

Figure in I.R.S. Spying Seeks a Transfer

By NICHOLAS M. HORROCK
Special to The New York Times

MIAMI, March 27—The chief of the Department of Justice's Organized Crime Strike Force here said today that he had requested a transfer to Washington and assailed the press because of reports that Federal agents had used informers to learn about the sex lives and drinking habits of 30 prominent Florida residents.

Dougald McMillan, who has headed the Miami strike force for six years, said in a statement that the continued allegations of improper spying arising out of an intelligence-gathering operation in 1972 and 1973 had taken so much time that he could no longer handle his assignment properly.

He charged that, in an atmosphere of "yellow journalism," the press for several weeks had been printing the "unsubstantiated ramblings of a few questionable informants." He denied that he or any member of the strike force had ever ordered an investigation into the sex lives or drinking habits of anyone.

Meanwhile, several Justice Department officials said privately that, though Mr. McMillan's decision to request a transfer had come unexpectedly, the department had been considering removing him for "at least a week."

Effectiveness 'Neutralized'

These sources said that his removal was "no admission of impropriety on his part or on the part of the department, but just the realization that he had been neutralized in Miami."

At immediate issue is a report earlier this month that Mr. McMillan had approved an intelligence operation in which Internal Revenue agents hired a woman to learn details about the sex lives, marital relations and drinking habits of about 30 well-known Miami residents.

The woman, Elsa Suarez-Gutierrez, 33 years old, has said that I.R.S. agents showed her photographs of 30 persons, including three Federal judges, several state judges, city officials and the Dade County Prosecutor, Richard Gerstein, upon whom she was to report. They gave her a salary, paid her expenses for membership in exclusive clubs, and promised her a \$20,000-a-year retirement salary, she said.

Mr. McMillan has told the department, according to well-placed sources, that in 1972 he did approve a plan for I.R.S. agents to gather "strategic intelligence" on a group of suspects arising out of a state prosecution known in Miami as the "market case." Mr. McMillan has strenuously denied that he dictated any of the techniques to be used by the I.R.S. men, these sources said.

He has told the Justice Department officials, these sources said, that for 10 to 12

months he periodically received reports from the I.R.S. on this intelligence-gathering project. The reports did contain material about sexual habits and drinking patterns, two sources said. Another source said the reports had contained "a lot of excellent information" for prosecution purposes.

Mr. McMillan, the sources said, kept the project a closely guarded secret and was the only member of the strike force here to receive the information. He has told them, they said, that he did know that Mrs. Suarez was one of the informers for the I.R.S. but would not have been able to identify her work in the reports because the names were coded.

Mr. McMillan has told department officials that he does not believe the I.R.S. men asked for information on sexual or drinking habits. He has said that he believes the I.R.S. men may have been "used by their informers."

Several sources have said that the personal habits of a suspect can often become important in tax investigations when determining whether the person "lives beyond his means, is being blackmailed or is transferring his holdings to a mistress or some other third party."

But law enforcement officers and other experts said the assignments reportedly given Mrs. Suarez, including a plan to entrap a Miami area judge, did not seem to fit as, one source put it, "any legitimate purpose." Justice Department sources said that a number of persons whom Mrs. Suarez said she was assigned to investigate were not under Federal scrutiny, but that their names might have arisen incidentally in other investigations.

What raised serious questions in Miami, however, is that despite the Dade County "market" prosecutions and the long years of Federal investigation, there have been no criminal convictions. Indeed, the Federal

officials have never charged Mr. Gerstein or any other person on Mrs. Suarez's list with a crime.

Despite the fact the Justice Department has not prosecuted Mr. Gerstein, some of its officials have persistently "leaked" to the press their suspicion that he was involved in criminal activity but never supported this. Indeed, during the Watergate case several newsmen were told that Mr. Gerstein was allegedly under investigation.

Mr. Gerstein said that he does not care "how much they surveil me." He added, "I have said over and over again I object to these police state tactics." He has categorically rejected the innuendos of wrongdoing.

Other law enforcement officers privately question the judgment of the expenditures for the project, known as "Operation Leprechaun," and subsequent intelligence programs that seemed to gather so little hard evidence. The so-called Leprechaun project is estimated to have cost \$65,000 in informers' fees.

According to Justice Department sources, Mr. McMillan said the idea for an intelligence program developed in 1972 when an I.R.S. special agent, John T. Harrison, discussed it with Mr. McMillan and then sought I.R.S. regional and national approval.

It is unclear how many secret informers were recruited by the operation. Some sources have suggested that there were a dozen but Mrs. Suarez has said she believed it was 30.

The strike force here, one of seven in the country, was a concept born in the late nineteen-sixties to combat organized crime by coordinating the efforts of the Department of Justice, the F.B.I., the Internal Revenue Service and several other agencies. Many law enforcement officials believe that the I.R.S. investigations and special agents in this area were the most valuable tools of all in combatting organized crime.