

U.S. Jury Subpoenas Roy Ash

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A U.S. grand jury in Alexandria is investigating \$43 million in cost overrun claims from Litton Industries concerning submarine construction, and has subpoenaed bank records of former Cabinet member Roy L. Ash.

Ash, former director of the Office of Management and Budget in the Nixon and Ford administrations, was president of Litton at the time the claims for cost overruns occurred. Information concerning credit agreements between Ash and two banks has been subpoenaed.

The claims, originally submitted in 1970 for \$31.5 million, have long been in dispute. They concern the cost of constructing three nuclear submarines at Litton's Ingalls Shipbuilding Division in Pascagoula, Miss., according to a Navy Material Command spokesman.

In a letter to Sen. William Proxmire (D-Wis.) last December, Assistant Attorney General Henry E. Petersen said the investigation by the grand jury panel resulted from an FBI investigation into "the possibility of fraud" in connection with Ingalls contract performance.

"In this connection, it is contemplated that our review will give due consideration to the possible implication of inflated claims on financial statements the corporation has issued to stockholders and the public," Petersen said.

Litton officials said earlier that they "are confident no irregularities are involved" in

Ingalls' claims against the Navy.

Proxmire has conducted numerous hearings on defense procurement as chairman of the Senate Subcommittee on Priorities and Economy in Government.

The grand jury subpoenaed Ash's records for the period from 1968 through 1974 from the Wells Fargo National Bank in Los Angeles and from the Morgan Guaranty Trust Co. in New York. Court records show the panel asked for "all credit agreements including revolving credit and term loan agreements." The reason for the subpoena is not known.

The grand jury subpoenaed the same records from those banks concerning any agreements with Litton Industries or with four of its current top executives.

Litton Industries, ranked by the Pentagon in 1974 as the world's seventh largest defense contractor, currently is completing \$3 billion in defense contracts, a spokesman said.

In addition to the submarine contract, Litton claims the Navy owes them \$504.8 million in overruns on construction of five landing helicopter assault ships (LHAS) and \$106.6 million on construction of a number of commercial wartime transport ships, according to the Navy spokesman.

One source said the Alexandria grand jury has raised questions about the latter cost overrun, known as the "Project X claim."

Persons familiar with the nuclear submarine claim have disputed before the grand

jury Ingalls claim that the overruns resulted because the Navy delivered defective material and delivered it late, the source said.

Some testimony alleges Ingalls was aware there would be delays before they accepted the contract and even if they material arrived on time, the shipbuilding crews were not ready to use it because they were behind schedule in construction, according to the source, who testified before the grand jury.

Litton officials have also been ordered by the grand jury to supply all financial records concerning construction of the three nuclear submarines, including all documents that justify Ingalls' claims for extra cost allowances, according to the court records.

Since November, U.S. prosecutors in Alexandria have subpoenaed close to 62 persons, including numerous Litton employees who work in the industrial and cost engineering divisions of Ingalls, where claims against the Navy would be computed, sources said.

Also subpoenaed was at least one Navy official, Cmdr. Thomas C. Goslin Jr, who was stationed at Ingalls during the submarine construction period and was in charge of administration of contracts between Litton and the Navy Department.

Goslin said in a telephone interview he was subpoenaed in November but federal prosecutors told him at the time he did not have to testify.

Litton's cost overrun claim on the submarine project was referred to the Justice Department in January, 1974, after a review by the Navy's general

counsel "established a requirement" for further investigation "of allegations of fraud," it was reported.

In a memo disclosed a year earlier, Vice Adm. Hyman G. Rickover accused Litton of "misrepresentation if not fraud" in its attempts to blame the Navy for the cost overruns. Rickover is deputy commander for nuclear propulsion in the Navy Sea Systems Command.

Rickover, 72, blamed the overruns on poor planning and management of the contract on Litton's part. In his memo, Rickover said Navy analysis showed Litton was owed only \$4 million to \$7 million.

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A 3

Records



ROY L. ASH

... ex-Litton president