

CASE SUMMARY - WAR FRAUD

SUBJECT: ZAP, Edward F.

On 31 March 1942, the Bureau of Aeronautics requested that an investigation be made to determine if Subject was a fit person to continue his contractual relationship with the Navy Department.

Subject held Navy contracts for experimental work on flaps for Navy planes. Investigation disclosed that he submitted a number of expense accounts and reports to the Navy Department which were fraudulent. In one instance he certified that a contract was 90% complete when, as a matter of fact, it was less than 50% complete. In another instance he submitted a fraudulent expense account. Both of these and other similar transactions were certified to be true and correct by Lieutenant Commander Lloyd Vincent Scott, who was, at that time, Assistant Inspector of Naval Aircraft and Resident Inspector, Douglas Aircraft Plant, El Segundo, California. During a period from March, 1942, to about April, 1943, Subject paid Lieutenant Commander Scott approximately \$1,100.00, possibly in the form of bribes.

Both Subject and Lieutenant Commander Scott were indicted in the U. S. District Court, Los Angeles, California, on charges of fraud. These charges were dismissed as to Lieutenant Commander Scott, but on April 23, 1943, Subject was found guilty of fraud and sentenced to serve a term of nine months in jail and to pay a fine of \$6,000.00.

Lieutenant Commander Scott was subjected to disciplinary action by the Navy Department and was placed on inactive duty and his temporary commission revoked.

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Subjects: ZAP, Edward T.;

Lieutenant SCOTT, Lloyd V., Lieutenant Commander, USN (Ret.), was
has produced that Subject had been of material assistance to Zap in
the contract.

This investigation was predicated upon a request dated
31 March 1942 from the Chief of the Bureau of Aeronautics to the Office
of Naval Intelligence to investigate Mr. Zap's habits and associates to
enable the Bureau of Aeronautics to determine whether he should be per-
mitted to continue his contractual relationship with the Navy Department.
of further violations of Navy regulations.

Mr. Edward T. Zap is the president of the Zap Aircraft
Corporation, 1005 Broxton Avenue, Los Angeles, California, and held
contracts with the Bureau of Aeronautics. These contracts involved
experimental work on manufacturing wings with Zap flaps for Observa-
tion Scout Service Planes built by Vought-Sikorsky.

Lieutenant Commander Lloyd V. Scott, USN (Ret.), was the
Assistant Inspector of Naval Aircraft and Resident Inspector, Douglas
Aircraft Plant, El Segundo, California, and in that capacity his duties
consisted of the inspection of the production of Navy aircraft by the
Zap Engineering Company, of which Edward T. Zap is president.

Investigation disclosed that during the period from
25 September to 4 October 1942 Mr. Zap, together with Lieutenant Com-
mander Scott and other officials of Zap's, was at Daggett Field,
Barstow, California to be present at the trials of the test plane in
which Zap is interested. Zap submitted a fraudulent expense account
to the Navy Department with respect to expenses of this trip which was
certified as being true and correct by both Zap and Lieutenant Com-
mander Scott. Investigation further disclosed that the basis of the
account submitted as expenses was a per diem allowance for seventeen
persons allegedly making the trip when, in fact, a number of officials
remained at his (Zap's) office in Los Angeles at their regular work.

As a result of the information collected during this in-
vestigation, Zap and Lieutenant Commander Scott were brought to trial
on 6 March 1943, U. S. District Court, Los Angeles, California, on the
charge of having conspired to defraud the Government. On 23 April 1943
Zap, after having been found guilty by jury of fraud against the Govern-
ment, was sentenced in the U. S. District Court, Los Angeles, to serve
a term of nine months in jail and pay a fine of \$6,000.

On 15 April 1943 Judge J. F. T. O'Connor, before whom the
case was tried, granted a motion for dismissal of the indictment against

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Lieutenant Commander Scott, reasoning that insufficient evidence had been produced that Subject had been of material assistance to Zap in the perpetration of the fraud against the Government. However, on 24 April 1943 Captain S. J. Zeigler, Jr., General Inspector of Naval Aircraft, Pacific Coast Area, advised that he was recommending that disciplinary action against Subject be instituted, stating that without question Subject had been guilty of conduct unbecoming an officer and of further violations of Navy regulations.

Subject was placed on inactive duty and his commission revoked.

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