

THE WHITE HOUSE
WASHINGTON

July 24, 1972

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR JOHN D. EHRLICHMAN

FROM:

John C. Whitaker

John C. Whitaker

SUBJECT:

Allegations of Mismanagement in the
Pacific Trust Territory

Tod Hullin's memorandum of July 10 (Tab A) forwarded a memorandum to you from Al Haig of the same date (Tab B) asking for a review of allegations that had been made to NSC staff concerning fraud and mismanagement in our administration of the Trust Territory of the Pacific Islands (TTPI):

The concern of NSC regarding this question stemmed from the fact that gross mismanagement or fraud could so undermine the credibility and acceptability of the American stewardship of these strategic islands as to contribute to revulsion of the natives with the United States and attendant risk to the flexibility of our future strategic presence in the Pacific. After reviewing the allegations made in the attachments to the NSC memorandum, my additional concern was to attempt to estimate whether, either because of their substance or their perception by the media, they might contribute to a public scandal between now and the end of the year.

I have reviewed this matter with Bob Hitt and Roy Hughes of Interior. Hughes was sent on a fact-finding tour by the Secretary when the allegations first surfaced last year. His memorandum to me (Tab C) summarizes the independent verifications of the charges together with the corrective measures which the Department has instituted.

- 2 -

ADMINISTRATIVELY CONFIDENTIAL

The individual who brought the matter to the attention of NSC, a former Air Force Officer named Morderosian, is integral to the development of this affair. He has brought his stories of fraud and corruption to the attention of Senator Griffin, the RNC, and probably Jack Anderson. He was RIF'd by Interior and is appealing that action to the Civil Service Commission. Hughes met with him personally on his tour of Micronesia and found that the bluster and drama of his allegations was not backed by facts. In fact, as set out in Hughes' memorandum, Morderosian himself has been the subject of a couple of investigations. The Interior inquiry, backed by a separate study by the U. S. Naval Investigative Service, concluded that the problems in the TTPI were the result of incompetence and unfamiliarity with regulations rather than fraud and deceit. Interior is working on corrective measures to improve the administration, and have acted to bring more natives into the government of the area in order to neutralize local political problems.

Based on these analyses of the allegations, I recommend we take no further action because I am convinced that neither the NSC concern with the unhappiness of the natives nor the domestic political embarrassment of an incipient scandal is a present threat.

In light of the views of the other parties concerning Morderosian's character, and my negative assessment of the chances of his story having untoward impact, I further think it would be inadvisable to attempt to curry Morderosian's favor by finding him another job within the government, although I recognize that, based on his track record to date, he will continue to attempt to try to sell his story to whomever will listen.