



## 2 Arrested in Major Jail Food Bribe Case

By JOSH MEYER AND ERIC LICHTBLAU

MARCH 2, 1998 12 AM PT



TIMES STAFF WRITERS

Cracking a conspiracy costing taxpayers untold sums, the Los Angeles County Sheriff's Department has arrested one of its administrators and an independent food contractor on bribery charges involving millions of dollars in padded contracts for jail food, authorities said.

A 15-month investigation--triggered by a series in The Times in late 1996--uncovered a pattern of corruption spanning at least two years, officials said.

At the center of the alleged scheme to manipulate contracts was the No. 2 official in the Sheriff's Department's \$20-million food operation--civilian employee Fredrick Gaio. In interviews with The Times, investigators said that, despite indications of earlier problems, Gaio's alleged wrongdoing went undetected because of serious lapses in management and oversight of food operations in the nation's largest jail system.

Authorities said they managed to trace more than \$9,000 in alleged bribes from food contractor Rick Hodgkin to Gaio but that they suspect far more money changed hands. Gaio allegedly received lease payments for a car and an all-expenses paid trip to Las Vegas--complete with limousine and gambling money--to steer county business to Hodgkin and his food-vendor clients.

“I’m sure there are a lot of things we will never prove, never find,” said Sgt. John A. Nemeth of the Sheriff’s Department Internal Criminal Investigations Bureau. “It’s a den of thieves, this food service business.”

The bribery scandal comes at a time when the sheriff’s custody operation is under fire on several fronts, providing likely fodder for those seeking to unseat Sheriff Sherman Block in his bid this year for a fifth term.

Last week, for example, the department was hit with allegations that its deputies provoked assaults on suspected child molesters, possibly leading to the death of one inmate, a matter that is under investigation.

Jail officials also have been criticized for providing inadequate medical care and for keeping some inmates in custody too long because of paperwork snafus, costing the public tens of thousands of dollars in legal settlements.

Block has scheduled a news conference for today to discuss the food-operation probe, conducted by the Sheriff’s Department with the assistance of criminal investigators from the county’s auditor-controller’s office.

Gaio, 52, and Hodgin, 41, both of Long Beach, were arrested Friday.

Gaio, who has worked in the sheriff’s food services division for more than 15 years, remained in custody Sunday night, unable to post \$45,000 bail, authorities said. He has been on administrative leave, with pay, since November, when search warrants were first served at his home. As of today, he will be suspended without pay, pending the outcome of the criminal case.

Hodgin is free on \$30,000 bail. Neither of the two men, nor their attorneys, could be reached for comment.

According to investigators, Hodgkin allegedly paid the bribes beginning in 1995 while working for a Florida-based company called Joy Food Service Inc., which at the time was receiving millions of dollars in food contracts from the jail. When Hodgkin later became director of sales for the Lancaster-based Harvest Farms, that firm suddenly corralled much of the lucrative business.

After being taken into custody, Hodgkin conceded that “he knew it was wrong, the whole premise of paying a county employee” but that “I felt like I needed to help Fred out, kind of like a fatherly thing,” according to Nemeth, who arrested him.

Although Hodgkin denied that he expected anything in return for the money, “he never would come out and say what it was for,” Nemeth said, adding that Gaio invoked his right against self-incrimination when questioned.

According to authorities, the two men subverted the purchasing process in a variety of ways, all intended to ensure that Hodgkin’s clients would retain a grip on contracts and profit handsomely--with the interests of taxpayers taking a back seat.

### Many Ways to Circumvent Process

Among other things, contract specifications were tailored to ensure that only Hodgkin’s clients would land business, authorities said.

Gaio also allegedly circumvented bidding requirements by falsely declaring that an “emergency” existed for such items as turkey and cookies so that Hodgkin could supply the goods without competition and at higher prices.

With the business in hand, vendors sometimes would substitute lesser-quality products for the higher-priced items specified in their contracts, a practice that investigators believe Gaio sanctioned.

On other occasions, authorities said, vendors represented by Hodgkin would ship more food than agreed upon and Gaio would authorize the additional costs.

While taxpayers were victimized by the scheme, sheriff's officials said that Gaio and Hodgkin made sure their own interests were served. Hodgkin, they said, collected considerable commissions and Gaio was able to feed an alleged gambling problem that was consuming his \$50,000 annual salary.

“When you have a bad person in a critical position, you can be victimized,” said Nemeth. “The Sheriff's Department was victimized by one of its employees.”

Although authorities said no one else in the department has thus far been implicated, authorities are continuing to investigate potential accomplices in the food industry.

In addition to the criminal bribery probe, county officials are undertaking a “very intensive” administrative review of the food-purchasing operation to uncover management shortcomings that allowed the problem to flourish, said Acting Assistant Sheriff Rachel M. Burgess.

Already, she said, some reforms have been implemented, including tighter fiscal controls and the elimination of practices that have allowed food vendors to win contracts over companies submitting far lower bids.

The alleged bribery scheme was unfolding at a time when Sheriff Block was insisting that the department was too strapped for funds to open the new Twin Towers jail in downtown Los Angeles and was ordering the early release of thousands of inmates because of overcrowding at other jail facilities.

The latest allegations raise serious questions about whether department officials were sufficiently vigilant about the way millions of dollars were being spent in the troubled jails.

## One Deal Sparked Investigation

The investigation of the food operation was launched in November 1996, after The Times published an investigative series that exposed deep fiscal abuses in the Sheriff's Department.

The series disclosed that the department was spending millions on such things as outdated computers, three cars for Block, \$466 toasters and high-grade food for inmates, much of it at a cost exceeding what other vendors were willing to charge.

At the time, Block dismissed the series as a "hit piece," insisting that the department was doing an excellent job of managing its food service and other jail operations. This, despite the articles' documentation of Hodgkin's unusually close access to--and influence over--food managers.

As for Hodgkin, he told the newspaper back then: "I went in there like every other vendor."

But officials in the county auditor's office were not convinced.

The agency's Special Investigations Unit opened an inquiry and focused initially on a particularly suspicious deal spotlighted in the series--\$67,000 worth of "emergency cookies" bought from Hodgkin's company without competitive bidding when the jail's bakery supposedly broke down in 1996.

In fact, auditors found that there was no emergency, that the bakery's machinery was in fine working order and that "there was absolutely no need to buy the cookies," said Marion Romeis, chief of the auditor's Special Investigations Unit.

Suspecting other abuses, auditors expanded their investigation. An employee of Joy Foods and affiliated Infinity Sales, which employed Hodgkin until 1995, alleged in interviews with investigators that company officials boasted of “taking care of Fred [Gaio]” and making an unconfirmed balloon mortgage payment for him to secure his help.

Those allegations prompted the auditor’s office to enlist help from internal criminal investigators in the Sheriff’s Department.

Working together, they got what they say was their biggest break when a Joy Foods representative in the Las Vegas area, Nunzio Morsicato, alleged that Gaio had sought a new car and other remuneration.

By 1995, Gaio was playing an increasingly pivotal role in the jail food purchasing process, because his office had been given expanded authority over contract awards. Before that, the county’s Internal Services Department was largely responsible for purchasing and warehousing food for the jails and other county departments. But after extensive lobbying, the sheriff’s officials won approval to assume control of their own food purchases, with Gaio at the center.

“The light bulb went off for Fred Gaio,” said auditor Guy Zelenski. “He saw an opportunity.”

Among other things, authorities said they traced \$5,000 from Joy Foods to Gaio’s bank account in Long Beach. He allegedly used the bribe money for a trip to Las Vegas. “Seven days later,” Zelenski said, “he’d basically spent all the money.”

Other payments to Gaio followed, authorities allege, including \$1,500 in a cashier's check, plus a down payment and at least two other payments totaling more than \$2,500 toward Gaio's 1995 Ford Taurus. After his arrest, Hodgkin allegedly told investigators he had paid Gaio's car-lease payments for at least two years.

Authorities believe that the alleged payments were made not to secure any single contract, but rather to ensure a continued relationship between Hodgkin's clients and the Sheriff's Department.

Hodgkin switched from Joy Foods to Harvest Farms in early 1996. Authorities said they believe it is no coincidence that Harvest Farms' jail contracts rose from virtually nothing to more than \$4 million a year after Hodgkin joined the firm.

"Where Hodgkin went, there went the Sheriff's Department's business," said Nemeth.

Harvest Farms officials could not be reached for comment over the weekend. County records show that the company won millions of dollars worth of contracts for turkey, beef, frozen foods and other items, largely through a system known as "bundling."

### No Questions From Department

Under this system, large numbers of items were awarded to a single vendor--often at a hefty markup--so they could be delivered at once, thus reducing the number of deliveries and protecting jail security, sheriff officials insisted.

But top sheriff's officials now believe that they were duped into believing this rationale by Gaio, who wanted to see the bids bundled--and the low bids often ignored--to ensure that Hodgkin's clients received the business.

Asked why department officials never scrutinized the bundling practice to determine whether it was truly designed to protect jail security, Acting Assistant Sheriff Burgess said: "I really can't tell you."

What's more, for at least two years sheriff's officials had been receiving complaints from competing vendors, food-service employees and other county departments about problems and potential illegalities in the jail food operation.

Hodgin was the unnamed target of one memo from Internal Services, which warned the Sheriff's Department in early 1996 that it should "cease" its relationship with him.

The Sheriff's Department said it investigated the matter and found no evidence of wrongdoing. Similarly, authorities said that the department investigated--but

discounted--allegations that Gaio was improperly approving overtime pay for subordinates in exchange for loans to finance his gambling problem.

Burgess could not explain why the department missed the early warning signals.

"Maybe it's just something you don't want to hear," Burgess said. "You're always surprised when you hear one of your employees has done something to victimize you."



---

**SUBSCRIBERS ARE READING**

---

**CALIFORNIA**

Swarm of earthquakes rattles L.A. area after magnitude 4.0 jolt

---

**CALIFORNIA**

A young talent killed, a neighborhood fed up, and a critical moment in L.A.'s homelessness crisis

---

**TRAVEL**

The right sandwich for 22 different hikes in L.A.

---

**UCLA SPORTS**

For Mick Cronin, UCLA Bruins are still winners despite agonizing Final Four loss

---

**COMPANY TOWN**

Why is Regé-Jean Page leaving Netflix's 'Bridgerton?'

---

# Los Angeles Times

A **California Times** Publication

[Subscribe for unlimited access](#)

**Follow Us**



---

Copyright © 2021, Los Angeles Times | [Terms of Service](#) | [Privacy Policy](#) | [CA Notice of Collection](#) | [Do Not Sell My Personal Information](#)