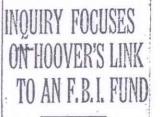


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Possibility That the Director Converted Money to His Own Use Investigated

## By JOHN M. CREWDSON Special to The New York Times

WASHINGTON, July 19 The Justice Department is investigating the possibility that funds belonging to the Federal Bureau of Investigation's Recreational Association were converted to the use of J. Edgar Hoover, the late F.B.I. director, and other senior bureau officials.

Sources close to the Justice Department inquiry said that the fund, which at one time amounted to more than \$80,-000, had for several years been controlled by Nicholas P. Callahan, who was abruptly dismissed last Friday as associate director of the bureau.

The sources said that Mr. Callahan's administration of the recreational fund had come under the scrutiny of Justice Department lawyers looking into alleged kickbacks to F.B.I. executives from private companies that held contracts with the bureau.

## Ford's Viewpoint

At a news conference today, President Ford declined comment on Mr. Callahan's dismissal. He said that the decision to discharge him had been reached within the Justice Department, and that "Mr. Callahan was not a Presidential appointee."

One well-informed Government official indicated, however, that Mr. Callahan's departure had been ordered, at least in part, because of his connection", with the recreational fund.

One well-placed source said that at least two persons with knowledge of the fund's administration had recently testified before a Federal grand jury that is hearing evidence uncovered by the Justice Department's inquiry.

## Vacation Request

One former F.B.I. official said that he had often been told that the fund, which Mr. Callahan, as head of the F.B.I.'s administrative division, controlled from 1970 to 1973, had been used to purchase gifts given by Mr. Hoover to other F.B.J. executives each Christmas.

The former official also said that he remembered a request some years ago from Clyde A. Tolson, Mr. Hoover's late friend and deputy, for \$500 to help to

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California vacation.

organized a large F.B.I. em-ployees' picnic to relieve the pressure.

The principal benefit of membership in the association, an-

around the country, the source said, that wished to field an athletic, team or underwrite a social function. Those grants, he said, were approved within the bureau's administrative di-

The fund also received, according to this source and oth- mitted by F.B.I. agents. er sources, a \$500 royalty for each episode of "The F.B.I. tele-vision series, which amounted to \$13,000 a year over nine years. years.

In addition, Mr. Hoover reportedly donated a portion of his authority for the benefit of portedly donated a portion of his authority for the benefit of the proceeds from two of his books, "Masters of Deceit" and Revenue service agents work-"A Study of Communism," to the recreational fund. The sec-the direction of Michael Sha-ond book, published in 1962, heen, who heads the Justice was prepared for Mr. Hoover Department's new Office of by a group of F.B.I. employees, a former bureau official said today. today.

It is known that in recent worth of at least one former interviews with at least former F.B.I. official and to have in-high officials of the F.B.I., in-quired about his vacations vestigators working on the abroad.

Continued From Page 1, Col. 3 kickback case, including specially selected agents of the finance part of Mr. Tolson's F.B.I. and the Internal Revenue Service, made inquiries about the use of recreational fund. Another former senior bureau official said that, as far as he No Reasons Given knew, Mr. Hoover had never

paid for presents or vacations with any of the recreational money. Mr. Hooverr died In May, 1972, and Mr. Tolson died last year. One of the former F.B.I. of-ficials all of whom asked not addee of service had long since

ficials, all of whom asked not ades of service had long since to be identified, said that there qualified him for full retire-

to be identified, said that there qualified him for full retire-had been "some periodic grous- ment benefits. ing" by F.B.I. empoyees who belonged to the F.B.I. Recre-ational Association, for which pital, where he was undergoing they were assessed \$1 a year. treatment for a back ailment, They said "that they never did declined to discuss the matter get much out of the fund in "because of he continuing in-the way of recreation," he said, vestigations of various allega-the said that a few years ago tione concerning former and He said that a few years ago, tions concerning former and the complaints reached the present officials and personnel point where bureau executives of the Federal Bureau of In-

One Justice official said today that Attorney General Ed-ward H. Levi met with Mr. Kelley at the hospital last week bership in the association, and Kelley at the hospital last week other source said, was a sub-to discuss preliminary findings scription to The Investigator, by the Justice investigators. Other officials there said, however, that the decision to discharge Mr. Callahan had been Mr. Kelley's alone.

Asked how soon the details of Mr. Callahan's alleged trans-gressions might become public, another Justice official replied that "things are moving right

Justice Department sources The F.B.I. has more than 20,-have since said that the diffi-culties that befell Mr. Callahan, the former official said, were although uncovered in connecmembers of the association. Ition with the kickback investi-"That was a must," he said. "If gation, had nothing to do with they didn't, they'd be in trou-ble." The fund also received, ac-recent illegal burglaries com-

volve no personal gain on his part, but rather the misuse of

aminations of the net financial