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FBI Finds No Illegality On Bugging Gear Deal

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An internal FBI investigation has found no evidence of illegal acts by bureau officials in their dealings with a Washington firm that the FBI used as a front to buy thousands of dollars worth of electronic surveillance equipment secretly.

The inquiry into the relationships between present and former FBI officials and U.S. Recording Co., a Washington-based electronics firm, was ordered by FBI Director Clarence M. Kelley.

A full report of the bureau's findings was forwarded by Kelley to the Justice Department's Criminal Division earlier this week. Sources said the report, which has been kept secret, is being studied by department lawyers to see if an outside probe is needed.

Kelley ordered the FBI internal study after reports last fall said the FBI had employed U.S. Recording as a "cutout," or go-between, to disguise the source, nature and quality of surveillance equipment purchased for federal law enforcement and intelligence agencies.

The revelations triggered questions about whether the friendship between high-ranking FBI officials and the president of U.S. Recording, Joseph Tait, had giving the firm an unfair edge in obtaining the bureau's business or enabled it to charge

unreasonably high markup fees for its services.

However, informed sources said yesterday that several weeks of investigation had failed to uncover any signs of improper conduct, collusion, kickbacks or conflict of interest in the dealings between the FBI and U.S. Recording.

The role played by U.S. Recording became public last Oct. 9 when Martin L. Kaiser, a Timonium, Md., manufacturer of surveillance gear, told the Senate intelligence committee that he had sold approximately \$100,000 worth of his equipment to the FBI over a five-year period, but that he was always ordered to route it through U.S. Recording.

Kaiser said he stopped doing business with U.S. Recording after learning that the firm was adding what he claimed were 30 per cent markups to the price before reselling the equipment to the FBI.

Intelligence subsequently confirmed that U.S. Recording had been a "confidential supplier" of electronic equipment for several years. Federal law allows the government to purchase top-secret hardware through so-called "confidential suppliers" without requiring competitive bids.

Under this system, the sources said, the firm was entitled to charge a markup fee for its services, and they added that U.S. Recording's markup had been regarded as normal and reasonable. Some sources claimed the firm's

markup actually averaged about 12 per cent.

The affair was further clouded by revelation that Tait was a close friend of John P. Mohr, a one-time power in the FBI, and through him was well acquainted with several other men who now hold key posts in the bureau's administration.

Mohr, who retired from the FBI in 1972, for several years was in charge of administration for the bureau, a post that included control over purchasing. He was also a favorite of the late director, J. Edgar Hoover, and Hoover's principal deputy, Clyde Tolson, and some FBI sources say that during Hoover's final years, Mohr virtually ran the bureau.

Even now there are recurring rumors that many of the FBI's present top echelon are still his loyalists and that, through them, he exerts considerable influence over FBI activities. These rumors are strongly denied by Kelley and other current FBI officials.

However, a number of current top officials are known to have attended poker parties given by Mohr at the Blue Ridge Club in the Shenandoah Valley near Harper's Ferry, W. Va. Also attending some of these poker sessions was Tait, a director of the club.

Both Mohr and Tait have insisted to questioners that the meetings at the club were simply social gatherings.