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DISPATCH NO. ORPA 38916

**SECRET**  
CLASSIFICATION

P R I O R I T Y

TO : Chief, IO

DATE: 18 June 1958

FROM : Chief of Station, [ ]

SUBJECT: GENERAL— DIDORIC/Operational

SPECIFIC— FJMACHINE

Reference: [ ] 2348

Per paragraph 1 Reference, there is transmitted under separate cover one copy of Callender's reputation of the charges made against him which were the basis of the dismissal action taken by FJMACHINE/New York.

[ ]

Enclosure use  
1 - report

18 June 1958

Distribution:  
3 - IO, w/encl.

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FORM NO. 51-28A  
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Att 1 OFPA-38916

June 9, 1958

Strictly Confidential

MEMORANDUM:

To: Mr. Yarow  
From: Mr. McCargar

I have received from you and read the memorandum of May 28, 1958, addressed to you by Mr. Huston and Mr. Greenlee, constituting their report of their inspection of the Paris FEER Office, and the letter of May 30, 1958, from Haskins and Sells on the recent audit of the Paris FEER Office. I have comments and observations with respect to both these documents, which are submitted below:

I. Report of Messrs. Huston and Greenlee

A. There a number of significant omissions from this report:

1. The report omits the fact that the audit and inspection of the office were undertaken at my own request; that on the day the shortage was discovered my Deputy, Mr. Gray, ordered a complete audit, which instructions were confirmed by me from New York on March 28; that, on learning during the night of April 17 of the February 1957 shortage, of Mr. Loubert's role in it, and of his direct challenge to my authority, duly delegated from the Director of FEER, through his attempted blackmail of myself in order to prevent my taking appropriate disciplinary action against him, I despatched a cable to New York requesting the presence of the FEC Security-Officer, which request was not granted; that, on April 18, dissatisfied with the absence of progress by Mr. Davy on the audit, I requested by cable that Haskins & Sells be called in; that, on May 3, on learning that the Security Officer would not come to Paris, I cabled a full report of the circumstances and requested that the Assistant Director of FEER, then in Paris, be authorized to take a statement from Mr. Loubert and thereafter report in person to the Director of FEER, which request was not granted; and that my May 3 cable gave a full explanation of why I considered the broader FEC interests required this matter to be handled by appropriate officers from New York rather than locally.
2. The report omits any reference to the lengthy and detailed report on all of these matters compiled by Mr. Gray, the duly appointed Deputy European Director, and Mr. Donahue, the duly appointed Administrative Officer, who, in my absence from Paris on official duty, were the responsible

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officers. I do not see how any conclusions can be arrived at in this matter without thorough reference to that report prepared by the immediately and duly responsible officers.

3. The report passes over without comment the fact that in May, 1957, Mr. Loubert, when Administrative Officer of the Paris Office, covered up a shortage in the cash funds without informing the officer in charge.
4. The report omits mention of the fact that the shortage of May 1957 actually had existed in the cash funds since February of that year, and that it went undetected for that period of time because Mr. Loubert, in violation of regulations, good sense, and his specific responsibilities, conducted no cash counts during that period.
5. The report passes over in silence the contradiction between the fact that on May 27, 1957, Mr. Loubert assisted the bookkeeper to cover up a sizeable cash shortage, that on or about March 25, 1956, Mr. Loubert suggested to Mr. Davy that he suspected the existence of a shortage in the cash funds and that on May 2, 1956, Mr. Loubert signed a statement which expresses his "implicit faith in Mrs. Kurtovitch's honesty based on my intimate knowledge of her and her family from my many years of acquaintance".
6. The report omits mention of the fact that the incident of a request for a loan outside the office by the bookkeeper, which reportedly impelled Mr. Loubert to warn Mr. Davy of a possible shortage, actually took place almost four months before the date of Mr. Loubert's action.
7. The report omits the fact admitted by Mr. Davy that he extracted a "confession" from Mrs. Kurtovitch by means of the twin lures of maintaining her employment with Free Europe Committee and of persuading the auditors not to look into the matter of the shortages; and it omits any mention of the complications posed for the responsible staff officers attempting an orderly resolution of this entire matter, by Mr. Davy's personal instability.
8. The report, while characterizing Mr. Davy as a "misfit", neglects to state that he is not an employee of FEER, but of the Accounting Department, and that his "erroneous concept of his functions" was a major factor in the course of this episode.
9. The report states that Mr. Loubert "informed" Mr. Davy on March 25 of an attempted loan by Mrs. Kurtovitch, but does not mention the relevant fact that on that occasion a lengthy conversation took place between Mr. Loubert and

Mr. Davy, in the course of which the shortage of February 1957 and Mr. Loubert's role in it was revealed to Mr. Davy, and Mr. Loubert stated that any efforts by me to hold him accountable for this would be met by Mr. Loubert going to the heads of FEC New York with information about me.

10. The report omits the fact that the full contents of this March 25 conversation were not conveyed to me, my Deputy, or Mr. Donahue until April 17, and then only after lengthy questioning of Mr. Davy by Messrs. Grey and Donahue on the real meaning of vague hints and allegations about the culpability of other members of the staff made over the course of several days by Mr. Davy.
  11. The report omits to mention, as was conveyed in my cable on May 3 to the Director of FEER, that Mr. Loubert's immediate superior in FECS, Mr. Bauer, on being informed of Mr. Loubert's behavior, recommended his immediate dismissal for cause.
  12. The report omits any mention of the views or possible comments of the Assistant Director of FEER, who was in the Paris Office for two weeks immediately prior to the arrival of the writers of the report, and who was thoroughly conversant with the course of this episode and the personalities involved.
- B. Many of the facts presented in this report did not occur in the manner, nor in the sequence, in which they are recounted in the report. For a detailed examination of this matter I refer to the above-mentioned report on these matters prepared by Messrs. Grey and Donahue and duly forwarded to Mr. Maston.
- C. Leaving aside the question of support for duly constituted authority, there is a wholly injudicial weighting and emphasis in this report, so that the innuendoes, allegations and charges of Messrs. Loubert and Latour take up the major portion of the text; the observations of the remaining members of the staff—constituting ten other persons, including the responsible officers—are never quoted and are dismissed in five brief sentences.
- D. A large portion of the charges levelled against me in this report are vague and imprecise and others are, in fact, merely insinuations.
- E. Most importantly, this report, making a number of grave charges against me, violates all rules of evidence by adducing not a single supporting fact or shred of evidence in support of either Messrs. Loubert and Latour's allegations, or of the report's own conclusions. On the contrary, the report ignores the weight of contradictory evidence given the writers in Paris, and resting in the files of Free Europe Committee in New York.

F. This report is not only contrary to the facts, but also to good administrative principles, in that it constitutes an investigation which, apart from its violation of procedures of evidence, brands with "administrative laxity" and "negligence with respect to office procedures and discipline" a principal officer who had in fact himself demanded the investigation as a means of restoring precisely that administrative authority and discipline which were endangered by a revolt and insubordination, which were in turn the results of a pronounced general defect in the administrative structure.

G. Value of Evidence Presented:

1. This report, in offering some of its most damaging accusations, does not specify the source or nature of the evidence presented. Thus, the writers' phrase "those not in (Mr. McCarger's) entourage feel", while suggesting the definite existence of an "entourage"—a point I shall revert to below—certainly does not prove its existence, and leaves completely undefined those who do not belong to such an "entourage". The fact that these undefined persons, whose numbers are not even hinted at, may state that they feel such-and-such does not, by itself, offer any basis for concluding that their feelings reflect the true situation. It is therefore necessary to note that, as evidence for its conclusions, the report cites and quotes only the following persons: (1) Mr. Davy; (2) two auditors from Haskins & Sells; (3) Mr. Loubert; (4) Mr. Latour.
2. Mr. Davy: Any remarks made by Mr. Davy concerning me as an individual have no validity, for the simple reason that from Mr. Davy's arrival on March 15, 1958, to the conclusion of the investigation on May 19, 1958, I was myself in Paris only a maximum of eight days, and then only a day or two at a time. The quotations of Mr. Davy in turn quoting Mr. Loubert are mere hearsay, and, where applicable, I shall discuss these remarks under the heading of Mr. Loubert's accusations. Mr. Davy's remarks concerning the office fiscal procedures will be discussed in the context of my comments on the letter of Haskins & Sells.
3. Two auditors from Haskins & Sells: A statement by these gentlemen is included in the report as pertinent to "alleged grave administrative weaknesses". Their statement is that they found no manipulation of the books and that (a) the office administration could be very much improved; (b) it is not operated on good business lines; and that (c) "the place feels queer, as if filled with fear and suspicion". While I am pleased that the audit found no manipulation of the books, I am surprised that auditors would be permitted to comment in such an unprofessional manner on matters outside of their province. So far as their actual comments are concerned, I agree that the administration could be improved,

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but the important point is why and how, a matter on which their comments are not reported, but which I shall discuss in full below. The charge that the office is not operated on "good business lines" is a reflection not of "grave administrative weaknesses", but of the very particular business we are engaged in. These auditors did practically all of their talking with Mr. Davy, who stated to me himself that the atmosphere of the office felt "queer" to him, which he detailed by pointing out that "everybody kept their doors closed", "we don't show movies as they do in New York" and that "we never seem to have staff get-togethers of luncheons".

Mr. Davy missed the point, as did the auditors—properly—that the Paris Office operates under certain methods and procedures which are dictated by the particular requirements of conducting political operations on foreign soil. It is one thing to operate in New York, as Americans, under the full protection of Federal, state, and local authorities, and the protective assistance of American security and intelligence authorities. It is quite another thing to conduct operations such as those of FEER in a foreign land, without benefit of diplomatic immunity, and where the role and attitude of the local security and intelligence authorities is not necessarily benevolent, but on the contrary, even among allies, can be hostile on particular issues or during particular periods.

4. The two remaining sources of evidence, Mr. Loubert and Mr. Latour, have been given so much importance to the exclusion of ten other members of the staff, that I shall, of necessity, take up their charges separately, in due course.

#### H. Administration of the FEER Paris Office

The major charges made in this report and its conclusions revolve around my administration of the FEER European offices, particularly in Paris. The report describes the loss of funds as "a symptom of the state of health of the office", and goes on to ascribe this state of health, without any admissible supporting evidence other than the general statements of two junior staff members, to the officer in charge. Charges are made of "grave administrative weaknesses" and "defects", but not a single one is cited or detailed. No diagnosis or definition of these "weaknesses" is given. The actual administrative structure of the office is not outlined, or mentioned. The allocation of duties and responsibilities is ignored. The very significant details of the hierarchical relationships between myself, my Deputy, the Administrative Officer, Mr. Loubert, Mr. Latour, and Mr. Davy are omitted. The framework of the relationship between FEER and FECS in Europe is not even mentioned. The relationship between my responsibilities throughout Europe—necessitating my

officially approved travel out of Paris adding up to almost eight of the last eleven months—and my position in the Paris Office is not touched upon. The double concept of the Paris Office as FEER European Headquarters and as FEER Paris, and the various administrative relationships to this concept is not mentioned. The steps taken to insure that, in my frequent absences, the Division's programs would move forward, and the Paris Office function normally, are not mentioned. The steps taken to insure that the balance between the limits of authority of subordinate officers, the requirements of the local situation, and the necessity that the officer in charge and the Headquarters be always informed and able to intervene if necessary, are not noted.

These factors, ignored in this report, nevertheless exist in the administrative structure of the Paris Office. They are necessary to any understanding of the real problems of the Paris Office and of FEER Europe, and their study and description would certainly be prerequisite evidence on which to base a conclusion of "grave administrative weaknesses".

I have referred previously to a basic defect in the administrative structure of FEER Europe. This basic defect is, in my opinion, together with several other factors which are mentioned in this section of this paper, the real source of difficulty and the proper and constructive targets for analysis and remedy. All of these matters have been the subject of frequent written communications and oral comments from me during the past two years.

The basic defect within FEER Europe has been the existence, for the past two years, of a divided authority and responsibility which has resulted in "a state within a state". At the time of the establishment of the FEER European offices FECS had just been incorporated into FEER. There was considerable discussion on how this might best be accomplished and I opposed, at the time, the continued existence of FECS as a separate structure in Europe. I further opposed the final arrangement settled upon, namely, an independent FECS structure within FEER Europe in which the only authority exercised by FEER over FECS operations and the only local coordination of FEER and FECS activities was based on the theoretical superior relationship of the FEER Senior Representative to the FECS Chief of Operations. The latter was for various reasons resident in Munich while the former was resident in Paris. Notwithstanding my objections to this arrangement, I accepted my being overruled in this instance as part of my basic instructions, and set to the task at hand under the framework outlined. While my relations with the FECS Chief of Operations have developed most favorably, it is intrinsic and inherent in any system of this kind that frictions shall develop. Thus, for example, I found it was Mr. Loubert's wont to refer in conversation with me to "my

office" and "your office" and "my people" and "your people".

Furthermore, some idea of the magnitude of the problem can be obtained from the fact that, as of April, 1958, FECS in Europe, in terms of both personnel and numbers of offices, totalled over 65% of FEER Europe. This contrasts with the fact that FECS accounts for only about 20% of the total FEER budget. Thus, less than 33% of the organization's European personnel and facilities were available to implement the European portion of the FEER budget, which now amounts to about 40%.

During 1957 this became a matter of serious concern to me which I felt it better to take up with my superiors rather than with the staff in Europe. In April 1957 I raised this matter with the Director of FEER who took certain steps at the time, but the basic structure was not altered. Notwithstanding the steps taken by the Director, the trend continued, and I raised the question again with my superiors when in New York in the autumn of 1957. As a result of various talks at that time, I embarked, on my return to Europe in November 1957, on a gradual and tactful campaign to persuade the FECS personnel to recognize that, so far as the internal administration of FEER was concerned, FECS was an integral part of the organization. This idea was expressed and emphasized by me at staff meetings in Paris in November and December 1957, at an FECS staff meeting in Munich in March 1957, in various conversations with the FECS Chief of Operations and in other meetings and conferences. The response to these efforts was good, except for Messrs. Loubert and Latour.

In March and April 1958 while in New York, I referred again to this problem and found that the New York Headquarters had, without any prior consultation, arrived at the same conclusion as I had, namely, that the FEER budget for Fiscal Year 1959 should eliminate the previous practice of a separate budget for FECS, as another means of underscoring the unity of the FEER organization. Shortly thereafter, in April, 1958, the President and Vice President of Free Europe Committee decided on the abolition of FECS.

This decision has not yet, in fact, been conveyed to Messrs. Loubert and Latour for the reason that the reorganization of FEER Europe consequent to this decision has not yet been decided upon. It was also agreed upon by myself and the FECS Chief of Operations that it was properly his responsibility to explain this decision to the former FECS staff and that any such explanation unaccompanied by decisions on reorganization would be unnecessarily disturbing to the personnel involved, including Messrs. Loubert and Latour.

It is a matter of record that in my interviews in New York in late March or early April, 1958, with the management survey team of Booz Allen and Hamilton, I expounded on these



problems and concepts in detail.

To summarize, the "episode" in the Paris Office was not a question of personality clashes, reflecting "management defects", but rather the inevitable result of an inherent defect in the structure, which management had frequently pointed out as a danger, and which management had taken all appropriate steps to minimize.

Another problem, relevant now, has been that of an Administrative Officer. When the FEER Paris Office was opened in April 1956 it was necessary for me to be my own Administrative Officer. On the arrival of Mr. Loubert in August 1956 I designated him as Administrative Officer. Mr. Loubert's administration of the office was characterized by the following: he spent well over \$1,000 for heaters which were totally unfit for use in the Paris area and had to be rewired after delivery; he bought a telephone system for the FEER offices from a man who was not the owner; and he purchased a telephone system for the FEER offices which was chosen as containing eight lines but which after installation turned out to have only four. (As stated, I did not know at this time that Mr. Loubert had conducted no cash counting or that he had assisted in covering up a cash shortage.) Accordingly, and since Mr. Loubert had expressed his desire to be able to devote more time to his program work, I replaced him in June 1957 with Mr. Robert Grey, the latest arrival in the office. While Mr. Grey was diligent and even accomplished at administrative tasks, in the course of time it became all too apparent that his program work was also suffering from his administrative responsibilities. Accordingly, on the arrival in December 1957 of Mr. Donahue, I designated Mr. Donahue as Administrative Officer, a function he has performed most creditably up until now. He has nonetheless indicated to me that he was not employed as an Administrative Officer, and that his program work is beginning to suffer from his administrative duties, and he has expressed the hope that some other solution to this problem may be found.

It is apparent from the foregoing that the administration of the Paris Office is a considerable burden. Recognizing this fact, I have had since early 1957 a standing request for the assignment to the Paris Office of a qualified Administrative Officer. Provision for one was included in the budget for Fiscal Year 1958 but budgetary difficulties have made it impossible to fulfill this plan. I nonetheless have continued to revert to it, and I have so far during 1958 made two suggestions in this regard. One was for the designation of a man presently associated with another part of Free Europe Committee who is of sufficient stature and experience to act as an Administrative Officer for all FEER Europe. The other was with respect to an employee of another branch of FEC who has considerable background and qualifications, plus the necessary languages,

who could act as Administrative Officer of the Paris Office, and who has indicated, with her superior's consent, her interest. It has not been possible to fulfill either of these recommendations thus far. Something akin to them is nonetheless imperative; it is false economy, and it is neither practicable nor sound utilization of personnel to expect that program officers, employed for their abilities in the field of policy and programs, shall act as administrative officers within an organization where administration should be particularly competent.

Surely my constant concern over this problem of satisfactory administration is not evidence of "lax interpretation of executive responsibilities".

Since much of the report touches on financial matters, it is necessary at this point to touch on this question. When the Paris Office was opened in April 1936 the accounts were initially handled by my secretary, who was never employed as a qualified accountant. This situation, and the rapid growth of our activities, soon brought about considerable dissatisfaction by the New York Accounting Department with the Paris accounts. I was accordingly instructed to employ a bookkeeper. This was done by Mr. Loubert, the Administrative Officer, with my preliminary approval, in October 1936. It is this bookkeeper, a personal friend of Mr. Loubert, who has been the central figure in two major cash shortages.

During early 1937 it became clear that the Accounting Department in New York was still not satisfied with the accounts of the Paris Office. After some correspondence on the matter, I requested that Mr. Henry Schuckmann, then an assistant to the Assistant Treasurer, come from New York to Paris for the precise purpose of reviewing the accounting procedures in the Paris Office, and to give me a competent professional estimate of the professional qualifications of the bookkeeper. On this latter point, Mr. Schuckmann declared himself after several days as of the opinion that the bookkeeper was professionally competent, intelligent, willing, and cooperative and could be maintained in her position. The following month the regular audit was performed by Haskins & Sells, who I am informed found everything in order, although I have never actually been shown the results of the audit. I understand, however, that at this time Haskins & Sells did make a recommendation that the divided control of the bank accounts and the accounting function which was evidenced by the fact that, while the representative of the Assistant Treasurer in Paris controlled the bank accounts at Morgan's Bank, and rendered the monthly bank statements, the accounts for the Paris Office, which were to a considerable extent dependent upon the bank statements, were my own responsibility. In communications to New York I endorsed this suggestion. I took the question up with the Assistant Treasurer in the

autumn of 1957 in New York and the suggestion was subsequently adopted in October, 1957.

Notwithstanding Mr. Schuckmann's review of our procedures and his report on that review, which was helpful and constructive but certainly not critical, and notwithstanding the satisfactory audit of early July 1957, I felt myself that the procedures were inadequate in that, while they might satisfy the Accounting Department, they did not provide that information to FEER New York Headquarters which they needed for control of the FEER budget and disbursements spread over many countries. At that time I therefore instructed Mr. Grey, who had replaced Mr. Loubert as Administrative Officer, to undertake in close consultation with me, and under my supervision, a thorough and detailed study of the accounting system with particular emphasis on our responsibilities vis-a-vis New York Headquarters. The result of this study was exceedingly detailed, and produced a number of suggestions for improvements which would have resulted in even stricter controls over our disbursements than those laid down in the Accounting Department regulations. This study was forwarded to New York in October 1957. A few of its suggestions were adopted. However, in November 1957 I was informed that the entire accounting function would be removed as of January 1 from my responsibility and vested in an employee of the Accounting Department, as of January 1, 1958. This employee of the Accounting Department did not arrive in Paris until March 15, 1958.

While I confess a normal relief at the decision to relieve FEER Europe of accounting responsibilities, surely the efforts recited above cannot be taken as evidence of "lack of administrative interest".

Notwithstanding the difficulties cited above, I have always asserted that the ultimate responsibility for the administration of the FEER European offices is my own. Furthermore, I operate these offices on the principle that I am required to do, as a part of my duty, the best possible job with the materials available. It is for this reason that I did not trouble my superiors with problems long existing with Mr. Loubert, nor did I make an issue of all of the detailed troubles arising out of the divided structure. Instead, I sought to present to my superiors the larger and more basic problems on which the lesser ones depend, as the need for qualified personnel, and more importantly, the need for eliminating the structure of divided authority and responsibility. To this end, I found time in early May, 1958, in the midst of pressing program responsibilities, to forward to my superiors in New York a preliminary plan for the reorganization of the FEER Europe offices which I hoped would eliminate most of the present difficulties. This suggested plan is not

sacrosanct, but did have the benefit of numerous discussions with my colleagues both in New York and in Europe, including the FECS Chief of Operations. Something along these lines must be done; we are overburdened, understaffed, and spread much too thin in terms of our program responsibilities and potentialities.

I shall leave it to others as to whether all the foregoing facts constitute evidence of "lack of administrative ability". I have never claimed to be a great administrator; I do not believe I was employed by Free Europe Committee, a year later designated FEER Senior Representative in Western Europe, and a year after that promoted to European Director of FEER solely on the basis of my administrative ability. I nevertheless believe that a thorough review of the record would show that, under trying circumstances and major difficulties, I have administered the FEER programs and offices in Europe in a manner which has thus far reflected nothing but credit in Europe on the Free Europe Committee.

#### I. Specific Accusations.

##### 1. "Maintenance of a Favored Entourage":

The report cites Messrs. Loubert and Latour's charges that I "maintain a favored entourage". It furthers the impression that such an "entourage" exists by also noting that "the members of Mr. McCargar's immediate staff (Gray, Bonahue, Mrs. Pala, Miss Brooks and the other secretaries) appear to be extremely loyal to him".

The facts are these: Leaving aside Mr. Davy, who represents the New York Accounting Department, and myself, there are 12 persons in the FEER Paris Office. Of these nine are described in the report as being extremely loyal to me. The other three persons make up the FECS Office in Paris and consist of Messrs. Loubert and Latour and their secretary Mrs. May. Leaving aside Mrs. May, whose sentiments do not appear to be recorded in this report, we find that nine are "extremely loyal" to me and the other two have such criticism of me. The proportion of nine to two out of a total of 11 does not constitute (a) "an entourage", or (b) an "immediate staff".

Furthermore, the report misses the very important point that the nine persons listed variously as "entourage" and "immediate staff" are, in fact, the entire FEER staff in Europe, as distinct from those staff members working exclusively on FECS programs. The group includes the Deputy European Director, duly appointed as such by the Director of FEER, whose authority over Messrs. Loubert and Latour is, in fact, the central issue in this episode, and the Administrative Officer of the Paris Office, whose responsibilities in this

"episode" were repeatedly challenged by both Mr. Loubert and Mr. Davy.

The only reference in the report to any actual favors conferred on the "favored entourage" is contained in Mr. Latour's remark referring to "excessively long vacations for favored members of the staff". I state for the record that nobody on the FEER Paris staff has received any more vacation than allowed by the regulations of FEC or, for local employees, French law, and a number, notably myself and Mr. Grey, have taken less vacation than they are entitled to. There are two exceptions to this statement, one involving a secretary who was given special consideration for reasons of health, which consideration was authorized by my superiors. The other case involved Mr. Loubert's secretary, a local employee, who was shown similar consideration for reasons of health.

2. "Lack of Interest in FECS":

Both Mr. Loubert and Mr. Latour have charged that I had no interest in FECS. Since April 1956 I have examined with a view to approval or rejection every FECS project submitted from France, and since April 1957 all of the FECS projects submitted by all of the FECS offices in Europe. While I do not have an exact tally available I should conservatively estimate that within that period I have indicated my approval of, and lent myself to, a series of activities under the heading of FECS totaling conservatively something over \$600,000. This cannot be defined as "lack of interest". Furthermore, I have provided the FECS staff in Europe with all possible assistance and facilities.

In the case of Messrs. Loubert and Latour the political guidance given them has never been understood by them since they have never grasped the political implications of their work other than that it is anti-Communist. This became apparent on numerous occasions, most notably that attendant upon the budget cuts decided upon in New York in October, 1957. My counsel and specific instructions were to avoid the impression that FEC had lost interest in refugees, or that "the Americans are abandoning Eastern Europe". Mr. Loubert so handled the matter as to result in a widespread uproar among Eastern European refugees in France, who appealed to me personally and to the FEER staff from all sides, not so much against the cuts themselves, as against Mr. Loubert's explanation that FEC was no longer interested in refugees or welfare work with them.

As cited above, the FECS structure within the FEER organization in Europe had a certain autonomy; in the case of Paris the chain of command ran upward from Mr. Latour through Mr. Loubert to Mr. Bauer who is resident in Munich with the

title of Chief of Operations, FECS, and only thence to me, or my Deputy in my absence. It was my principle not to interfere with Mr. Bauer's administration of the FECS program, while providing him with such guidance as he might need for the overall successful operation of the program. I therefore rarely appeared to Mr. Loubert from his particular vantage point as being deeply absorbed in his matters, but both he and Mr. Latour are seriously mistaken if they believe that I have not closely followed their work and taken up such points as were from time to time necessary in connection with those activities with Mr. Bauer. I was much concerned over their handling of the Polish and Hungarian programs in France, which they seemed not to comprehend fully, and I took up the matter with them on several occasions, with Mr. Bauer, and finally with the Assistant Director of FEER, whose views on their competence, particularly in the Polish field, should be sought.

For the rest, I wish to make absolutely clear that my objection to FECS was never to the FECS program, but only to its practical autonomy within the FEER structure, and the administrative weaknesses inherent in the local arrangements in Europe for coordination of FECS activity with overall FEER policy. Mr. Loubert's performance is a case in point.

3. "Lack of Tact and Understanding in Dealing with Staff Members":

Mr. Loubert has made various charges that he "found it difficult to get to see" me and that I "called him down unjustifiably in front of witnesses." The facts are that early in 1957 Mr. Loubert began to be a disciplinary problem in the office. The immediate problem was the continued growth of the office and specifically the nomination of Mr. Haseltine as my Deputy. Until Haseltine's arrival in that capacity, Mr. Loubert was the only other officer besides Miss Dulles. Mr. Loubert reacted with visible disappointment vis-a-vis Haseltine's role. This was increased by the arrival in May 1957 of Mr. Robert Grey to whom I transferred Mr. Loubert's responsibilities as Administrative Officer, partly for reasons already cited above.

From that time onward it was natural that I should see less of Mr. Loubert, which was in part due to the growing press of other business, and in part due to my frequent and sometimes prolonged absences from the Paris Office on official business. Mr. Loubert's reaction to these developments was one of growing insolence and the implied assertion that he worked only for Mr. Bauer. He would accept no instructions, or did so with very bad grace and much resentment, from Mr. Haseltine, who was my Deputy, or later from Mr. Grey when he became my Deputy. Both Mr. Haseltine and Mr. Grey complained to me of this reaction of Mr. Loubert. My response was to reinforce the authority, initially of

Mr. Haseltine, and later of Mr. Grey, by having them present for discussions with Loubert of various of his problems, including his errors.

Four days before Christmas 1957, after the arrival of Mr. Donahue and his designation to replace Mr. Grey as Administrative Officer, Mr. Loubert, who has an extraordinary temper, fired one of the French secretaries in a loud and public scene in the hallway of the office, which not only violated common sense and good taste but also French law with respect to the rights of the secretary. I gave Mr. Loubert one day to cool down and then saw him to discuss the matter in the presence of Mr. Grey, my Deputy, and Mr. Donahue, the Administrative Officer who would have to arrange for the termination of the French secretary in accordance with French law. On this occasion I reprimanded Mr. Loubert for what I considered to be ill-timed and ill-advised behaviour, while at the same time not contesting his decision to fire the secretary. As the secretary had threatened to go to the French courts to obtain her legal rights, which Mr. Loubert in his violent and peremptory dismissal had denied her, I informed him that his action had not been in the best interest of the Committee, and requested him to leave the matter henceforth entirely in the hands of Mr. Donahue. Mr. Loubert's reaction was one of truculent insolence. Immediately thereafter, on encountering the secretary by chance in the hallway, he loudly and peremptorily fired her again. This was a reaction characteristic of Mr. Loubert, which did not increase his popularity with the rest of the staff.

Meanwhile, I discovered that Mr. Loubert was coming more and more frequently to disobey those instructions which from time to time I gave him. Judging from the reaction of the refugees in France, he never made any effort, as instructed, to recoup his unfortunate handling of the October 1957 budget cuts. He never complied with my instructions to investigate and submit a report on a Polish welfare agency which had certain ramifications connected with the Polish political activities of FEER, but instead at a certain point commenced paying a subsidy to this organization. Further, he disobeyed my explicit instructions to maintain a particular exile working with the Hungarian National Service Committee in his employment. Instead, after assuring me that the matter was taken care of, Mr. Loubert permitted the man to be given three months notice of dismissal, and then made a concentrated effort to have this particular exile sign a statement for Loubert's files that he had quit his position on his own initiative, which the exile has properly to this day refused to sign.

All of these factors, besides my frequent absences, very much conditioned my willingness to see Mr. Loubert. As late

as April 14, 1958, on my return from New York, I did see Mr. Loubert, alone, at his request. He informed me he had just been on vacation, and felt much better. He stated he had for some months been under "the influence of drugs"--- necessary due to an ailment contracted in World War II--- and that his doctor had now taken him "off them", and he realized that he had lately interfered in things not his "business". I accepted his implied apology in good part and chatted about his vacation. Only three days later I learned of his threat to blackmail me if I should take steps against him for his role in the February, 1957, cash shortage. Thereafter, I refused to see Mr. Loubert alone.

It is not correct to state that I reprimanded Mr. Loubert "before witnesses". These were not "witnesses", but the duly responsible officers whose authority Mr. Loubert has never been able to bring himself to accept.

4. "Lack of Interest in or Appreciation of FECS Staff":

The facts are these: In March, 1957, when Mr. Loubert had been with FEC not quite seven months, I recommended to the Director of FEER a raise for Mr. Loubert, as a reward for his hard work in connection with out office space, and as an incentive. I also had in mind heading off the disciplinary problem which I foresaw with Loubert. This raise was granted in April, 1957. At the same time, and at my urging, the Director of FEER commended Mr. Loubert before the entire staff for his work. Similarly, at the outset of his duties, in August, 1956, Mr. Loubert complained to me of the salary and allowance arrangements he had entered into, as a result of which I intervened with Mr. Bauer to alter these in favor of Mr. Loubert. Subsequent to these two manifestations of interest in Mr. Loubert, my appreciation of him was justifiably conditioned by his performance.

As for Mr. Latour, I noted on my return from New York in November, 1957, his obvious intelligence, and I interpreted his equally obvious tension and anxiety as restlessness under Loubert and the desire for more individual responsibility. Mr. Latour subsequently reinforced this impression by complaining to my Deputy that for months "Mr. Loubert has told me nothing of what was going on". Accordingly, I conferred with Mr. Bauer, in December, 1957, and suggested that we gradually increase Mr. Latour's responsibilities with a view to ultimately putting him in charge of the developing FECS programs in the Low Countries. Unfortunately, this did not prove practicable, since during the establishment in March and April 1958 of the Youth Center in Brussels, among other developments concerning Mr. Latour's role in this project, the Belgians cooperating in it refused to deal at all with Mr. Latour.



5. Mr. Loubert as a Security Risk:

It is true that on May 2nd I did indeed declare to Mr. Loubert that I considered him a security risk. This was not "before witnesses" as alleged, but in the presence of my Deputy and the Administrative Officer, who were legitimately present, and in the presence of Mr. Davy, who had first informed us of Mr. Loubert's threat to blackmail me. I went on to explain to Mr. Loubert, which is easily confirmable from those present, that I considered that any staff member who had threatened to blackmail any other member of the staff, let alone the officer in charge, came within my definition of a security risk. This is still my view, and it was the revelation of this threat of blackmail which prompted my message of April 18 from Rome requesting the early presence in Paris of the FEC Personnel and Security Office.

In addition to the foregoing, I had another factor much in mind, but not spoken to Loubert. I considered, and do consider, Mr. Loubert a security risk in the broader sense of the Committee's interests, in that his political comprehensions are of such a primitive nature that he could fall into the hands of someone like Fulton Lewis, Jr. without ever knowing where he was. It seemed to me therefore that the Security and Personnel Officer of the Committee was the logical person to handle this matter quietly, expeditiously, and in the Committee's best interest.

It was also with this fact in mind that when, in Paris on May 13, I discussed these matters briefly with Messrs. Huston and Greenlee I did not propose any "violent" or dramatic solution of the problem posed by Mr. Loubert, but instead that, after a suitable hearing before responsible persons of his charges against me, or any other members of the staff, that Mr. Loubert in due course be given his home leave, which he has earned, and that his contract with Free Europe Committee simply not be renewed upon its expiration in August 1958.

6. General State of Office:

The report makes many general statements regarding the Paris Office as a place "filled with fear and suspicion"; refers to a "welter of criticisms", to "charges and counter-charges", to "personality clashes", etc. I have already indicated the reasons why the testimony of Mr. Davy—the only specific citation in the report of a "misfit" in support of the general accusation on page 2 of "staff misfits"—and that of the auditors of Haskins & Sells is not valid. So far as the allegation of Messrs. Loubert and Latour in this regard are concerned, I suggest that

testimony taken from the other ten members of the staff, and reproduced, would lead to a totally different conclusion.

7. "The Fate of Anyone Who Opposed Mr. McCargar":

I do not know what is meant by M. Loubert's statement that he knew the fate of anyone who opposed me, "citing Mr. Hoge, Mr. Haseltine and Mr. Bauer as examples". The facts are these: Mr. Hoge was transferred from Paris to Vienna in August 1936 on the proposal of the FECS Chief of Operations. I concurred in this proposal by M. Bauer, as I had certain reservations, shared by Mr. Bauer, as to Mr. Hoge's ability to carry on the numerous delicate relations which were part of his task in France. New York concurred in this decision. It is a matter of record that Mr. Hoge almost immediately fell into an infinitely more delicate situation in Austria, that he acquitted himself extremely well, has continued to do so, and is happy there. I have gladly and willingly shared in the resultant praise and commendation of Hoge for this accomplishment. Insofar as Mr. Haseltine is concerned, the reasons for his discharge were fully set forth in a confidential memorandum from me to Mr. Yarrow in December, 1937. New York concurred in this decision. Insofar as Mr. Bauer is concerned, I know of nothing that has "happened" to him except that my own working relations with him have improved much over the past two years, and that he is presently on home leave with instructions to report to his post of duty at the conclusion of that leave.

8. "Anyone Who Works with McCargar Must Sell Himself Body and Soul":

I categorically reject Mr. Loubert's assertion repeated in this report that "anyone who works with McCargar must sell himself body and soul", as well as Mr. Latour's reference to the rest of the staff as "serfs". These are slanders on the rest of the European staff, and on my many associates in FEER New York. It also implies unlimited power on my part within FEC, which is patently not the case. I suggest that testimony on this charge from the rest of the Paris staff would give a more balanced picture of my true working relationships.

9. "Unfounded Personal Threats and Accusations":

I categorically deny that I ever said to Mr. Loubert that "I will take care of you personally" or that any remark of mine to Mr. Loubert at any time could ever be construed as "constituting a threat of bodily injury". Mr. Grey and Mr. Donahue, who were present at this conversation, as at many others, will verify my denial. Additionally, it is

utterly out of character, as my associates of the past three years at Free Europe Committee can, I believe, attest, for me to threaten anyone in any sense, much less that of "bodily injury". The only accusations I have made against any member of my staff have either been in appropriate context or through proper channels and none have ever been "unfounded".

10. The Loubert "Memorandum of Agreement":

I have no recollection of any "memorandum of agreement" dated March 5, 1957, prepared by (Mr. Loubert) to outline the basis on which he would help Mr. McGarver to "get me out of this (accounting) jam". I do not believe in the necessity for memorandum "of agreement" with subordinates on the fulfillment of instructions given to them. I did instruct Mr. Loubert at about this time to bring out accounting procedures into line, as noted in Section H above. I certainly never asked Mr. Loubert or any other member of my staff to "get me out of" any "jam". I may have, during March, 1957, initialed a memorandum giving appropriate authority to Mr. Loubert to handle the accounts and office funds—a thing I never would have done had I known at the time that he was not even conducting regular cash counts—but I categorically reject the insinuation contained in Mr. Loubert's statement in this report that I had anything to do with the "mysterious disappearance" from his files within the past two months of any document. It is relevant to Mr. Loubert's conception of his relationship to his colleagues and superiors that he would assert the existence of a document in his files to be used against them at a future date. (Please see last sentence, penultimate paragraph, section 6, above.)

11. "Unpleasant Innuendoes...of Dishonesty or Malfeasance... Against Officer in Charge":

The only statements in this report supporting the above phrase in the conclusions of the report are those ascribed to Mr. Letour.

I am amazed that this report should give serious mention to Mr. Letour's implications of "irregularities by top management" in his statement that "anyone could steal FEER-FECS blind" by proper manipulation of chits and vouchers, adding that "any one could get by with almost anything" under the present system".

The present system in effect in the FEER Paris Office is that prescribed by the Accounting Department of Free Europe Committee, and if possibilities such as alleged by Mr. Letour exist, I am certain the Accounting Department would have noticed it long ago, and the audits done by

Haskins & Sells in July 1957 and May of 1958 would have revealed such possibilities or activities.

I am similarly amazed at the inclusion in this report of Mr. Latour's comments concerning the check for 1,000,000 francs, that "something is not in order there". This transaction involved nothing more sinister than Mr. Hoge forgetting to tell his successor, Loubert, of the existence of the check in the custody of Morgan's Bank. The problem was solved in full collaboration with, as well as the agreement of, Captain Henri Smith-Hutton, who was at that time the Assistant Treasurer's representative in Paris and in charge of the FEC bank accounts. The check was delivered by Mr. Latour to the payee in accordance with the terms of a project previously approved by New York Headquarters. A full report was made by me to the appropriate officials of FEER on my arrival in New York in September, 1957, and, in addition, prior to Mr. Huston's conversation with Mr. Latour in Paris, I refreshed Mr. Huston's memory of this particular transaction, which he recalled having heard before in New York.

12. Implications of "Wired" Offices.

The report refers to Mr. Latour as seeming "tense, anxious and much concerned". Mr. Latour has seemed exactly that way ever since he joined our staff in September 1957. His implications regarding the possibility that my office in Paris might be "bugged" reflect his ~~anxiety~~ anxiety and concern, but do not reflect any facts with respect to my office. No one else, not even Mr. Loubert, has any fear of speaking out in my office. If it is in fact "bugged" the only persons who could have "bugged" it are members of various intelligence organizations, and I have no knowledge nor even any suspicion at the moment that that is so. In any case, I had an "anti-bugging" device in the form of a long tube of neon lighting—which burns constantly—installed at the time of moving to our new offices. It is probably not a sure device, but it was our best available at the time, and Mr. Loubert, who had arranged for it, was very certain of its efficacy. I am surprised he did not inform Mr. Latour of its existence.

13. Spending "Committee Funds too Easily".

This charge against me, unsupported and unidentified, implies an authority which I definitely do not have. The funds which I disburse in Europe on behalf of FEER fall into two categories: program expenditures and administrative expenditures. With respect to program expenditures, I have no authority to disburse Committee funds on any other than specific authorization granted from New York. Authority does exist permitting me to disburse, on my own responsibility, occasional expenditures of a non-continuing type not in excess of \$150. In the year in which this authority has been operative approximately \$1,500 has been spent by the Paris Office in this fashion, and fully reported to the

New York Headquarters. With respect to administrative expenditures, allocations in the administrative categories, including travel and entertainment, are made in advance at the beginning of each fiscal year by the New York Headquarters. They can be revised only on authority from New York. I am required to stay within the limitations set down in those allocations. I have never to date, exceeded the limitations of any administrative allocations, including, of course, travel and entertainment, with the single exception of the Communications allocation, which is naturally dictated by events, and not by my own "whims and caprices". At the same time, I have underspent in other categories so that the total administrative budget has never, under my direction, been exceeded. I note also in this connection that the memorandum provided Mr. Huston, at his request, covering the travel and entertainment expenditures of the FEER Paris Office, is not included with the report.

14. "General Inattention to Duty":

The report's only evidence in support of this charge is a broad allegation concerning the hours I spend, or do not spend, in the office in the morning. The facts are these:

The office hours of the Paris Office are from 9 to 6. The office is fully staffed during these hours. In addition, as the New York Headquarters knows, the office is open every weekday until at least 8 in the evening. During the period from 6 to 8 in the evening, those program officers whose duties require it are present, and one or two secretaries, depending upon the communication traffic which may be in progress during those hours. With respect to the secretaries, a regular schedule of staggered hours has been in effect for well over a year, so that the secretaries are in fact not required individually to exceed about 45 hours per week, although they have always given unstintingly of their time above that figure as duty may have required.

One of the major reasons—though not the sole one—for the hours from 6 onward in the evening is the convenience of the New York Headquarters. The time differential works for the Paris Office in precisely the same manner as it does for the BEE Communications Room in Munich: New York open line hours: 0800-1400; Munich open line hours: 1400-2000. Further, my experience over three years of our work is that by its very nature urgency in our affairs is more the rule than the exception, which is why, remarkably frequently, someone can be found in the Paris Office at 9 or 10, or even later, in the evening.

The office is also open on Saturday from 10 onward, usually until 5. On Saturdays the staff consists of those

program officers whose duties require their presence, plus a skeleton staff of secretaries. The same procedures are in effect for the secretaries for Saturday duty, as for evening and night duty.

Further, our duties frequently require Sunday work, although the secretaries are infrequently involved therein.

The Paris Office observes the French holidays—when possible—plus the Fourth of July and Thanksgiving—when possible.

My own hours average, on a daily basis, from 11 to 8. The fact is that for two years, as against the regular FEC 40-hour week, I have devoted, on the average, 60 hours a week to FEC business. This is made up of five 9-hour days, plus a 6-hour Saturday, plus Sunday and night work averaging nine hours.

In three years with FEC I have had 49 days of vacation.

I have no accurate count of holidays during this period, but of the eight holidays occurring so far in 1958, I have been able to avail myself of one.

In the first five months of 1958 I have had four Sundays free of work for FEC. I can recall at least three working Sundays which started at noon and ended at midnight or later.

I have, so far in 1958, travelled over 20,000 miles on FEC business.

The implications of this report in remarking on my morning hours only—and omitting the information set forth above are threefold: (1) I do not accomplish my work; (2) my own hours are disruptive of office routine and morale; and (3) my hours are an irritant to the persons with whom I conduct business for FEC.

Concerning the first implication, the files and experience of FEC over the past three years show that this is not true.

Concerning the second implication, I suggest that the evidence of those who have to work most closely with me in these hours, and thereby stand to suffer the most, would refute it. As the report says, briefly, on this subject, "the secretarial staff like to work for him".

As for the third implication, the great majority of persons with whom I conduct business are Europeans, and of them, most are politicians, diplomats, journalists, and

writers. It is a simple truth that if I were to conduct business with these people on a 9 to 5 basis I would not get FEC's job done.

It is quite true that my own hours correspond to my particular time for my best and maximum work. FEC does not, however, lose by this, for it is also true that my characteristics in this regard fit into the particular environment in which I live and work in Europe, and conform to the particular requirements of my job.

15. Alleged Living "Too Well":

The report contains the statement that "those not in his "entourage" (please see Section I, Paragraph 1 above) "charge that at least he lives too well". The facts are these:

I live, with my wife, in a small furnished apartment at 68 Quai des Orfevres, on the Ile de la Cite in Paris, consisting of one bedroom, dining room with small kitchen, and living room. For this apartment FEER pays the landlady—never myself—\$5,000 per year, which covers the rent and about one-half of the heat, light, and gas. This arrangement is made in the same manner as that by which RFE provides its employees in Munich with fully equipped housing, although my own apartment does not compare in size, facilities or comfort with the houses provided subordinate staff members at Munich.

The only unique features of the apartment are its fortunate location, and the fact that there is only one room to each floor, so that to get from room to room we must use either the house stairway, or the outside elevator—unheated.

The rent of the apartment is not small, but is a reflection of the prevailing rents in Paris. If the apartment were on the market today, it could command 20-35% more than the present rent.

Until March of this year we employed a part-time Martiniquaise cleaning and laundry woman. We now have one full-time servant, a "bonne" who does all the laundry, cleaning and some of the buying and cooking, the remainder of those functions being performed by my wife. This arrangement is not considered lavish or excessive in Paris.

Among the many FEC officers and personnel who have been entertained in my apartment are the Director of FEER, the President's Personal Representative in Europe, the Assistant Treasurer, the Deputy Director of FEER, and the

Assistant Director of FEER. All personnel of the Paris Office, including Messrs. Loubert and Latour and their wives, have been entertained at one time or another in my apartment, and I gave there, at my own expense, the Office Christmas Party, for the entire staff, on Christmas Eve, 1957. There have been many comments about the location, the view, and even the charm of the apartment, but no one has ever termed it lavish, or even impressive.

As the apartment is presumably provided for purposes connected with my work, as well as living quarters, I feel an obligation in this respect. Exiles have no compunction about calling me there, and are in and out of the apartment frequently, on business, during the evenings and weekends.

About 80% of the entertaining done by my wife and myself is connected with my work for FEC. As a matter of principle, I do not charge FEC for any entertainment in my apartment, the sole exception being a large reception which I gave in April, 1957, at which approximately one-third of the guests present were exiles connected with my work, and for which I charged FEC one-third of the total cost.

I am obliged to add that of all the charges in this report this is the most shameful, and the only one I deeply resent answering, since it involves not only my personal living arrangements, but also my wife.

12. Alleged "Refusal to Cooperate with General Peckham".

The report quotes Mr. Loubert to the effect that I "refused to cooperate with General Peckham or to provide him informational material". On this matter my instructions to the staff of the Paris Office, including Messrs. Loubert and Latour, were simple and concise: they were to render every courtesy to the President's Personal Representative in Europe, and they were to provide him with whatever information he might need or request at any time on the activities of the office. Confusion on this point arose because it appeared that Mr. Loubert understood from General Peckham that he was to write special reports at regular intervals on FECS activities in France to be transmitted to General Peckham at Strasbourg. Subsequently, on checking with my superiors on this matter, I informed the staff, including Mr. Loubert and Mr. Latour, that there would be no need to compile special reports on our activities for General Peckham, but that I would subsequently work out with General Peckham, and with my superiors, appropriate means of disseminating to General Peckham such material of our regular reporting to New York which the President's Personal Representative in Europe might require. These instructions have never been altered.



I note that the report offers no confirmation of Mr. Loubert's statement from any quarter whatsoever. It also omits the fact that for the first six weeks of General Peckham's residence in Europe, he was accompanied by the Director of FEER, who gave me my instructions concerning cooperation with General Peckham, and who obviously would never have tolerated such a refusal on my part.

**17. Alleged Improper Discussion in Staff Meetings of Aspects of Budgets:**

The report cites Mr. Loubert as stating that I "had discussed in staff meetings aspects of the budget which he (Mr. Loubert) felt it was improper for the junior members of the staff to know about".

It has not been, and should not be, within the prerogatives of Mr. Loubert, or other subordinate members of the staff, to decide unilaterally what is proper or improper for the officer in charge to discuss with the staff, or any members thereof.

**18. Failure to Fulfill Responsibilities as Head of FEER European Establishment:**

A charge in this report, ascribed to "those not in his entourage" (See Section I, paragraph 1 above) is that "in general, he fails to fulfill his responsibilities as head of the FEER European establishment". This statement, damning as it is on the face of it, is unsupported by any evidence. It is also not supported by any reference to the letter of general instructions which I received in April 1956 on my departure for Europe and which defined my duties and responsibilities. This letter would at least provide one objective criterion of my discharge of my responsibilities. Another reasonable criterion would be the conception of my responsibilities as head of the FEER establishment in Europe which has grown up since 1956 on the basis of our actual work and problems in Europe. Another could be my interpretation in detail of my responsibilities within the framework of my general instructions.

My conception of my responsibilities I would define as follows:

- (a) Execution of the authorized programs and policies of FEER in Europe.
- (b) Supervision and guidance of the program officers of FEER, including FECS, in Europe, in accordance with the approved policies and objectives of FEER and with due regard for the special requirements of each European country in which FEER operates.

- (c) The establishment and maintenance of relations with Eastern European exiles in Western Europe of such a nature as to maintain at its maximum the FEER potential to accomplish its objectives through these exiles.
- (d) The establishment and maintenance of relations with European Governments, local authorities, international political institutions, national political groupings, key European individuals and appropriate American representatives and authorities to the end that the various programs and policies of FEER in Europe should proceed with a minimum of hindrance or local difficulties.
- (e) Coordination, as authorized, with the other Divisions and related agencies of Free Europe Committee in Europe in the general interests of Free Europe Committee.
- (f) The provision of New York Headquarters with the maximum possible amount of accurate information on developments in Europe relevant to the formulation by the New York Headquarters of policies and programs, and relevant to the general interests of Free Europe Committee in Europe.

The report makes no reference to the record of the discharge of these responsibilities and I permit myself to state that an assessment of that record will show that I have fully discharged these responsibilities in the course of two years in Europe, and that in a period of crisis and turmoil in Europe unequalled since the Second World War.

In the discharge of these responsibilities there have been no scandals in the FEER European establishment. There have been no expulsions from any area of Europe. There have been no unsurmountable difficulties with local authorities and there has been no deviation from policy and instructions; nor any negligence of the interests of FEC as a whole or FEER in particular.

All this has been accomplished in a period which has seen our personnel increase threefold, while our duties and responsibilities have, on a conservative estimate, sextupled. In this period, and under my direction, there has been one case of disloyalty and incompetence for which appropriate steps were taken, and one case of insubordination of a very severe sort, which latter is in fact the genesis of this report. This compares with the total of approximately 36 persons who have been variously employed by FEER Europe during this period.

J. Mr. Loubert's Memorandum dated May 14, 1958, Attached as Annex 3.

As Mr. Loubert's memorandum is attached to this report I am obliged to reply to it, but I shall confine myself to those matters not touched on elsewhere:

1. Mr. Loubert's statement that Mr. Davy was "in a position to act quickly to protect the interests of the Committee" is not at all in accord with the arrangements made between Mr. Davy and myself, whereby, after he had settled down he would inform me when he felt he was ready to take up his duties, and I would thereupon take the appropriate steps to establish him in his duties.
2. Mr. Loubert's "immediate FEC superiors" do not believe that he in fact "tried to warn" them, or that if he did try, the entire staff being busy that day preparing the budget which I would take that night to New York, his effort could not have lasted more than a half-hour, and certainly bore, if in fact it occurred, none of the characteristics of an urgent warning.
3. Mr. Loubert remarks that he introduced Mr. Davy to Mr. Loubert's "contact" at Morgan's Bank. This is a revealing indication of the true situation, since Mr. Loubert has, in fact, no "contact" in Morgan's Bank on behalf of Free Europe Committee or any section thereof. Any such contact was totally unauthorized from the moment in June 1957 when Mr. Grey took over from Mr. Loubert the functions of Administrative Officer of FEER Paris.
4. Mr. Loubert states that he remarked to Mr. Davy that he feared that I "would try to get rid of him for having talked this much to Mr. Davy" and that he "added casually" that if I ever tried to do so Mr. Loubert "would have some remarks to make about me to FEC authorities in New York". This totally distorts the facts. There was no basis on which Mr. Loubert could have feared that I would "try to get rid" of him for talking so much to Mr. Davy. He had, however, every right to expect that, if it came to my attention that while he was Administrative Officer he had assisted in covering up a cash shortage in the office accounts without informing me, and that this cash shortage had gone undetected by him for over three months because of his failure to take the required and normal precaution of a regular cash count, then I would indeed have taken steps against him. I may add that I would only have done so after consulting with my superiors, but I most certainly would have recommended strong steps. On the basis of this wholly legitimate fear on Mr. Loubert's part, it is wholly inconceivable that his next remark was made "casually". Whether or not it was made casually, I did not, nor could any responsible officer, take it casually when it was relayed to me. It constitutes black-mail, by definition and at the very least reveals, quite

apart from Mr. Loubert's fear of consequences, a most unwholesome attitude.

- 5. Mr. Loubert's statement that on April 2, 1958, eight days after his conversation with Mr. Davy, he wrote—out of channels—to General Peckham "on a matter which he sincerely believed could retain the interest of only the highest FEC authorities" is a revelation of Mr. Loubert's long-standing misconception of his true position in the FEC organization. It is relevant to an assessment of Mr. Loubert's acumen, judgment and conception of FEC's programs and purposes that this letter conveyed to General Peckham a request made by a personal friend of Mr. Loubert's for FEC financial backing of a film to be made by Mr. Loubert's personal friend on the life of Lafayette. The letter included the statement that Mr. Loubert, in this transaction, stood in the relationship of an "intermediary" between his French friend and the Free Europe Committee. This latter statement constitutes in my eyes, and I believe would in the eyes of any responsible officer, a serious impropriety. I do not believe that FEC staff members should be in any way involved in private business negotiations with FEC. Needless to say, General Peckham replied to Mr. Loubert that the project he had forwarded in his letter of April 2 was not within the sphere of FEC interests, and at the earliest opportunity he called this matter to my attention.
- 6. I never informed Mr. Loubert, as stated in his memorandum, that I "was the Free Europe Committee in Europe". On the contrary, when I reprimanded Mr. Loubert for going out of channels in his correspondence to General Peckham, he became truculent and insolent, and remarked that it was his judgment that the matter on which he corresponded with General Peckham was not FECS's concern, nor FEER's concern, but only that of Free Europe Committee. Without going into the matter again with Mr. Loubert of the relations between FECS, FEER, and FEC, I told him that for his purposes, insofar as decisions on matters of this kind were concerned, I was the Free Europe Committee there.

II. Letter of Haskins & Sells of May 30, 1958

I am gratified that the audit by Haskins & Sells "did not disclose any manipulation of the books or of the returns made to New York".

I have, however, the following comments on the observations of the Haskins & Sells auditors:

- A. The auditors suggest that the cash funds kept in the Paris Office be limited to "500,000 francs. This matter is also cited in the

Huston-Greenlee report by means of an indirect quotation from Mr. Davy that I "permitted a system whereby cash on hand was allowed to reach such proportion of 2,000,000 francs or more, many hundreds of thousands of francs of which were in the form of IOU's". With reference to Mr. Davy's citation of "many hundreds of thousands of francs in IOU's", it should be noted that Haskins & Sells' letter notes IOU's totaling 585,000 francs. Of this figure Haskins & Sells go on to note that 210,000 francs is in fact a "petty cash float" in the hands of Mr. Grey for emergency program expenditure and weekend disbursement. The total of IOU's—in the sense of personal advances—all properly authorized, is therefore, according to the auditors, 375,000 francs. This is hardly "many hundreds of thousands of francs". (This form of advance for the specific purpose of rents has been approved by the New York Accounting Department. See Mr. Schuckmann's memorandum of May, 1957, on the Paris Office accounts.)

With reference both to Mr. Davy's remark and the suggestion of the auditors, it should be borne in mind that the use of bank checking accounts as a means of discharging obligations is by no means as widespread in France as in the United States. A more frequently used device is the "cheque-postal" or "mandat", which require the initial disbursement of cash funds, or have other defects mentioned below. If among Frenchmen, the use of bank checking accounts is limited, among foreigners in France it is even more so. French government restrictions on bank accounts for foreigners, largely having to do with foreign exchange restrictions, make them practically useless. As most of our program disbursements are to foreigners, this has been one reason for maintaining large cash balances. Another reason is that while the French authorities are entitled to examine our bank accounts, and for that matter even our office accounts, it is conceivable that if faced with this danger, we could put our office accounts in safe-keeping and thereby be examined by French authorities only on the basis of our bank accounts. The advantages of this are that it is only the office accounts which show our cash payments, and there are a certain number of them which, if they were in the hands of persons of hostile intent, could be used to damage many of our programs as well as the position of Free Europe Committee. Therefore, while I hold no brief for the system of large cash balances in the office safe, I have not yet heard of an alternative suggestion meeting our program requirements other than frequent, if not daily, trips to the bank to bring back cash, which is in itself a risky proposition.

- B. The auditors suggest that some officer other than Mr. Davy should keep the cash-box. This is tantamount in the present conditions of our shortage of personnel to furring a program officer into a disbursing officer. We have no responsible person on the staff who could possibly find the time for this system suggested by the auditors. A properly qualified and even bonded administrative officer could, of course, perform this function.

- C. The auditors in their letter of May 30, in describing the emergency funds held by Mr. Grey, do not make it clear whether their suggestion contained in the same paragraph of "surprise cash counts from time to time" should apply only to the cash-box and cash vouchers or whether it should also apply to the emergency funds held by Mr. Grey which are, of course, under present circumstances the subject of regular cash counts by the accountant and the administrative officer. In any event, the question is academic since on or about May 29, Mr. Davy appeared in Mr. Grey's office and, showing Mr. Grey an envelope which he stated contained a letter from the Assistant Treasurer of FEC in New York which he had best not show Mr. Grey, went on to state that the letter contained instructions for him to make "surprise cash counts" of the emergency funds maintained in the custody of Mr. Grey. Mr. Grey replied that as he found the implications of these instructions distasteful, he would no longer maintain custody of any emergency funds. They were duly surrendered to Mr. Davy, and so do not exist outside the general cash fund any longer.
- D. With respect to the auditors' comments on the system of accounting for travel advances, it is clear that the first two comments concern technical accounting procedures on which I have no comment. The third part states, however, that certain "rather large expenditure, mostly entertaining, is not supported by bills" and that the auditors "are informed by the officials of the Division that it is not practicable to obtain such bills". The explanation which I gave the auditors on this point was as follows: For appropriately authorized entertainment of FEC colleagues, (those in travel status), where bills are obtainable from a restaurant, we have obtained them and will do so in the future. For entertainment of foreign officials, exiles, ~~some~~ but not all American officials and foreign individuals, it is not desirable for reasons of propriety to obtain bills. I pointed out that the exceptions to the latter are those cases where entertainment takes place in an establishment where credit in the form of a billing procedure can be extended to us—very rare in France!—and those cases where entertainment would appear on a hotel bill in the course of official travel.
- E. The auditors comment that "advances for traveling expenses are sometimes accounted for some considerable time after the circumstances giving rise to such advances occurred". I have given instructions in the Paris Office that insofar as possible Mr. Shuckmann's suggestion that travel accounts be rendered within two weeks after return be followed. As I have stated elsewhere, we are considerably overburdened and I do not believe the performance in this respect is actually too bad. I have myself been the principal offender in this regard. However, my record on this for the past year is as follows:

In June 1937 I embarked on a series of travels for which I accounted in full in December 1937. However, during this period I was in Paris for a total of two weeks in July and one week in September. I finally returned to Paris in mid-November, and

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submitted my accounts, as stated, in December, 1937. I was gone from Paris during most of January 1938 and was then in Paris until March 14. While theoretically I could have reported in February for my January travel, it will be recalled that during February and early March the Paris Office had numerous special visitors in addition to our regular office work. On March 14 I embarked on a series of travels from which I have not yet returned and in the course of which I have been in Paris only occasionally and then only for a day or two at a time. My travel accounts for the period January-June will therefore be submitted, as a matter of course, in June.

F. The auditors state that the carbon copies of the monthly statements sent to the New York Office "were not signed or approved by any of the local officials" and go on to remark in the following paragraph that their examination of the returns made to New York disclosed no manipulation insofar as the copies of returns "which were produced to us may have agreed with the originals as despatched". While I am not clear as to how my signature or that of my Deputy on the office copies of the accounts could prevent ~~past facts~~ manipulation of those office copies by anyone bent on doing so, I shall take steps on my return to see that the office copies of the accounts are in the future signed.

III. These comments, involving detailed recollection of activities covering a period of two years, were written in New York entirely from memory, but I nonetheless vouch for their accuracy.

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James G. McCargar