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29 October 1955

STAT

Dictated by Colonel White:

" In order not to be conspicuous, I asked [redacted] to have someone monitor these hearings. This is a rough summary prepared by his man. It is the only copy I have and I have not had a chance to analyze it in detail in conjunction with my own files. I have asked Houston to get a complete transcript of the hearings as soon as they are available. On pages 5 and 6, I have red-lined some comments which might be meaningful. Your letter to Mansure saying you had selected Harrison and Abromovitz was delivered to GSA early on the morning of 4 August, and it was on the afternoon of the 4th of August that I met with Strobel and discussed the selection of Harrison and Abromovitz, as well as his desire to associate with de Young, Moskowvitz, and Rosenberg."

JI

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GENERAL:

At Washington, D. C.

On 26, 28 October 1955 the House Judiciary Committee of the United States House of Representatives conducted hearings relative to the activities of PETER A. STROBEL, commissioner of the Public Buildings Service (PBS), General Service Administration (GSA) that might involve "conflict of interest" with the United States Government. The hearings on the above dates were monitored and following is a brief resume:

After the opening statement by Representative CELLER (Democrat of New York), chairman of the committee, who outlined the nature and scope of the inquiry, STROBEL was called as a witness.

Before the questioning of STROBEL was commenced, he was permitted to read a statement, which statement is attached hereto and designated Exhibit "A". Then the formal questioning of STROBEL was commenced.

STROBEL's participation and interest in the firm of Strobel and Salzman was then expanded upon. STROBEL advised that the partnership was organized in 1945; that the partnership agreement is renewed annually on the first date of the new year; that STROBEL is the only partner who has any capital investment; and that risk of loss, if any, falls on STROBEL. Further, STROBEL stated that each partner is guaranteed a certain sum--in the nature of a drawing account--and the remaining sum, after expenses, is divided. The present contract calls for 90 per cent of net profits to STROBEL and 10 per cent to SALZMAN. Sometimes there is an adjustment of the percentages if some of the firm's business has been obtained through the contacts of SALZMAN. The firm is for all practical purposes STROBEL's. At present it has thirty-two clients. Its jobs average approximately $7,000 and it employed twenty to twenty-two technical employees.

The first inkling that STROBEL had he was being considered for his present position was in 1954 when he was requested by the Republican National Committee of New York to submit a brochure on his background and abilities. He was recommended by HARRY SMITH, a friend from New York who is in the photographic business.

On 1 April 1954 STROBEL came to Washington and was appointed

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(on that date) as a 5 day week, 8 hour-a-day consultant to GSA. The position of commissioner of the PBS was occupied by a party who was about to retire, and STROBEL was entered on duty as a consultant to await the vacancy.

On 1 July 1954 STROBEL was appointed commissioner of PBS.

STROBEL stated that the matter of his private engineering firm was called to the attention of Mr. MANSURE (administrator of GSA and STROBEL's superior). In fact, STROBEL made it plain to MANSURE that he could not accept the government appointment unless he continued in the engineering firm inasmuch as it was all that he had.

Counsel MALETZ (of the committee) asked STROBEL if he didn't tell him (MALETZ) a few months ago that his connection with the firm was checked through Attorney General BROWNELL and TOM STEPHENS of the White House staff. STROBEL could not remember telling MALETZ that. STROBEL stated that his "friend" HARRY SMITH supposedly checked on the propriety of retaining the interest in the firm and later advised STROBEL that it was proper for him to continue in the firm of Strobel and Salzman. STROBEL stated that he did not sign the GSA "standard of conduct" form until 27 December 1954 which was some several months after his appointment. He let the form lay on his desk for several months. When he did sign it on 27 December he made certain reservations about his interest in the firm of Strobel and Salzman.

It was clearly brought out that STROBEL never received any official approval, either written or oral, to engage in outside activities of his firm.

STROBEL pointed out that after his entry into government service he relinquished "active management" in his engineering firm, and made this statement on the form that he submitted on 27 December, noted above. He still received a weekly summary of the business activities of the firm from SALZMAN, and, as hereinbefore noted, he still received a percentage of the profits.

STROBEL stated that during early 1955 he was requested to submit a list of his firm's clients to the compliance division of GSA. Several months elapsed and the compliance division again renewed the request. Finally on 31 August 1955, STROBEL filed a list of his firm's clients with MANSURE.

It was brought out that STROBEL recommended the architectural firm of Serge Petroff to a subordinate in PBS to be hired for a "rush" remodeling job of a New York City building that was to be partially occupied by the Immigration and

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Naturalization Service. This was in August 1954. As it turned out I & N.S. abandoned plans to move into the building and the Petroff firm was given $9,000 under an abandonment of contract adjustment. It was admitted by STROBEL that his firm had hired the Petroff firm for four other jobs during 1952-1954. STROBEL justified the recommendation of the Petroff firm by stating that it was a "crash" job which had to be accomplished; that there was not sufficient time to follow the usual procedure of obtaining bids; and that he was personally acquainted with the Petroff firm and he was confident that they could meet the deadline. Also, STROBEL pointed out, that architectural firms don't show much interest in remodeling jobs because that type of work does not involve work of original design.

STROBEL admitted that he talked in 1955 with L. W. (Chip) ROBERT (former Democratic national committeeman) of the firm of Robert and Associates about obtaining a contract for the firm of Strobel and Salzman on an incinerator project in Dearborn, Michigan. The conversation took place in Atlanta while STROBEL was there on government business. The Robert firm had been a client of STROBEL's firm. Also, it was brought out that the Robert firm was awarded a contract to make some changes in the plans and specifications of a communicable disease center in Atlanta and STROBEL had recommended the Robert firm for handling the modifications. STROBEL justified the recommendation by stating that the Robert firm had the original contract for the disease center and it was both economical and ethical to let the "modification contract" to it. The Robert firm had all the original data in its office whereas another firm would have to spend extra time and money to examine the supporting data. Also, the ethics of the professions discourage one architect from taking over the work of another.

A transaction involving the architectural firm of Chapman, Evans and Delahanty of New York was discussed. This firm had been a client of STROBEL's firm and it was awarded a New York contract by PBS. Testimony disclosed that STROBEL made no recommendation to the party that handled the contract letting. In addition, the party that let the contract (LAWTON of PBS in New York) testified that he had no knowledge that the Evans firm was a client of STROBEL's firm.

The above pertains to information developed in the hearing for 26 October.

On 28 October 1955 Chairman CELLER opened the hearing by advising STROBEL that the FBI had been called into the case to investigate possible conflict of interest violations. The case

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was referred to the FBI by the Department of Justice on 4 October 1955, CELLER stated. STROBEL professed ignorance about the FBI being called into the case.

At the opening of the session of 28 October, STROBEL stated that he wished to correct the record. He stated that his percentage of split with SALZMAN was 65 per cent to STROBEL and 35 per cent to SALZMAN in 1953. In 1954 it was a 60/40 split with the larger to STROBEL. STROBEL said that his income from the firm ran approximately $60,000 in 1953 and $30,000 in 1954. He expected it would be even lower this year.

It was brought out again that on 31 August 1954 STROBEL submitted a list of his firm's clients to MANSURE. The request had come from the compliance division of GSA. Two of the firms appearing on that list were Carson and Lundeen, and Wilcox and Erickson. It was brought out in questioning of STROBEL that LUNDEEN and WILCOX were appointed by PBS to a panel to review the qualifications of architects on file in PBS's office. Each received approximately $3,000.

A contract was introduced in the record between the Corps of Engineers and STROBEL's firm dated 31 March 1954 for the design of some helicopter hangars. This was one day before STROBEL entered on duty with GSA as a consultant. STROBEL explained that this contract had been in the negotiation stage for a considerable time. After the contract was signed, the Corps of Engineers wrote a letter to STROBEL's firm asking if STROBEL had disassociated himself. STROBEL was questioned by MOODY and ELLIOT of the general counsel's office of GSA. Also, STROBEL discussed the matter with his "friend and advisor", HARRY SMITH, who had the matter straightened out through JOHN ADAMS of the Department of the Army's office. STROBEL never heard any more about the matter, the contract was fulfilled and the firm received payment.

There was testimony with reference to another matter involving the Corps of Engineers. STROBEL testified that before he entered on government duty his firm had performed a contract for the Engineers. In the course of the contract the firm had to do additional work and were claiming $7,500 additional compensation. After entering on government duty he made several trips over to the engineers--on his lunch hour--to negotiate a settlement. The matter was settled for $3,000. STROBEL explained his role by stating that he was the only person in the firm who knew all the details of the extra work. One other man, who knew the details, was no longer with the firm.

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At the afternoon session of 28 October 1955, the matter of the Central Intelligence Agency's new building were discussed. This discussion took place between approximately 2:30 and 3:30, PM.

The questioning commenced with Counsel MALETZ asking if STROBEL knew MORTON BLUMENTHAL. Yes, he was introduced to him by MANSURE and had several meetings with him, one at the National Republican Club of New York. BLUMENTHAL, it was brought out, had some connection with the architectural firm of Young, Moscovich and Rosenthal (hereafter shown only as Young's firm.) STROBEL was vague as to what connection BLUMENTHAL had in the firm.

Some time in December 1954 and January 1955 STROBEL had some discussions with BLUMENTHAL regarding some business dealings between STROBEL's firm and Young's firm. The two firms on 27 May 1955 did enter into a $30,000 contract for a New York private building. However, according to STROBEL, the contract was cancelled on 4 August 1955 when STROBEL learned that Young's firm had a contract with GSA and there would be a conflict of interest between STROBEL and the government. It was also brought out that BLUMENTHAL had handled all the negotiations for this contract.

It was also brought out that BLUMENTHAL had received a $12,000 brokerage commission in 1955 for handling certain details in connection with the renewal of a lease in New York. DANIEL J. REISNER (or RIESNER) of New York had collaborated with BLUMENTHAL on the matter. From the testimony it appeared that actually the brokerage fees to BLUMENTHAL and REISNER were paid by the owner of the building and not by the government, the lessee. The matter was brought out when the owner had to file a schedule of expenses with GSA when the contract was signed. STROBEL stated he knew nothing about this transaction.

STROBEL declared that there had been a tug of war between GSA and CIA as to which agency would have the responsibility of handling the contract for the plans and specifications for the new $46,000,000 CIA building. In July 1955 GSA was requested to furnish the names of qualified architects to CIA. GSA has a policy of selecting local architects to handle government projects, if it is feasible. In this instance--because of the size and scope of the job--that policy was not followed. Instead, GSA examined their files and made their list of selections on a national-wide basis insofar as qualifications were concerned. Other large projects were also

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also in the planning stage such as the State Department annex, Smithsonian Annex, AEC building. STROBEL participated in the selection of the list that was sent to CIA. The names of eleven firms were sent to CIA and six of them, according to testimony developed from STROBEL, were either clients, or had been clients, of his firm, namely: (all phonetic spellings) Urban, Brayton and Barrows; Kelly and Brussen; Harrison and Abromovitz; Eggers and Higgins; Shree, Lamb and Harmon; Young, Moscovich and Rosenthal.

It was brought out through STROBEL that at the time the name of Young's firm was sent to CIA that it had a contract with STROBEL's firm. (note: this contract was cancelled 4 August 1955, according to earlier testimony).

The list of firms sent to CIA were from all over the country.

The actual letter containing the list of architects (11) that was sent to CIA was not placed in the record. The letter that was placed in the record was directed to the Smithsonian, but STROBEL stated that the same list was sent to CIA. Appearing on the bottom of the above letter, which was placed in the record, was a notation that it was sent to CIA.

STROBEL's testimony was interrupted to allow JOHN E. HILL, director of the compliance division of GSA to testify regarding the above letter. A heated argument developed between Chairman CELLER and Representative KEATING (New York) at this point. KEATING wanted to cross-examine--as CELLER characterized it--HILL but CELLER stated that it was not in order at this time. HILL was dismissed as a witness. STROBEL resumed.

The testimony of STROBEL brought out that RAY DINEEN, a special agent in the office of compliance and security of GSA, had made a special request of STROBEL for the list that was sent to CIA. No further discussion of this point.

A letter was introduced into the record to MANSURE from ALLEN DULLES dated 3 August 1955 selecting the firm of Harrison and Abromovitz for the CIA building. DULLES stated therein that he was personally acquainted with HARRISON and his professional reputation.

Placed into the record were transcripts of telephone conversations between MANSURE and STROBEL on 4 August and a day or two after. These conversations were principally concerned with the selection of the architects for the CIA building. The Harrison firm had been selected by DULLES but STROBEL thought that the job was too large for one firm and that two

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or three firms should be associated on it. STROBEL, according to the telephone transcripts, did not appear to be plugging any other firm by name. MANSURE mentioned the name of BLUMENTHAL and his firm (Young's firm) for consideration on the CIA job. STROBEL said the Young's firm would require a strong local firm. MANSURE mentioned that Young's firm had lost out on the AEC job and should be considered on this one. From the transcript it appeared BLUMENTHAL had been in touch with MANSURE in behalf of the Young firm.

In the meantime MANSURE had checked back with DULLES who advised that he still wanted the Harrison firm to handle the job.

All during the questioning STROBEL professed little knowledge about BLUMENTHAL or his activities.

STROBEL testified that he met with certain CIA officials shortly after 4 August 1955 and suggested the name of Young's firm to work with Harrison's firm. It was a large project, and more than one office should handle it. It would require eighty full-time men working on the board at one time STROBEL told the committee, and he did not know any single firm that would take on such a job.

On 10 August 1955 GSA and CIA entered into an agreement for the new CIA building, The Harrison firm was selected to handle the architectural work. A letter, embracing that agreement, was entered into the record.

On or about 12 August 1955 STROBEL advised Young's firm that it was being associated with Harrison's firm on the CIA building contract. STROBEL stated that it was done on the recommendation of MANSURE.

A letter dated 18 August 1955 from Colonel WHITE of CIA to GSA was introduced into the record. It advised GSA that Young's firm had been placed in a very embarrassing position by being associated in the project and that it should be advised that it will not be employed on the CIA building with Harrison's firm.

A few days later ALLEN DULLES advised GSA that he wished to have the contract with Young's firm and Harrison's firm cancelled.

STROBEL further testified that the matter of the CIA building is back where it started--still a tug of war between

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GSA and CIA as to who has the responsibility for designing the building.

Attached are certain newspaper articles designated as Exhibits:

Exhibit B - 27 October 1955, WASHINGTON POST AND TIMES HERALD

" C - 28 October 1955, same newspaper as above

" D - 29 October 1955, NEW YORK HERALD- TRIBUNE

" E - 29 October 1955, WASHINGTON POST-TIMES HERALD

" F - 29 October 1955, NEW YORK TIMES

The above exhibits are attached only to the original report, and not to the copies.

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Corrected Copy

STATEMENT OF PETER A. STROBEL
COMMISSIONER OF PUBLIC BUILDINGS SERVICE
GENERAL SERVICES ADMINISTRATION

My name is Peter A. Strobel and since July 1, 1954, I have been Commissioner, Public Buildings Service, General Services Administration. I understand that this Committee would like to know something about me and what I have been doing in Washington. I am very glad to appear before you this morning to make a statement and to answer any questions you may have.

Perhaps a word about my professional background might be in order. This background is: Graduate civil engineer, 1925; worked as a draftsman, designer and engineer with various firms from 1925 until 1937; 1937-40, chief structural engineer, New York World's Fair, Inc; 1941, chief structural engineer for Army Air Base, Jamaica, British West Indies; 1942-1943, chief engineer, James Stewart & Co., Inc., New York City; in 1943, I established my own practice as a consulting engineer and in 1945 the partnership of Strobel and Salzman, Consulting Engineers, of New York, was established.

Strobel and Salzman is a consulting engineering firm doing professional work, that is, preparing plans and specifications for civil and structural engineering work in connection with all types of buildings and structures. The firm's clients consist of owners, builders, contractors, fabricators, architects and engineers. The firm has been most fortunate in acquiring a very high type of clientele. The bulk of the firm's business has been for private enterprise, although to some extent we have of course participated in the defense efforts of this country. Among the projects of our firm have been manufacturing plants, armories, railroad stations, commercial buildings, shopping centers and department stores, office buildings, hospitals, university buildings and laboratories, schools, apartments, churches and airport structures. A speciality of the firm has been hangars of many different types which involved a few inventions made by us. During the war, several hundred hangars were fabricated from our design.

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When I came to Washington, I gave up the active management of the business. I did not come to Washington for personal gain. This has been borne out by the fact that the net earnings of the firm ~~fell~~ in 1954 fell to half of what they were in 1953.

I laid down certain basic rules to govern Strobel and Salzman in their activities, during my term of public office. I have followed these rules. Among them are:

1. Strobel and Salzman would disqualify itself from taking on any contract or subcontract which involved or came under the jurisdiction of the Public Buildings Service of the General Services Administration.
2. Strobel and Salzman would not take on any new clients (who were not clients or in the process of negotiation prior to my entry into public office) even for wholly unrelated work, where the new client was interested in or in the process of seeking a contract or subcontract with the Public Buildings Service of the General Services Administration.
3. Neither the firm nor I would have any financial interest, stock or otherwise, in any architectural or construction firm.

When I took office it was my understanding that under the law the firm of Strobel and Salzman might properly seek and accept contracts from agencies of the Government other than GSA. Pursuant to this understanding, the firm has on a few occasions made inquiries about the possibilities of obtaining such business. I have made no such inquiries, and the fact is that since I took office the firm has made no such contracts with any Government agency. The firm has completed one such contract which was let before I took office.

As a result of the business activities of Strobel and Salzman and their comparative success, I am acquainted on a professional basis with many

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outstanding architects, engineers, and contractors, some of whom might look to GSA as a source of work whenever we have a building program. As the Government's contracting officer in handling architect-engineer contracts for building projects, however, I can assure you that no favoritism has been shown to anybody. For many years the following procedure has been followed in selecting architect-engineers: Local architect-engineers are used to the fullest extent. We solicit all registered architects in the area of the project. In some cases we solicit all architects in the state. They are requested to submit questionnaires and documentation about their organization, and their present workload, together with photographs of work done, and other information that may be helpful in judging their qualifications. They are then rated by a board of three qualified men in the Public Buildings Service who submit their recommendations to me in accordance with the ratings. The record shows that I have followed the recommendations of this three-man board in every case. The only contracts awarded on a selective basis are those for the professional services of architect-engineers; all others are awarded on a competitive-bid basis.

The record shows that two clients of Strobel and Salzman, namely, Serge P. Petroff and Associates, and Chapman, Evans and Delehanty, both architectural firms with offices in New York, have done some work for GSA since I have been in office. The fact that these firms happened to be clients of Strobel and Salzman had nothing whatever to do with their retention by GSA. I shall be very glad to tell you all about these cases in detail if you wish.

There has never been any secret about the fact that I have an interest in the firm of Strobel and Salzman and that I have devoted some time to its affairs since I came to Washington. On no occasion, however, have I attended to the business of Strobel and Salzman on government time. I have not used government stationery for my private business, nor have I in any way used or sought to use my official position to further the interests of the firm.

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I have cooperated in every way with the Staff of your Committee, making all my files available to them, for I do not wish to have any misunderstanding about my position in this matter. I am now glad, to the best of my ability, to answer any questions which the Committee or the Staff may have.

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