

Special Investigations Agency

INTERNATIONAL

P.O. BOX 9933
WASHINGTON, D.C. 20015

June 14, 1972

White House Executive Office Bldg.
Attn: Mr. John Froebe
17th & Pennsylvania Streets N.W.
Washington, D.C. 20015

Dear Mr. Froebe:

I am tendering this letter to you in accordance with your suggestion June 8, 1972 during our conversation concerning my allegations of mismanagement and irregularities in Procurement/Contracting in the Trust Territory of the Pacific Islands (TTPI).

Initially, let me assure you that my allegations of irregularities and concern over the lack of contract management control in the Trust Territory of the Pacific Islands, are not without foundation. I am enclosing copies of my qualifications, to preclude any question of my capabilities in these matters. The validity of my allegations of the irregularities in Procurement and Contracting in the Trust Territory of the Pacific Islands, is not based solely on my personal observations and conduct of investigations. The U.S. Department of the Interior, Review and Surveys Division, conducted an in-depth investigation of these matters during the period 28 September through 9 November, 1971 (I worked full-time with the investigator, Ivan Kestner, during this investigation). In addition, the U.S. House of Representatives Appropriations Committee conducted an investigation during the period 25 January through 25 February, 1972. I was advised today that the U.S. House of Representatives Committee on Interior and Insular Affairs had requested the General Accounting Office to examine this matter also.

The Congress of Micronesia, as well as the Mariana Islands District Legislature had expressed their dissatisfaction and concern with the acquiescence by the Administration Officials of the TTPI lack of management control of contracts. The apathetic attitude of the TTPI Administration over the loss of hundreds of thousands

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dollars due to contract mismanagement has caused a schism between the U.S. Government and the people of Micronesia. This has been publically demonstrated by the Micronesian people with the burning of the building housing the Congress of Micronesia (Saipan), and the house of the High Commissioner. Within the past eight months, two delegations from the TTPI have appeared before the United Nations to plead their case and ask for some relief. The Mariana District Legislature has been the most publically critical of the High Commissioner of the TTPI (Edward T. Johnston), who was appointed by the President in 1969. I believe that another meeting is scheduled in several weeks at the United Nations by a committee from the Congress of Micronesia.

I will acknowledge that I have a personal interest in resolving this matter quickly. The resentment against me by the High Commissioner was demonstrated when I was given a reduction-in-force letter on December 21, 1971, as a Christmas present. This RIF has been appealed to the Civil Service Appeal Board, San Francisco Region, Civil Service Commissioner, San Francisco, California (16 May, 1972). The hearing examiner, Keith Jones, has not been able to make a final decision on my case, due to the failure of the Department of the Interior to reply to inquiries posed by the Civil Service Commission, as a result of the Hearing.

I would like to summarize the irregularities which have been affirmed:

1. Gross contract mismanagement;
2. Violations of the Federal Procurement Regulations by both private contractors, as well as TTPI Government personnel;
3. Submission of false claims by contractors, with acceptance of these claims by the Government;
4. Padding of payrolls by contractors;
5. Purchase of Government owned property and material by the Government from a private contractor;
6. Acceptance of gratuities by Government personnel;
7. Violations of the "Anti-Kickback" Statute by TTPI contractor.

There are many other irregularities, however, the ones cited above are the most apparent.

There are definite indications that columnist Jack Anderson has, and still is conducting an inquiry into the conduct and management

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of procurement and contracts by the Administration of the TTPI. I have been contacted by the staffs of three Senators and three members of the U.S. House of Representatives on matters referred to above.

The increased interest of the Department of Defense in the importance and probable use of two areas of the island chains (Tinian, Mariana Islands, and Palau, Koror, WCI) in the realignment of the U.S. defense posture in the Pacific is a very serious matter. Construction of a 30 million dollar oil refinery on Tinian, reactivation of a WWII air field for SAC, etc, now focuses world attention on the Trust Territory. The antagonism between the indigenous people of these islands towards the present Administration of the Trust Territory (all cabinet members are from Hawaii) will not decrease, but most assuredly will increase with time. Here is the crux of the matter: time. The U.S. does not have time to spare, it is running out rapidly.

I realize that I may be jeopardizing my career as a civil servant in uttering a public denouncement of the present Administration of the Trust Territory, especially in bringing my complaint directly to the Office of the President of the United States, who appointed the High Commissioner of the TTPI. However, I believe that it is in the best interests of the United States, as well as the people of Micronesia, that some affirmative action be taken by the President which will offset the severe damage to the United States, due to the mismanagement, lack of control and general disinterest in pursuing a firm policy in advancing the status of the TTPI.

Sincerely,

Lawrence D. Morderosian
Box 9933
Washington, D.C. 20015

Johnston Is Lambasted...

By Jack Anderson

WASHINGTON—The smell of scandal is blowing in from Micronesia far out in the Pacific. The ugly odor could forebode serious trouble on islands where Americans fought some of the bloodiest battles of World War II.

More than 10,000 islands are scattered like dust specks throughout the Pacific. Exactly 2,141 of them, known collectively as Micronesia, are ruled by the U.S.

These islands, like idle volcanoes, have been quiet since World War II. But now that the U.S. is pulling back from Asia, military leaders are quietly eyeing the Pacific islands as a forward line of defense. Secret proposals are already under study to establish new bases in the Pacific.

But the U.S. tragically has botched its trusteeship of Micronesia. A succession of political hacks from the States have governed the islands, often in the manner that Northern carpetbaggers ruled the South after the Civil War.

Today, many islanders who hailed their liberation from the Japanese nearly three decades ago would prefer to have the Japanese back.

The Interior Department, which administers Micronesia, has gotten wind of the distant scandal and has sent investigator Ivan Kestner to find out what's brewing. He has received an earful of charges. Here are just a few of them:

"GROSS IRREGULARITIES"

Since the end of World War II, the U.S. has spent hundreds of millions of dollars throughout the trust territory. However, the money has been largely squandered, and the Micronesians have received only minimum benefits. "Gross irregularities" have been alleged in the administration of government contracts. These include illegal change orders that have benefitted favored contractors. There has also been too little monitoring of construction contracts.

formerly a Republican hanger-on in Hawaii, allegedly "has used his office to support his various business interests and the business interests of his friends and associates." He has also been accused of neglecting his duties and lording it over the natives.

Both the high commissioner and his top law officer, Richard Miyamoto, have been charged with violating the basic principles of contracting. One contract inspector, Robert Meyer, reported several serious contract violations, but he was ignored or overruled so often that last month he resigned in disgust. Cited as "typical" of what's going on in the islands is the case of a procurement official who three years ago was a low-paid clerk but now allegedly owns three expensive houses on Guam.

These are just a few of the charges Kestner is investigating—charges of course that haven't been proven and that Johnston and Miyamoto have denied. Yet something evidently is amiss in Micronesia. The natives, once passive, are becoming restive, and the islands no longer seem as remote from the world's hurly-burly.

-WASHINGTON WHIRL-

Ecology Be Damned—House Interior Chairman Wayne Aspinall, D-Colo., is asking the taxpayers for \$133,995 to show that strip mining and oil drilling is good for the environment. He has named New York lawyer Edward Weidenfall as a committee consultant to help him terminal the campaign. In a confidential 12-page memo, Weidenfall proposed holding hearings on oil, gas, coal and other sources of energy. This is a subject that has been neglected by Congress, but a national law is heavy on how the public should swallow the costs of the energy industry and short of that, strip mining and oil wells will do to the environment. Weidenfall also proposes press conferences, a public record briefings for the oil, coal and gas industry put to