


MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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July 10, 1972

MEMORANDUM FOR: MR. EHRLICHMAN
FROM: ALEXANDER M. HAIG, JR. 
SUBJECT: Allegations of Contract Mismanagement in
Our Administration of the Trust Territory
of the Pacific Islands

Mr. Lawrence D. Morderosian, a former contract specialist who worked for our High Commissioner of the Trust Territory of the Pacific Islands (TTPI), has related to a member of the NSC Staff his allegations of contract mismanagement in our administration of the TTPI (Tab A). Morderosian, a retired Air Force officer who spent some years in the Office of Special Investigations and who was subsequently hired by the Department of Interior and assigned to the TTPI (Tab B), claims that the contract mismanagement that he uncovered is resulting in the loss of hundreds of thousands of dollars. (In conversation, he adds that these lapses also involve serious and frequent violations of federal laws.) Morderosian says that his contract investigations were the cause of High Commissioner Johnston's dismissing him in a reduction-in-force action last December, and he is now appealing this to the Civil Service Commission.

In his letter at Tab A Morderosian also calls attention to the other investigations in progress on this question, including those by the Department of Interior, the House Appropriations Committee, and the GAO. He also notes that Jack Anderson has taken up the cudgel, and has furnished us a copy of an Anderson piece last fall (Tab C). In addition, he has taken his case to the Republican National Committee (Tab D) and to Senator Griffin (Tab E).

Morderosian's charges are only the most specific and the most recent complaint on this score of which we are aware. Our administration of the TTPI, which we have had under a United Nations trusteeship since World War II, had suffered fairly continually from serious accusations of this sort. It was in light of this history that former Secretary Hickel in 1969 undertook quite extensive reforms in our administration there. Nevertheless, the problem seems to continue.

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My concern at this point is twofold. First, Morderosian's charges contain a potential for some considerable embarrassment, particularly in an election year. Second, they are very much a part of the larger problem which has contributed to a long-term loss of confidence by the Islanders that the U.S. can administer them effectively--or indeed is seriously interested in trying to do so. Most immediately, this lack of confidence detracts very significantly from our ability to negotiate a new relationship with the Islanders under which we can continue to protect our strategic interests in this territory. We have recently reached agreement with their negotiators in principle on a revised relationship, but face tough negotiations on refining these principles into a number of working agreements.

I would therefore suggest that you may want to look into Mr. Morderosian's charges.

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