local insurance agents estimate \$1 million a year would buy basic flood insurance for every school in the state - a bargain, when you consider the 2001 floods caused more than \$12 million in school damage.

"The whole gist to do it was to see if we could save money," Williams said last week. "If you're not going to save money, why do it at all?"

The state Department of Education led the flood insurance initiative.

On July 17, McClung sent a letter to Proserv, asking the company to bid on the flood insurance contract.

McClung and Blankenship disagree about who first contacted the other about the proposed contract.

Last week, Blankenship said McClung recruited Proserv. McClung disputed that. He insisted that Blankenship called him first on July 16.

McClung's telephone message log shows Blankenship left him two messages that day. Blankenship said he was returning McClung's call.

Asked why McClung contacted Proserv about the statewide school flood insurance contract, Blankenship said, "We're owned by banks. We do flood determinations for banks."

Friends had ties to agency

McClung already knew Proserv advisers Maddox and Booth.

The two had helped Proserv break into the West Virginia insurance business.

Proserv has a "gentleman's agreement" with Maddox, said Maddy of the state bankers association.

Maddox has an office at Proserv Insurance but serves as an unpaid adviser for the company, Maddy said. If things go well, Proserv plans to negotiate some kind of financial compensation for Maddox, he said.

In a Sept. 2 Charleston Daily Mail report, Maddy said Maddox was "managing the Proserv Insurance Agency."

When Proserv Insurance was getting started two years ago, it established a partnership with Acordia.

At the time, Booth was as an agent for Acordia, selling credit insurance to banks.

Booth served as an adviser on the Proserv project, along with other Acordia employees, Acordia lawyer Judy Thomas confirmed last week.

Booth left Acordia in November 2001.

That same year, banking company Wells Fargo acquired Acordia, prompting the end of its partnership with Proserv.

Blankenship said Booth "helped us get set up" in the credit insurance business but no longer works for the company.

Another Booth company, The Liquidator, was selected by Proserv as its "preferred provider" of office furniture - giving the company special access to 34 member banks.

One agency given advantage

McClung developed a flawed and biased process to pick a company for the flood insurance deal, according to agents from five companies that wanted to bid on the statewide contract.

For one thing, McClung gave Proserv's Blankenship at least a three-month head start with his July letter to the company.

Not only did Blankenship receive an early warning, he also left a dozen messages at McClung's office in September and early October, before other agents were notified about the flood insurance proposal.

Those insurance agents said they didn't find out until late October, after the state Department of Education officially requested bids.

The extra time allowed Proserv to approach national insurance carriers first, they said.

"It's a footrace, and the first one in blocks all the markets," Baer said. "Those on the inside may pre-approach [insurance carriers] and lock it up."

The other insurance agents also complained they weren't given the information they needed to submit a proper bid, such as a list of schools located in the flood plain.

By Sept. 4, McClung and Department of Education Facilities Director Bill Elswick had compiled such a list.

That same day, Blankenship called McClung and left him a message.

He said last week he couldn't remember why. Booth also left two messages for McClung that day.

The insurance agents interested in the contract, including Pro-serv, said they never received the list of schools.

Insurance agents hoped to receive the flood report at a pre-bid conference, scheduled for Nov. 12.

The bid opening date was Dec. 3, only three weeks later.

That three-week deadline was almost impossible to meet, said Jim Mahurin, an expert in flood insurance and a former state resident.

"That's absurd," Mahurin said. "It would take an enormous amount of time to prepare."

Last summer, McClung also asked Mahurin for advice.

Mahurin had helped Raleigh County buy flood insurance for its schools. He said McClung never paid him for his preliminary work.

"They used my information, but did not hire me," he recalled. "I think that speaks volumes."

Mahurin told McClung the flood insurance plan would be incredibly complicated. McClung shrugged him off, he said.

"He wanted it done quick and easy," Mahurin said.

When state officials are looking to buy ice cream or insurance, usually the most important factor is cost: The cheaper, the better.

For the flood insurance contract, McClung decided cost should count for only 10 percent of the final evaluation.

State law requires cost to be at least 30 percent. McClung solicited and received special permission from the state's Purchasing Division to reduce it.

McClung argued that cost wasn't so important in the flood proposal. Much of the insurance would come through the National Flood Insurance Program, which sets uniform rates for all its agents.

But the national program only covers up to \$1 million of damages for each school building.

McClung also wanted to buy an extra "umbrella policy" for \$75 million to cover what the National Flood Insurance Program would not.

The cost of that additional policy could vary a lot, said Harry Morris, vice president of Acordia.

Morris also questioned the need for the state to buy so much excess flood insurance. Schools across the state have only sustained a total of \$46 million in damages during the past 25 years, according to the flood report McClung and Elswick prepared.

Instead of cost, McClung made "evaluation of Internet-based system" worth 45 percent, almost half the score.

The Internet system would have allowed school boards to check their accounts and update information regularly.

Security for the Internet system alone was worth one-quarter of the final evaluation.

Blankenship said he already had prepared a PowerPoint presentation for the selection committee about Proserv's superior Internet program.

Because it serves banks, Proserv already has an extensive Internet security system. That gives Proserv a competitive advantage over traditional insurers, Blankenship said.

"We paid top dollar for our firewalls and protection," he said.

Little insurance experience

Schools superintendent Stewart said he knew something was wrong with the flood insurance proposal the moment he read the names of people McClung had handpicked for the contract's selection committee.

Absent were the Department of Education's school finance experts, Joe Panetta and Mike Mc-Kown. No one on McClung's committee had an insurance background.

Instead, McClung named himself to the panel.

He also selected Wyoming County Superintendent Frank "Bucky" Blackwell, Booth's former brother-in-law. Additional members were Elswick and state department technician Ben Shew, who had worked closely with McClung after the 2001 floods.

In addition, the department's purchasing coordinator, Phil Uy, served on the committee because state purchasing rules required it.

Uy said he asked McClung to put an insurance expert on the panel, but McClung rejected the idea.

Earlier, McClung had requested and received special permission from the state's Bureau of Risk and Insurance Management to bypass the agency and use the state's purchasing department for the insurance deal.

But he never contacted the insurance agency again.

"If asked, we would have assisted them," said Charles Jones, Jr., executive director at BRIM. "That's our job. We're the insurance experts."

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HEADLINE: Following the floodwaters

Byline: Eric Eyre     Scott Finn

Timeline for proposed school flood insurance contract:

s Sept. 24, 2001: State releases report showing three of every four West Virginia schools built on flood plains don't have flood insurance. Education leaders discuss need for statewide flood insurance.

s July 16, 2002: Jerry Blankenship of Proserv Insurance calls state schools Assistant Superintendent G.A. McClung twice about a possible statewide flood insurance contract, according to McClung.

s July 17, 2002: McClung sends letter to Blankenship, requesting his bid for the flood insurance contract. McClung asks Blankenship to call him to set up a meeting. "You could well be the sole source for that product," McClung writes.

s Aug. 13, 2002: McClung asks county school boards to list schools damaged in previous floods, schools that currently sit in flood plains and whether those schools have flood insurance.

s Sept. 4, 2002: McClung and state Department of Education Facilities Director Bill Elswick complete statewide schools flood report. Insurance agents said they never got a copy.

s Sept. 4 to Sept. 15, 2002: Blankenship calls McClung at least a dozen times.

s Oct. 20, 2002: State Purchasing Division invites companies to bid on statewide flood insurance.

s Oct. 29, 2002: An Acordia Insurance executive sends a letter to a state purchasing official, questioning the proposed contract. The agent notes that no information was provided about school property and flood risk. "The development of proper information will have a profound impact on the cost to taxpayers," Acordia warns.

s Nov. 1, 2002: McClung resigns amid an investigation into a \$2.4 million furniture deal he arranged for longtime friend Phillip "Pork Chop" Booth.

s Nov. 4, 2002: State schools Superintendent David Stewart cancels proposed flood insurance contract.

s Nov. 12, 2002: Proserv Insurance Agency executives show up for pre-bid conference to discuss the contract. They're notified the proposal has been scrapped.

s Dec. 3, 2002: Bid opening scheduled, but never takes place.

**HEADLINE: THE GO-TO-GUYS ... 12/22/2002**

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**Keywords: government agency business contract disaster aid fraud investigation**

**HEADLINE: The go-to-guys Deals made by college friends McClung, Booth lie in ruins**

**Byline: Eric Eyre and Scott Finn**

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His friends introduced him as the most powerful man in West Virginia, a man who controls more money than even the governor.

In three and a half years, Glen Alan McClung ascended from junior high school principal to assistant superintendent over finance at the state Department of Education.

He managed more than \$1.52 billion in school spending a year, more than half the state's general fund budget.

"He wants to be the guy who can make things happen, the go-to guy," said Ritchie Gazette Editor Kent Spellman, who covered McClung's term as Ritchie County superintendent.

McClung's college friend, Phillip "Pork Chop" Booth, was an art-teacher-turned-salesman. He peddled insurance, office furniture, computer software and more.

When Booth walked into a roomful of people, he sometimes whistled a song as loud as he could, just to be noticed.

In 15 minutes, everyone in the room knew his name, and he knew many of theirs, friends say.

Booth had the business connections. McClung had the access to state contracts. Together, they steered several contracts to Booth's business, National Equity, and Booth's friends and associates.

Today, those deals lie in ruins.

The cause: an exclusive purchase McClung arranged for National Equity to replace kitchen equipment and classroom furniture in flood-damaged schools.

Booth charged between two and four times more than normal for the furniture, according to a state analysis of the purchases.

McClung resigned as assistant state superintendent Nov. 1, the day the Charleston Gazette published a report about the flood furniture contract.

The publicity helped launch a federal investigation of McClung, other state Department of Education employees, Booth, and Booth's business partners.

Booth declined last week to comment on the allegations.

In an interview last month, McClung said Booth provided quality furnishings under tremendous pressure to open schools on time. "We were lucky to have someone like that," McClung said. "We were very lucky to have Pork Chop."

A tireless self-promoter

With the smoldering wreckage of the World Trade Center as a backdrop, Phillip Kerby Booth posed for photos in a red, white and blue hardhat he had specially made for the occasion.

He showed those Ground Zero pictures to prospective clients, along with a letter from Sen. Robert C. Byrd thanking him for supplying thousands of respirators to rescue workers there.

Booth's company, National Equity, wasn't an authorized dealer of the safety equipment. Nevertheless, Booth somehow persuaded the federally funded National Hazmat Program in Beckley to buy safety equipment from him.

Officials from the Hazmat program refuse to say how much they paid.

Booth's business partners, friends and enemies describe him as a tireless self-promoter, outgoing and extravagantly generous.

Once when Booth was visiting a bank on business, he walked across the street and ordered 200 hot dogs - enough to feed the whole bank - and handed them out to employees and customers.

Booth liked to take friends to his office furniture warehouse. He would sweep his arm across the selection and encourage them to take whatever they want.

Booth's gregarious personality runs in his family.

His father, Hobart Booth Jr., was a fighter pilot during World War II and a state delegate from Oak Hill from 1950 to 1960.

The younger Booth might be a little more flamboyant, the elder a little more reserved, but both used their considerable charm to make things happen, said Robert Holliday, a former state senator and newspaper publisher in Fayette County.

Hobart Booth, like his son, was a salesman - except he worked for a liquor distributor.

As a state delegate, he almost single-handedly brought into existence Plum Orchard Lake and Wildlife Management Area near Mossy, Holliday said.

Phillip was the second of seven children. His older brother, "Jocko," was a popular athlete in high school and later a volunteer coach for hundreds of Fayette County youngsters.

"Jocko was like a son to me," said Jim Lively, a longtime Oak Hill insurance agent who once employed Jocko. "He was the most personable man I've ever been associated with, an intense family man. He was solid gold."

When Jocko Booth suffered a debilitating brain hemorrhage, "so many people called the Oak Hill hospital, they had to shut the switchboard down," Lively said.

Another brother, James Rodney or "Jim Rod," starred in tennis and went on to own several McDonald's franchises in Florida.

While his brothers excelled in sports, Philip excelled in art, Lively said.

"He had real artistic ability," Lively said. "That boy could draw."

In 1971, Booth graduated from Concord College, his father's alma mater. He landed a job as an art and social studies teacher at Gauley Bridge High School. It paid \$672 a month. He lasted 101 days.

He soon was selling credit life insurance to people who were borrowing money for a house or car. If they died, the insurance policy would pay off the loan.

Booth and another credit life agent, Ottis Linger Jr., joined forces about 25 years ago in Lenders Insurance Corp.

"Ottis was a technician, a student of computers, and operated as a lone wolf," said Mike Dupay, a former insurance agent who worked with both men. "He kept bumping into Booth, who had made a lot of banking contacts. Rather than compete, they formed a coalition."

They stayed together almost 20 years and started a software business and leasing corporation before Linger left in the early 1990s.

Between 1992 and 1994, Booth persuaded Thomas Kamm of Nicholas County to lend him more than \$500,000. Booth allegedly never paid Kamm back, according to Kamm, who sued Booth and Linger in Kanawha Circuit Court.

Linger countersued Booth, saying he sold out in 1993 and shouldn't owe Kamm anything. The case is set for trial in June.

Several other lawsuits accuse Booth of ripping someone off or borrowing money, never to repay it. Most were settled before trial.

In one lawsuit, Joe and Deborah White allege Booth sold them \$275,000 of worthless stock and real estate in 1995.

Booth promised to make them millionaires if they bought stock in his software company, the Whites allege. It was set to "go public" within the next 18 months, according to the suit.

Also, Booth promised to buy the stock back at a profit after one year, if the couple wished. But when the Whites tried to cash out, Booth gave them excuses, the lawsuit said.

"I ain't never gonna let you down," and "Don't worry about a thing. I've got you covered," Booth told the Whites, according to the suit.

Booth sold Lenders to insurance giant Acordia in the late 1990s, then went to work for the company, according to former associates.

Not much later, Booth left Acordia for reasons company officials declined to discuss.

While he was with Acordia, he helped set up a new for-profit endeavor, ProServ Insurance, for the West Virginia Bankers Association.

Last summer, McClung turned to ProServ for help with a statewide school flood insurance proposal. Booth's college friend, Doug Maddy, heads the bankers association.

Booth also branched out into several other business endeavors, such as the Liquidator, a Charleston-based used office furniture business.

He partnered with Mike Duda, son of a math teacher and well-known former football coach at Collins High - John Duda Stadium in Oak Hill is named after him.

Booth also has drawn several prominent lawyers and businessmen into his business ventures. In the mid-1990s, he teamed up with auto dealer Joe Holland Jr. and others to form a software company called Financial Marketing Systems.

His most complex business venture to date is National Equity, LLC, incorporated in 1995. He partnered with former Charleston lawyer Rodney Jackson, builder Carl Agsten Jr., insurance agent Thomas Maddox and others. (Agsten says he has withdrawn from the company.)

According to the company's Web site, National Equity divisions include asset management, hazardous material safety products, educational furniture and supplies, office furniture and insurance.

Booth operated the company out of a corner suite at the Embassy Suites hotel in Charleston. He often met clients downstairs at the hotel restaurant and sports bar, or he would bring them in for a private conference upstairs. The bellhops, waiters and receptionists know Booth by name.

Despite Booth's reputation as an extravagant gift-giver and flashy dresser, tax records suggest he and his wife, Amy, lived a relatively modest existence before Booth became involved with National Equity.

In 1994, they owned a 1985 Cadillac and 1989 Plymouth Voyager with a combined estimated value of about \$5,300. Until recently, they lived in a house that sold for \$178,000.

Now, they own a classic 1963 Chevrolet Corvette, a Mercedes and a \$750,000 home on Hunting Hills Drive.

'Be ever alert to the pitfalls of too much authority'

In July 2001, G.A. McClung received perhaps the most important assignment of his career.

Floods had swept through schools in McDowell and Wyoming counties. State Superintendent of Schools David Stewart turned to McClung to rebuild the schools, to put children back in classes by the start of the school year that fall.

McClung turned to Booth.

Booth had never sold classroom furniture in West Virginia, but that didn't matter to McClung. They met as students at Concord College. He trusted him.

Booth also had formed a partnership with Carl Agsten Jr., who owned a construction company.

Agsten knew how to build and repair schools. Booth knew how to furnish them.

McClung never called anyone else about the flood work. The governor had suspended bid rules, but state school officials said they expected McClung to at least solicit quotes over the telephone.

"It's most unfortunate there's a problem," McClung said in an interview last month. "It was well handled. I was given the responsibility of managing this thing. My direction was to get students back in school [by] opening day. It was something I was determined to do."

McClung repeatedly has said he didn't personally gain from the furniture deal. He continues to defend Booth.

In his resume, McClung cites a speech about loyalty and leadership by U.S. Army General Melvin Zais:

"I enjoin you to be ever alert to the pitfalls of too much authority," the general declared. "Beware that you do not fall into the category of the little man, with a little job, with a big head. In essence, be considerate, treat your subordinates right, and they will literally die for you."

As a young man, McClung attended Greenbrier Military Academy. He graduated from Concord College in 1970 and worked the next 14 years as a teacher in Greenbrier County schools.

Turning a \$500,000 deficit into a \$400,000 surplus

He served as principal at three junior high schools, including nearly seven years at consolidated Eastern Greenbrier Junior High School, the largest junior high in the state at the time with 1,200 students.

Many parents liked him. They said he was a firm disciplinarian who also took a personal interest in his students.

From the late 1970s until 1998, McClung also owned several restaurants, including Jim's Drive Inn Restaurant in Lewisburg and Kentucky Fried Chicken franchises in Hinton, Fairlea and Marlinton, according to his resume.

He sold Jim's Drive Inn in 1998 for \$175,000 to Lexy Inc., a company incorporated by Wilburn "Junior" Baldwin of Renick.

Soon after the sale, Baldwin borrowed \$250,000. When he failed to pay it back, City National Bank bought the restaurant for \$72,000.

When McClung took over as Ritchie County superintendent in 1997, the county had a \$500,000 deficit.

In three years, McClung slashed teacher and service worker jobs. He pushed to consolidate schools. He reorganized the school system's central office.

At the same time, enrollment started to creep up, and with the increase came more state funding. McClung also secured extra money for Ritchie schools from the state Budget Digest.

The result: McClung turned the deficit into a \$400,000 surplus.

"He did a good job of turning the county's finances around," said Spellman, editor of the Ritchie Gazette.

But his success on the job didn't seem to carry over into his personal finances.

By the time he departed Ritchie County, a number of local businesses refused to accept his personal checks, the Ritchie Gazette reported.

Questions were also raised about McClung's oversight of a modular classroom project at Harrisville Elementary School and excavation work at the proposed site of a bus garage at the Ritchie County Middle-High School complex, the newspaper reported.

McClung also inquired about buying at least four properties in Ritchie County, but he never closed on the proposed deals. Earlier this fall, he came close to buying a \$215,000 home at 37 Sherwood Circle in Hurricane. But the deal fell through when he lost his assistant superintendent's job.

In November 2000, Stewart promoted McClung to the state Department of Education because of his acclaimed performance as superintendent in Ritchie County. He took over Stewart's old assistant superintendent job.

McClung was popular among employees in the department, even though he spent much of his time traveling across the state on school business.

He came to work with his shoes always shined, his Polo shirts and slacks always neatly pressed.

Months after he was hired, McClung began to steer business to Booth's company, National Equity:

- s He helped pick National Equity and its partner, Wisconsin-based Specialty Underwriters, for an equipment maintenance contract for all state agencies.

- s He tried to bypass state purchasing rules to buy office furniture from Booth.

- s He told ProServ Insurance about a statewide flood insurance proposal months before it was advertised to others. Booth helped set up ProServ, and his business partner, Maddox, works there.

McClung's deal making has rocked the state Department of Education and thrown several big projects into disarray.

When Stewart named McClung assistant state superintendent two years ago, he was working to restore integrity to the agency.

Former Superintendent Hank Marockie had resigned under pressure amid state and federal investigations into his use of a privately funded expense account.

At that time, McClung pulled Spellman aside after a Ritchie County school board meeting to talk about Marockie.

McClung told Spellman that someone in Marockie's position must "toe the ethical mark at all times and in every way," Spellman recalled last week.

"He should have known better," Spellman said. "He ignored all his own best advice."

Staff writer Susan Williams contributed to this report.

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