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Last Updated: 2/23/2024



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MEMORANDUM

August 15, 1984

TO: LOUIS GIUFFRIDA
FROM: JOE WRIGHT *Joe Wright*
SUBJECT: FEMA Management Review

I have received your memorandum of August 10, 1984 setting forth the various actions being undertaken within FEMA and, more particularly, describing the series of Inspector General investigations into a variety of matters, including those raised at the August 1 hearings of the House Science and Technology Committee.

The plan of action described in your memorandum appears to be a good first step towards resolving various problems and concerns that have been raised. As you recognize, it is of critical significance that the Inspector General's reviews be conducted with independence and adequate resources. Towards that end, and in order to assist in this effort, it is important that two or three additional investigators from other agencies be assigned to augment the FEMA Inspector General team. This will serve to support and underscore the seriousness and independence of the FEMA inquiry. The names of such investigators will be forwarded to you by the end of this week.

I would hope that the steps set forth in your memorandum will be completed no later than September 15, consistent, of course, with the constraints of conducting a professional investigation. Upon the conclusion of those steps, a determination can be made as to whether any further actions or inquiries are in order.



Office of the Director

Federal Emergency Management Agency

Washington D.C. 20472

*file
FEMA*

September 10, 1984.

MEMORANDUM FOR: Edwin Meese III
Counsellor to the President

FROM: Louis O. Giuffrida
Director

SUBJECT: Buffalo

On December 27, 1983, a propane gas explosion occurred in Buffalo, New York. The explosion took place in an urban, lower income residential district one mile east of the downtown business district. The Governor declared a "Disaster Emergency" for the area on December 28, 1983. The blast affected 30 blocks, causing major damage estimated at \$1 million on 25 houses. Damages to three businesses were estimated at \$2 million, and damage to one non-profit institution was estimated at \$225,000. Four fire vehicles were destroyed at an estimated replacement cost of \$1.1 million. The Small Business Administration made its disaster loan program available for the area on January 11, 1984. The explosion killed 7 people, including 5 city firefighters, and injured an additional 70 people, including 26 firefighters.

The American Red Cross received 204 applications for aid. Of this number, there were 121 applicants who received some form of assistance. The City of Buffalo undertook the replacement of broken windows and other minor repairs. Any remaining unmet needs for families or individuals were to be provided by the American Red Cross or by other State and local resources.

State and local governments accomplished debris removal at a cost of \$70,000.

On January 20, 1984, the Governor of New York submitted a request for an emergency declaration by the President. The request asked for replacement of firefighting vehicles and equipment which were destroyed by the explosion.

Discussion

There were four vehicles destroyed. Two were pump vehicles, one was a 100-foot ladder vehicle, and one was the vehicle used by the fire chief. Based on 75/25 cost sharing, the Federal share of replacing these vehicles was estimated at \$825,000 in the event of a declaration. However, it is possible that the overall cost of replacement might be less than the \$1.1 million estimate since, according to Federal disaster assistance regulations, these vehicles

September 10, 1984

would be replaced with used equipment of approximately the same age and value to the extent that such equipment is readily available. In the event it is not readily available, newer equipment can be purchased.

The lost vehicles were covered under the City of Buffalo's self-insurance plan, which apparently was not funded properly to cover this loss. The State maintained that replacement of the equipment would result in increasing taxes.

The Governor's request of January 20, 1984, was handled by FEMA in precisely the same manner that we have handled every other request. FEMA regional and national personnel, in concert with State and local officials, came to the conclusion that the Governor's request should be granted. We prepared the usual Memorandum for the President and sent it over to the White House.

At the White House, apparently, it went to somebody named Rusthoven, who works in Fred Fielding's shop. Mr. Rusthoven called over to the FEMA General Counsel's Office to ask some questions. He went into a general discussion about the request, the sequence of the timing, and the legality. Mr. Rusthoven was told by my General Counsel's Office that this request had been handled in a legal and proper manner. Apparently, Mr. Rusthoven asked if there was unanimous agreement among all the lawyers in FEMA and was told, "There never is," or words to that effect.

In any case, the next step was a call from Craig Fuller asking if I could come to meet with him, Dick Hauser, and Peter Rusthoven. My General Counsel and I met with them on March 10, 1984, for about 2 hours. In that discussion, Mr. Rusthoven made some reference to a discussion he had had with Fred Villella in which Mr. Villella said, "This thing has got political overtones; all of these things are always read that way by some people," or words to that effect. Mr. Rusthoven then said to Mr. Villella, "In my capacity as the President's lawyer, I inform you that you and I are not permitted to talk politics," or words to that effect. In any case, I explained again that we have an effective and efficient and legal system in FEMA to evaluate these requests; that I use all of these assets in a completely professional and objective manner before I send any recommendations to the White House and that is precisely the process we had followed in this one.

I believe that Mr. Rusthoven was not fully aware of the political activism of the fire service nationally. I explained as carefully as I could that the fire community nationally is a vociferous antagonist of President Reagan because it perceives him as absolutely insensitive to the national fire problem. They feel they know better than anyone outside the fire community the real impact of what happened in Buffalo. It was not just another fire: there were five firemen killed and 26 firemen injured.

September 10, 1984

I told Fuller et al. again that it was a legitimate request and a proper recommendation, and I was convinced it was such before I sent it over there. I pointed out if now we flyspecked it and disapproved it, the entire fire community in the United States was going to say again, "See, what the hell does Reagan care about us. We have five firemen killed, 26 hurt; we have a department rendered less than effective which is dependent on mutual aid from surrounding communities in a heavy snowfall area, etc." More to the point, we would be denying a legitimate request.

We then went through several weeks of talking back and forth between my General Counsel, Mr. Fielding's office, OMB, and Craig Fuller's office, the end result of which was that on May 24, 1984, the State of New York withdrew its request for an emergency declaration. This, however, did little to either solve the problem or soothe the feelings of the mayor, the fire department, and the people of Buffalo. They called me and asked if they could resubmit. Public Law 93-288, section 301, provides authority for them to do so, and the request can be reconsidered. I still think it is a legitimate request. I think it should have been approved in the first place. I might say this is the only recommendation that has ever been made by this or the preceding administration that has been rejected in the White House. Since the Governor withdrew the application, then legally it was never acted upon and can be submitted now for reconsideration.

I recommend that I "pass the word" and have New York submit again. This would permit the President to say in Buffalo, "I am responding to Mayor Griffin's letter by assuring the Governor and Mayor that the application, when received, will be very carefully evaluated by the Federal Emergency Management Agency," or words to that effect. Governor Cuomo is leaving today to spend a couple of days at Notre Dame, but I can get the word out and have them submit that thing and the President can make his statement tomorrow.

Disposition: FI F

Filed

To:

file FEMA

FEMA avoids battle on documents

By ANDREW GALLAGHER

WASHINGTON (UPI) — Congressional investigators Friday began sifting through 16,000 pages of subpoenaed documents delivered to a House subcommittee for its probe of alleged mismanagement of the Federal Emergency Management Agency.

Rep. Albert Gore, D-Tenn., chairman of the House Science and Technology subcommittee, assured FEMA officials the documents would be "kept under lock and key."

"They will be treated as if they were received in executive session," said Gore, who has been investigating the allegations against the agency which is designed to help the United States recover from natural disasters and nuclear war.

Gore said the subpoenas would be dropped if investigators are satisfied during their weekend search that all requested material was furnished.

The documents cover FEMA inspector general's reports on Triton Corp. of Washington and IMR Corp. of Falls Church, Va. The two hold millions of dollars in noncompetitive contracts providing educational materials at FEMA's training center at Emmitsburg, Md., subcommittee investigator James Jensen said.

Gore revealed the panel is probing allegations that "illegal expenditures have been billed to the taxpayers pursuant to the contracts."

"The allegations are they were done by the companies with the knowledge of agency officials," Gore said.

FEMA and officials of the companies have denied any wrongdoing.

The subpoena were issued when the agency declined to provide the materials, saying they showed possible criminal violations that should be handled by the Justice Department.

In a letter delivered to the subcommittee Friday, FEMA Inspector General Robert Goffus said, "The constitutional right of this subcommittee to ask for and receive these documents is unquestioned."

Gore said he was surprised by the volume of material delivered since "they told us (it involved) only a few notes."

FEMA counsel George Jett said the material represented "working papers," investigative and audit papers generated during a six-month FEMA investigation into both firms.

upi 10-05-84 01:31 ped

THE WHITE HOUSE
WASHINGTON

file
REMA

10/16/84
1:10 pm

FFF -

Attached is the final draft with your comments and additional changes by Ken Cribb and Joe Wright incorporated.

They would like to sign it as soon as possible.

Please call Joe Wright, ASAP, x4742.

*1
advised 2:15
of changes
X.*

kcf



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

October 16, 1984

DRAFT

MEMORANDUM FOR: MR. CHUCK DEMPSEY
VICE CHAIRMAN
PRESIDENT'S COUNCIL ON
INTEGRITY AND EFFICIENCY

FROM: JOE WRIGHT
CHAIRMAN, PRESIDENT'S COUNCIL
ON INTEGRITY AND EFFICIENCY

SUBJECT: FEMA

Ed Meese asked for an update of the FEMA investigation today - Fred Fielding, Bruce Chapman and Ken Cribb were there. I basically told him that most of the irregularities found so far appeared to center on the possible misuse of contractual funds. *potential* *this*

Ed stated that he would like to make sure a proper investigation is conducted followed up by the appropriate action -- therefore he would like the following:

1. Work with the FEMA IG to make sure the current investigation continues to be satisfactory to you in scope, and is completed within the next few weeks to a stage where you can personally review the findings, and prepare an Executive Summary for Meese and Fielding on:
 - . Major findings
 - . Conclusions
 - . Recommendations for future and/or corrective action.
2. Prepare a paper with recommendations for improvements in the FEMA IG structure/process as appropriate.
3. Prepare a status report on the corrective action steps General Giuffrida committed to in his August memo.
4. Initiate immediately a specific investigation of the FEMA processing of the request for financial assistance to the city of Buffalo for the purchase of fire-fighting equipment, to include a chronology of events and review of all actions taken.

Bruce Chapman will inform General Giuffrida at FEMA of this direction from Meese.

This is a natural next step in the FEMA review, and you are to begin today with the authority delegated from Ed Meese through the Chairman of the PCIE.

1984 OCT 16 PM 1:04

THE OFFICE OF THE PRESIDENT
EXECUTIVE SECRETARIAT
WASHINGTON, D.C. 20503

MEMORANDUM FOR THE PRESIDENT
SUBJECT: [Illegible]

1. [Illegible]

2. [Illegible]

3. [Illegible]

OCTOBER 16, 1984

100-100000

OFFICE OF MANAGEMENT AND BUDGET
EXECUTIVE OFFICE OF THE PRESIDENT



Sent 11:57



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 10/16/84

TO: Ken Cribb
Fred Fielding ✓

FROM: JB Joe Wright

Does this reflect our conversation this morning?

OMB FORM 38
Rev. Aug 73



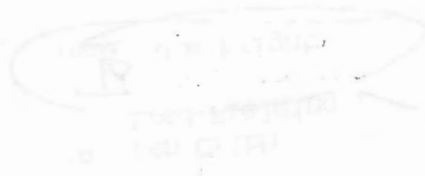
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1984 OCT 16 AM 11: 23



1984 OCT 16
AM 11: 23

RECEIVED
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE



1984 OCT 16
OFFICE OF INVESTIGATION AND SPECIAL
EXPERTISE OFFICE OF THE DIRECTOR



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DRAFT

October 16, 1984

MEMORANDUM FOR: MR. CHUCK DEMPSEY
VICE CHAIRMAN
PRESIDENT'S COUNCIL ON
INTEGRITY AND EFFICIENCY

FROM: JOE WRIGHT *JW*

SUBJECT: FEMA

FFF notes
10/16

Ed Meese asked for an update of the FEMA investigation today - Fred Fielding, Bruce Chapman and Ken Cribb were there. I basically told him that most of the irregularities found so far appeared to center on the possible misuse of contractual funds.

Ed stated that he would like to make sure a proper investigation is conducted followed up by the appropriate action -- therefore he would like the following: *continue to be satisfactory to you in scope, and is*

1. Work with the FEMA IG to make sure the current investigation ~~is~~ completed within the next few weeks to a stage where you can personally review the findings, and prepare an Executive Summary for Meese and Fielding on:
 - . Major findings
 - . Conclusions
 - . Recommendations for ^{future and/or} corrective action.
2. ~~Next, as you are doing the above, Meese wants a paper with recommendations for improvements in the FEMA IG and administrative structure/process as appropriate.~~ *Prepare*
3. ~~Next, he would like a status report on the corrective action steps General Giuffrida committed to in his August memo.~~ *Prepare*
4. ~~And finally, he would like a specific investigation of the FEMA request to provide financial assistance to the city of Buffalo for the purchase of fire-fighting equipment, to include a chronology of events and requests.~~ *Draftiate immediately*

Bruce Chapman will inform General Giuffrida at FEMA of this direction from Meese. ~~and Fred Fielding will assure that you have the proper legal authority, to proceed as Vice Chairman of the PCIE, to proceed.~~

This is a natural next step in the FEMA ^{review} investigation and you are to begin today.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

*file
REMA*

INSPECTOR GENERAL

October 24, 1984

NOTE to Dick Hauser --

Enclosed is a copy of the statement by Congressman Albert Gore, Chairman, Subcommittee on Investigations and Oversight, issued at 1:00 PM today.

Should you have any questions, please call me.

A handwritten signature in cursive script, appearing to read "C. L. Dempsey".

Charles L. Dempsey

Enclosure

COMMITTEE ON SCIENCE AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

Statement of the

Honorable Albert Gore, Jr., Chairman
Subcommittee on Investigations and Oversight

October 24, 1984

Good afternoon.

The Subcommittee on Investigations and Oversight was to have met this afternoon to take testimony on allegations of waste, fraud, abuse, and mismanagement at the highest levels at the Federal Emergency Management Agency.

Reluctantly, I have had to reschedule the hearing until December 12, 1984 at 9:30 a.m. in Room 2318 of the Rayburn House Office Building. I have, however, polled the Members of the Subcommittee, and they have voted to authorize the public release of all documents subpoenaed by the Subcommittee.

Guided by the Subcommittee vote, I am today releasing certain documents obtained by the Subcommittee under subpoena, as well as additional materials obtained by the Subcommittee during the course of its investigation. As the staff continues its review of subpoenaed materials, additional documents may, at the discretion of the Chairman, be released and appended to the record.

Let me comment briefly on the Subcommittee's efforts and explain further what is being released today.

The Investigations and Oversight Subcommittee began its investigation of personnel, contract, and management practices at the Federal Emergency Management Agency in March of this year, with a focus on FEMA's National Emergency Training Center in Emmitsburg, MD. The first phase of the investigation culminated in a hearing on August 1, which led to the resignation of Fred J. Villella, the number three person at FEMA, in the wake of charges of misuse of government funds, property, and personnel, all of which was strongly supported by documents and by the sworn testimony.

One might have thought that the worst abuses at FEMA had been uncovered at that time. However, when the Subcommittee began to focus its attention more closely on two major contractors at NETC -- Triton and IMR -- it became apparent that what might have been viewed as the mismanagement or misconduct of a single individual or individuals at the Agency, albeit highly placed, was in fact probably an extensive pattern of misconduct and mismanagement at the highest levels in the agency. In the Subcommittee's extended investigation, we have discovered documents and conducted interviews which suggest possible fraud, and other potentially criminal activity; and improper billings, gross mismanagement, and abuses of government personnel. The evidence available to the Subcommittee indicates that favors and gratuities may have been provided by some contractors to top FEMA officials and, it looks as though, in return, special treatment may have been provided to the contractors.

The situation at FEMA, is in a word -- intolerable. The American tax payer and the Congress have a right to expect, and do expect, a higher standard from those in public service. The extent of the misconduct reflected in the documents we have reviewed, and the interviews conducted suggest that the buck

can only stop at the top.

Given the seriousness of these allegations, one would think that the Director of FEMA would want to have the allegations quickly put to rest. Rather, some at FEMA have gone to great effort to prevent the Subcommittee from getting to the bottom of this matter. The Subcommittee originally scheduled a hearing for October 3, but that hearing had to be postponed because FEMA would not provide the crucial FEMA Inspector General audits of certain NETC contractors, to the Subcommittee, because these documents could prove "embarrassing" to officials and contractor personnel involved. Those audits, incidentally, were undertaken because of the Subcommittee's interest in NETC. The Subcommittee, therefore, had to issue a subpoena to obtain the documents and, it is now clear why the agency fought so hard to keep the documents private.

The documents I am releasing include those which in my opinion:

- suggest a pattern of multiple billings for the same services, instances of inflated invoices with allegedly forged signatures, and others with charges for improper expenses and misrepresenting those expenses;
- indicate that Louis O. Giuffrida, the Agency director, and Mrs. Giuffrida, accepted a potentially illegal gratuity by attending a \$250 a person special reception in honor of Vice President Bush to raise funds for the Capitol Hill Club and which appears to have been paid for by an agency contractor who then apparently billed FEMA for the expenditure;

- indicate that the person appointed by FEMA to be in charge of physical security was known to have had a felony conviction for mail fraud and yet also was given a top security security clearance by the agency;

- indicate that FEMA instituted what appears to be an extraordinary system to fast-track payments of vouchers submitted by a company without insuring that the charges were appropriate;

- suggests that, in order to avoid embarrassment, the agency withheld documents which had been repeatedly requested by the Subcommittee concerning Mr. Giuffrida's wife's travel abroad at the Government's expense.

I believe that these documents appropriately belong in the public record and unquestionably they raise the most serious concerns and questions which must be answered about the fitness of those in charge of FEMA. FEMA should be on notice that the Subcommittee intends to pursue these and other allegations to the fullest extent at the December 12, 1984 hearing.

The following documents are being released:

Some of these documents were obtained by the Subcommittee and are not covered by the terms of the Subpoena. Those documents are being released today and are submitted for inclusion into the record. However, I note no quorum is present, so I will submit those documents for the record subject to the consent of the Members of the Subcommittee at the next meeting of the Subcommittee.

These documents will be appended to the record as exhibits:

Exhibit 1 contains documents that show that the current head of physical security at FEMA was convicted of mail fraud in March of 1977 and subsequently given a top secret security clearance by FEMA.

Exhibit 2: These documents tend to show that on February 23rd of this year, Mr. and Mrs. Giuffrida and Mr. and Mrs. Vilella attended a \$250 a person reception in honor of Vice President Bush to raise funds for a building for the National Republican Club of Capitol Hill. Documents and checks also tend to show that their expenses were paid by the Triton Corporation, and that Triton then in turn, billed the \$2,000

(for a table of eight) back to the agency as a "conference and luncheon expense."

Exhibit 3 contains documents which tend to show that Triton billed the Federal Government to fly an administrative assistant at Triton down to Mexico City, and that a Triton credit card was used to buy \$1,200 worth of entertainment, such as liquor and hors d'oeuvres.

Additional documents on the alleged abuses of the Triton Corporation include:

- o a memorandum that shows that Triton overran its budget for its contract for 1983 by some \$128,000, and then billed the agency for it in its new contract.
- o vouchers submitted by contractors in which charges to FEMA apparently inflated, and signatures were apparently forged.
- o a number of undocumented expenses which may be highly questionable. On one occasion Triton submitted a bill for \$5616 in "conference" expenses, yet a bill from the Holiday Inn for an open bar was paid by Triton, for exactly \$100 more, \$5,716. There is an undocumented expense of \$1,200 to a "Conservative Political Action Committee" which does not specify what those expenses

were for. Despite repeated requests by the Subcommittee, Triton has not documented that expense.

- o a document that suggests that Triton double-billed for the services of a professor from Charlestown, South Carolina.

- o Triton documents, raising questions about certain expenditures by showing that a Nevada State Assemblyman, David Nicholas, billed FEMA for approximately \$11,000 to put on a conference of state legislators on emergency management. The Conference never took place. A FEMA memo states that when the agency actually checked the list of conference registrants, only six were actually going to attend. While the memo states that the reason for cancelling the conference was last minute drop-outs, when the Subcommittee staff called these legislators independently, we were told that almost half never had any intention of attending.

Exhibit 4 contains a series of documents which show that Mrs. Genievieve Giuffrida traveled with her husband, Louis Giuffrida, Director of FEMA, on one trip to Mexico City, and another trip to Belgium, Italy and Israel. In preparation for the Subcommittee's hearing on August 1, the Subcommittee had requested all documents concerning her foreign travel. What the agency left out, despite repeated requests, were the

documents that show that there were official inquiries concerning the expenses on these trips, that in Israel it was anticipated that Mrs. Giuffrida would go sightseeing while Mr. Giuffrida was attending business meetings, and that a niece of the Giuffrida's resides in Israel. There are no documents showing official requests that Mrs. Giuffrida accompanied her husband to Mexico.

Exhibit 5: There are documents which show that FEMA officials put Triton billings on a very special basis, so that the personnel who were supposed to verify Triton billings were bypassed on the orders of senior FEMA officials between November 1983 and May 1984. It was during this time that many of the questionable expenses are alleged to have occurred that are of concern to the Subcommittee.

Exhibit 6: Concerning the IMR Corporation, we are releasing a summary of the Inspector General's audits.

- o The audit states that William Elsey, the Vice President of IMR, who had complete responsibility for IMR's FEMA contracts, operated a separate company called EMMA. According to the IG summary, Elsey rented equipment from his personal company and charged it to the FEMA contract; he paid himself an \$8,000 bonus, and charged expenses incurred by his personal company to the FEMA contract. It should be noted for the record that Mrs.

Paula Smith-Elsey, Mr. Elsey's wife, is an officer in the EMMA corporation, is a long-time associate of Louis O. Giuffrida, having worked as a special assistant to him at FEMA, and also worked for Mr. Giuffrida at the California Specialized Training Institute, which Mr. Giuffrida headed before assuming his current post. According to the IG summary, IMR also double, triple, and quadruple billed the agency for some \$55,000.

- o The summary also shows that IMR owes the IRS some one million dollars in back payroll taxes, was found by the Defense Contractor Auditing Agency to have inadequate accounting systems, and has never been audited by FEMA.

- o It should also be noted for the record that according to staff conversation with FEMA officials that both the IMR and Triton Corporations were sole source contracts. They were given this under that auspices of the 8(a) program of the Small Business Administration, both Corporations are currently under investigation by the Small Business Administration for irregularities in their sole source status, which is designed to assist economically disadvantage minority businesses.

The Subcommittee is also introducing into the record, as Exhibit 7, documents which tend to support a potential conflict of interest in contracting by Louis O. Giuffrida.

These documents show that last December, Mr. Giuffrida stated that he intended to support the International Management Development Institute with \$100,000 of FEMA money. The procurement and sole source procedures were not completed until the following May. Mr. Giuffrida serves as an officer of that Institute, raising a possibility of conflict of interest.

Staff documents also show that last May two FEMA employees were ordered by Mr. Frank Payne to approve three unsolicited proposals, two of which were for the Analytical Systems Engineering Corporation. The proposals were to computerize the student records at the campus, a system which was already in place. When these employees refused to do this, Frank Payne reported their refusal to Ron Face, who was then a special assistant to Mr. Giuffrida, working directly for him. The Executive Vice President of ASEC is Mr. Frank Serio, who attended the Army War College with Mr. Giuffrida, and admitted that he did brief Mr. Giuffrida about the capabilities of his Corporation. The proposals were never funded, and while there is no evidence of collusion by Mr. Serio, there are substained questions and suggested improprieties about the procedures used to attempt to sole source the contracts.

file FEMA



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON D.C. 20503

October 25, 1984

OFFICE OF
THE DIRECTOR

MEMORANDUM FOR ED MEESE
FRED FIELDING

FROM: JOE WRIGHT

SUBJECT: FEMA Testimony

*I have seen earlier
- file
- notes - hearing
12/12*

For your information I have enclosed a copy of the statement by Al Gore which was released at 1:00PM yesterday.

12/26

1000 OCT 25 10 3 01

1984 OCT 25 PM 3: 07

RECEIVED
DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D.C. 20535

TO: DIRECTOR, FBI
FROM: SAC, NEW YORK
SUBJECT: [Illegible]

10/25/84



U.S. DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D.C. 20535

Handwritten notes:
10/25/84
[Illegible handwritten text]

COMMITTEE ON SCIENCE AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

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- indicate that FEMA instituted what appears to be an extraordinary system to fast-track payments of vouchers submitted by a company without insuring that the charges were appropriate;
- suggests that, in order to avoid embarrassment, the agency withheld documents which had been repeatedly requested by the Subcommittee concerning Mr. Giuffrida's wife's travel abroad at the Government's expense.

I believe that these documents appropriately belong in the public record and unquestionably they raise the most serious concerns and questions which must be answered about the fitness of those in charge of FEMA. FEMA should be on notice that the Subcommittee intends to pursue these and other allegations to the fullest extent at the December 12, 1984 hearing.

The following documents are being released:

Some of these documents were obtained by the Subcommittee and are not covered by the terms of the Subpoena. Those documents are being released today and are submitted for inclusion into the record. However, I note no quorum is present, so I will submit those documents for the record subject to the consent of the Members of the Subcommittee at the next meeting of the Subcommittee.

These documents will be appended to the record as exhibits:

Exhibit 1 contains documents that show that the current head of physical security at FEMA was convicted of mail fraud in March of 1977 and subsequently given a top secret security clearance by FEMA.

Exhibit 2: These documents tend to show that on February 23rd of this year, Mr. and Mrs. Giuffrida and Mr. and Mrs. Vilella attended a \$250 a person reception in honor of Vice President Bush to raise funds for a building for the National Republican Club of Capitol Hill. Documents and checks also tend to show that their expenses were paid by the Triton Corporation, and that Triton then in turn, billed the \$2,000

(for a table of eight) back to the agency as a "conference and luncheon expense."

Exhibit 3 contains documents which tend to show that Triton billed the Federal Government to fly an administrative assistant at Triton down to Mexico City, and that a Triton credit card was used to buy \$1,200 worth of entertainment, such as liquor and hors d'oeuvres.

Additional documents on the alleged abuses of the Triton Corporation include:

- o a memorandum that shows that Triton overran its budget for its contract for 1983 by some \$128,000, and then billed the agency for it in its new contract.
- o vouchers submitted by contractors in which charges to FEMA apparently inflated, and signatures were apparently forged.
- o a number of undocumented expenses which may be highly questionable. On one occasion Triton submitted a bill for \$5616 in "conference" expenses, yet a bill from the Holiday Inn for an open bar was paid by Triton, for exactly \$100 more, \$5,716. There is an undocumented expense of \$1,200 to a "Conservative Political Action Committee" which does not specify what those expenses

were for. Despite repeated requests by the Subcommittee, Triton has not documented that expense.

- o a document that suggests that Triton double-billed for the services of a professor from Charlestown, South Carolina.

- o Triton documents, raising questions about certain expenditures by showing that a Nevada State Assemblyman, David Nicholas, billed FEMA for approximately \$11,000 to put on a conference of state legislators on emergency management. The Conference never took place. A FEMA memo states that when the agency actually checked the list of conference registrants, only six were actually going to attend. While the memo states that the reason for cancelling the conference was last minute drop-outs, when the Subcommittee staff called these legislators independently, we were told that almost half never had any intention of attending.

Exhibit 4 contains a series of documents which show that Mrs. Genievieve Giuffrida traveled with her husband, Louis Giuffrida, Director of FEMA, on one trip to Mexico City, and another trip to Belgium, Italy and Israel. In preparation for the Subcommittee's hearing on August 1, the Subcommittee had requested all documents concerning her foreign travel. What the agency left out, despite repeated requests, were the

documents that show that there were official inquiries concerning the expenses on these trips, that in Israel it was anticipated that Mrs. Giuffrida would go sightseeing while Mr. Giuffrida was attending business meetings, and that a niece of the Giuffrida's resides in Israel. There are no documents showing official requests that Mrs. Giuffrida accompanied her husband to Mexico.

Exhibit 5: There are documents which show that FEMA officials put Triton billings on a very special basis, so that the personnel who were supposed to verify Triton billings were bypassed on the orders of senior FEMA officials between November 1983 and May 1984. It was during this time that many of the questionable expenses are alleged to have occurred that are of concern to the Subcommittee.

Exhibit 6: Concerning the IMR Corporation, we are releasing a summary of the Inspector General's audits.

- o The audit states that William Elsey, the Vice President of IMR, who had complete responsibility for IMR's FEMA contracts, operated a separate company called EMMA. According to the IG summary, Elsey rented equipment from his personal company and charged it to the FEMA contract; he paid himself an \$8,000 bonus, and charged expenses incurred by his personal company to the FEMA contract. It should be noted for the record that Mrs.

Paula Smith-Elsey, Mr. Elsey's wife, is an officer in the EMMA corporation, is a long-time associate of Louis O. Giuffrida, having worked as a special assistant to him at FEMA, and also worked for Mr. Giuffrida at the California Specialized Training Institute, which Mr. Giuffrida headed before assuming his current post. According to the IG summary, IMR also double, triple, and quadruple billed the agency for some \$55,000.

- o The summary also shows that IMR owes the IRS some one million dollars in back payroll taxes, was found by the Defense Contractor Auditing Agency to have inadequate accounting systems, and has never been audited by FEMA.

- o It should also be noted for the record that according to staff conversation with FEMA officials that both the IMR and Triton Corporations were sole source contracts. They were given this under that auspices of the 8(a) program of the Small Business Administration, both Corporations are currently under investigation by the Small Business Administration for irregularities in their sole source status, which is designed to assist economically disadvantage minority businesses.

The Subcommittee is also introducing into the record, as Exhibit 7, documents which tend to support a potential conflict of interest in contracting by Louis O. Giuffrida.

These documents show that last December, Mr. Giuffrida stated that he intended to support the International Management Development Institute with \$100,000 of FEMA money. The procurement and sole source procedures were not completed until the following May. Mr. Giuffrida serves as an officer of that Institute, raising a possibility of conflict of interest.

Staff documents also show that last May two FEMA employees were ordered by Mr. Frank Payne to approve three unsolicited proposals, two of which were for the Analytical Systems Engineering Corporation. The proposals were to computerize the student records at the campus, a system which was already in place. When these employees refused to do this, Frank Payne reported their refusal to Ron Face, who was then a special assistant to Mr. Giuffrida, working directly for him. The Executive Vice President of ASEC is Mr. Frank Serio, who attended the Army War College with Mr. Giuffrida, and admitted that he did brief Mr. Giuffrida about the capabilities of his Corporation. The proposals were never funded, and while there is no evidence of collusion by Mr. Serio, there are substained questions and suggested improprieties about the procedures used to attempt to sole source the contracts.