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NINETY-FOURTH CONGRESS

Congress of the United States

House of Representatives

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE

OF THE
COMMITTEE ON GOVERNMENT OPERATIONS

RAYBURN HOUSE OFFICE BUILDING, ROOM B-373
WASHINGTON, D.C. 20515

May 14, 1976

M-Active

Honorable Henry A. Kissinger
Secretary of State
Department of State
2201 C Street, N. W.
Washington, D. C. 20520



Dear Mr. Secretary:

The persistent reports that former ambassador to Nicaragua, Turner B. Shelton, is possibly being considered for appointment to another overseas diplomatic position is quite disturbing.

I would appreciate being advised of the rationale for converting Mr. Shelton from career status as FSO class 2 to Foreign Service Reserve Officer class 2. Please include a description of the duties he has performed since conversion to R-2. It would appear this personnel action may be an attempt to flaunt the Foreign Service Act and the intent of your departmental policies.

Your attention is called to certain irregularities which occurred during Mr. Shelton's tenure as Ambassador in Managua. As a result of the subcommittee's preliminary inquiry on the management operations of the Embassy in Managua, irregularities committed by or with the Ambassador's concurrence were discovered. A review of the material provided at the subcommittee's request by the State Department indicates the following:

1. The Ambassador's personal long-distance telephone calls were regularly paid by the Embassy with no reimbursement by the Ambassador to the department. For example, these included calls to non-U.S. Government acquaintances and family of the Ambassador in such places as Nevada, Florida, and California. Estimates of the costs of such calls were given by the Embassy budget and fiscal officer at approximately \$100 per month on an average.

2. The full-time assignment of a locally hired Embassy employee to chauffeur Mrs. Shelton in the Shelton's private vehicle. The Ambassador is clearly entitled to the official vehicle and driver which he utilized during his tenure. We find inappropriate, however, the full time regular assignment of an additional Embassy employee waiting around at the residence to chauffeur the wife of the Ambassador. The cost to the U.S. taxpayers for this employee amounted to approximately U.S. \$4,000 per year.

1/2

May 14, 1976

3. Improper issuance of official Embassy purchased gasoline on a regular basis for the personally owned vehicle used by Mrs. Shelton. There were also occasional payments for minor repairs to the personal vehicle. The cost to the Embassy for such gasoline and repairs used by Mrs. Shelton in her personal vehicle amounted to at least \$1,242.

4. Payments to Ambassador Shelton in local currency equivalent to approximately U.S. \$248 per month for "miscellaneous security expenses". It turned out that this reimbursement was not for "security expenses" but in reality was to cover what the Ambassador indicated was his cost of feeding the two Embassy employed drivers assigned to the Ambassador and Mrs. Shelton as well as cost of food for two Nicaraguan government-assigned "body guards". The legitimate expenses of servants at the residence were appropriately paid from "official residence allowances". The disguise of "security" to channel funds to the Ambassador's pocket is highly improper. This practice of payments to the Ambassador was begun shortly after Mr. Shelton's arrival in Managua and appropriately discontinued on his departure.

There were several other practices in the administrative management area warranting further inquiry by your security or foreign service inspector personnel. These would include abuse of the representation allowances. For instance, funds were used by the Ambassador for the entertainment of only U. S. Government officials when no host country nationals were present. Also, payments were made to the Ambassador at a higher "per head rate" than was authorized by Mission orders for all other Embassy officers. Per head payments to the Ambassador were based on the number of individuals on the invitation list, not the lesser number of guests actually attending nor supported by receipts of actual expenses.

Another area of abuse appears to be the medical travel of Mrs. Shelton. We came across several instances of post-issued medical travel to the U.S. which was not approved or authorized in advance by the State Department medical authority. Nor were departmental regulations followed with respect to departmental approval for her return to post after medical treatment. Such post-issued travel should have been to the closest authorized location for medical treatment which I understand to be Panama. Instead the travel was authorized to Miami for treatment where she took an onward flight to Los Angeles, her mother's home town. Vouchers for reimbursement indicated that Mrs. Shelton was paid per diem while she was on such medical travel and in an "out patient" status contrary to your regulations.

I would appreciate receiving a report from you as soon as possible as to action the Department has taken or intends to take to assure these irregular practices have been corrected. I would also like to receive assurances that similar practices are not being followed at other U. S. Embassies overseas.



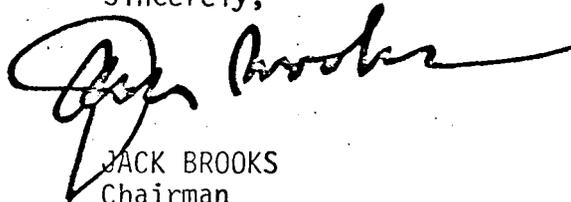
Honorable Henry A. Kissinger

-3-

May 14, 1976

After careful review of the material gathered by your departmental security personnel and made available to the FBI coupled with the irregularities noted above, please advise if you believe U. S. interests would be served by further service of Mr. Shelton in a leadership and management position overseas.

Sincerely,



JACK BROOKS
Chairman





DEPARTMENT OF STATE

Washington, D.C. 20520

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June 7, 1976

MEMORANDUM FOR THE FILES

FROM: Mr. Sherman L. Miner^{llv}, Foreign Service
Inspector, S/IG
Gordon E. Harvey and Louis Schwartz, Jr. ~~W~~
A/SY/SAS ~~W~~

SUBJECT: Investigation of Allegations of Irregularities
by Ambassador Turner B. SHELTON

BACKGROUND

As a result of a letter to the Secretary from Congressman Jack Brooks, dated May 14, 1976, Mr. Lawrence Eagleburger directed SY and S/IG to initiate a joint investigation concerning the particulars of the letter. On May 26, 1976, Louis Schwartz, Jr. traveled to Quito, Ecuador to interview Mr. Joseph ARONHIME, former B&F officer in Managua, from 1973 to 1975. On May 27, 1976, Gordon Harvey traveled to El Salvador to interview Victor CAMPO, former B&F officer in Managua from 1970 to 1973. On May 31, Mr. Sherman Miner of S/IG joined the two Security officers in Managua, Nicaragua where further investigation was conducted. That investigation consisted of review of appropriate Embassy records and interviews of knowledgeable persons concerning the allegations in Congressman Brooks' letter. The results of the investigation are as follows:

Unreimbursed personal long distance telephone calls

A review was made of the cash received records of the Embassy during the time of Ambassador SHELTON's tenure. Two records were found of reimbursement by the Ambassador for personal long distance telephone calls: The first was on March 25, 1971 for \$24.24 and the second was on April 21, 1971 for \$21.00, both to Mr. David SHELTON in metro-Washington, presumably his brother. There were no other records found of any reimbursement

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- 2 -

by Ambassador SHELTON for such calls. Both Ambassador SHELTON and Mr. Manuel MARTINEZ, the former Administrative Officer in Managua, have reported that Ambassador SHELTON paid approximately \$730.00 reimbursement for personal telephone calls made during the few months before he departed post in August, 1975. The search of the records at the Embassy in Managua failed to reveal any indication of such payment through the Embassy. Interviews of the Budget and Fiscal officer, GSO, and others who might be knowledgeable and their search of appropriate records failed to uncover any confirmation of this payment.

A sample was taken of Nicaraguan monthly telephone bills for the months of December from 1970 until 1975, as well as for certain other months. Those samples indicate that: (1) in the early years, the monthly bills would indicate the name of the caller, but in later years, the name of the caller was not indicated thus making quite difficult the determination of who called which person; (2) the format changed almost annually in the bill from the Nicaraguan government; (3) certain calls were made to a party named "STARR" in California either definitely or presumably by Ambassador or Mrs. SHELTON and, since STARR is Mrs. SHELTON's maiden name, it might be concluded that these calls were personal; (4) other conclusions about personal versus official calls are difficult, if not impossible, to draw from the data reflected on the monthly bills. To determine further the cost of personal calls made by the SHELTONS would require a careful analysis of 58 months of phone bills, numbers called, etc. This would be an enormous undertaking, since monthly bills might include a hundred or more entries (e.g., June 1975 had 118 entries).

Since the 1960's, the Embassy in Managua has been operating on a "honor system" in terms of employees indicating whether their long distance telephone calls are official or personal. The system works as follows: Most long distance telephone calls are placed through the Embassy switchboard operator, who fills out a slip of paper which is then returned to the caller who, in turn, indicates whether the call was official or personal and, if personal, appropriate collection procedures begin; however, it is possible for an employee to make long distance calls directly and bypass the switchboard operator so that no record of that call is available within the Embassy until the monthly bill comes in. The monthly bill does not show the extension from which the call was made, but simply shows the number of the Embassy switchboard. This system is unsatisfactory and makes collections difficult. Within the past several months, Embassy administrative officers have approached the Nicaraguan telephone company in an effort to obtain more detailed information on each long distance telephone call so that the

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- 3 -

collection of personal phone calls can be more effectively accomplished. The extent to which the Nicaraguans will be able to cooperate with these requests is yet to be seen.

Assigning an Embassy Employee to Drive Mrs. SHELTON Full Time

Shortly after the arrival of the SHELTONS' personal vehicle in the Spring of 1971, the Embassy assigned successively three drivers to serve as full time chauffeurs of Mrs. SHELTON. Since about December, 1972, the full time driver assigned to Mrs. SHELTON has been Jose SANDOVAL. Mr. SANDOVAL is a direct-hire FSLE in the Embassy. When first assigned to chauffeur Mrs. SHELTON, he worked a regular work week of 48 hours, with some overtime. This was changed to a 60 work week with occasional overtime. His annual rate of earnings was as follows: FY-73, \$2,676; FY-74, \$3,532; FY-75, \$4,002; and FY-76, \$4,002. SANDOVAL was interviewed. He indicated that he drove the personally owned vehicle of the SHELTONS. (The practice under the tenure of Ambassador THEBERGE, SHELTON's successor, is that SANDOVAL performs the same duties, but now utilizes a government-owned vehicle since the THEBERGES have no privately-owned vehicle at the post.)

An attempt was made to determine the amount of time that the driver was used for official versus personal purposes. However, with no substantiating records or competent witnesses available, such a determination was not possible. The only individual who would venture an estimate of official versus personal use of Mrs. SHELTON's car was Manuel MARTINEZ, who estimated that 90% of Mrs. SHELTON's travel in her personal car was for official business.

A bodyguard was assigned to Mrs. SHELTON by the government of Nicaragua shortly after her arrival. Ambassador SHELTON has pointed out that the security situation required her to have a chauffeur. It is therefore arguable whether the U.S. Government should have paid for the driver of Mrs. SHELTON's car.

Government Purchased Fuel and Repairs for the SHELTON Personal Vehicle

The records in the General Services Section of the Embassy indicate that from October 28, 1971 until August 8, 1975, 3,436 gallons of U.S. Government-owned gasoline were pumped into the personally owned vehicle of the SHELTONS. This gasoline was valued by the Embassy at \$944.63. Embassy records further indicate that the

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- 4 -

SHELTON vehicle received oil valued at \$36.85 and miscellaneous expense items of \$10.80 and repairs of \$132.34 for a grand total of \$1,124.62, an average of \$27.00 a month. This figure differs slightly from the \$1,242 figure used in Congressman Brooks' letter. In 1974 Mrs. SHELTON was issued two credit cards (Chevron and Texaco) which were to be used for procurement of gasoline, oil and other services necessary for the operation of her privately owned vehicle. Based upon information furnished to the Embassy (Managua) the Chevron card was not used in calendar year 1975, but did show purchases totalling \$45.75 for 1974 (March \$8.40; April \$7.36; August \$16.03 and November \$13.96). According to Texaco officials, the Texaco card was not used during 1975 and the company would not furnish data for 1974 unless the request was put in writing. The Embassy did not put the request in writing for the 1974 data. Mr. SANDOVAL stated that he did not recall ever using Mrs. SHELTON's Texaco credit card.

The record of cash reimbursements received by the Embassy indicates that on January 24, 1972 Ambassador SHELTON reimbursed the Embassy \$14.18 for gasoline for the period October, 1971 through January 21, 1972. The actual cost of gasoline during this period was \$56.75. No other record of reimbursements could be located.

The extent to which this gasoline and other items was for official purposes could not be determined for the same reasons as indicated above.

Meal Money Reimbursement for Two Chauffeurs and Two Nicaraguan Bodyguards

From June, 1971, Ambassador SHELTON received on a regular basis reimbursement for meals (June, 1971 - May, 1972: \$2.84 per day; June, 1972 - December, 1972: \$4.00 per day; January, 1973 - to departure: \$8.00 per day) which were provided to his chauffeur, his wife's chauffeur, his bodyguard, and her bodyguard. The two chauffeurs (Octavio FLORES and Jose SANDOVAL) were direct-hire Embassy employees. The two bodyguards were employees of the government of Nicaragua and were assigned to Ambassador and Mrs. SHELTON on a regular basis. Each rode in the right front seat of their principal's vehicle. In addition, the government of Nicaragua provided at government expense two follow cars, each containing two bodyguards, one to go behind the Ambassador's limousine and the other behind the SHELTONS' personally owned vehicle. Interviews of the chauffeurs

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- 5 -

indicated that it was a regular practice for the two chauffeurs and the two principal bodyguards to have lunch at the Embassy residence everyday Monday through Saturday. In addition, the Ambassador's chauffeur and bodyguard would usually have dinner at the residence whereas the chauffeur and the bodyguard for Mrs. SHELTON would normally have been dismissed and released before dinnertime. Over the weekend, from early Saturday afternoon after lunch until Monday morning, the chauffeurs and bodyguards would alternate with each other so that one of the two chauffeurs and bodyguards would have that balance of the weekend off.

The lunches and dinners reportedly always consisted of rice, beans, and meat. Since January, 1973, the cost of each day's food has been claimed at the rate of \$2.00 per person. This appeared on the high side, but was substantiated to reflect reasonable current cost.

The practice of the Ambassador receiving reimbursements for meals to be given to the drivers, who are U.S. Government employees, would normally be against regulations; however, security conditions could justify the feeding of the drivers to enable their continued presence at the residence. This practice continues under Ambassador THEBERGE.

Over-Stating Representation Claims

All of the representational vouchers of Ambassador SHELTON were reviewed. One instance was found where he was reimbursed for a dinner held on November 2, 1973, attended by eight official Americans. The cost of that reimbursement was \$40.00. Because no foreign nationals or American businessmen attended, reimbursement for such an affair is against regulations.

It was stated in Congressman Brooks' letter that Ambassador SHELTON was reimbursed at a higher "per head rate" than other Embassy officers. Investigation indicated that all officers were authorized the same "per head rate" (most recently, \$5.50 for a sit-down dinner, \$3.50 per head for a luncheon, etc.) Certain officers did submit their expenses on an "actual expense" basis rather than a "per head rate" basis and, in those instances, their expenses may have been more or less than the "per head rate" authorized. There was no indication of any discrimination in the use of the basis for which reimbursement was made for representational expenses.

It was further indicated in Congressman Brooks' letter that Ambassador SHELTON was reimbursed based on the number of names

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- 6 -

on the guest list invited rather than on the, allegedly lower, number of guests who actually came to the affair. (It was not possible to corroborate or refute this allegation.)

The review of all the representational vouchers submitted by Ambassador SHELTON indicated that the reimbursements for dinners, luncheons, buffets, receptions and the 4th of July party, were based upon the original guest list. There was no evidence of any reimbursements being made upon a cost basis or upon actual attendance. The procedure of the current B&F officer is to accept as true any claims made by the Ambassador as to the number of guests who attend a function.

Mrs. SHELTON's Medical Travel

Congressman Brooks indicated that Mrs. SHELTON made several medical trips to the U.S. based upon post issued orders without the required approval of the Department. It was also stated that on a medical trip to Miami Mrs. SHELTON continued on to Los Angeles, California, and was improperly paid per diem while on such medical travel in an out-patient status.

Investigation of the medical records, travel vouchers and other records indicated: That medical trips were made without Department approval (which must be obtained in advance if not of an emergency nature); about \$200 per diem was improperly paid while she was on an out-patient basis; and required Departmental approval for return to the post after medical treatment in the U.S. was not obtained. In the case of the onward travel to Los Angeles from Miami, this was authorized by the Department on a cost-constructive basis and Ambassador SHELTON paid the difference.



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Investigation of Allegations of Irregularities
by Ambassador Turner B. SHELTON

SUMMATION

This investigation disclosed no evidence of misconduct on the part of Ambassador SHELTON. That is, there was no proof of specific intent to defraud the U.S. Government. It appears that Ambassador and Mrs. SHELTON made personal long distance telephone calls from Managua; however, the extent of their calls is unknown and there is no evidence that any of his subordinates brought the matter to his attention or provided a bill to the Ambassador requesting payment for personal telephone calls.

Several B&F officers and a former GSO testified that they brought the matter of Ambassador SHELTON's personal telephone calls to the attention of Manuel MARTINEZ, the Administrative Officer. MARTINEZ denies those statements. Ambassador SHELTON in his response to Congressman Brooks' letter claims that no one ever told him of items for which he owed money to the Embassy/U.S. Government.

We can only speculate about whether Ambassador SHELTON should have on his own initiative sought out the charges. Shortly before leaving post he did provide MARTINEZ a memo stating that any monies owed the U.S. Government by him should be brought to his attention.

The questions raised by Congressman Brooks' letter concerning the propriety/legality of the U.S. Government paying for Mrs. SHELTON's driver and for the feeding of the SHELTONS' drivers and bodyguards are not clearly answered by this investigation. There are sufficient arguments to support such payments when "security" is brought into the picture.

The U.S. Government should not have paid for repairs of (and supplies for) the SHELTONS' personal vehicle.

To what extent Ambassador SHELTON should have reimbursed the U.S. Government for his wife's personal use of the driver's time and the Embassy purchased gasoline used in her personal car is difficult to quantify. Certainly the U.S. Government should have provided a driver and gasoline when Mrs. SHELTON was engaged in official responsibilities. The Administrative Officer estimated that perhaps 90% of her time was spent on official duties. There is no way to truly determine the amount of official versus personal use of the vehicle.

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The representational reimbursements to Ambassador SHELTON are, on the face, appropriate with the exception of the \$40 reimbursement for a dinner (November, 1973) at which only official Americans were in attendance. It was impossible to verify the accuracy of the claimed number of guests for large functions.

The investigation of Congressman Brooks' allegations concerning Mrs. SHELTON's medical travel disclosed that she did make some medical trips without Departmental approval (which must be obtained in advance if not an emergency); that about \$200 per diem was improperly paid which while she was in an out-patient status; and that required Departmental approval for return to the post after medical treatment in the U.S. was not obtained. She did travel to Los Angeles, from Miami, but such travel was authorized by the Department on a cost-constructive basis and Ambassador SHELTON paid the difference.

There remains to be done an interview of Ambassador SHELTON. It is requested that Ambassador SHELTON be called in to the Department for this interview so that source material (i.e. vouchers, medical records, etc.) are at hand for review during the interview process.

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6/23/76

Dear Congressman Brooks:

The Secretary has asked me to reply to your letter of May 14 regarding alleged irregularities that occurred in the operation of the American Embassy in Managua during the tenure of Ambassador Turner B. Shelton. An investigation has been made of the matter, to include a special audit of the accounts of the Embassy for the period in question and interviews of all individuals having knowledge of the fiscal and administrative operations of the post during that time period.

The results of our investigation and audit therefore serve as the basis for my response, and are presented in the same order as the questions raised in your inquiry.

1. ALLEGATION: That the Ambassador's personal long-distance telephone calls were regularly paid by the Embassy with no reimbursement by the Ambassador to the Department.

FINDINGS:

The audit of post records and interviews of personnel indicated that there were probably a



number of personal long-distance telephone calls made by the Sheltons. The number of these personal telephone calls is unknown because of the difficulty in determining from the telephone bills the identity of the callers and, in many instances, the individuals being called. The principal sources of information concerning this allegation stated that although they felt many personal telephone calls were made, they could only pinpoint those calls made to a Mrs. Starr in Los Angeles (Mrs. Shelton's mother) as most likely personal. A limited review of telephone company bills did reflect telephone calls to a "Starr" in Los Angeles.

Several officers assigned to the Administrative Section during that period testified that they brought



their concern about Ambassador Shelton's alleged non-payment of personal telephone calls to the attention of their supervisor, the Administrative Officer. There is no evidence that Ambassador Shelton was ever presented a bill for personal telephone calls or further informed of any indebtedness in that regard. Ambassador Shelton did request the bill for a series of personal calls he made in the spring of 1975 and promptly paid for those calls.

Neither interviews nor review of records disclosed any intent or attempts on the part of Ambassador Shelton to avoid payment of his telephone bill.

CORRECTIVE ACTION:



The procedures established by the Embassy with respect to personal telephone calls were adequate, but they were not always fully followed. Because the Ambassador had a direct line to the international operator in his office he could, and did, book his own calls, thereby bypassing the Embassy telephone operator. The Embassy telephone operator is the individual responsible for determining from the caller whether the call is for official or personal business. A new, tighter procedure has been initiated which requires that the individual making the call inform the Administrative Officer in writing of the call and its purpose -- whether official or personal. Additionally, the Embassy has requested the



Nicaraguan Telephone Company to improve their billing documentation in order to make it easier to identify calls and the persons called.

The Embassy in Managua has been requested to review all telephone bills during the tenure of Ambassador Shelton and to identify any calls which the Administrative Office believes would have been of a personal nature. A bill will be presented to Ambassador Shelton for reimbursement for all personal long-distance telephone calls made by him or his wife once this review has been completed.

2. ALLEGATION: That the Ambassador improperly assigned a locally hired Embassy driver on a full-time basis to chauffeur Mrs. Shelton in her personal automobile.

FINDINGS:

Shortly after the arrival of the Sheltons in Nicaragua both were assigned personal bodyguards



by the Government of Nicaragua. This special coverage was recommended by the President of Nicaragua because of the acts of political violence experienced in Central America, as well as the upsurge in worldwide terrorism in the early 1970s. Indeed Mr. Shelton did receive several threatening letters from the Symbionese Liberation Army and much later, in December 1974, an attempted kidnapping of Ambassador Shelton missed by fifteen minutes.

Ordinarily, a direct-hire Embassy chauffeur would not be assigned full-time to an Ambassador's wife. She would of course be eligible for an Embassy car and driver for all official business. This would include the many official appearances



she is required to make as well as any transportation required in the upkeep of the official residence or preparations for representational functions.

The major factor in the assignment of a driver full-time to Mrs. Shelton was security. It would have been totally inappropriate from a security point of view for Mrs. Shelton to be driving her own car when the security situation prompted the President of Nicaragua to assign a machine-gun carrying bodyguard and later a security follow-car to Mrs. Shelton. In the event of an emergency she should not have to engage in high speed defensive driving, an ability that requires special training and substantial expertise.



An attempt was made to determine the amount of time that Mrs. Shelton's driver was used for "official" versus "personal" business. However, with no substantiating records or competent witnesses available, such a determination was not possible. It is probable, however, that much of Mrs. Shelton's travel was on official business; that is, it was related to her representational duties as the Ambassador's wife. In any event, security considerations would have to apply whether Mrs. Shelton was engaged in personal or official business. The post records show the following salary figures for the driver assigned to Mrs. Shelton: FY-73, \$2,676; FY-74, \$3,532; FY-75, \$4,002; FY-76, \$4,002. It should be noted here that Mrs. Shelton was driven



in the Shelton's personally owned vehicle rather than in an official Embassy car.

CORRECTIVE ACTION:

The Embassy at Managua has been instructed to discontinue the practice of assigning a driver full-time to the Ambassador's wife. The Embassy has been further instructed to establish a system which permits the Ambassador's wife to use the Ambassador's car when available, or to call for a vehicle from the Embassy motor-pool for use on official business. Security precautions will continue to be taken, however.

3. ALLEGATION: That there was improper use of Embassy purchased gasoline on a regular basis for the personally owned vehicle used by Mrs. Shelton, as well as occasional Embassy-paid repairs to the vehicle.

FINDINGS:



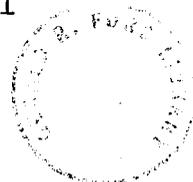
The records in the General Services Section of the Embassy indicated that from October 28, 1971 until August 18, 1976, 3,436 gallons of U.S. government purchased gasoline were pumped into the personal automobile of the Sheltons. This gasoline was valued by the Embassy at \$944.63. The Sheltons' vehicle received oil valued at \$36.85 and miscellaneous expense items of \$10.80 and repairs of \$132.34 for a grand total of \$1,124.62. Embassy records also noted that during calendar year 1974, Mrs. Shelton did purchase gasoline in the amount of \$45.75, using a personal gasoline credit card. However, the bulk of gasoline used in the Sheltons' personally owned car was from Embassy purchased stocks.

The term "personal automobile" has an emotional



impact which has tended to color this issue. To what extent Ambassador Shelton should have reimbursed the U.S. Government for his wife's use of Embassy purchased gasoline in her personal car is difficult to judge. Certainly the U.S. Government should have provided a driver and gasoline when Mrs. Shelton was engaged in official responsibilities. Much, if not most, of Mrs. Shelton's travel was on official business. Her use of her own car -- rather than a car from the Embassy motor pool -- in effect meant that the Embassy was freed from the responsibility of providing her a government-owned vehicle for official use.

The Ambassador should have purchased his gasoline personally and then charged mileage for the official



use of his personal car by Mrs. Shelton. If he had done so, however, this would have resulted in a significantly greater cost to the Embassy.

The Embassy should not have paid for repairs of the Sheltons' personal vehicle. Ambassador Shelton advised that such charges were never brought ~~to~~^{to} his attention and that if they had been he would promptly have paid them.

Neither interviews nor review of records disclosed any specific intent to defraud the USG or avoid payment of bills. The Embassy apparently paid for only a portion of the repair bills on the Shelton car, and there is no evidence that any of his subordinates ever brought those Embassy-paid repair bills to his attention.

CORRECTIVE ACTION:



Use of Embassy purchased gasoline in an Ambassador's personal car was discontinued on the departure of Ambassador Shelton. Because the government benefitted from the procedure used, no further action is contemplated.

4. ALLEGATION: That there was improper payment of security expenses to Ambassador Shelton for the feeding of two drivers and two personal bodyguards.

FINDINGS:

Our investigation indicated that it was a regular practice for the two chauffeurs and the two personal bodyguards to have lunch at the residence every day, Monday through Saturday. In addition, the Ambassador's chauffeur and bodyguard would usually have dinner at the residence whereas the chauffeur and the bodyguard for Mrs. Shelton would normally have been dismissed and released before dinnertime.



Over the weekend, from early Saturday afternoon after lunch until Monday morning, the chauffeurs and bodyguards would alternate with each other so that one of the teams would have Sunday off.

The lunches and dinners reportedly always consisted of rice, beans and meat. From June, 1971, Ambassador Shelton received on a regular basis reimbursement for meals provided the drivers and bodyguards (June 1971 - May 1972: \$2.84 per day; June 1972 - December 1972: \$4.00 per day; January 1973 to departure: \$8.00 per day). The rates charged were substantiated to reflect reasonable current cost.

The personal bodyguards were furnished to Ambassador and Mrs. Shelton with the understanding that subsistence would be provided. Reimbursement for the meals provided to the personal bodyguards was proper and correct.



Embassy drivers are normally given a lunch hour during which they leave the Embassy grounds and generally have lunch at a local stand-up lunch counter across from the Embassy. The drivers and bodyguards assigned to the Sheltons were on duty as long as they remain with the Sheltons. There was no convenient local lunch counter across the street from the residence, and, in lieu of releasing the drivers for meals or arranging for their relief by other drivers from the Embassy Motor Pool, they were given meals at the Residence and the Ambassador was reimbursed accordingly. This practice was, however, irregular, since the drivers are U.S. Government employees and should not have been provided meals at Government expense to supplement their income. This practice has now been terminated and the Embassy has arranged for relief drivers to be



available during meal hours.

CORRECTIVE ACTION:

The feeding of the personal bodyguards is a legitimate expense pursuant to the agreement with the Nicaraguan Government for the provision of their services and to insure the integrity of the protective security program afforded the Ambassador and his wife. The Ambassador should not have provided meals for the Embassy drivers at Government expense, but since this was clearly an expense relative to his official status which he should not be required to bear personally, no further action is contemplated.

4b. ALLEGATION: Abuse of representational allowances.

FINDINGS:

All of the representational vouchers submitted by Ambassador Shelton were reviewed. The representational



reimbursement to Ambassador Shelton appears to be appropriate, with the exception of a \$40 reimbursement for a dinner (November 1973) at which only U.S. Government officials and wives were in attendance. That should not have been paid by the Embassy.

Investigation indicated that all officers were authorized the same "per head rate" (most recently \$5.50 for a sit-down dinner, \$3.50 per head for a luncheon, etc.). Certain officers did submit their expenses on an "actual expense" basis rather than on a "per head rate" basis and, in those instances, their expenses may have been more or less than the "per head rate" authorized. There was no indication of any discrimination in the use



of the basis for which for which reimbursement was made for representational expenses. This is in accord with applicable regulations.

It was further alleged that Ambassador Shelton was reimbursed based on the number of names on the guest list rather than on the allegedly lower number of guests who actually came to the affair. It was not possible to verify the accuracy of the claimed number of guests for large functions.

Our investigation failed to establish any evidence of improper use of representational allowances, apart from the one voucher for \$40 referred to above.

CORRECTIVE ACTION:



The normal practice when planning a large reception is to anticipate, based upon local experience, the number of "no-shows" and to prepare for the function accordingly. Reimbursement is made either on an actual expense basis or on the number of guests who actually attended. The Embassy at Managua has been instructed to establish procedures for determining actual attendance at receptions and to reimburse on that basis when an officer elects to use the "per head" amount in claiming reimbursement.

Ambassador Shelton will be asked to reimburse the U.S. Government for the improper reimbursement noted above.

4c. ALLEGATION: That there was abuse of medical travel by Mrs. Shelton

FINDINGS:



A review of Mrs. Shelton's medical travel disclosed that she made one unauthorized trip for medical purposes. Several other trips were taken where Departmental medical authorization was received after the fact. The post-issued travel and medical orders were properly executed however.

It appears that about \$200 per diem was improperly paid to cover out-patient status for dental treatment not performed in a hospital; it also appears that required Departmental approval for return to post after medical treatment in the United States was not obtained. Mr. Victor Campo, a former B & F Officer in Managua was confused when questioned about the eligibility of per diem when in an out-patient status for dental treatment.



Mrs. Shelton's authorized point for medical treatment for much of her medical travel was Miami. Testimony was received to indicate that Panama did not have the particular specialists needed. In terms of cost, incidentally, air fare was the same to both Panama and Miami.

Your letter alleged that Mrs. Shelton received medical and travel orders to fly to Miami and then went on to Los Angeles, with the implication that the entire trip was paid by the U.S. Government. Our investigation disclosed that Mrs. Shelton was authorized medical travel to Miami as the closest point for adequate medical treatment (in that instance for back problems). Mrs. Shelton's specialist, who had previously operated on her back, was located in Los Angeles. The Department agreed to her going to Los Angeles to consult her doctor but advised that



the Ambassador would have to pay the difference between the fares to Miami and Los Angeles. Embassy fiscal records show that he paid for his wife's round-trip ticket to Los Angeles; and that after their trip the Embassy reimbursed him the cost of a round-trip ticket to Miami.

CORRECTIVE ACTION:

Investigation and audit disclosed no evidence of misconduct on the part of Ambassador or Mrs. Shelton.

It appears that Mrs. Shelton was improperly paid per diem in connection with out-patient dental care.

The Embassy at Managua has been instructed to make a complete audit of Mrs. Shelton's travel and to bill the Ambassador for any unauthorized travel or per diem paid by the Embassy.

In summary, our investigation disclosed that the Embassy did pay for certain items which properly



should have been paid by Ambassador Shelton.

However, the investigation did not establish specific intent on the part of Ambassador Shelton to defraud the government, or to avoid payment.

There is no indication that any of the employees later making allegations about fiscal misconduct ever brought the matter of personal bills to the attention of Ambassador Shelton, or to the attention of Inspecting Officers of the Office of the Inspector General. Ambassador Shelton will be billed for those items which are determined to be within his area of personal financial responsibility.

Finally, the Department has an inspection service which inspects every diplomatic and consular post every two years. Audits of the administrative offices of missions and posts are carried out in



accordance with guidelines of the General Accounting Office. Our inspectors do, from time to time, find irregularities. Under Department procedures, the Assistant Secretary responsible for the mission or post is required to report within sixty days the steps taken to correct the irregularities. The system is working satisfactorily but as your letter indicates it is not perfect and it is a constant task to assure that we are operating in accordance with law and our own regulations.

Sincerely,



July 9, 1976

MEMORANDUM FOR: DICK CHENEY
 BRENT SCOWCROFT

FROM: JACK MARSH

Bryce Harlow called in reference to the Turner Sheldon matter. It is Bryce's view that we should proceed with this appointment and simply let Brooks take whatever course he decides in reference to his hearings.

Bryce was aware of the proposal for the President to call Brooks and he feels this should not be done.

JOM/dl



July 10, 1976

MEMORANDUM TO: MAX FRIEDERSDORF
FROM: JACK MARSH

Max, I would appreciate your getting into the Turner Sheldon case.

Also, it is very important you accompany Bill Gulley to conference meeting with members of Brooks' Government Operations staff on helicopter expenses. Please call Gulley and coordinate. I would also suggest that you let someone in the Minority know about your meeting. You should be aware that Cheney wants someone from the LA staff to go with Bill, and since Charlie is away, I think it would be best if you would do it.

You should be aware of the background material including the Q&A's furnished to the Committee.

This is a very sensitive matter.

JOM:cb



July 10, 1976

MEMORANDUM TO: MAX FRIEDERSDORF
FROM: JACK MARSH

Max, please get briefed by Bill Kendall and Brent Snowcroft on Turner Sheldon matter. State Department has prepared to offer Sheldon the following three posts:

Political Advisor to the Commandant of the
Naval War College, Newport, R. I.

Political Advisor to the Military Airlift
Command, Scott Air Force Base,
Belleville, Illinois (25 miles from St. Louis)

Political Advisor to the Commandant,
U. S. Coast Guard, Washington, D. C.

Jack Brooks indicated to me that he would not object to Sheldon's being kept in a Washington position, but would call a hearing if he were given an overseas assignment. It is either a confirmable or nonconfirmable post.

The main thing now is to get Sheldon and Curtis on board with the proposed assignment.

JOM:cb



THE WHITE HOUSE
WASHINGTON

Political Advisor to the Commandant
of the Naval War College, Newport R.I.

Political Advisor to the Military Airlift
Command, Scott Air Force Base
Belleville Illinois (25 miles from St Louis)

Political Advisor to the Commandant,
U.S. Coast Guard, Washington D. C.



JUL 12 1976

THE WHITE HOUSE
WASHINGTON

July 12, 1976

MEMORANDUM FOR: JACK MARSH
BRENT SCOWCROFT

FROM: MAX FRIEDERSDORF *M. B.*

SUBJECT: Senator Curtis/Turner Sheldon

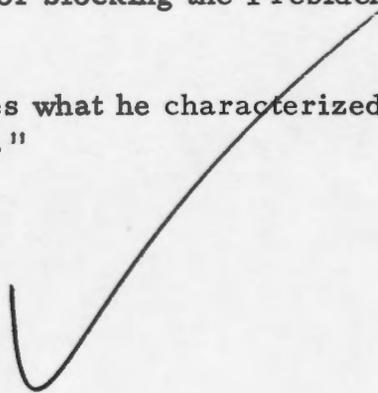
Senator Curtis adamantly refuses to agree to any of the three proposed domestic positions for Turner Sheldon.

"I am totally unhappy with this suggestion and will not agree to a new job for Sheldon," Curtis stated.

The Senator believes he has a commitment from the President, made during the President's trip to Nebraska, to nominate Sheldon for the Bermuda job.

Curtis blames the State Department for blocking the President's desires on this.

Senator Curtis also strongly criticizes what he characterized as, "Jack Brooks running the State Department."



THE WHITE HOUSE
WASHINGTON

July 15, 1976

JUL 16 1976

MEMORANDUM FOR: JACK MARSH
DICK CHENEY

FROM: MAX FRIEDERSDORF

SUBJECT: Turner Sheldon

mf

Both Senator Curtis and Bryce Harlow are very upset about the proposal to give Turner Sheldon a domestic post and urgently recommend that the administration proceed to name Sheldon to one of the overseas appointments.

I have talked to both of them again about this matter and I believe they will be pressing the President personally if something isn't done soon.

