



FPost 5/22/74

By JACK ANDERSON

WASHINGTON — As part of our continuing investigation of the Postal Service, we have uncovered a secret, back-scratching relationship between postal authorities and the giant Ernst and Ernst accounting firm.

The firm was second highest of eight bidders for the lucrative postal auditing contract in 1971. Yet Assistant Postmaster General James Hargrove, now retired, ignored six lower bidders and overrode the recommendations of the professional staff to give the contract to Ernst and Ernst.

Not long afterwards, Hargrove instructed the accounting firm over the telephone to recruit two top postal executives. The firm billed the postal service \$20,000 for recruiting assistant Postmaster General Richard F. Gould and financial officer John R. Bowen.

Now the same two men who were hired by Ernst and Ernst are in a position to repay the favor. For they help oversee the firm's auditing of the mail system.

Indeed, Gould has repeatedly urged the Postal Service to renew the firm's contract without bothering to seek other bids and Bowen has certified the contract each time it has been renewed.

In 1972, for example, Gould wrote a memo, intended for the eyes only of his supervisors, recommending: "From our point of view, we think it is undesirable to enter into solicitation of bids again...."

"It is our opinion that Ernst and Ernst has developed considerable understanding of many of our problems. We see no point to repeating the learning process and ask for your approval as we continue to work out an extension of the Ernst and Ernst contract."

Again in 1973, Gould sought another renewal of the Ernst and Ernst contract without competitive bidding. He didn't even want to bother with the formality of acquiring a financial statement from the firm.

Reports one internal memo: "On December 19, 1973, (Assistant Postmaster General Robert) McCutcheon called and

advised that Mr. Gould had raised the question of the necessity of obtaining financial statements of Ernst and Ernst, as he had been requested, in connection with the renewal of the contract for accounting services." McCutcheon agreed it wouldn't be necessary.

The Ernst and Ernst contract reached \$460,000 in 1973. Perhaps out of gratitude, the company's employees contributed \$88,000 to President Nixon's reelection campaign. This fascinating fact was found on the White House list of secret contributors which the President's personal secretary, Rose Mary Woods, kept.

Footnote: An Ernst and Ernst spokesman denied that the Nixon contribution had anything to do with the firm's postal contracts. He confirmed that the firm received \$20,000 for recruiting Gould and Bowen but rejected an inference that they showed their gratitude thereafter by seeking to renew the company's contract.

A Postal Service spokesman denied that the recruiting of Gould and Bowen was done under the table. He pointed out that the two employees do not have final authority over the Ernst and Ernst contract. He denied, therefore, that they had a conflict of interest.

ANOTHER ZIEGLERISM: White House falsehoods, like chickens, come home to roost.

On February 7, 1973, we reported bluntly: "The word has gone out from the White House to 'nail' Jack Anderson and the Washington Post. This language was used, according to the sources who heard it, by President Nixon's crew cut chief of staff H. R. Haldeman...."

The President, we added, has been "heard, in reference to the Washington Post, to explode angrily: 'We've got to take care of those people.'"

This story brought an anguished response from the President's spokesman, Ron Ziegler, who insisted it was "wrong, wrong, wrong!" The White House transcripts now show who was "wrong, wrong, wrong!"

An exchange, which the White House deleted from the transcripts, has now come to light. This quotes the President as telling Haldeman and John Dean on September 15, 1972: "Main thing is the (Washington) Post is going to have damnable problems out of this one."

As added evidence of the President's vindictiveness, the transcripts show he also instructed Dean: "I want the most comprehensive notes on all those who tried to do us in.... We have not used the Bureau (the FBI) and we have not used the Justice Department but things are going to change now."

At another juncture, the President snorted: "Well, one hell of a lot of people don't give one damn about this issue of suppression of the press, et cetera...."

Less than four months later, four challenges suddenly were filed against the Washington Post's TV stations in Jacksonville and Miami, Fla.

And my associate Les Whitten was arrested on the street by eight FBI agents who had been expecting me. His notes were ripped out of his hands while he was covering a story for this column and he was clapped in jail. A grand jury subsequently refused to indict him for any crime and the Justice Department was compelled to drop all charges.