

Senate Study Calls U.S. Drug Agents Lax in Checking Alleged Link of Vesco to Heroin

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Special to The New York Times

WASHINGTON, March 9 — Federal narcotics agents failed to investigate properly allegations that Robert L. Vesco, the fugitive financier, was behind a scheme to smuggle \$300,000 worth of heroin into the United States from France, a Senate inquiry concluded in a report issued today.

The inquiry found, moreover, that the Federal agents, upon being told by an informant that Mr. Vesco, a multimillionaire with ties to the Nixon Administration, had agreed to finance the alleged narcotics deal, began to behave in a manner that "contributed significantly to the failure" of their own investigation.

The 200-page report made public by the staff of the Senate's Permanent Subcommittee on Investigations details an 18-month closed-door inquiry into allegations by Franklin Peroff, a government narcotics informant, who in July, 1973, first supplied agents of the Drug Enforcement Administration with evidence of Mr. Vesco's involvement in the heroin transaction.

The subcommittee's staff said, however, that it had been unable to support Mr. Peroff's "primary allegation" that the Government had engaged in a deliberate cover-up to prevent Mr. Vesco's purported role from coming to light.

Nor, the report said, could corroborating evidence be found that Mr. Vesco and Norman LeBlanc, a close associate, "actually intended to finance the heroin transaction."

In a statement accompanying the report, Senator Henry M. Jackson, the Washington Democrat who heads the investigations subcommittee, said that it was "of paramount importance" to determine whether the Peroff case "was an aberration or was symptomatic of a much greater problem" within the drug enforcement agency.

Inquiry to Continue

Senator Jackson added that "by their performance in the Peroff matter . . . by their inconsistent testimony before the subcommittee, by their fierce determination to defend obvious incompetence by their own personnel, D.E.A. officials have shown themselves to be deserving of responsible criticism." For that reason, he said, "I have directed that the staff continue its investigation into the ver-all efficiency of D.E.A."

Mr. Peroff, and admitted stock and currency swindler, is a native of the Bronx. He became a Government informant in March, 1972, while living in Rome, where he had become involved in a sizable counterfeiting operation.

The Secret Service, for which he worked in trying to crack the counterfeiting ring, later

introduced Mr. Peroff in Europe to agents of the Bureau of Narcotics and Dangerous Drugs, one of the D.E.A.'s predecessor agencies.

Mr. Peroff said, according to the subcommittee report, that at the behest of agents of the narcotics bureau and Bureau of Customs, he inserted himself into a scheme being run by Conrad Bouchard, a Canadian national of his acquaintance, to bring some \$300,000 worth of heroin to the United States from Marseilles aboard a private jet that Mr. Peroff had borrowed from the Government.

On July 6, 1973, according to the report's account by Mr. Peroff, Mr. Bouchard told Mr. Peroff in a telephone conversation from Montreal that Mr. Vesco, then a Federal fugitive believed to be living in Costa Rica, would supply the \$300,000 to finance the heroin "buy."

Accused in Stock Case

The previous November, Mr. Vesco and others had been accused by the Securities and Exchange Commission of looting more than \$200-million from four mutual funds controlled by Investors Overseas Services, which Mr. Vesco purchased from Bernard Cornfield in 1971.

In May of 1973, less than two months before his name was invoked by Mr. Bouchard as the financier in the alleged heroin deal, Mr. Vesco was indicted by a Federal grand jury in New York City along with former Attorney General John N. Mitchell and former Commerce Secretary Maurice H. Stans.

The grand jury charged that Mr. Mitchell and Mr. Stans had tried to influence the outcome of the S.E.C. action against Mr. Vesco in return for a \$200,000 contribution to President Nixon's re-election campaign in 1972.

Mr. Mitchell and Mr. Stans were acquitted of the charges last April. Two attempts by the Justice Department to return Mr. Vesco from the Bahamas and Costa Rica to stand trial proved unsuccessful. Mr. Vesco now lives in Costa Rica.

Courts in each of the countries held that their extradition treaties with the United States made no allowance for fraud or obstruction of justice, the offenses with which Mr. Vesco was then charged.

A narcotics-smuggling charge might have been held sufficient grounds for Mr. Vesco's return to stand trial with Mr. Mitchell and Mr. Stans.

The New York Times had reported that, according to sources close to the Mitchell-Stans case, Mr. Vesco would have been willing to testify against the two former Cabinet members in return for immunity and the appointment of special prosecutor.

According to Mr. Peroff in

the Senate report, by the time the Bouchard heroin scheme had progressed to the discussion of Mr. Vesco as the source of the necessary cash, the Bureau of Narcotics and Dangerous Drugs and narcotics branch of the Customs service had been supplanted by the Drug Enforcement Administration in a government-wide reorganization.

Allegiance Shifted

Mr. Peroff's "control" also shifted to Drug Enforcement Administration, the report said and it was to a supervisor there that, in July of 1973, he first played a tape recording of the Bouchard conversation involving Mr. Vesco.

According to the subcommit-

tee report, "some Federal officials and agents conducted themselves in a highly unprofessional manner once the names of Vesco and LeBlanc

No one involved in the Bouchard case, the report disclosed, "thought the Vesco-LeBlanc lead to be worthy of being committed to writing." The Senate staff said this was "a blatant violation of D.E.A. rules."

In addition, according to Mr. Peroff, D.E.A. officials insisted that if he did go to Costa Rica to receive the money from Mr. Vesco, he travel by commercial airliner and not in the government-supplied private jet.

The report termed that decision a "highly questionable" one since, without the private

jet, Mr. Peroff's value to Mr. Bouchard in the alleged smuggling scheme, and thus his value to the Government as an informant was nil.

It also criticized the Drug Enforcement Administration's decision to sever its relationship with Mr. Peroff at that point by abandoning him, his wife and five children in an airline terminal.

"The Government," the report said, "got Peroff into the narcotics investigation. Government had some responsibility for extricating him from it."

Mr. Peroff said, according to the report, that he began to try to talk to other Federal officials about what he considered a cover-up.

In mid-July of 1973, he said,

he placed calls to Archibald Cox, then the Watergate special prosecutor; Vernon Acree, the Commissioner of Customs and J. Fred Buzhardt, at the time a special consultant to President Nixon.

Mr. Peroff said he had not spoken with any of the three, but the call to Mr. Buzhardt had been diverted to the White House detail of the Secret Service, which had dealt with Mr. Peroff in the European counterfeiting case the year before.

Although the Secret Service had known since February of 1973 that warrants were outstanding on Mr. Peroff in Florida in a bad-check case, it was only after his attempt to call Mr. Buzhardt, he said, that the service informed the Drug En-

forcement Administration of the Florida charges.

John J. O'Neill, a drug agency group supervisor, told the subcommittee that he had initiated action to have Mr. Peroff arrested not only "because he was a fugitive," but also to encourage him to become a more cooperative informant.

Mr. Peroff was seized later that month in a hotel room at the Kennedy Airport.

Three days later, Mr. Peroff said the drug agency arranged for his release on bail, gave him the designation of "cooperating individual," rented a new private jet and began to pick up the thread of the Bouchard case.

But within less than a week,

on July 30, 1973, Mr. Peroff said, he was unaccountably awakened by the Canadian police in his hotel room in Montreal, where he had gone to meet with Mr. Bouchard, taken to the airport and put on a plane for New York.

The drug enforcement agent who met him in New York, Mr. Peroff told the subcommittee, "did not have an explanation that satisfied him as to why he was abruptly ordered to leave Montreal at a time when Bouchard seemed ready to go forward with the heroin transaction."

Two days later, the report said, Mr. Bouchard told Mr. Peroff in a telephone conversation recorded by the Drug Enforcement Administration that

"the deal was as good as dead," and that if Mr. Peroff were ever in Montreal again he would have him killed.

Mr. Bouchard was later arrested in a counterfeiting case with Mr. Peroff's help. In an interview with the Royal Canadian Mounted Police a year later, Mr. Bouchard reportedly said that he had lied to Mr.

Peroff about the drug scheme and Mr. Vesco's involvement in it.

According to the report, John R. Bartels Jr. told the subcommittee that Mr. Bouchard's admission "supported D.E.A.'s long-standing position that Peroff was being used by Canadian criminals and that there never was a big heroin conspiracy."