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F.B.I. INVESTIGATES POSSIBLE ABUSES IN INSURANCE FUND

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Allegations Include Misuse of Dividends for Benefit of Plan's Administrators

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WASHINGTON, July 29—The Federal Bureau of Investigation has opened an extensive internal investigation into allegations of malfeasance and impropriety in the management of an \$18-million-a-year insurance program that covers some 19,000 present and former bureau employees, law enforcement sources reported today.

The insurance program, which has \$350 million of life insurance in force and administers hospital and medical care insurance for the bulk of the bureau's employees, is directed by the Special Agents Mutual Benefits Association, which in turn is headed by a five-man board of directors made up of senior F.B.I. personnel.

According to sources familiar with the investigation, F.B.I. inspectors are examining whether the dividends from the life insurance programs were used in part used to pay for lavish dinners, vacations and gifts for the men who headed the association over the last few years.

6 Inquiries Under Way

One allegation under investigation is whether association funds were used to purchase a boat, outboard motor and trailer for J. P. Mohr, a former assistant to the director of the bureau and at one time president of the association.

The investigation brings to six the number of major internal inquiries at the F.B.I. The bureau or the Department of Justice is already conducting investigations of allegations that there was:

¶ Misuse of the bureau's \$85,000 recreation fund.

¶ Malfeasance in the purchase of supplies and equipment.

¶ Misappropriation of bureau equipment.

¶ Misuse of a confidential fund maintained to pay informers.

¶ Complicity of agents in burglaries aimed at militant groups.

Thomas Feeney, an inspector

have time to analyze my impressions," he said.

He also refused to give any details about evacuation operations, casualties and material damage. "We decide unanimously and spontaneously to leave the Chinese to answer all questions about the quake's consequences," he explained.

Other members of the group, however, said on returning from Tangshan that the town appeared to have been almost destroyed.

This would confirm the indications given in a communiqué of the Communist Party's Central Committee, which referred to much loss of human life and considerable damage in the epicenter zone and in particular at Tangshan where casualties and destruction were "extremely serious."

Taking into account the Chinese authorities' habitual understatements and caution, this apparently means the quake caused several thousand deaths and widespread serious material damage, observers here said.

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private auditing concern, Ernst & Ernst.

Two well-placed bureau sources said that the current charges under investigation did not raise questions about the soundness of the life and health insurance programs and that there was no implication that claims could not be met.

According to these and other sources, what has come under scrutiny are the uses of dividends from the life insurance. The life insurance premiums are deducted from the employees paychecks and are paid to the insurance carrier, Prudential.

It in turn produces dividends, which are used to operate the association, whose office is at 1325 G Street, N.W., several blocks from the bureau's headquarters. The association employs an office staff of civilians to handle the program.

The association also administers the bureau's health insurance, which is paid for partly by the Government and partly by the employee.

Focus of Inquiry

The inspectors are looking into whether the association spent money to provide vacation trips for members of the board, paid for dinner parties and entertainment, and financed gifts for bureau officials. According to one source, whom Mr. Mohr retired, association funds were used to buy him a boat, outboard motor and trailer.

Brian Gettings, Mr. Mohr's lawyer, said that his client did receive a boat as a gift from the association upon retirement from the bureau, but bought the outboard motor and trailer with his own funds. He said the boat was a 12-foot Sears, Roebuck craft, valued at \$300, that was given to Mr. Mohr in appreciation of his years of service to the insurance program. He said that Mr. Mohr had felt accepting the gift was proper and that Mr. Mohr believed it had been properly voted by members of the association board. Mr. Mohr denied any wrongdoing in the matter, he said.

Forced to Retire

Mr. Mohr has also come under investigation in connection with charges that the bureau improperly showed favoritism toward the U. S. Recording Company in awarding equipment contracts.

Before becoming assistant to the director, Mr. Mohr headed the administration division and was president of the association. When he left, Nicholas P. Callahan became chief of the administration division. The insurance program, the recreation fund and contract awards were all operated out of the administration division.

Clarence M. Kelley, director of the bureau, forced Mr. Callahan to retire earlier this month, reportedly because he had come under investigation on these matters.

According to one bureau

source, the amounts of money involved in the investigation are not great. "But I think this investigation's findings are going to anger every field agent in the country," this source said. "While they're out on the bricks, someone's been having a good time on their money."

This source and others said that the association had been operated by members of the bureau's top echelon under its former director, J. Edgar Hoover, and the rank and file agents had little or no say in it. "There never has been an election to the board of Samba [the association] to my knowledge," said well-placed bureau official said.

The present board is composed of Mr. Geeney, George T. Quinn, chief of the bureau's Baltimore field office; Robert G. Kunkel, chief of the Alexandria, Va., office; Thomas J. Jenkins, assistant to the director, and G. Maalon Miller, a senior agent attached to headquarters. There are two seats vacant on the board, and Mr. Feeney said that an election would be held soon to fill the vacancies.

All the board members except for Mr. Jenkins and Mr. Feeney were unavailable for comment yesterday.

According to well-placed bureau and law enforcement sources, the board members were appointed from a small group of men around Mr. Hoover. Among the board's powers is the selection of the insurance company to provide the coverage.

Late last year news reports said that Mr. Jenkins, Mr. Feeney and the bureau's director, Mr. Kelley, had been entertained in New York by Prudential. Mr. Jenkins and Mr. Feeney were accompanied by their wives, according to the report.

Program Defended

Both Mr. Feeney and Mr. Mohr, who spoke through his attorney, said they believed the F.B.I. insurance program was the best provided in the Federal Government. Earlier Mr. Feeney had told newsmen that

Prudential was selected because it had made the lowest premium bid.

Meanwhile, according to bureau sources, an investigation continues into allegations that Ivan Conrad, former assistant director of the bureau in charge of the laboratory, had misappropriated equipment.

Henry E. Petersen, a former Assistant Attorney General who represents Mr. Conrad, told The Washington Post, however, that its sources' description of the investigation was inaccurate.