

Casey, Hugel Face Possible Senate Probe

7/17/81
By George Lardner Jr.
Washington Post Staff Writer

The Senate Intelligence Committee has begun a preliminary inquiry into allegations of financial misconduct by both CIA Director William J. Casey and his former chief of covert operations, Max Hugel.

Senate Majority Leader Howard H. Baker (R-Tenn.), an ex officio member, said the committee ordered a review of "the whole package" of various accusations involving the two men in unrelated cases.

"Yes, I'd say he's in trouble," Baker initially told reporters inquiring about Casey's status. Moments later, however, he amended that as a bit too strong. He said "concern" was a better word for the moment.

"A number of senators have expressed concern to me" about Casey, Baker said.

Hugel resigned as deputy CIA director for operations Tuesday morning after The Washington Post reported that two former Wall Street stockbrokers who had business dealings with Hugel were accusing him of illegal or improper stock trading practices in the early 1970s.

At the same time, court rulings critical of Casey's connections with a now defunct New Orleans company, Multiponics Inc., began surfacing.

In one case involving Multiponics, an agribusiness firm

See CASEY, A6, Col. 1

CASEY, From A1

which went bankrupt in 1971, a U.S. appellate court wrote that Casey and other directors of the company had driven it "deeper and deeper into debt." The court stymied an effort by the directors to claim part of the assets of the bankrupt company.

Then, in separate litigation, a federal judge in New York held in May that Casey and the other Multiponics officers and directors had knowingly misled potential investors in a \$3.5 million fund-raising effort for the company.

Other members of the Senate Intelligence Committee told reporters that a decision on a formal inquiry will not be made until the staff review is submitted.

Sen. Walter D. Huddleston (D-Ky.) said committee colleagues he'd spoken to were "more concerned about Casey than Hugel."

Chairman Barry Goldwater (R-Ariz.) could not be reached for comment following a report that he had told some fellow senators he felt Casey "should be removed as CIA director." Speaking for Goldwater, Katherine Grammer said the senator

denounced the report as "a malicious lie."

Committee sources said Casey met with Goldwater privately Wednesday, but did himself neither much good nor much harm. Goldwater and others reportedly are chagrined by the fact that the CIA failed to inform the senators about the Hugel matter before it appeared in The Post.

Several Senate sources said Casey is remaining in the job only because Reagan wants him to stay and only if no more derogatory information surfaces about his investment career.

Despite all the public disclaimers, one source close to Sen. Baker said, "the word is out that Casey is in trouble, with Goldwater and in the White House. Not with Reagan, but in the White House."

Sen. Lloyd Bentsen (D-Tex.), who also sits on the Intelligence Committee, said the staff inquiry would also include a look at the CIA's security procedures due to its failure to raise even a mild alarm about Hugel's business dealings.

"The CIA has a reputation for making very detailed investigations, but they certainly blew this one,"

Bentsen told reporters. "I think they obviously did a very poor job in checking out a man for a very sensitive post."

Another committee member, Sen. David Durenberger (R-Minn.), said he had "a bit of concern about Bill from the beginning."

Durenberger said if Casey is faulted for his judgment about Hugel, he should be credited for his selection of Adm. Bobby Inman as the CIA's deputy director. The widely popular Inman, a former head of the National Security Agency and Goldwater's original preference as CIA director, makes it easier for the senators to contemplate Casey's departure.

White House chief of staff James A. Baker III took what appeared to be a carefully controlled slap at Casey yesterday. Asked about Hugel's inexperience, Baker replied: "We would hope that in the future due consideration would be given to professional expertise for this position."

In connection with the Multiponics case, Casey told The Washington Post that he "never misled anyone" in stock-offering circulars.

"I didn't prepare the circulars. I had a technical responsibility as a director," he said.

A review of court records, however, shows that the question of control over the contents of the circulars has been hotly contested in the lawsuit. Casey served not only as a director of the firm but as corporate secretary and legal counsel.

An FBI agent checked out the Multiponics litigation file at the U.S. courthouse in New York City Wednesday. A New York FBI spokesman refused to comment, but Justice Department spokesman Tom DeCair said later that the agent had been dispatched at the request of White House counsel Fred F. Fielding.

White House spokesman Larry Speakes said yesterday that the Multiponics litigation had not been brought to the president's attention last winter because Fielding, "in his discussions with Casey, made a determination" that this was not necessary. DeCair told a reporter that Fielding needs the file now in order to read the May 19 ruling.

Staff writers Patrick Tyler, Lou Cannon and Morton Mintz contributed to this article.