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INQUIRY FOCUSES ON HOOVER'S LINK TO AN F.B.I. FUND

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.I. 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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finance part of Mr. Tolson's California vacation.

Another former senior bureau official said that, as far as he knew, Mr. Hoover had never paid for presents or vacations with any of the recreational money.

Mr. Hoover died in May, 1972, and Mr. Tolson died last year.

One of the former F.B.I. officials, all of whom asked not to be identified, said that there had been "some periodic grouching" by F.B.I. employees who belonged to the F.B.I. Recreational Association, for which they were assessed \$1 a year. They said "that they never did get much out of the fund in the way of recreation," he said.

He said that a few years ago, the complaints reached the point where bureau executives organized a large F.B.I. employees' picnic to relieve the pressure.

The principal benefit of membership in the association, another source said, was a subscription to The Investigator, the Bureau's internal newsletter, which was printed by the Bureau.

Money from the fund was also available to F.B.I. offices 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 division.

The F.B.I. has more than 20,000 employees, most of whom, the former official said, were members of the association. "That was a must," he said. "If they didn't, they'd be in trouble."

The fund also received, according to this source and other sources, a \$500 royalty for each episode of "The F.B.I. television series, which amounted to \$13,000 a year over nine years.

In addition, Mr. Hoover reportedly donated a portion of the proceeds from two of his books, "Masters of Deceit" and "A Study of Communism," to the recreational fund. The second book, published in 1962, was prepared for Mr. Hoover by a group of F.B.I. employees, a former bureau official said today.

It is known that in recent interviews with at least former high officials of the F.B.I., investigators working on the

kickback case, including specially selected agents of the F.B.I. and the Internal Revenue Service, made inquiries about the use of recreational fund.

No Reasons Given

In announcing Mr. Callahan's dismissal late Friday evening, Clarence M. Kelley, the current F.B.I. director, declined to elaborate on his reasons for seeking a letter of resignation from Mr. Callahan, whose four decades of service had long since qualified him for full retirement benefits.

Mr. Kelley, in a statement issued from Bethesda Naval Hospital, where he was undergoing treatment for a back ailment, declined to discuss the matter "because of the continuing investigations of various allegations concerning former and present officials and personnel of the Federal Bureau of Investigation."

One Justice official said today that Attorney General Edward H. Levi met with Mr. Kelley at the hospital last week to discuss preliminary findings 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 transgressions might become public, another Justice official replied that "things are moving right along."

Justice Department sources have since said that the difficulties that befell Mr. Callahan, although uncovered in connection with the kickback investigation, had nothing to do with that case or with the department's separate investigation of recent illegal burglaries committed by F.B.I. agents.

One source said that the alleged wrongdoing by Mr. Callahan that precipitated his dismissal was believed to involve no personal gain on his part, but rather the misuse of his authority for the benefit of others.

Revenue service agents working on the case, which is under the direction of Michael Shaheen, who heads the Justice Department's new Office of Professional Responsibility, are known to have conducted examinations of the net financial worth of at least one former F.B.I. official and to have inquired about his vacations abroad.