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Indictment: Former Arkansas lawmaker, couple named in corruption scheme

Tom and Bontiea Goss conspired with then-state Sens. Jeremy Hutchinson of Little Rock and Jon Woods of Springdale in the bribery and kickback scheme that has led to convictions of four former Arkansas lawmakers so far, according to a federal grand jury indictment of the couple unsealed Thursday.

Mr. and Mrs. Goss along with Hutchinson were charged with a total of 32 counts including conspiracy, theft and bribery by a federal grand jury in Missouri in these latest allegations. These new counts say illegal campaign contributions went to lawmakers in both Arkansas and Missouri.

Hutchinson, who is the governor's nephew, already faces tax and improper campaign spending charges in federal court in Little Rock.

The Gosses diverted unspecified millions in taxpayer money from the nonprofit company Preferred Family Health, according to the 85-page indictment. Tom Goss was chief financial officer and Bontiea Goss was chief operating office at the time.

State and federal money intended to aid the addicted and others in need of counseling went instead to pay for bribes, kickbacks, and illegal lobbying and campaign contributions in both Arkansas and Missouri.

Money taken from Preferred Family also paid for warehouse space for a Goss-owned for-profit business; for interest-free loans to their businesses; for chartered airplane flights, luxury real estate and trips to major league baseball games; for housecleaning; and for someone to walk the Gosses' dogs, the indictment alleges.

The scheme continued for a dozen years, according to the indictment. Besides the money, the Gosses also orchestrated in-kind contributions to candidates such as organizing fundraisers and arranging catering for those events. Employees used company credit card for arranging such events, the indictment says.

The Gosses paid their bribes and made their illegal campaign donations largely through their company's lobbyist in Arkansas, Milton R. "Rusty" Cranford of Bentonville, according to court records. Cranford pleaded guilty in the matter June 7. That plea publicly implicated Hutchinson for the first time.

Others who have been convicted or pleaded guilty in the scheme include former Arkansas Sen. Jon Woods of Springdale, former state Rep. Micah Neal of Springdale, former state Rep. Eddie Cooper of Melbourne, and former state Sen. Henry "Hank" Wilkins of Pine Bluff.

The latest indictment charges the Gosses and Hutchinson with one count of conspiracy each. Bontiea Goss faces two counts of bribery, 13 counts of fraud and three counts of false tax returns. Tom Goss faces six counts of bribery, 12 counts of fraud and four counts of false returns. Hutchinson faces three counts of bribery and seven counts of fraud.

The indictment springs from a federal investigation active for two years in both Arkansas and Missouri, according to court records.

BUYING FAVORS

The corruption scheme began in 2005 and continued until November 2017 when the Gosses and co-conspirators in the company were fired by the company's board, according to an earlier statement by the nonprofit.

Tom Goss helped found Alternative Opportunities Inc. in 1991 after relatives struggled with drug and alcohol addictions, according to news reports and company history.

Alternative Opportunities took over Preferred Family Healthcare of Kirkland, Mo. in a 2015 merger and now goes by that name.

Under the Gosses, the company grew into the largest Medicaid recipient for behavioral health services in Arkansas, receiving at least \$71 million in 2017. Between fiscal years 2011 and 2018, Arkansas paid the company more than \$245 million for Medicaid mental health services.

Preferred Family lost its state contracts in the scandal in 2018 and sold its remaining Arkansas assets. The company is suing the Gosses for losses it suffered in the scheme.

Hutchinson helped the company get favorable legislation and Medicaid rules in his role as senator, the indictment says. He steered state grants to the nonprofit, according to the indictment.

In return, Bontiea Goss authorized the company to pay Hutchinson, who is a lawyer, a retainer for legal work he did not do, according to the indictment.

Preferred Family paid Hutchinson more than \$350,000 from 2013 to 2017 for the legal work, fictitious or not, the indictment says.

The allegation Hutchinson didn't perform the work for which he was paid has been made in related cases. Hutchinson denies the allegation.

The Gosses encouraged employees to make political contributions to favored candidates and then reimbursed those employees through fake expense reports for training costs and other business-related expenses, the indictment says.

Federal law prohibits tax-exempt 501 (c)(3) companies like Preferred Family from making campaign contributions or taking part in significant lobbying activities.

BUSINESS BOOMING

More than 25,000 clients in Arkansas received mental and behavioral health services from Preferred Family in 2017, its last full year of operations here, according to the company.

An additional 3,300 clients received substance abuse treatment through the various programs offered by Preferred Family. The company had 187 residential treatment beds in Arkansas before selling its Arkansas assets to Quapaw House, a nonprofit company based in Hot Springs.

"The Senate commends Alternative Opportunities for its hard work and dedication," reads Senate Resolution 31 of 2013 -- sponsored by Hutchinson.

The April 3, 2013 resolution commends the business for starting the Alex Recovery High School in Bentonville. The school was established at Decision Point, a treatment center that was part of Alternative Opportunities at the time.

The Gosses' son, Alex Levin Goss, died of a drug overdose in 2011 at the age of 23, according to news accounts.

Federal investigators met with Preferred Family's lawyers and described their findings to them in October 2017, according to court records.

Both the Gosses, along with Preferred Family's then-CEO Marilyn Nolan of Springfield, were fired by the nonprofit's board shortly after being placed on administrative leave in November 2017, according to statements at the time from the company.

Nolan pleaded guilty in November of 2018 to one one count of conspiracy in federal court in Springfield.

Nolan admitted working with other company executives and political lobbyists to bribe Arkansas lawmakers to influence legislation and rule making for the state Medicaid program to boost company profits.

She also admitted she and those other executives, including company Chief Clinical Officer Keith Noble, stole millions from the nonprofit for illegal lobbying, campaign contributions and personal use.

Three other Preferred Family executives have pleaded guilty in the investigation.

Nolan's plea describes how, from 2008 until June 30, 2017, she conspired with Cranford, Noble and other company executives to "embezzle, steal, obtain by fraud, and without authority knowingly misapply and convert to their use" property belonging to the nonprofit.

Preferred Family used for-profit companies owned by the same top executives to buy, sell and rent the company's assets and generate millions in illegal profits, according to the indictment.

Those profits went to a group of company insiders, including Nolan, that were dubbed the "Resource Team," according to guilty pleas and the indictment. Federal information outlining Nolan's crimes said she alone received more than \$4.1 million.

Preferred Family filed a lawsuit in September in Missouri against the four executives, for-profit companies they controlled and Cranford, accusing the defendants of "a series of fraudulent acts, embezzlements, and improper self-serving transactions" amounting to millions of dollars.

[SC lawmakers advance bills on ‘dark money’ despite protests from advocacy groups](#)

South Carolina lawmakers advanced two “sunshine” bills Thursday that could shed more light onto political campaign ads paid for by secretive groups and their anonymous donors.

A panel of state representatives moved the legislation forward even as two lobbyists funded by Charles and David Koch — the billionaire owners of Koch Industries — threw up objections to the legislation.

“Those in power shouldn’t force individuals to register their beliefs, their donations or their associations,” said Andrew Yates, a lobbyist with Americans for Prosperity, a group partially financed by the Kochs.

The brothers are two of the most prominent Republican benefactors in the country.

It’s too late for either piece of legislation to pass the full Statehouse this year. But the bills could still become law next session before another round of anonymous spending takes place in 2020.

The legislation would require some groups that spend on political mailers, radio ads or television commercials to register with the State Ethics Commission. They’d also need to disclose how much they spent and any donors who contributed more than \$1,000.

[A Post and Courier investigation](#) this year detailed more than \$6 million in that type of spending by third-party groups during the 2018 elections. Many of those groups were cloaked in secrecy, which is why they are often referred to as “dark money” organizations.

The \$6 million detailed by the newspaper is likely only part of what was spent. It’s impossible to know the total amount because South Carolina is one of the few states that doesn’t track any of these independent advertising campaigns.

The lawmakers sponsoring the legislation argued the bills are needed to bring transparency to South Carolina’s elections and government.

“One of the things that I learned in the past year especially is that South Carolina really is the Wild West when it comes to independent expenditures,” said Rep. Mandy Powers Norrell, D-Lancaster.

Norrell, who was the running mate for Democratic gubernatorial candidate James Smith last year, also had an anonymous group — South Carolinians for Ethical Leadership — spend money on her behalf last year.

On Thursday, she said that type of activity needs to stop. She called it “detrimental to democracy.”

This isn’t the first time lawmakers have tried to tackle this issue, but earlier efforts to require these outside groups to file paperwork with the ethics commission has been waylaid in the Senate.

Rep. Peter McCoy, R-Charleston, said something needs to be done about the anonymous spending that allows corporations, wealthy individuals and special-interest groups to target specific lawmakers without attaching their name to that spending.

“Sunshine is the best disinfectant. It’s what the public wants. It’s what the public needs. And I think it’s important for the trust in government,” said McCoy, chairman of the House’s Judiciary Committee.

Yates, however, of the Americans for Prosperity group, referred to the disclosure requirements as “government-facilitated intimidation.”

He argued that people should be allowed to spend thousands or millions of dollars attacking or supporting a political candidate without being named in public. In that way, people can’t be “ostracized” for their political donations, he said.

“Transparency is good for government, accountability and oversight, but individuals still have a right to privacy in this state,” he said.

“There is a space in our constitution for anonymous political speech,” added Will Kinney, the lobbyist for Koch Industries, which donated heavily to Gov. Henry McMaster last year.

Many other states require at least some form of disclosure by groups spending money on independent political ads during elections.

Rep. Weston Newton, R-Bluffton, asked specifically why people who donate money directly to a candidate have their name listed on the State Ethics Commission website, but donors to these third-party groups demand anonymity.

“It strikes me that disclosure is a good thing all the way around when it involves government,” Newton said.

[New Georgia ethics chief says he will subpoena Abrams campaign records](#)

The new director of the state ethics commission plans to subpoena bank records from the campaign of 2018 Democratic gubernatorial nominee Stacey Abrams and groups that raised money to help her in last year’s nationally watched race.

Former Douglas County prosecutor David Emadi, [who started his new job Monday](#), also said his office will soon decide whether to prosecute the campaigns of Atlanta mayoral candidates.

Emadi’s predecessor, Stefan Ritter, [was accused of stalling investigations after the commission audited campaign reports from the organizations last year](#).

Ritter, who was also accused of watching porn at work, resigned earlier this year.

Abrams is expected to announce soon whether she will run for U.S. Senate or president next year, or run for governor in 2022.

Lauren Groh-Wargo, former campaign manager for Abrams, said, “The Abrams campaign worked diligently to ensure compliance throughout the election and, had we been notified of any irregularities, would have immediately taken action to rectify them.

“The new ethics chief – a Kemp donor and former Republican Party leader – is using his power to threaten and lob baseless partisan accusations at the former Abrams campaign, when they should be focused on real problems like the unethical ties between the governor’s office and voting machine lobbyists instead.”

While not getting into specifics of the commission’s investigation, Emadi made general remarks about the cases after being introduced to reporters by ethics commission chairman Jake Evans on Thursday.

“Those investigations are all moving forward,” Emadi said. “What I can say about the investigation into the Abrams campaign is in the relatively near future, I expect we will be issuing subpoenas for bank and finance records of both Miss Abrams and various PACs and special-interest groups that were affiliated with her campaign.”

More than a dozen “independent groups,” mostly funded by out-of-state donors, were created in Georgia last year to help support Abrams’ effort. Emadi said he expects the documents the commission will review will be “voluminous,” likely meaning the investigation will take time. He also said all of the filings from the mayoral candidates “are under investigation. In the relatively near future, I expect we will make the decision (whether) to go forward with prosecution on a case-by-case basis.”

The agency, formally known as the Georgia Government Transparency & Campaign Finance Commission, is charged with collecting campaign finance, vendor gift and lobbying expenditure reports; registering lobbyists; issuing advisory opinions; and dispensing penalties for violations. Democrats were expected to accuse Emadi of partisanship, since the candidates and organizations under investigation are largely associated with Democrats and he is a former officer in the Douglas County Republican Party who once worked for GOP House Speaker David Ralston. He also donated \$600 last year to Republican Brian Kemp’s successful campaign for governor. Kemp narrowly beat Abrams in last year’s election.

The commission also audited the campaign filings of Republican gubernatorial candidates. The commission is still investigating separate ethics complaints filed by partisans last year against the Kemp and Abrams campaigns.

Emadi vowed to prosecute wrongdoers, no matter the party affiliation, and said he won’t even vote in elections involving candidates while serving in the job.

“I fundamentally believe that to be a neutral arbiter, to be an impartial umpire calling balls and strikes, you can’t affiliate with any of that,” Emadi said. “This is an inherently political position, but as a former prosecutor, I am comfortable and I have been comfortable making decisions that people may not like. I may not be everyone’s best friend, but I am okay with that.”

The investigations into the Abrams and mayoral campaigns came out of audits of contribution and expenditure reports candidates and political groups have to file when they raise and spend money on campaigns. The audits were part of an effort by Ritter to be more proactive in reviewing reports after years during which most complaints were filed following investigations by the media or opposing campaigns.

Top commission staffers filed complaints against Ritter in December, saying that potential violations that those audits found were sat on by the agency. Ritter denied wrongdoing when asked about the complaints filed against him.

The officials did not outline what the potential campaign finance violations were, and neither did Emadi.

The Abrams campaign [raised a record \\$27.6 million for her run for governor](#). Her fundraising prowess was particularly impressive considering tens of thousands of donations came from around the country, many in small amounts, like \$5 or \$10.

“Independent groups,” which are not legally allowed to coordinate with candidates, [spent millions more, with most of the money coming from out-of-state donors, like San Francisco](#)

[Democratic megadonor Susan Sandler, who put \\$5.6 million into an organization called Power PAC which supported the Abrams campaign.](#)

[House gives nod to lobbyist disclosure bill](#)

Lobbyists who try to influence legislation or state agency rules are going to have to be more open about what they are doing, and who they are working for under a bill that won preliminary approval in the Colorado House on Tuesday.

The measure, HB1248, is designed to give the public more details about who lobbyists are working for, and what their clients expect of them.

Lawmakers behind the bill say such legislation is needed to shine a brighter light on the nearly \$30 million a year that is spent by businesses and special interest groups on lobbying efforts.

"That's more money spent to influence lawmakers than was spent to elect lawmakers," said Rep. Lisa Cutter, D-Littleton, who introduced the bill with Rep. Mike Weissman, D-Aurora. "The danger of this is that it gives lobbyists access and influence that the general public doesn't have. So if money equals speech, it is important that we know where that money is coming from."

The bill requires more frequent and more detailed reporting by professional lobbyists, who already are required to register with the Secretary of State's Office, and report what bills they are supporting, monitoring or opposing.

Current law, also requires them to disclose who is paying them, and by how much, but that information is limited.

The bill changes that by making it clearer that lobbyists don't enjoy a kind-of attorney-client privilege, and can't hide who their ultimate client really is. So instead of listing some group that is funded by a particular client, the lobbyists would have to list who's really funding them.

"There is not a tremendous amount of public trust in the political process right now," Weissman said. "I do believe we must do what we can to shore that up. There are few better ways to do that than bring transparency to lobbying practices around this Legislature, and that's what this bill does."

No one spoke out against the measure on the House floor or when the committee approved it last month, but three Republicans did vote against it in committee, including Rep. Janice Rich, R-Grand Junction.

The bill needs a final House vote before heading to the Senate.

[Luzerne County may hire lobbyist firm](#)

Luzerne County Manager C. David Pedri has asked council to consider passing a resolution authorizing him to hire a lobbyist firm for \$5,000 per month, according to Tuesday's work session agenda.

The professional services provided by Harrisburg-based Maverick Strategies would include "general consulting, relationship building, message creation, news monitoring, legislative bill monitoring, client communications and the general task promoting the goal of Luzerne County," the proposal says.

The firm also would stay on top of issues that may impact the county and help identify resources and grants that could benefit the county, it says.

A primary assignment would be helping the county obtain state and federal grants to fund a 911 emergency radio system upgrade, it says.

The 911 project had been estimated at \$20 million and may require new borrowing, but the cost won't be known until interested vendors submit their proposals by July 15, officials have said.

Switching from the 20-year-old analog system to a digital one is necessary, officials have said, because equipment support for the radio transmitters and receivers that allow emergency responders to exchange messages will expire the end of 2020. While the system won't automatically shut down on that date, replacement parts have become increasingly difficult to find because they are no longer manufactured.

At the administration's request, council had voted in November to hire Pennsylvania-based MCM Consulting Group for \$380,357 to handle the first stage of the radio upgrade, which included help seeking grants and other possible outside funding. MCM also prepared the request for proposals and identified equipment needs.

Tuesday's agenda says Maverick Strategies would "play a pivotal role in guiding the county through the potential funding sources" due to the company's "political acumen."

"Truly effective state lobbying requires day-to-day, on-the-ground, face-to-face contact and requires lobbyists who have earned the trust and respect of local officials," the agenda says.

County council agenda submissions require the administration to present alternatives.

In this case, the administration said it would have to continue seeking grants "in the current manner" if council does not pass the resolution. It argued the county does not have a "consistently active presence" at the state Capital to help the county develop support from "key public officials and policy makers on decisions that directly impact the county."

Because such requests must appear on a work session agenda first, April 23 is the earliest council would vote on the matter. Tuesday's work session follows a 6 p.m. voting meeting at the county courthouse on River Street in Wilkes-Barre.

The proposed agreement would take effect May 1 and expire June 31, 2020.

The Maverick Strategies representative signing the contract is Kyle Fitzsimmons, a King's College graduate and Northeastern Pennsylvania native with almost two decades of experience in state government, most recently as chief of staff for state Sen. John Yudichak, D-Nanticoke, the firm's bio says.

"Kyle enjoys an outstanding reputation amongst his peers. He is widely regarded as one who could always work in a bipartisan manner within the halls of the Capitol in order to get the issue or task at hand completed," the bio says.

The proposed contract and other meeting agenda items are posted on the council section at www.luzernecounty.org.

[Probation for ex-lobbyist Todd Howe, who cooperated in corruption cases](#)

Todd Howe, the star federal corruption cooperator at the center of Albany bribery and bid-rigging cases last year that damaged public perceptions of ethics in the Cuomo administration, was given 5 years' probation but no jail time by a Manhattan federal judge on Friday.

Howe, 58, a former lobbyist and one-time aide to Gov. Andrew M. Cuomo, was a key witness whose testimony led to the bribery conviction of ex-Cuomo deputy Joe Percoco, and also helped

expose SUNY development czar Alain Kaloyeros' role in the "Buffalo Billions" bid-rigging scandal.

Although Howe was implicated in four different crimes set up for clients who hired him because he "knew how to get someone into the good graces of Andrew Cuomo," U.S. District Judge Valerie Caproni said, his high level of criminal involvement gave him high value when he decided to help the government.

"It is important that cooperation be rewarded," the judge said.

In addition to the corruption schemes, Howe also pleaded guilty to embezzling \$1.7 million from his Albany law firm. His sentencing prospects were complicated by two violations of his plea deal: using money set aside for back taxes on personal expenses, and trying to cheat on a Waldorf Astoria hotel bill after he began cooperating.

He was jailed during testimony at Percoco's trial when his effort to escape the hotel charge was exposed on cross-examination, and not called during Kaloyeros' trial as a result. But prosecutors nonetheless vouched for him as a "productive and helpful" cooperator in a letter to Caproni last month.

Howe told Caproni that the 6 months he spent in jail had changed him, leading him to flee the lifestyle he sought as a highly paid Albany and Washington lobbyist to try to work off his debts with humble but honest work as a golf course groundskeeper and snowplow operator in Ketchum, Idaho.

"It's like an individual who has had a near-death experience," he said. "I'm going to live a very modest lifestyle. But I'm going to be honest."

Caproni said with probation and a "suspended sentence," the charges would continue to hang over his head. "I am hopeful that will be a lasting reminder of what will happen if you again cross the line into criminality," she said.

Howe made his original political connections with Percoco and other insiders as an aide to Gov. Mario Cuomo, later working for Andrew Cuomo at the Department of Housing and Urban Development.

He later became a highly paid lobbyist but admitted in testimony at the Percoco trial that he outspent his means and spent much of his life dodging debts and trying to cheat creditors — from tradesmen to family friends who tried to help him.

After Andrew Cuomo was elected governor, Howe testified, he set up bribe schemes with Percoco to exercise influence on behalf of two clients. He also worked as a consultant to Kaloyeros, and arranged for two lobby clients to win state development deals Kaloyeros oversaw. Andrew Cuomo was never charged with wrongdoing.

Caproni gave Howe back credit cards he had to give up when he was released from jail last year, but said he had to clear any nonemergency expenditure over \$1,000 with probation officials and share his credit card bills with them. He also owes \$2.8 million in taxes and restitution.