

# Inquiry on Alleged F.B.I. Corruption Reported Dropping Major Charges

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WASHINGTON, Jan. 2—Justice Department prosecutors investigating alleged corruption in the Federal Bureau of Investigation are reported to have decided that they cannot bring major criminal charges against anyone.

The investigation, begun last February, has focused on the alleged theft of Government property by some past and present bureau officials, diversion of funds for unauthorized purposes by others, and circumstances suggesting that private companies may have kicked back to bureau purchasing agents part of the proceeds from sales of electronic and other equipment.

One department source said that, although the prosecutors had uncovered a pattern of impropriety and maladministration reaching back many years, the problem of whether to seek indictments was characterized by the "de minimis," or negligible, amounts of money involved; by questions of "fairness" to those under investigation and by the fact that the five-year statute of limitations on Federal prosecutions had run out in many of the cases.

## Sees Problems Recognized

One department official, told of the source's assertions, remarked that he was "glad that somebody has finally recognized the problems with this investigation." But he declined to comment further.

"There is a possibility that there may be some criminal charges," the first Justice Department source said, but he added this would be "nothing major."

The investigation into corruption, which

is under the direction of Michael E. Shaheen, head of the Justice Department's Office of Professional Responsibility, is one of two separate criminal inquiries into F.B.I. activities now under way within the department.

The second one, which concerns the use of burglaries and other illegal investigative techniques by bureau agents in recent years, is making good progress.

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and one source said that a Federal grand jury now sitting in New York City would be asked to vote indictments in that matter before the end of March.

Asked about the prosecutorial problems that had developed with the corruption investigation, the first source noted that some of what were described as the "principal offenders," particularly J. Edgar Hoover, the bureau's late director, "are beyond anybody's reach," and that the evidence against some former bureau executives who are still living was not so strong as it might be.

The source suggested that some of the evidence against lower-level officials allegedly involved in corrupt activities was stronger, but he questioned whether, on

grounds of fairness, indictments should be sought against them "if you haven't got good cases against the higher-ups."

Among the matters understood to have been looked into by Mr. Shaheen's office are the following:

¶What the Justice Department has termed the "systematic theft" of Government goods and services by top bureau officials, chiefly in their unauthorized use of the bureau's carpentry shop to provide furniture or improvements for their homes.

¶The alleged diversion of money from a special F.B.I. fund, earmarked for payments to the bureau's confidential informers, to pay for entertaining visiting law-enforcement officials.

¶The alleged misappropriation of a fund set up by bureau employees for recreational purposes, and alleged improprieties in the administration of an \$18-million-a-year insurance fund controlled by the Special Agents Mutual Benefit Association.

¶The possibility that some high executives who controlled the bureau's purchasing had received or solicited kickbacks from private concerns that supplied the bureau with electronic surveillance equipment, firearms and other special-order items.

## Shop Built Window Valances

It was the bureau's carpentry shop, or "exhibits section," that constructed \$300 worth of window valances for the suburban apartment of the F.B.I. Director, Clarence M. Kelley, soon after he took over the bureau in July 1973.

The valances became an issue in last fall's election campaign when Jimmy Carter, the Democratic Presidential nomi-

nee, asserted that, had he then been President, he would have discharged Mr. Kelley for misappropriating Government property. Mr. Kelley has since reimbursed the Government for the valances.

Last July, Mr. Kelley dismissed his top deputy, Nicholas P. Callahan, after de-

partment prosecutors brought to Mr. Kelley's attention the involvement of Mr. Callahan in improper activities, reportedly including misappropriation of funds belonging to the F.B.I. Employees' Recreation Association.

After former bureau executives reported to have come under the prosecutors' scrutiny are John P. Mohr, for many years the top administrative official, and Ivan Conrad, who headed the laboratory division.

The problems faced by the prosecutors in bringing corruption charges against lesser bureau officials are underscored not only by President Ford's decision to keep Mr. Kelley on after the matter of the valances became public but also by the subsequent disclosure that Mr. Hoover had used the exhibits section to make repairs and improvements to his own home over many years.

## Report Could Be Issued

One source raised the possibility that the department might, in lieu of indictments, issue a report outlining the misfeasance that had been uncovered.

The possibility that some charges might be brought was increased by the decision last fall of John P. Dunphy, former chief of the exhibits section, to resign and to plead guilty to a misdemeanor charge of having used bureau lumber to build a birdhouse in his backyard.

Mr. Dunphy has since testified before a Federal grand jury here about similar abuses by other bureau employees, and some of the prosecutors are believed to feel that their negotiation of a guilty plea by Mr. Dunphy makes it incumbent upon them to bring charges of some sort against others similarly involved.

The bureau's difficulties make up one of the top items on a list of problems that has been prepared for Griffin B. Bell, Mr. Carter's Attorney General-designate. The sense of urgency stems largely from the findings of the department prosecutors investigating illegal burglaries, wiretaps and mail thefts by some agents in New York City over the last several years, and the apparent obstruction of justice by others in covering them up.

## Details Go to Carter Team

That inquiry, headed by J. Stanley Pottinger, chief of the civil rights division, is now before a Federal grand jury in Manhattan, and details of its progress, according to department sources, have been conveyed to members of the Carter transition team.

It is understood that Mr. Bell has not yet been briefed on the dimensions of the Pottinger investigation, although such a briefing may take place before he meets with Edward H. Levi, the departing Attorney General, and Mr. Kelley later this week.

One source said that Mr. Pottinger, a Republican, had been asked by a member of Mr. Carter's staff about his willingness to remain as head of the civil rights division until the grand jury phase of the investigation was concluded, something that should take another three months.