

The Khaki Mafia

My first inclination that a game of chance might be unduly arbitrated, less than random tumblers on a slot machine, stopping where they may, or even rigging the machines, came in 1966, during the Manila Conference. Five members of the DASPO Photo Team, share one large room, in the Manila Hotel. The team's sound man Sp5 William Garvey, said he used to repair slot machines in Las Vegas. He told the team members, that the casino could set the pay out percentage to any amount the house wished. I had no inner knowledge of casino working, to disprove or counter-dict his seemingly outlandish statement. I did know the few times, I had gone to a club in Korea and Vietnam, I was lucky to get a cherry or two. It became evident that military club slot machines should be for entertainment only, not for profit. My philosophy would bare truth about 13 months henceforth, when the story of the Khaki Mafia began surfacing.

Years later in the Lake Tohoe, Carson City and Reno area, the gaming halls and casinos had neon signs, telling the public, that their slot machines paid out 96-98 percent pay out rates. A few signed proclaimed 99%. This further lent credence and plausibility to Garvey's long ago tall tail of casinos tinkering with the slot machines. The only \$15.00 jackpot, I even hit, came from one of these machines.

Since the MACV Photo Team responsibility transferred from DASPO, to the 221st Signal Company (Pictorial) at Long Binh in May 1967. I along with 10 other DASPO Photographers were shipped to the 221st Signal Company. The still photographer platoon of 40 men were so new in country, that the 90th Replacement unit had no idea they existed. The closest neighbor was the 18th Military Police Brigade. It was through the MPs knowing the 221st was on Long Binh Post, that I was dropped off at the proper site.

During the confusion, I was sent out on detail. My job was to take a group of lower enlisted from club to club on post and emptying all the slot machine daily coin drop, in the bottom of the machines. Then return to the club office with a tidy sum of money.

The Khaki Mafia

In the club office, the rest of the troops were dismissed. I was told to stay, until they finished counting the money. On the wall was a chart. The chart listed every club on Long Binh Post, which totalled nearly a dozen clubs. The chart showed the income and pay-out for every club from slot machine revenue. I had about 20 minutes to study the chart. It was past mid-month, thus there was over two weeks of statistics listed. Quickly, I realized the significants of what my eyes were seeing. The chart was an entire montly totals of club slot machine income and pay-outs. Club by club, day by day. At the bottom of the chart was a consolidated daily totals. The chart trends from pay-day peaks to approaching pay-day. The total precipitated downward, to the next pay day skipe. I recall, sighting the top club on pay-day had revenue of over \$12,000, with a pultry pay-out of \$3,700.00. An-other club had \$6,000.00 income, but only had \$2,000.00 in payout Club by club, day by day the pattern was consistance. For every dollar the G.I.'s invested in the one armed bandits, the best re-turn he could expect was 33¢. The daily totals confirmed the pat-tern. The chart said on payday , the Long Binh Post Club System raked in over 100 thousand dollars, but paid out less than 33 thousand. The chart showed that it took \$3.00 to get back one dollar. On and on the consistency went. one third for the troops and two thirds for the house. One of the lower figures, I saw was a club's revenue of only \$2,100.00, but paying out about \$700.00. Most clubs had 5-8 thousand dollar daily totals, with coorespond-ing 1/3 return to the players. This chart re-enforced my convic-tion of staying away from the Army club system, they made Jesse James look honest.. The Air Force and Marines also had clubs in Vietnam. The Navy may have had a few, but in large Vietnam was a ground and aerial war not Naval. The chart was further evidence to Sp5 Garvey's words, that the house can in-deed set the pay out rate, to what ever they wished. The chart showed flagitious por-trayal of manipulation and gross rigging of the Army's one armed bandits. Long Binh was but only one Army base in Vietnam. When multiplied by thousands of clubs in country, and many in Korea, Thailand, The Canal Zone of Panama, with hundreds other clubs in Europe, the profits were staggering, and seemd way out of whack to civilian casinos standards or the military's needs. The charts consolidated total showed that in 16 days, the Long Binh Club system had banked between 3/4 and one million dollars.

The Khaki Mafia

It can be safely ventured in saying, the Army Club system was a world wide operation. Profits helped capital improvements of existing clubs, over and above routine maintenance, and funded construction of new clubs. The club system could get a band, in Vietnam for \$25.00 to \$30.00 a night, whereas stateside clubs endured a five to ten fold increase in band prices. The clubs in Vietnam made 150% or more on each can of beer sold. Any troop could go to the Class "6" Store or PX beverage outlet and buy a case of Budwieser for \$2.40, or ten cents a can retail. The club system certainly didn't pay over retail for its beer. The clubs sold the dime a can beer for at least a quarter, if not 35¢ a can.

However the club system had no overhead. The club system was part of the morale support and troop entertainment category, that included the post GYM, movie theatres, the P.X. system, arts and craft shops and an array of other activities, aimed at bolstering morale of the soldiers. As such, the clubs had no overhead. The clubs paid no lease or rent. They paid no utility bills. They paid no federal, state or local taxes. They didn't buy any licenses or operating permits. They had no insurance premiums to pay. Any employee suffering injury on the job, was transported to the base hospital for treatment and care. The club managers only bills were the cost of food, booze and wages. What civilian club manager, wouldn't love such a sweet deal?

26 weeks weeks and a few days, after I thoroughly scanned the wall chart at Long Binh, Army auditors left their Washington office for a quick unannounced, pre-Thanksgiving audit of the Army's Club system HQS, at a suburban D.C. fort. The surprise audit identified major gaps in the club systems books, irregular accounting methods and shoddy record keeping, but more importantly exposed between 140-180 million dollars in unaccountable funds.

The Army Audit Agency, immediately notified the Army's Criminal Investigation Div (CID), the FBI and the General Accounting Office (GAO) of the uncovered fraud. As the fallacious story broke, the civilian press quickly labelled the scandal as the "KHAKI MAFIA". I vaguely remember several civilian employees, fearing prosecution, became "Whistle-Blowers", aiding investigators in finding secret Swiss bank accounts, and other off-shore accounts in the Cayman and Bahama Islands, as well as Hong Kong.

The Khaki Mafia

The GAO combed the club system's books with methodical, line by line, entry by entry, in depth review of the books, located close to an equal amount swindled, for a total approximately \$280 million embezzled. In retaliation, the Army pulled all slot machines from the overseas clubs. I never heard what percentage the Navy, Air Force or Marine club slot machines paid, but over 90% would be reasonable. By 1967, with most of the Army's manpower devoted to Vietnam, it's deemed that a goodly portion of the stolen money derived from Vietnam clubs.

I recall, the Senate Armed Services Sub-Committee broaden their scope of the Khaki Mafia, because Vietnam was a quagmire of shoddy deals, rackets, kick-backs and under the table payments. Many of these operations were controlled by American civilians, as the book "The Khaki Mafia" states,, published by Crown and available from the library of East Texas State Univ. of Commerce, TX. The Army's sheriff was implicated by the sub-committee in many scandal aspects, including P.X. Concessionnaire , stolen and black marketing of P.X. Goods, talent agents booking shows and entertainment into Army clubs. The construction, furnishing and decorating of military clubs, and a consortium of other deals, where the general had knowledge of the racketeering, but his ineptitude to control or shut down the corruptness.

The crux of the ensuing indictments and Courts Marshal, resulted in roughly a dozen military and civilian club system workers sentenced to prison terms, for the slot machine operation. Two key figures are retained in my memory. The Army's senior sheriff, a general, The Provost Marshal of the Army, was nearly jailed for tampering with evidence and obstructing justice for hampering the investigation into the KHAKI MAFIA's affairs. The other person was the Command Sergeant Major of the Army, who's office was a few doors away from Office of the Secretary of the Army. The Sergeant Major of the Army was incarcerated as part of the Army slot machine KHAKI MAFIA.

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