



Investigative Report of Anthony Babauta

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This is a version of the report prepared for public release.

SYNOPSIS

The Office of Inspector General initiated this investigation after receiving allegations that former Assistant Secretary for Insular Affairs Anthony Babauta may have been directing Office of Insular Affairs (OIA) grants and contracts to friends. We also received allegations that Babauta mistreated his employees through discrimination and sexual harassment, misused Government equipment and personnel, and took personal trips under the guise of Government travel.

We found that, against the advice of his staff and grant specialists, Babauta directed the award of two OIA grants to the University of Guam (UOG) to support the Micronesian Center for a Sustainable Future (MCSF). Both grants went to Babauta's former employer, a UOG senior official, and UOG subsequently hired Babauta's friend as the MCSF project coordinator. Our investigation revealed that UOG allowed the MCSF project coordinator to expend \$32,636.34 in grant funds on unallowable expenses, many of which were of personal benefit to the MCSF project coordinator.

Interviews with current and former OIA employees support that Babauta made inappropriate comments to employees and conducted himself unprofessionally at times. Babauta had one OIA employee perform work outside the scope of his Government duties. We further found that Babauta resided at the guest house of one subordinate employee for several months without providing compensation. We did not find evidence that Babauta used Government travel for personal gain, but there were certain trips for Government business in which he appeared to benefit personally.

DETAILS OF INVESTIGATION

On October 19, 2012, the U.S. Department of the Interior's (DOI) Office of the Solicitor (SOL) brought allegations to the Office of Inspector General (OIG) that former Assistant Secretary for Insular Affairs Anthony Babauta mistreated his employees through discrimination and sexual harassment, misused Government equipment and personnel, and took personal trips under the guise of official business. These allegations originated from Office of Insular Affairs (OIA) employees, some of whom filed Equal Employment Opportunity complaints against him.

After initiating our investigation on October 26, 2012, we received further information that Babauta may have directed OIA grants to friends, and we incorporated this into our investigation.

Directing Federal Contracts and Grants to Friends

We investigated the following allegations pertaining to contracts and grants:

- a proposed contract to the Council for Native Hawaiian Advancement;
- two grants to the Micronesian Center for a Sustainable Future; and
- two grants to the Guamanian nongovernmental organization Payu-Ta, Inc.

Council for Native Hawaiian Advancement

We interviewed an OIA Guam employee who stated that the most egregious problem within OIA involved the issuance of grants. She believed that Babauta had pushed grants upon the office that would not have otherwise been funded. She recalled that Babauta wanted OIA to issue a grant to the Council for Native Hawaiian Advancement (CNHA) for the Island Business Link project because OIA needed a host organization to manage that grant. The project was for an interactive website designed to improve economic development in the insular areas. OIA learned that it could not give CNHA the grant, she said, so Babauta told her in September 2011 to develop a sole source contract with the organization.

The OIA Guam employee later sent an email to OIG clarifying that Babauta originally wanted to create a partnership with CNHA and had only two options: a grant or a contract. She said that a partnership could not be enacted with a Hawaiian nonprofit via a grant, so a contract was the only choice.

The OIA Guam employee did not understand why CNHA, a Native Hawaiian activist group that only dealt with Hawaiians and did not include Micronesians or American Samoans, should run the program. She surmised that Babauta wanted CNHA to market Island Business Link because CNHA's leadership had ties with senators and other politicians. She specifically noted that a CNHA executive was a good friend of then U.S. Senator Daniel Inouye (D-HI). The OIA Guam employee said that when she expressed her concerns to Babauta, he told her the project was for economic development, and she needed to "get on board." She said she followed Babauta's direction and met with CNHA in an effort to develop the contract.

The OIA Guam employee said she believed Babauta intended to use his position as the Assistant Secretary to further his political aspirations and career, although he never directly told her this. She believed, however, that Babauta thought the CNHA executive had a lot of clout that could later be leveraged for Babauta's own political aspirations.

According to the OIA Guam employee, Babauta told her he wanted to sole source the project to CNHA. She spoke to an attorney-advisor with DOI's Office of the Solicitor, who then met with Babauta and told him he could not do this. When asked about the Government's need for the CNHA contract, the OIA Guam employee said she did not believe it was needed because OIA could do the work. She said that although Babauta was told that he could not award CNHA a sole-source contract for the project, CNHA could still compete for the contract. She reiterated that Babauta told her he wanted CNHA to do the project.

When we interviewed the CNHA executive, she said she did not know Babauta before he was selected as the Assistant Secretary for Insular Areas, but she said that since that time, she had developed a personal relationship with him. According to her, CNHA did not previously have contracts or grants with OIA, but she acknowledged that, at Babauta's request, she traveled to Washington, DC, in January 2012 to meet with Babauta and his staff to discuss a contract with OIA to manage Island Business Link, a component of the Pacific Business Partnership Initiative.

The CNHA executive said the contract was Babauta's idea, and she had never heard of Island

Business Link before he mentioned it. According to her, Babauta said it was an opportunity for CNHA to join in a cooperative agreement with OIA.

Babauta acknowledged that he was friends with the CNHA executive and believed he was introduced to her in 2010. He said that he favored having CNHA manage Island Business Link, which was previously operated by the University of Hawaii. When asked if he recommended that OIA issue a sole-source contract to CNHA to operate the website, Babauta responded that he recommended that it made sense for CNHA to manage the website in conjunction with the work that they were doing with the Pacific Business Partnership Initiative. He continued: "I thought it made sense for CNHA to manage it versus interns at the University of Hawaii that weren't involved with the initiative." He said he did not have any Government contract training and did not understand the meaning of a sole-source contract. Babauta said he assumed that Government procurement rules did not apply to CNHA because it was a nonprofit organization, and OIA routinely gave grants to nonprofit organizations.

When asked if any of his staff indicated that they were uncomfortable with him directing them to prepare the statement of work for a sole-source contract with CNHA, Babauta recalled that the OIA Guam employee might have told him she was more comfortable keeping the contract with the University of Hawaii. He did not believe the OIA Guam employee fully appreciated the vision of the CNHA and Pacific Business Partnership Initiative.

Babauta denied that his recommendations had anything to do with his friendship with the CNHA executive. He admitted that he spoke to her sometime in 2011 about the potential contract with CNHA because he "thought managing the website paired well with the Pacific Business Partnership Initiative" and wanted to get an idea of CNHA's capabilities for the project. Babauta recalled that he invited the CNHA executive to meet with his staff at one point to tell them about her organization and capabilities. Babauta said he also wanted to give the OIA Guam employee a "sense of confidence" that CNHA was a better fit and was just as capable as the University of Hawaii to manage the Island Business Link website.

Babauta believed his staff talked to procurement experts about the potential contract with CNHA. He did not know the status of the contract and did not believe the website was operational.

Micronesian Center for a Sustainable Future

We reviewed two OIA technical assistance grants:

- TA-UOG-MCSF-2011-6 in the amount of \$50,000; and
- TA-UOG-MCSF-2011-10 in the amount of \$401,208.

Our review of the MCSF grants revealed that UOG was awarded a \$50,000 technical assistance grant on July 18, 2011, as an interim measure to provide financial support for the 15th MCES, held from July 25 through July 28, 2011, on Pohnpei in the Federated States of Micronesia. The original end date for the period of performance was July 31, 2012. On August 13, 2012, OIA extended the end date for the period of performance to December 30, 2012, to allow UOG

enough time to submit receipts from the MCES.

UOG was also awarded a \$401,218 technical assistance grant on August 4, 2011, to provide financial support for MCSF. The end date for the period of performance was August 31, 2013. As a result of the OIG investigation, the grant was indefinitely suspended on February 4, 2013, pending an OIA review of the grant-funded activities and expenditures.

We discovered the MCSF project coordinator began communicating directly with Babauta and his staff concerning MCSF funding in September 2009. In January 2010, the MCSF project coordinator continued to email Babauta concerning an MCSF technical assistance grant. In March 2010, Babauta directed members of his staff to speak directly with the MCSF project coordinator concerning MCSF funding.

In a December 15, 2010 email from Babauta to the UOG senior official, Babauta stated: “Thanks boss . . . on MCSF – I have pushed but do not want to micromanage the chiefs. . . . I’ve had a convo with [the President of the Federated States of Micronesia] and [the Governor of Saipan] – seems they have the support to keep GS [Graduate School] for now, but when the grant is up in June, then move to UOG. How does that sound?” A second email from Babauta to the MCSF project coordinator, dated December 26, 2010, informed the MCSF project coordinator that the Graduate School contract would not be extended.

In June 2011, OIA received a letter from the President of the Federated States of Micronesia sent to Babauta, asking for an extension to the Graduate School MCSF contract. Babauta denied the request, citing insufficient time to process and approve the request.

On July 8, 2011, UOG submitted a grant request for MCSF. Babauta forwarded the grant request in an email to the OIA director of technical assistance on July 11, 2011, and asked: “Can you turn this around quickly.” On July 13, 2011, the OIA technical assistance review committee voted unanimously not to fund the grant. On July 15, 2011, UOG submitted a revised grant request, which included a salary increase for the MCSF project coordinator. The grant was subsequently approved by Babauta.

We discovered an email from the MCSF project coordinator to Babauta, dated July 14, 2012, in which the MCSF project coordinator stated: “I am transmitting documents from the [Micronesian] Chiefs and Designated Representative as per our discussion today. We are requesting that you facilitate a transfer of this grant and the funds associated with it directly to the Chiefs.” Babauta forwarded the documents to the OIA deputy director of technical assistance and the OIA director of technical assistance, stating: “I have a gentlemen’s agrrement [sic] with [the UOG senior official] to have this grant ‘pass through’ the University.”

Babauta acknowledged during his interview that the MCSF project coordinator was a personal friend of 15 to 20 years. He said they met in Guam while working to get their candidate elected to the Guam legislature. He said the MCSF project coordinator worked for MCSF by carrying out the agenda of the Micronesian chief executives. He confirmed he directed that the MCSF grant be changed from the Graduate School to UOG. He said the impetus for the change was a letter from the President of the Federated States of Micronesia, expressing dissatisfaction with

the program manager. Babauta acknowledged that the MCSF project coordinator sent him an email stating that the President of the Federated States of Micronesia believed the Graduate School was not doing a good job and that OIA needed to transfer the grant to UOG.

In a separate interview, Babauta said that after deciding to move the grant from the Graduate School to UOG, he discussed the move with his staff, including the director and deputy director of technical assistance. Babauta did not recall exactly how his staff responded to his decision, but he recalled that they were concerned that the university did not have the financial infrastructure needed to properly manage the grant.

We showed Babauta the July 14, 2012 email from the MCSF project coordinator to him in which the MCSF project coordinator requested that the grant be transferred directly to the chief executives. Babauta said that the deputy director of technical assistance later told him in an email that he should not be dealing directly with the MCSF project coordinator. When asked if he followed the deputy director's advice and ceased his dealings with the MCSF project coordinator, Babauta said: "I don't know that that settled on me." Babauta said that because the MCSF project coordinator was his friend, he understood how his continued dealings with him could be perceived as a conflict of interest. Babauta also said: "I guess I should have excused myself." Babauta said he knew that the MCSF project coordinator would be working on the grant and would likely be using these grant funds to pay for travel expenses related to the project but, at the time, he did not consider this to be an issue.

Babauta said the UOG senior official used to be his boss when he worked on Capitol Hill in 1998. He and the UOG senior official maintained a business relationship since that time, but he said he understood now why it might not have been appropriate to deal with the UOG senior official on the grant. In retrospect, he agreed that he should have recused himself, given his personal relationship with the people involved. He said he tried to be fair when awarding grant monies, and because he was from Guam, he always made sure not to appear to be favoring Guam in the award process. Babauta said he had never used his position as assistant secretary to funnel grant or other monies to Guam or his friends in Guam.

During his interview, OIA Director Nikolao Pula mentioned the MCSF grants. He said that the recipient of the grant switched from the Graduate School to UOG. Pula said the MCSF project coordinator was somehow involved in switching the recipient to UOG. Pula asked Babauta why the grant was changed, and Babauta replied that the Micronesian leaders wanted it moved away from the Graduate School. Pula said he contacted the program manager for the Pacific Islands Training Initiative with the Graduate School, who said that the MCSF project coordinator and others had been badmouthing the Graduate School and that the Micronesian leaders still wanted the Graduate School to administer the grant. Pula also said that OIA's grant managers believed the Graduate School performed well and produced good products. Pula expressed overall concerns about grants awarded by OIA since Babauta joined the office. He said he had heard from various staff members that it appeared as if OIA was giving a lot of grants to UOG. Based on his experience, Pula believed that Babauta's involvement with the grant appeared to be a conflict of interest.

The OIA Guam employee had similar concerns about the MCSF grants. She said the MCSF

project coordinator's name was written into the original grant proposal and that OIA budget office staff objected to him being named. She said Babauta told OIA budget staff to help the requestor resubmit a proper grant application by removing the names of proposed employees from their application, even though she believed those people would end up with the jobs anyway. She did not know Babauta's motivation for wanting the grant approved.

When asked how she knew that Babauta and the MCSF project coordinator were friends, the OIA Guam employee recalled that the MCSF project coordinator called her numerous times before Babauta came to OIA and, at one point, told her about Babauta's pending appointment to the assistant secretary position. The MCSF project coordinator wanted to have a reception for Babauta at a conference that she was planning in Honolulu, HI, she said. According to the OIA Guam employee, the MCSF project coordinator told her he was good friends with Babauta.

The OIA Guam employee said it was general knowledge that Babauta and the MCSF project coordinator were friends from Guam. She said the MCSF project coordinator had a government job with the environmental office in Guam and now worked as a paid employee under the MCSF grant. She surmised that the grant was changed to UOG from the Graduate School because of Babauta's friendship with the MCSF project coordinator and the UOG senior official, who had brought Babauta to Washington, DC, when the UOG senior official represented Guam in Congress.

We interviewed a special assistant from the Office of the Governor, Saipan, Commonwealth of the Northern Mariana Islands (CNMI), who said she worked for the Governor of Saipan. According to the special assistant, the Micronesian chief executives would meet once or twice a year to discuss CNMI economic development concerns, and they realized that they needed a mechanism for tracking their ideas and discussions during these meetings, which led to the development of MCSF.

The special assistant said the Graduate School originally provided funds to MCSF through a contract with OIA. She said the program manager for the Pacific Islands Training Initiative administered the funds, but the Graduate School administered the funds too strictly. CNMI wanted more control over how the funds were distributed and used. These problems led to the development of a grant for MCSF awarded through UOG.

According to the special assistant, the MCSF project coordinator was recently hired to work on the grant and was doing a good job. She said he was the only person who responded to their solicitation. The \$30,000 contract awarded to the MCSF project coordinator in October 2012 expired in June 2013. She said the MCSF project coordinator worked for MCSF prior to this without compensation and that his friendship with Babauta was one of the main reasons that MCSF awarded him the contract. She said the MCSF project coordinator had "the ability to pick up the phone and call Babauta and get things done."

We interviewed the Governor of Yap State, Federated States of Micronesia, and the Assistant Attorney General of the Yap State Government. The Governor of Yap State said the administration of MCSF by the Graduate School was initially slow, but it eventually improved. He said he was not satisfied with the current administration of the OIA grant through UOG and

the MCSF project coordinator. He added that he was not involved in selecting the MCSF project coordinator and only recently met him at an MCSF function. The MCSF project coordinator told the Governor of Yap State that he had the ear of somebody in Washington, DC. The Governor assumed that the MCSF project coordinator was referring to Babauta because he had heard that they were friends.

The director of resources and development for the State of Kosrae, Federated States of Micronesia, who was the Kosrae designated representative to MCSF, said he did not know why the MCSF grant transitioned from a contract with the Graduate School to a grant with UOG. He was unaware of a decision by the Micronesian chief executives to obtain support from UOG and felt the Graduate School had done an exceptional job managing MCSF.

The director of resources and development for the State of Kosrae said he had no complaints with the manner in which the program manager for the Pacific Islands Training Initiative managed MCSF for the Graduate School. He recalled that the MCSF project coordinator replaced the program manager for the Pacific Islands Training Initiative in or around March 2012. The director of resources and development for the State of Kosrae said that the MCSF project coordinator did not manage MCSF as well as the previous program manager. He believed that the MCSF project coordinator may have been chosen because of his friendship with Babauta.

The program manager for the Pacific Islands Training Initiative said that on June 14, 2010, the Graduate School was awarded a 1-year, \$494,000 contract modification to manage MCSF. The program manager said an MCES was held in Saipan on June 22, 2010, shortly after the contract was awarded. He explained to the chief executives that the goal of the first year of the contract was to establish an MCSF “operational center” with “financial procedures” that would eventually allow MCSF to receive and manage grants themselves. He said he was asked to financially compensate the MCSF project coordinator and a local attorney for MCSF for work they performed that was outside the scope of the contract. According to the program manager, the attorney was disappointed when he learned that Federal procurement regulations and Graduate School rules prohibited the program manager from providing financial compensation for work performed outside the scope and limits of the contract.

The program manager for the Pacific Islands Training Initiative said that the MCSF project coordinator, the attorney, and the MCSF designated representative from Guam questioned the Graduate School’s procurement methods and felt that the program manager was dictating the type of projects MCSF could pursue. They also wanted to revisit awarding financial compensation to the attorney and the MCSF project coordinator.

The program manager for the Pacific Islands Training Initiative said the next MCES, held in December 2010 on Palau, was going well and that MCSF appeared to be on track until Babauta’s arrival. According to the program manager, Babauta and the MCSF project coordinator appeared to be friends and were in “lockstep” with each other during the summit. The program manager said he attempted to meet with Babauta to give him an update concerning the Graduate School contract, but Babauta declined to meet with him during the summit. According to the program manager, Babauta brought the MCSF project coordinator with him to several of the summit

meetings, including a private meeting with the chief executives.

The program manager for the Pacific Islands Training Initiative said that after the summit in Saipan, the MCSF attorney sent him several invoices for payment of Deloitte services and filing fees, which were paid by the Graduate School. The attorney also asked to be placed on retainer, a request that the program manager denied. The attorney then sent emails to some of the designated representatives, stating that the Graduate School was not fulfilling the will of the chief executives. According to the program manager, the MCSF project coordinator and the attorney did not want the Graduate School contract extended, preferring that MCSF be financed via a pass-through grant through UOG.

The program manager for the Pacific Islands Training Initiative said the chief executives sent a letter to Babauta asking for a no-cost extension to the Graduate School contract, but OIA denied the request. The program manager said he was not aware of any dissatisfaction expressed by the chief executives concerning the Graduate School's performance on the MCSF contract, but it was clear that Babauta wanted a grant awarded to UOG to manage MCSF.

We interviewed an OIA grant specialist and asked why the MCSF contract with the Graduate School was not extended and grants to support MCSF were subsequently awarded to UOG. He replied that it was clear that the contract would be awarded to UOG. He also thought Babauta specifically directed OIA managers to approve a grant to UOG.

When asked if he thought the distribution of grant funds was being supervised by UOG, the OIA grant specialist said that funds were awarded to UOG, who in turn provided funds to friends of Babauta's, such as the MCSF project coordinator and the MCSF attorney. The grant specialist further stated that he believed that MCSF used UOG as a pass through to give the guise of legitimacy.

When asked if he knew the MCSF project coordinator, the OIA grant specialist said he had met the MCSF project coordinator once on a flight. He said the MCSF project coordinator overheard that he worked for OIA, and the MCSF project coordinator told him about his friendship with Babauta. The grant specialist believed that Babauta pressured OIA to provide less oversight to UOG than would have been provided to other grantees. He stated that the UOG senior official also had a personal relationship with Babauta.

During his interview, the Governor of Guam said he selected the MCSF designated representative from Guam and authorized her to make day-to-day decisions regarding Guam's involvement. The Governor of Guam said he and the Micronesian chief executives were glad that MCSF management moved from the Graduate School to UOG.

The Governor of Guam told us that he and Babauta were not personal friends and that he had not known Babauta before becoming governor. When asked to comment on the DOI OIA grant policy in Guam, he said he was worried about OIA's policy of not consulting with the governor's office and of awarding grants and compact-impact agreements directly to nongovernment organizations. According to the Governor of Guam, the governor's office was more in touch with issues in Guam than OIA and could ensure that grant and compact-impact funds were effectively

managed.

The Governor of Guam said he complained to then Secretary of the Interior Ken Salazar about the lack of input he had regarding the distribution of OIA grants and compact-impact agreements. Salazar referred the matter to Babauta, who did not change the policy. The Governor of Guam mentioned one egregious case in which Babauta provided grant and compact-impact information directly to a Guam state senator but did not inform the governor's office. According to the Governor of Guam, Babauta's decision had a major impact on Guam and should have been handled by the governor's office.

When we interviewed the MCSF designated representative from Guam, we asked her to explain why the Graduate School contract with MCSF was not extended. She said she had some concerns regarding the manner in which the Graduate School managed the MCSF contract. She said she was suspicious of how the Graduate School hired consultants. She said the Guam delegates to MCSF preferred that the grant be managed by UOG.

The MCSF designated representative from Guam said she did not know that the Graduate School denied specific requests from MCSF to compensate the MCSF attorney and the MCSF project coordinator for work they performed for MCSF prior to the Graduate School contract. She acknowledged that the MCSF project coordinator and Babauta were friends.

When asked to explain how the grant funds through UOG were being used, the MCSF designated representative from Guam said the funds were used to create the initial structure of and get the process started for MCSF. She provided examples of grant fund expenditures, such as a \$1,200 monthly lease for the MCSF office in Hagatna, Guam; compensation for the MCSF attorney and the MCSF project coordinator for work they performed on previous summit meetings; and money provided in advance to the Government of Kosrae to host the MCES.

The MCSF designated representative from Guam explained that the Micronesian chief executives approved the MCSF budget, and UOG managed the grant funds. The specific grant fund expenditures, she said, were processed through UOG and approved before the money was spent. The grant funds were deposited into the MCSF account at the Bank of Guam. She said that she, the MCSF attorney, and the MCSF project coordinator had access to the account and could withdraw funds.

We asked the MCSF designated representative from Guam if MCSF grant funds were used to purchase restaurant meals and food for summit participants, to which she replied, "Maybe." She said the grant funds were provided in advance to the government hosting the summit. When asked who was responsible for ensuring that funds were used for authorized purposes, she replied that it was the responsibility of the host government.

We asked the MCSF designated representative from Guam if Federal procurement regulations were followed concerning the MCSF employment contracts for the MCSF attorney and the MCSF project coordinator. She said UOG was responsible for ensuring that Federal procurement regulations were followed and that the jobs were advertised in the Pacific Daily News. She said they followed the proper process when they hired the MCSF project coordinator, adding that she

had conducted the MCSF project coordinator's job interview with a representative from UOG. She stated she was not concerned about the appearance that the MCSF project coordinator was preselected for his position because of his previous work experience with MCSF. She added that she believed the MCSF attorney and the MCSF project coordinator were hired at the direction of the chiefs.

During a second interview, we asked the MCSF designated representative from Guam to explain the MCSF rental car policy. She said MCSF did not have a formal policy but followed UOG requirements. She said grant funds were only authorized to pay for rental vehicles when off-island MCSF personnel were attending a meeting or event. She acknowledged that the MCSF project coordinator may have misused an MCSF rental vehicle, but said she did not personally discuss the matter with the MCSF project coordinator.

The MCSF designated representative from Guam said she was satisfied with the MCSF project coordinator's performance of his duties. She based her evaluation of his performance on the successful completion of the MCES. She admitted that he was not very strong in the day-to-day details of MCSF-related duties.

We interviewed an employee from the Guam Environmental Protection Agency, who said she had participated in the MCES for several years. According to this employee, she belonged to an MCES committee that focused on environmental issues. Her committee came up with the idea to create an administrative branch for the MCES to organize and coordinate activities.

At the direction of the chief executives, a design team was created to develop a business plan for the administrative arm, which later became known as MCSF. The Guam Environmental Protection Agency employee said she and the MCSF project coordinator were on the design team. She said she was not satisfied with the Graduate School's overall involvement with MCSF, leading to MCSF being funded through a Federal grant awarded to UOG.

The Guam Environmental Protection Agency employee believed the Micronesian chief executives made the actual decision to switch from the Graduate School to UOG. She recalled that the Governor of Saipan, the MCSF project coordinator, and Babauta all supported the move to UOG. The President of the Federated States of Micronesia also supported the move but sent a letter to OIA requesting an extension for the Graduate School contract.

The UOG senior official said his first involvement with MCSF was in September or October 2008. According to the UOG senior official, the Republic of Palau President wanted to create MCSF as a collaborative effort with UOG to address economic and environmental issues regarding island sustainability. The Republic of Palau President felt UOG could obtain Federal funds, and he could receive European Union funds to assist with the creation of MCSF.

According to the UOG senior official, the MCSF idea did not materialize until 2010 when he signed a memorandum of understanding (MOU) with the Micronesian chief executives to collaborate on MCSF issues. The MOU did not involve funding from UOG. The UOG senior official said MCSF initially received funding from the Graduate School. The Micronesian chief executives became concerned when the Graduate School did not spend the money fast enough.

The UOG senior official said he had a telephone conversation sometime between June and August 2011 with Babauta and the Governor of Saipan during which they suggested that UOG apply for a grant to manage MCSF. According to the UOG senior official, he told Babauta and the Governor of Saipan that UOG could manage MCSF funding faster and with more flexibility than other agencies but had to obey procurement and personnel rules. UOG subsequently applied for and received a \$50,000 grant to support MCES, and a \$400,000 grant to support MCSF.

When asked who initiated the 2011 telephone conversation with Babauta and the Governor of Saipan, the UOG senior official acknowledged that Babauta organized the telephone call and made it happen. He said he had conversations with a Guam Environmental Protection Agency employee, the MCSF project coordinator, and the MCSF attorney in 2008 or early 2009 concerning MCSF and the possibility of obtaining a DOI grant.

The UOG senior official said he knew that grant funds were used to pay both the MCSF attorney and the MCSF project coordinator for work they accomplished during a previous MCES. When asked if the MCSF attorney and the MCSF project coordinator were paid for work completed prior to their contracts, he responded that the MCSF attorney and the MCSF project coordinator were paid at the chief executives' request.

According to the UOG senior official, his executive assistant managed the administrative requirements for the MCSF grant. When asked if he verified the MCSF grant work performed by the MCSF attorney and the MCSF project coordinator, he responded that he had not. He said his role was to administer the grant according to the rules and regulations and to accommodate the MCES. He said he was not interested in MCSF. We asked him if he was comfortable with the MCSF attorney's and the MCSF project coordinator's performance concerning their contracts with UOG and MCSF. He responded that he was only interested in making sure that all work under the grant was completed according to UOG procurement rules.

When we asked the UOG senior official if the grant funds were being properly expended, he stated that he believed they were because the request for payment came from the Micronesian chief executives.

A UOG executive assistant said that a few years ago, the MCSF project coordinator and a Guam Environmental Protection Agency employee gave a presentation to the UOG senior official in which they discussed MCSF and their desire to partner with the university. According to the executive assistant, at the time, the Graduate School provided assistance to MCSF through a DOI contract, but the chief executives did not want to continue the contract. As a result, UOG applied to provide the technical assistance via a grant.

The UOG executive assistant said she filled out the application and met with the MCSF project coordinator and a Guam Environmental Protection Agency employee to ensure that UOG addressed the chief executives' needs for assistance. The executive assistant said that each of the chief executives also had direct representatives, whom she tried to include in the meeting. She said the MCSF project coordinator suggested that she add a portion about creating a physical office to house MCSF.

The UOG executive assistant said the MCSF project coordinator indicated that he had previously completed work for MCSF for which he was not compensated. She recalled that one of the payments made through the grant reimbursed the MCSF project coordinator for his work at the December 2011 summit in Kosrae. The executive assistant said the MCSF attorney also received reimbursement for that time. She believed that the OIA director of technical assistance may have authorized the reimbursement. According to the executive assistant, the MCSF project coordinator's reimbursement request totaled \$5,500. The executive assistant said the MCSF attorney sent detailed billings for his work preparing documents for MCSF.

When discussing the office space rented by MCSF, the UOG executive assistant stated that she did not see the lease but had spoken with the landlord. She said she explained to the landlord that UOG was only covering the rent and that whatever agreements or arrangements he made with MCSF would not involve UOG.

When asked about the hiring process for the MCSF attorney and the MCSF project coordinator, the UOG executive assistant stated that a request for proposal (RFP), written by her and the MCSF designated representative from Guam, appeared in a local newspaper for 1 day. According to the executive assistant, the MCSF project coordinator was the only applicant for the position. The executive assistant stated that three individuals applied for the attorney position.

The UOG executive assistant did not know if the MCSF project coordinator provided input to the MCSF designated representative from Guam concerning the RFP. She believed that the RFP stated the applicant should have prior experience with MCSF but was not certain. The executive assistant said she was concerned with the MCSF project coordinator's selection because she felt he was incompetent. She referred to him as a "name dropper" who often used Babauta's name when things were not being done as quickly as he wanted. She interpreted this as his attempt to pressure her to do something. She said she had never been under the impression that OIA expected UOG to do anything for him.

The UOG executive assistant recalled that the MCSF project coordinator had said he had done a lot of work on behalf of MCSF, but she did not know if there was any measurable output. She questioned the MCSF project coordinator's work ethic but said she had no problems or issues with the MCSF attorney and said he appeared to be competent.

We asked the UOG executive assistant about a reimbursement to Kosrae for the 16th MCES that described meals being purchased with grant funds. She was not sure if the expenditures were a legitimate use of grant funds or if receipts had been submitted to support the amount spent.

The UOG executive assistant believed UOG did not have space to house MCSF and that MCSF did not want to be located at UOG. She recalled being pleased to pass the grant administration duties to a UOG senior official for graduate studies. She said the grant took up too much of her time, and she disliked dealing with the MCSF project coordinator. According to the executive assistant, the senior official managed UOG's Center for Island Sustainability, which linked him to the MCSF grant administration.

The UOG executive assistant stated that while MCSF might believe it did not need to adhere to rules, UOG held it accountable. She said the MCSF designated representative from Guam understood the need to adhere to rules but still believed that she would push for the chief executives to get what they wanted.

The UOG senior official for graduate studies, who administered the MCSF grant after the UOG executive assistant, said he tasked the UOG program coordinator to help him with the grant. The senior official said the first task he dealt with as grant administrator was the MCES in Majuro, Republic of the Marshall Islands, which occurred in October or November 2012. As the senior official and the UOG program coordinator became involved with the management of the grant, the senior official said they had to get various business procedures in line and make sure that everything was going to be done according to both OIA guidelines and the guidelines of the Government of Guam.

The UOG senior official for graduate studies said they mostly worked with the MCSF attorney, relying on his experience to ensure they followed all regulations. Since his involvement, the senior official said, he believed work had been conducted according to OIA rules. The senior official said he had also been working with the MCSF project coordinator but mainly dealt with the MCSF attorney and the MCSF designated representative from Guam.

The UOG senior official for graduate studies said that since he assumed control of the MCSF grant, UOG had not audited every transaction because of the rush to prepare for the MCES. He believed UOG was behind on auditing transactions but was becoming more responsive in that area.

The UOG senior official for graduate studies said the UOG program coordinator was reviewing the most current invoices received from MCSF grant expenditures with the MCSF attorney. The senior official said some of the invoices included payments to the MCSF attorney and the MCSF project coordinator. These invoices were broken down by specific tasks that had been performed. When asked why MCSF rented an office instead of being housed at UOG, the senior official said the university did not have much available space.

When we interviewed the UOG program coordinator, we asked her if she had any concerns about the MCSF grant. She said the UOG senior official for graduate studies introduced her to the MCSF project coordinator in September 2012. The UOG program coordinator said UOG authorized the MCSF project coordinator to provide \$15,000 to the RMI government to prepare for the 18th MCES to be held in Majuro in November 2012. The grant money was provided because MCSF needed to start preparing for the summit.

According to the UOG program coordinator, during a 3-day, presummit meeting in preparation for the 18th MCES, the MCSF project coordinator rented several cars from Blake's Car Rental for the presummit attendees. The UOG program coordinator stated that one of her employees received a telephone call from the owner of Blake's Car Rental reporting that the MCSF project coordinator had kept one of the vehicles for longer than anticipated, and the bill had not been paid.

In addition, the UOG program coordinator said that the MCSF project coordinator told her the MCSF office needed to be renovated. She thought this was unusual because UOG's grant recipients typically rented office space that was ready for occupancy and did not require renovation. The MCSF project coordinator gave the UOG program coordinator a tour of the MCSF office, and she believed he wanted to use grant funds to build a conference room and a receptionist area. According to the UOG program coordinator, the office was rundown and in need of major repair and renovation.

The UOG program coordinator asked the MCSF project coordinator why he chose that particular location for the MCSF office. He told her MCSF wanted to be close to the ocean and close to the Association of Pacific Island Legislatures (APIL), because MCSF and APIL collaborated on certain projects. She said that during the 18th MCES she learned that MCSF and APIL did not have a close working relationship.

We interviewed the MCSF attorney, who said he began providing free legal services for MCSF in 2008, expecting he would eventually be given a part-time job. He met with the UOG senior official to discuss the MCSF grant. He was under the impression it would be a pass-through grant, allowing MCSF to control distribution of funds. According to the MCSF attorney, the UOG senior official made it clear that UOG would control distribution of the grant funds.

When asked why the Graduate School contract to support MCSF was terminated, the MCSF attorney said the Graduate School was actively involved in policy issues, and that was not what Guam wanted. According to the MCSF attorney, the MCSF designated representative from Guam was dissatisfied with the Graduate School's management of the contract. The MCSF attorney initially said he was not aware of any requests to the Graduate School to compensate him or the MCSF project coordinator for services provided to MCSF, but he later acknowledged that the MCSF project coordinator may have submitted invoices and requested payment.

Regarding the MCSF office lease, the MCSF attorney said UOG wanted to provide staff and office space on the UOG campus, but MCSF wanted to be independent and did not want UOG to use grant funds to pay for staff or space. When asked why MCSF rented an office that needed renovation, he said it was near the ocean and in the same building as APIL, who they routinely worked with. He said the lease was less expensive than two other quotes they received. The MCSF attorney acknowledged the MCSF office was recently furnished, and that the MCSF project coordinator may have asked UOG to use grant funds to renovate the office space.

When asked to discuss items purchased in support of the 18th MCES in Majuro, the MCSF attorney indicated that the MCSF project coordinator organized the summit and had given the Republic of the Marshall Islands \$15,000 for summit expenses. The MCSF attorney acknowledged some of the money may have been used to purchase meals for the summit participants and other unauthorized expenditures.

The MCSF attorney also acknowledged that the MCSF project coordinator may have kept rental cars longer than necessary, used rental cars for personal reasons, and attempted to pay for personal rental cars using grant funds. We asked the MCSF attorney why the MCSF project coordinator attempted to misuse grant funds. He said the MCSF project coordinator did not have

a car that worked and that, based on what he knew, the MCSF project coordinator's only income came through MCSF.

We interviewed the special assistant to the President of Majuro and the chief of staff to the President of Majuro. They both said they flew to Guam in early October 2012 to attend a presummit meeting for the 18th MCES, held on Majuro in November 2012. The MCSF project coordinator arranged the meeting and provided them with a rental car to share while they were on Guam. The chief of staff said they left Guam on October 8, 2012, and gave the rental car to the MCSF project coordinator. According to the chief of staff, a few days after he returned to Majuro he received an email from the rental car company indicating the car had not been returned. The chief of staff contacted the MCSF project coordinator and expressed his concern, saying he did not want his credit rating damaged by the MCSF project coordinator's failure to return the rental car on time. The chief of staff said the MCSF project coordinator apologized and said MCSF funds would be used to pay for the rental car.

When asked about funding for the 18th MCES, the special assistant and the chief of staff to the President of Majuro said the MCSF project coordinator provided the Republic of the Marshall Islands with \$15,000 in grant funding before the summit. The special assistant said they used the money to purchase executive chairs and pay for summit dinners and supplies. According to the special assistant, the MCSF project coordinator approved all of the purchases in advance. The special assistant said the MCSF project coordinator promised them another \$15,000 in grant funding to pay for the remaining summit costs, but they never received the money. The special assistant said he was upset because they used the Republic of the Marshall Islands funds to pay for the remaining summit costs. The chief of staff added that the MCSF project coordinator promised to use MCSF grant funds to pay for their airfare. According to the chief of staff, he and the special assistant used the Republic of the Marshall Islands funds to purchase their tickets and were never reimbursed.

When asked about the MCSF project coordinator's performance, the special assistant to the President of Majuro said he was suspicious of the MCSF project coordinator's actions during the 17th MCES held on Guam in March 2012. According to the special assistant, the MCSF project coordinator arranged a meeting during the summit between the chief executives and Babauta. The MCSF designated representatives and staff were not allowed to attend the meeting. The special assistant to the President of Majuro felt the exclusion of the MCSF designated representatives and staff placed the Micronesian chief executives at a disadvantage because their staffs had been unavailable to provide information with which to make important decisions.

We interviewed an employee from Blake's Car Rental in Tamuning, Guam. He said the MCSF project coordinator rented three cars in October 2012, all of which were paid for by UOG using Federal grant funds. According to the employee, the MCSF project coordinator kept one of the cars for 2 weeks—1 week longer than the contract specified. The employee notified UOG, and UOG officials indicated that they would only pay for the original contract period. The employee said the MCSF project coordinator still owed the difference to Blake's Car Rental and could no longer rent cars from the company until he paid off his debt.

We also interviewed an employee from Payless Car Rental in Tamuning, Guam. She said the

MCSF project coordinator rented a car in March 2012 that was paid for by UOG using Federal grant funds. According to the employee, the MCSF project coordinator did not have a valid driver's license, so she could not put his name on the rental contract. She said the MCSF project coordinator's friend provided a valid driver's license. The rental contract was in the friend's name, but, according to the Payless Car Rental employee, the friend did not appear to be affiliated with MCSF or UOG.

The Payless Car Rental employee said the MCSF project coordinator returned the vehicle on March 21, 2012, 5 days after the anticipated return date. She inspected the vehicle and discovered it had been damaged. According to her, the MCSF project coordinator was in an accident while operating the vehicle. She said she called the UOG executive assistant and told her about the MCSF project coordinator's accident in the rental car. The Payless Car Rental employee said she did not require the MCSF project coordinator or UOG to pay for the repairs to the vehicle because the cost was minimal, and she did not want the incident to interfere with future business with UOG.

We interviewed the president of Carl Rose Realty Inc., in Tamuning, Guam. We asked him if he leased property to the MCSF project coordinator. He said the MCSF project coordinator rented two properties, both located at 181 East Marine Drive, in Hagatna, Guam. According to the president of Carl Rose Realty, UOG paid for suite #206 and the MCSF project coordinator paid for suite #210. Rental payments for both properties were up to date. The president of Carl Rose Realty said the MCSF project coordinator expressed an interest in renovating suite #206, which was the MCSF office. He said the MCSF project coordinator lived in suite #210 and paid the rent in cash.

We interviewed the owner of Ideal Advertising in Tamuning, Guam, who said he met the MCSF project coordinator in 2005 while the MCSF project coordinator was working with a recycling company. They met again in July 2011, when the MCSF project coordinator asked the owner to create a banner design for the 15th MCES. According to the Ideal Advertising owner, his company spent approximately 10 hours preparing the banner design, and the MCSF project coordinator spent about 1 hour providing them the technical guidance necessary to complete the project. He said he did not charge the MCSF project coordinator for the work performed but that it would have cost around \$850.

The owner of Ideal Advertising said the MCSF project coordinator contacted him in late 2011 or early 2012 requesting that his company design a website and a vertical banner and provide conference materials for the 16th MCES. Ideal Advertising was paid \$3,723.20 for the work and materials requested. The owner said the MCSF project coordinator spent approximately 3 hours providing guidance on the project.

The owner of Ideal Advertising said his next project with MCSF was around November or December 2012 when he was asked to provide conference materials for the 18th MCES. The company was paid \$6,567.80 for the materials, and the MCSF project coordinator spent about 3 hours assisting with the project.

We interviewed the MCSF project coordinator, who was asked to explain how support for MCSF

transitioned from a contract with the Graduate School to a UOG grant. He said the genesis for the idea was the MCSF memorandum of understanding between the UOG senior official and the President of the Federated States of Micronesia. According to the MCSF project coordinator, the chief executives later decided not to extend the Graduate School contract, but their decision was not unanimous. When asked if the chief executives based their decision on his recommendation, the MCSF project coordinator acknowledged that he and an employee from the Guam Environmental Protection Agency discussed the Graduate School contract with the President of the Federated States of Micronesia, who was already inclined to deny the Graduate School contract extension request.

When asked if he was friends with Babauta, the MCSF project coordinator said he and Babauta worked together on the election campaigns for two Guam delegates to the U.S. House of Representatives. He described his 15-year relationship with Babauta as a friendship based upon their affiliation with the same political party. We asked him if he suggested that Babauta deny the Graduate School's request for a no-cost extension to the MCSF contract. He admitted that he emailed Babauta, recommending awarding a grant to UOG and terminating the Graduate School contract.

The MCSF project coordinator acknowledged the work performed by the Graduate School for MCSF formed the basis for his management procedures for MCSF. He denied asking the Graduate School to compensate him for work he had previously performed in support of MCSF, but he admitted there was an assumption that he would be compensated. He said that he generated ideas for MCSF and brought people together. The only income he was receiving was from MCSF, and he was not otherwise employed. When asked where he resided, he said he rented a room in the same building in which the MCSF office was located.

We asked the MCSF project coordinator to provide records supporting the hours reflected on his invoice to UOG concerning the work he performed in preparation for the 15th and 16th MCES. He said he did not actually attend the summits. He acknowledged the hours reflected on his invoice were an estimate, and the actual hours he worked in support of the summits were not documented. He considered the successful completion of MCES as the deliverable for his MCSF contract with UOG.

When asked why he located the MCSF office at 181 East Marine Drive, Suite 206, in Hagatna, Guam, the MCSF project coordinator said the location was close to APIL and was less expensive than the other two potential offices. We asked him when the office was leased and when it became fully functional. He said the office was leased in July 2012 but did not become fully furnished, decorated, and functional until January 2013. When asked why it took so long for the office to become functional, he said the office was in poor condition when they signed the lease, and the procurement process for the furniture took a long time. According to the MCSF project coordinator, OIG's visit inspired them to complete the renovation and furnish the office.

The MCSF project coordinator was asked to explain a \$500 invoice from the Touro Café in Guam in October 2012. He said the MCSF designated representatives held a presummit meeting for 2 days at the Touro Café in preparation for the upcoming summit. When asked why the meeting was not held at the MCSF office, he replied the office was not furnished at that time.

When asked about the MCSF rental car policy, the MCSF project coordinator acknowledged that he asked his friends to sign for rental cars because he did not have a valid driver's license in Guam. He said he did not have a working, personal car and admitted he sometimes kept MCSF rental cars for longer than necessary to use for personal reasons. He admitted he was involved in two motor vehicle accidents while operating rental cars reserved for MCSF.

The MCSF project coordinator also acknowledged that he provided the government of the Republic of the Marshall Islands with a \$15,000 grant fund advance to host the 18th MCES on the island of Majuro during November 2012. He provided copies of invoices from the summit, including \$4,950 for an executive summit dinner, \$400 for flowers, \$240 for dignitary flag poles, \$3,962 for office supplies, \$2,220 for 12 executive chairs, and \$500 worth of seafood. When asked to explain the charges for items that did not appear to be within DOI regulations concerning grant and conference funding, he replied that the charges were authorized by the Micronesian chief executives and the Republic of the Marshall Islands government.

OIA reviewed the two technical assistance grants awarded to UOG to determine if applicable rules, regulations, and procedures were followed concerning the implementation of grant-funded activities and expenditures. OIA determined that according to Federal regulations (43 C.F.R. § 12), \$32,636.34 was deemed unallowable. The unallowable costs included funding for gifts, hotel room charges, rental car charges, food, flowers, furniture, and meeting expenses.

Agent's Note: Interviews and a review of the grant invoices by OIG determined that the MCSF project coordinator authorized all of the unallowable charges and that he requested payment of an additional \$15,295 for his services that OIA could not verify based on the documents provided by UOG.

OIA reported the results to UOG in a July 12, 2013 memorandum from Acting Assistant Secretary for Insular Affairs Eileen Sobeck to the UOG senior official. Sobeck informed the UOG senior official that OIA was terminating the grants and that the remaining funds—approximately \$378,818—were being deobligated and returned to the Federal Government.

Guamanian Nongovernmental Organization Payu-Ta

We asked an OIA special assistant about a grant issued to Payu-Ta, Inc., Guam's umbrella association of nongovernmental organizations, in August 2011. Information obtained by investigators indicated that the OIA grant review committee recommended that the grant be denied, but Babauta overruled them and awarded the grant. The special assistant recalled that the grant application might have been to support the attendance of a specific delegation at a conference in Hawaii. Although she did not recall specific information, the special assistant believed Payu-Ta might not have had the ability to provide a financial report to satisfy grant application reporting requirements. She also believed funding for the grant was made through the Guam Community College (GCC), which had the ability to account for grant fiscal requirements. The OIA special assistant recalled that Babauta showed a particular interest in this grant. She understood that Babauta had attended this conference in the past. According to the special assistant, leaders from insular areas throughout the Pacific attended the conference, and Babauta believed it was a worthwhile event. The special assistant said Babauta did not have a personal

relationship with any grant recipients.

When interviewed about the Payu-Ta grant, the OIA Guam employee said that the Payu-Ta director was mentioned in the grant issued to GCC on behalf of Payu-Ta, even though people were not supposed to be preselected for the jobs. When asked about Babauta's interest in the Payu-Ta grant, the OIA Guam employee said Babauta would sit in on grant meetings because he had friends involved in the grant, including the Payu-Ta director.

When we interviewed the Payu-Ta director, she explained the main purpose of Payu-Ta was to provide financial and grant management training to nonprofit organization members in an effort to make the members more self-sufficient.

When asked about the DOI grants to GCC concerning support for Payu-Ta, the Payu-Ta director said Payu-Ta applied directly to DOI for grants, which were denied because of its lack of experience performing according to Federal grant requirements. The Payu-Ta director said she went to Washington, DC, to talk to the DOI OIA staff in an effort to learn how to improve Payu-Ta's grant applications. In spite of her efforts, OIA did not award a grant directly to Payu-Ta. She said DOI agreed to award the grants if they were managed by GCC.

We asked the Payu-Ta director if she approached Babauta for help. She said she and Babauta discussed the grant applications, but she never directly asked him for help. She acknowledged she knew Babauta but said they were not personal friends.

We asked the Payu-Ta director how the grant funds were used. She said Payu-Ta was not a direct recipient of the grant funds. She said she did not see the GCC financial reports, but she assumed the funds were used to pay for travel, lodging, and registration fees for nonprofit training events in Hawaii and Guam.

We asked the Payu-Ta director if the MCSF project coordinator attended events sponsored by the GCC Payu-Ta grants. She said he attended a conference in Hawaii and was fully engaged during the event. When asked if Babauta and the MCSF project coordinator were friends, the Payu-Ta director said she got the impression from the MCSF project coordinator that he and Babauta were friends.

We interviewed the executive director of Guma' Mami Incorporated. She said she managed the Payu-Ta grants that were awarded to GCC and that the Payu-Ta nonprofit organization was the subrecipient of the grant. The executive director said Payu-Ta was an umbrella organization for other nonprofit organizations that provide support to each other on Guam.

The executive director of Guma' Mami said Payu-Ta had not directly received any grants from OIA. She stated that in 2011, they applied for a grant directly through OIA, but the application was not accepted due to the lack of fiscal management personnel in place at Payu-Ta. She said OIA decided to give the grant to GCC to serve as a fiscal intermediary for Payu-Ta.

The executive director of Guma' Mami did not know whose idea it was to award the grants to GCC, but she said much of the communication between Payu-Ta and OIA was handled by the

Payu-Ta director. The executive director of Guma' Mami also said: "I don't think that [Guam Community College] was the . . . only choice. I think the University of Guam was also another choice that we could have had to go through [as] the intermediary."

The executive director of Guma' Mami said she believed Payu-Ta received between \$40,000 and \$50,000 for the first grant in 2011, which they used for a conference in Guam that gathered people from various organizations for training. She said Payu-Ta also received a second grant to fund members' travel to and participation in the CNHA conference in Hawaii. She thought the conference occurred in October 2012.

The executive director of Guma' Mami said the MCSF project coordinator was a consultant for Payu-Ta and helped plan and coordinate their conference. The MCSF project coordinator assisted with marketing, setting up the website, and putting ads together. The MCSF project coordinator originally contacted the executive director of Guma' Mami and volunteered to help Payu-Ta with their conference. The executive director of Guma' Mami knew of the MCSF project coordinator but had not met him before. She believed the MCSF project coordinator may have found out about the upcoming Payu-Ta conference through the Payu-Ta director. She also said Payu-Ta members had worked with the MCSF project coordinator on other community projects. The executive director of Guma' Mami said she was dissatisfied with the overall performance that the MCSF project coordinator provided to the Payu-Ta conference. She said that he finished every task but that the quality of materials he obtained was not what she expected.

The executive director of Guma' Mami said she knew Babauta prior to him becoming the Assistant Secretary, but they did not have a friendship. She was not aware of any connections between the MCSF project coordinator and OIA, but she believed he knew Babauta. She was unaware of the nature of their relationship as well as of any personal relationships between Babauta and anyone at Payu-Ta or at GCC that may have assisted these organizations in obtaining grants.

We interviewed the GCC president and GCC vice president. They said there were two grants awarded from DOI to GCC in support of Payu-Ta with no sub-recipient for the grants. GCC controlled the grant funds and did not provide funds directly to Payu-Ta.

The GCC president and vice president said the first grant totaled \$92,000 and was awarded to GCC on August 9, 2011. The grant allowed Payu-Ta to participate in the CNHA convention held in Honolulu, HI, in August 2011 and to host the second nonprofits' congress held in Guam in October 2011. The majority of the funds were used to pay for travel, expenses, and lodging for Payu-Ta-sponsored personnel to attend the convention in Hawaii and to pay for guest speakers at the nonprofits' congress in Guam. The second grant totaled \$45,000 and was awarded to GCC for Payu-Ta to participate in the CNHA annual conference on social and economic development held in Honolulu in October 2012.

We asked the GCC president and vice president if the MCSF project coordinator participated in the CNHA conventions held in Honolulu. They confirmed that he traveled to Honolulu and participated in the August 2011 convention. His travel, lodging, and expenses were paid with

GCC grant funds. According to the GCC president and vice president, the executive director of Guma' Mami recommended that the MCSF project coordinator attend the convention. They indicated that he was an active participant at the convention and that he attended to receive training concerning grant applications and obtain funding for nonprofit organizations. The GCC president and vice president said the MCSF project coordinator expressed an interest in attending the 2012 conference in Honolulu, but he decided not to attend after he was told that GCC would not provide full funding for participants.

When asked if they were familiar with Babauta, both the GCC president and vice president acknowledged they had professional relationships with him. According to the GCC president, Babauta attended the 2011 CNHA conference, where she met with him and discussed GCC DOI grants.

When asked about his knowledge of the Payu-Ta grant, Babauta recalled that OIA provided Payu-Ta with grant funds in 2011 so it could attend conferences in Hawaii. He said the Payu-Ta director then requested a \$400,000 grant for operational support of Payu-Ta in 2012, and his staff advised him not to award the grant. Babauta did not specifically recall if the GCC president, the Payu-Ta director, or anyone else representing Payu-Ta contacted him for advice prior to submitting their grant application. He believed, however, that the Payu-Ta director might have sent the request directly to him, which he then forwarded to OIA staff. He recalled asking the Payu-Ta director to brief his staff about her organization when she was in Washington, DC. Babauta acknowledged that he was friends with both the Payu-Ta director and the GCC president.

Mistreatment of Employees

We investigated the following allegations, some of which came from the original complaints brought forward by OIA directors and others developed from interviews with OIA employees, alleging that Babauta mistreated OIA employees:

- Babauta made inappropriate and sexual comments to female employees.
- Babauta rubbed the shoulders of a female employee.
- Babauta offered a female intern alcohol in his office.
- Babauta used foul language in front of, and directed at, employees.
- Babauta discriminated against older, male employees.

We interviewed an OIA employee in the grants division, who described Babauta as a bully. When asked about the allegations of sexual harassment, he said that at an OIA holiday party in 2011, Babauta walked into the room and put his hands on the shoulders of an OIA U.S. Virgin Islands employee and whispered something in her ear. When Babauta left the room, the OIA Virgin Islands employee, who appeared intoxicated, became very upset and said: "I'm not his fucking wife." The grants division employee also reported that when he, Babauta, and an OIA employee in the technical assistance division returned to the office on one occasion, Babauta observed a female employee wearing "spiked heels" and commented: "I've always thought that a woman should have a pair of whore shoes to wear." He later clarified that Babauta said "hooker" shoes.

When interviewed, the OIA Virgin Islands employee said that Babauta had never sexually harassed her, and she never had any incidents with him that caused her concern. She acknowledged that she drank a glass of wine and became emotional at the holiday party but did not recall saying: “I’m not your effing [sic] wife.” She explained that she was upset because she did not want to perpetuate a rumor that she and Babauta had a relationship outside the office, which she said was not true. When asked about reports that Babauta touched her shoulders, she said his actions were more like a pat on the shoulder, and she was not offended by it. We asked the OIA Virgin Islands employee, who is Asian, if she ever heard Babauta make any disparaging comments about any ethnic group or gender, and she responded that he called her “Big China” but stopped at her request. She did not believe Babauta was being mean or malicious when calling her that name.

The OIA grants division employee also said Babauta had mistreated two male employees in the office: an OIA Commonwealth of the Northern Mariana Islands (CNMI) field representative and an OIA congressional and legislative affairs staff assistant. Babauta threatened to reassign the field representative, so the field representative retired, and Babauta publicly shouted profanities at the staff assistant for not performing well. The grants division employee also recalled hearing Babauta say he would only hire minorities and women to work on his staff.

When we asked the OIA technical assistance division employee about Babauta’s conduct, she said that Babauta sometimes made off-color jokes, but that they were typical of jokes made by other male colleagues. She said Babauta once sat in a chair that she just vacated and exclaimed: “Man your butt is hot!” She later clarified that he actually said “ass.” Although she thought Babauta’s comment was inappropriate, she did not say anything to him about it. She also recalled that both Babauta and another male colleague (whom she declined to name) told her that she should wear high heels, rather than flats, because they looked better on women. She recalled hearing Babauta use the term “hooker shoes” or something similar at some point but said the term was not used to describe her shoes.

The OIA technical assistance division employee recalled an OIA employee picking up Babauta following 24 hours of travel from Guam. While Babauta was waiting for the employee to take him home, Babauta came into the OIA technical assistance division employee’s office to discuss something, and then appeared to fall asleep on her couch. Although she said Babauta’s conduct did not bother her, she described it as strange. She was aware that her colleagues saw him asleep in her office and were taken aback.

The OIA technical assistance division employee said that based on Babauta’s hiring decisions, she believed he seemed most comfortable interacting with younger females than with other employees. She said he directly hired the OIA Virgin Islands employee, the OIA counselor and director of policy, a program analyst, and a special assistant, all of whom were females. She believed, however, that his preference could have resulted from performance issues with some of the older males in the office. In general, the OIA technical assistance division employee thought Babauta needed to conduct himself in a more professional manner, but she would not label his conduct as sexual harassment.

An OIA project grant manager recalled witnessing the incident when Babauta reportedly told the

OIA technical assistance division employee that she had a “hot ass.” He said Babauta had to do work on her computer, and that when he sat down in her chair, he apparently felt that the seat was warm and said: “Oh, you have a hot ass.” According to the grant manager, Babauta repeated this comment multiple times and was laughing when he said it. The grant manager said that the look on the OIA technical assistance division employee’s face suggested she thought Babauta’s comment was inappropriate.

We interviewed an intern who worked for OIA from September 2010 until August 2011. When asked to characterize Babauta’s behavior, she responded that Babauta was a “shady guy,” who sometimes made inappropriate comments. She said he often complimented her on her clothes and told her she was wearing “sexy shoes.” On one occasion, she said, Babauta invited her into his office and offered her a drink from a bottle of liquor. She declined the offer and later complained to the OIA counselor and director of policy that Babauta made her feel uncomfortable. She later confronted Babauta telling him that his comments and actions were inappropriate, and she wanted to be treated with respect and in a professional way. Babauta apologized to her, and she said he did not make any more inappropriate comments to her for the remainder of her time at OIA.

OIA Director Nikolao Pula said he became concerned a few months after Babauta became the assistant secretary when Babauta selected four young women to work closely with him and travel with him frequently. When asked if these women received any promotions, he said he was not aware of this. When asked about Babauta’s treatment of the males in the office, Pula said Babauta wanted him to remove an OIA deputy director from his position because Babauta did not have any faith in him, and that employee was eventually moved to a different position. He also heard Babauta yelling profanities at an OIA congressional and legislative affairs staff assistant on one occasion, appearing to show off how he disciplined employees whom he believed performed poorly.

The OIA congressional and legislative affairs staff assistant said Babauta occasionally raised his voice and spoke disparagingly to him. He felt that Babauta discriminated against employees based on age and sex, explaining that Babauta made a spectacle of how long the staff assistant had worked for OIA. He said it appeared Babauta only took adverse action against male employees, explaining that he abolished the position of a former OIA employee, forcing him to take another position outside of OIA. According to the staff assistant, a CNMI field representative decided to retire rather than continuing to work for Babauta.

The OIA counselor and director of policy also recalled Babauta yelling at the OIA congressional and legislative affairs staff assistant. She specifically said she heard Babauta frequently use “the F word.” She asked Babauta about the altercation, and he appeared pleased with himself for berating an employee, she said. She went on to say that Babauta liked to intimidate and belittle employees. She described him as a bully.

An OIA deputy director said Babauta would call him around 5:00 p.m. every Sunday to berate him for his job performance. He said Babauta frequently raised his voice and used profanity during these calls. The deputy director recalled a period of time, roughly 2 years ago, during which Babauta asked older employees when they were going to quit. He said there was a feeling

in the office that Babauta was eager to get older staffers out and hire younger people who would agree with him.

Another OIA employee, who requested confidentiality, said that when Babauta first came to OIA, he asked the employee: “How do I get rid of the old people?” referring to older OIA employees.

We interviewed Babauta about these complaints and allegations. When asked if he rubbed the OIA Virgin Islands employee’s shoulders at the office party and whispered in her ear, Babauta stated: “I don’t know,” and then said he did not recall doing this. He acknowledged that he might have touched her shoulders and/or whispered in her ear, but his actions might have been misinterpreted. He later stated: “It could have been something like just going behind her and needing to tell her something and she was in a crowd . . . and, you know, whispering to her.”

Babauta denied that he ever acted inappropriately toward any of the females in the office. When asked if he had ever made the statement that every woman should have a pair of “hooker shoes” under her desk, as alleged, Babauta replied that he had not. Later in the interview, Babauta remembered a conversation with the OIA intern during which he said “something about her high heels, just how high they were.” After she informed him that the comment made her feel uncomfortable, he did not speak to her again. When asked if his comment could have been insinuating something along the lines of “hooker shoes,” he said it was possible. He later stated: “When I got the reaction it took me back, and I wanted to make sure that I didn’t do anything like that again.”

Directly after this interview, Babauta requested to speak with OIG agents again about the allegations pertaining to the OIA intern’s shoes. He was interviewed again the same day and recalled telling the intern that she had “nice heels.” After she told him that this statement made her feel uncomfortable, he apologized, but he later said he did not think his remarks were inappropriate.

Several days after speaking with Babauta, he sent an email to agents that stated the following about his conversation with the OIA intern: “I believe I told [the OIA counselor and director of policy] that I had complimented her and [the intern’s] response that she felt uncomfortable took me by surprise. Beyond that, I was certainly more mindful if I spoke to her and generally tried to keep my distance or to be sure that someone else was in the room with me.”

During subsequent interviews, Babauta denied offering the OIA intern a drink of liquor while at work but admitted that he kept a bottle of Johnny Walker scotch in his office for 2 weeks after a trip before taking the bottle home. He said he did not consume any of it while in the office.

We also asked Babauta about his alleged comments to the OIA technical assistance division employee regarding the temperature of her chair. He explained that he would occasionally go into her office to discuss something and would end up using her computer. Babauta said that on one occasion when he sat in her chair, he told her: “That’s a warm ass that you had because . . . the seat is warm.” When asked if he could have said something to the effect of “you have a hot ass,” Babauta replied that he might have, but he was only referring to the temperature of the seat

in a joking way.

Babauta denied that he provided preferential treatment to young females and said that he did not discriminate against older males. Babauta said he was not satisfied with the OIA deputy director's performance as an acting director, so he placed the current director in the position. The former acting director later took the deputy director position.

We asked Babauta about the hiring and promotions for the four positions he created after his appointment, into which he hired four women. Babauta said he was the deciding official because the employees in these positions would be working closely with him. The program analyst, the special assistant, and the OIA Virgin Islands employee were promoted or received raises since they were hired, and the OIA counselor and director of policy may have as well. He said that he hired them not because of gender but because he knew them from when they worked on Capitol Hill, and they were "terrific performers."

Regarding the older employees in his office, Babauta said he had never stated that he would like to see them retire or leave. Rather, he had issues with those who did not perform, some of whom were older, but he never fired or removed anyone since he arrived at OIA.

Misuse of Government Equipment and Personnel

We investigated the following complaints that Babauta allegedly misused Federal property and personnel:

- Babauta had an employee drive him to personal events, run personal errands in a Government vehicle, and generally perform work outside the scope of his official duties.
- Babauta requested that an employee draft a PowerPoint presentation for his daughter.
- Babauta pressured an employee into allowing him to live rent free in her home for several months while he was separated from his wife.
- Babauta had an employee pick up his daughter in a Government rental vehicle while traveling in Guam.
- Babauta had an employee pick up his girlfriend at an airport and then drive them around over the weekend.
- Babauta had an employee drop off and pick up his clothes at the DOI dry cleaners.

An OIA deputy director said that in November 2009, Babauta asked a former OIA administrative officer who is now deceased, to pick him up for work at his Alexandria, VA, residence in the former administrative officer's personal vehicle. Babauta told the former administrative officer to use his personal car and not the Government vehicle because that was not permitted. The OIA deputy director said it was inappropriate for Babauta to reach three levels down to an administrative officer and ask for a personal favor. The OIA deputy director said the former administrative officer told him about the incident.

The OIA deputy director indicated that in January 2010, Babauta had the former administrative officer keep Babauta's personal car in the former administrative officer's apartment building parking lot while Babauta was on official travel and, later, perform maintenance on the car.

Then, in February 2010, Babauta had the former administrative officer drive him in a Government vehicle to a luncheon at Gonzaga University (where Babauta was an alumnus). He also had the former administrative officer use a Government vehicle during business hours in May 2010 to bring a bag of clothing to the Rayburn House Office Building, where Babauta's former girlfriend worked.

The OIA deputy director added that Babauta contacted him in September 2012 and asked him to prepare a slideshow presentation for his daughter's career day. Babauta told the OIA deputy director that the presentation needed to be about him and not about OIA. The OIA deputy director consulted with a DOI ethics officer, who agreed that the request was inappropriate. The OIA deputy director then relayed his concerns to Babauta and told him he would not prepare the presentation.

We interviewed the OIA Guam employee, who said the former administrative officer was Babauta's "gofer" and that the former administrative officer was a "serious alcoholic . . . [who] drank in the office," making him vulnerable to Babauta's manipulation. The OIA Guam employee believed Babauta might have taken advantage of the former administrative officer's alcoholism, surmising that the former administrative officer saw Babauta as his protector because he did special favors for Babauta and thought Babauta would respond in kind by not pushing him out of his job.

The OIA Guam employee also said that Babauta resided in her guest house for 2 or 3 months during the winter of 2009 and 2010 shortly after he was appointed to his position. Babauta made the request through the OIA Virgin Islands employee and did not pay any rent because the OIA Guam employee and her husband ordinarily did not rent out the guest house. Babauta did not pay for utilities because they were connected to the main house. When asked if she felt any obligation to let Babauta stay in her guest house, the OIA Guam employee responded: "Maybe a little bit. . . . you kind of want to get along nice with the boss."

OIA education specialist grants manager said he served as a policy analyst in the main Interior building until he was transferred to Hawaii in November 2011. The education specialist grants manager said he was impressed with some of Babauta's ideas and what Babauta wanted to do with various reforms but was often disappointed in Babauta's management style and his treatment of employees. Early on in Babauta's tenure, Babauta had the education specialist grants manager deliver and pick up clothes for him at the dry cleaner in the main Interior building. Babauta gave his laundry to the OIA Virgin Islands employee, who brought it to the education specialist grants manager, with instructions to bring the laundry to the dry cleaner. The education specialist grants manager said this occurred approximately twice, and he believed that if he had said no, it would have impacted his work environment.

Babauta's former girlfriend said she met Babauta around August 2008 when he was working as the lead staff member for the U.S. House Natural Resources Committee, Subcommittee on Insular Affairs, and was working for U.S. Congressman Vic Snyder (D-AK). They started dating a few months later, she said, and were in a relationship for about 1 ½ years, during which time Babauta became the assistant secretary. Following Babauta's appointment, his former girlfriend said they took a trip to the U.S. Virgin Islands (she could not recall the date). Babauta had

someone pick her up from the airport and then drive them around the entire weekend. She did not know the name of the driver but said he appeared to be an island native who worked for Babauta or knew him well. She vaguely recalled Babauta sending his driver to deliver something to her office, but she could not recall the specifics.

An OIA CNMI employee recalled that during a 2012 trip to Guam, he and Babauta used their rental car to pick up and drop off Babauta's daughter from his parent's house on their way to and from meetings. He said they did not deviate from their course to do this. The OIA technical assistance division employee also recalled dropping off Babauta's daughter at school on the way to a meeting during the same trip. She said that it was improper to use an officially rented vehicle for such a purpose.

During subsequent interviews, Babauta acknowledged that he might have asked the former administrative officer to park Babauta's personal vehicle at his residence, which was close to where Babauta lived. Babauta said that the former administrative officer might have also driven him to work when Babauta's personal vehicle was being repaired. Babauta acknowledged giving money to the former administrative officer on one occasion so that the former administrative officer could repair a light bulb in Babauta's car, because he knew how to change the bulb and had offered to help. Babauta said he and the former administrative officer did not have a personal relationship outside of work.

Babauta also acknowledged seeing his former girlfriend romantically but initially could not recall asking the former administrative officer to drive a Government vehicle to his former girlfriend's office to drop off a bag containing personal items once the relationship ended. Later in the interview, however, Babauta stated that the former administrative officer might have taken a bag to Capitol Hill for his former girlfriend, following the couple's spring 2010 breakup. He said that the former administrative officer might have already been driving a Government vehicle or in his own car to Capitol Hill, and Babauta asked him to drop off the bag.

He denied having the former administrative officer or another OIA employee pick up his former girlfriend from the airport during her earlier travel to the U.S. Virgin Islands. Babauta said he went sightseeing at a national park during the trip, which was not part of his official itinerary, and someone from the Governor's staff drove them in a Government vehicle to the boat that took them to the park. He noted that governors of the territories sometimes extend a courtesy vehicle, as well as a driver for transportation purposes.

Babauta acknowledged that the former administrative officer possibly drove him in a Government vehicle to two luncheons at Gonzaga University, where he was an alumnus. When asked why he attended the events, he said: "I think it was [partly because] I'm an alumni and I was invited by the president, recognizing, you know, that I have . . . a position in Government."

Babauta said he had been told that the former administrative officer had a drinking problem but that they never discussed this. He denied taking advantage of the former administrative officer's condition by holding performance issues over his head and having him perform personal tasks for him.

When asked if he had ever asked an employee to prepare a PowerPoint presentation for his daughter, Babauta said: “I did, but I didn’t.” In October 2012, he said he received an invitation to speak about public service at his daughter’s school, in preparation for which he asked an OIA deputy director to prepare a short PowerPoint presentation with mostly pictures. After the deputy director asked the ethics office if this was appropriate, Babauta wrote a separate email clarifying his action. He recalled that DOI ethics official Melinda Loftin told him that this was probably not something he should have asked of his staff. Babauta then apologized to the deputy director.

Responding to questions about his housing, Babauta said the OIA Guam employee offered him her guest house after he confided his marital problems. He said he had known her and her husband prior to coming to OIA when he worked on Capitol Hill. He did not pay her rent, he said, because she and her husband would not have accepted it. He stayed in her guest house for nearly 2 months from December 2009 through January 2010, acknowledging that his former girlfriend sometimes visited and spent the night while he stayed there.

When asked about other OIA employees’ perception of him living with a subordinate employee and having his girlfriend visit, Babauta said he considered his actions personal and private. He believed that the OIA Guam employee and her husband would not tell anyone that he lived in a separate residence on their property but that this had been a very difficult time for him and that he had not considered the possible perceptions of other OIA employees. He said he lived on her property only for a short time while he looked for an apartment, although, in retrospect, he probably should not have stayed with her at all.

Using Government Travel for Personal Trips

We investigated the following allegations about Babauta’s Government travel:

- Babauta used Government travel to see his girlfriend.
- Babauta traveled to Saipan with no mission.
- Babauta traveled to Hawaii even after his meeting there was canceled.
- Babauta traveled frequently to Guam for political reasons.

An OIA grants division employee said he believed that Babauta had created personal trips under the guise of business activities. He said Babauta traveled to Guam regularly and always looked for opportunities to go somewhere and give a speech. He recalled a trip to Guam with Babauta during which he heard the president of the Guam Community College and one of the mayors of Guam talk to Babauta about Babauta’s political future. The grants division employee described another trip to Guam in the summer of 2012 for which Babauta appeared to brainstorm reasons to justify the trip. The grants division employee said that at a meeting prior to the trip, Babauta asked staff: “Who should I meet with, what can I do, who’s got a reason?”

The OIA grants division employee also recalled a trip to Pohnpei in approximately July 2011 when he and the OIA counselor and director of policy were scheduled to accompany Babauta to meet the chief executives of the region, including the governors of Guam and CNMI, and the Presidents of the Federated States of Micronesia, the Republic of Palau, and the Republic of the Marshall Islands. Already in Guam at the time, Babauta declined to fly to Pohnpei, citing

potentially dangerous weather-related issues in the region. The Governor of Guam and others made the flight to Pohnpei without incident. The OIA grants division employee did not know what Babauta did with his time in lieu of attending the meeting.

OIA Director Pula also recalled the July 2011 Pohnpei trip. Babauta called him to explain that weather kept him from traveling to Pohnpei, even though, as Pula recalled, the OIA grants division employee, the OIA counselor and director of policy, and the Governor of Guam flew to Pohnpei during the same timeframe. Pula said Babauta went to Saipan instead but did not know why.

An OIA special assistant said that when she traveled with Babauta, meetings with local officials dominated their schedules. On occasion, a meeting might have been canceled due to a conflict, but Babauta would try to reschedule other meetings depending on how much notice they had. Regarding Babauta's trip to Saipan (instead of Pohnpei), the special assistant said that Babauta's trip had focused on renewable energy, which was a big initiative. The special assistant said she did not actually attend any meetings on Saipan with Babauta.

The OIA counselor and director of policy also shared her concerns about Babauta's travel. As his legal advisor, she had told him to attend fewer meetings, but after she raised these concerns, she said that she was cut out of travel scheduling. She believed that a lot of executive time had been built into Babauta's travel when no meetings were scheduled.

The OIA counselor and director of policy discussed a recent 2-week trip to Saipan (different from the one involving Pohnpei) that involved meeting with local officials on economic issues during the first week and with high school students the second week. She believed the economic meetings were valid but questioned why Babauta met with high school students. He told her that he thought the economic meetings could carry over into the second week. She believed that, overall, Babauta's travel schedule could be truncated.

The OIA counselor and director of policy also mentioned Babauta's August 2012 trip to Hawaii to attend the annual U.S. and the Federated States of Micronesia Joint Economic Management Committee and U.S. and the Republic of the Marshall Islands Joint Economic Management and Fiscal Accountability Committee conferences. A portion of those meetings were postponed, but Babauta still traveled to Hawaii. The OIA counselor and director of policy requested copies of Babauta's schedule for the week in question and saw that Babauta had then scheduled a meeting with the President of the Republic of the Marshall Islands. She felt that Babauta manufactured a reason to continue on with the trip.

The OIA Guam employee stated that Babauta always felt it was necessary to take an entourage with him. She said OIA desk officers could not travel because those funds were taken up by people who "carried Babauta's bags." She recalled that Babauta scheduled travel to the Pacific Islands from June or July through the first week of August 2011, and the OIA Virgin Islands employee came in with a calendar in her hand and told OIA staff that they needed to fill it up with appointments. She said that, generally, Babauta's trips during the summer seemed to include more stopovers in Guam when his daughter was attending school there.

The OIA Virgin Islands employee acknowledged that she arranged all of Babauta's travel. She explained that Babauta traveled once and sometimes twice a month to islands in the Pacific and Caribbean to meet with their governors, congress, and other local officials. She said Babauta attended many ribbon-cutting events because OIA funded a lot of projects, and he spoke at other events, such as anniversary galas and graduation ceremonies. She noted that it was important for Babauta to physically travel to the Pacific islands instead of conducting meetings over email and telephone because of the time difference and culture of the islands where it was better to meet face to face. She also noted that Babauta specifically traveled to the Pacific islands to avoid late evening and early morning telephone conversations. The OIA Virgin Islands employee did not know of any instances when Babauta traveled to the Pacific and was unable to attend a planned event or meeting. She said she did not keep track of Babauta when he was actually on travel.

The OIA technical assistance division employee stated that Babauta's travel schedule seemed to her to be consistent with that of previous administrators. When asked about Babauta's reported frequent travel to Guam, she explained that the U.S. Department of Defense was relocating its military bases from Okinawa, Japan, to Guam. She explained that OIA's mission was to empower insular communities and improve their way of life. The scope of the military buildup would have an enormous impact on the people of Guam and CNMI, as well as the environment. For this reason, it was important that Babauta, as the top representative of the U.S. Government in the region, be there to represent and protect the interests of the civilians.

Babauta's former girlfriend said that after Babauta began working at DOI, she went on several trips with him, having not realized he was married when she first started dating him. The first trip, she said, was to the U.S. Virgin Islands, but she could not recall the dates. Babauta was already there for work, and he flew her down for a weekend, she said. She believed he was there because the U.S. Virgin Islands coin was being released, and a ceremony was being held. During the trip, she said, she attended the coin ceremony with him, and they went to the beach.

According to his former girlfriend, Babauta traveled to Arkansas with the Marshallese Ambassador during Christmas 2009, and Babauta and the ambassador met with the Arkansas Health Department. At the time, his former girlfriend was in Arkansas performing legislative assistant duties for Congressman Snyder and visiting her family. She said Babauta also met with the Marshallese community in Northwest Arkansas. She said she believed the Arkansas trip was legitimate Government travel because Government work was accomplished, but she acknowledged that the trip was not preexisting and did not think Babauta would have made the trip if she had not been there.

His former girlfriend said that Babauta also flew her to New Orleans, LA, in March 2010, where they attended a premier for the HBO series, "The Pacific." She said she was unsure of Babauta's connection with the series but thought he knew some people attending the event. After the premier, she said, they flew to Puerto Rico. While she did not believe Babauta was on official travel in Puerto Rico, they went to an event at the governor's residence.

We interviewed the Governor of Guam and asked him to comment on Babauta's official travel to Guam. He said he was surprised when Babauta did not attend the 15th Micronesia Chief Executives Summit in Pohnpei from July 25 through July 28, 2011. He heard Babauta did not

attend the event because of bad weather, but the Governor of Guam did not recall any weather issues at the time. He said some of Babauta's trips to Guam had the appearance of political campaigns, and decisions Babauta made sometimes had an adverse impact upon the Government of Guam.

During an interview with Babauta, we asked if he had ever arranged Government travel specifically to meet women, including his former girlfriend. He acknowledged that he sometimes had a female companion meet him when he traveled for work but said he never used Government travel for personal gain. He also said that, although he had family and friends in Guam, he did not arrange Government travel specifically around family events or to see friends. He acknowledged that he had talked to his family about running for the position of Governor of Guam someday but did not set up official travel for political reasons or to campaign for office.

Later in the interview, Babauta acknowledged that his former girlfriend met him when he traveled to New Orleans in March 2010. He had been invited to a premier of a privately owned World War II museum in New Orleans, which he found out about through the former Deputy Assistant Secretary for Water and Science John Tubbs, whose relative wrote "Band of Brothers." The museum wanted to develop a relationship with governments in the islands that had experienced military activity during World War II, so he invited island officials to the premier.

The former Governor of Guam attended the event, as did the Governor of CNMI and the ambassador to the United Nations for the Republic of Palau. Babauta said that his former girlfriend went as his date. The main purpose of the trip, he said, was to promote economic development in the islands and possibly to look at opportunities for the museum to develop tourism in the islands. He and the other officials went to the premier and then had a meeting the following morning.

Babauta said his former girlfriend also met him on a Government trip in the U.S. Virgin Islands in 2010, which concerned the release of the U.S. Virgin Islands coin. He believed the U.S. Department of the Treasury might have invited him on the trip, but he probably also had meetings with local officials.

When asked about the Pohnpei trip, Babauta confirmed that from June 22 through August 1, 2011, he traveled in Guam and Saipan and was scheduled to attend the Federated States of Micronesia's presidential inauguration events on Pohnpei. He said he did not attend these events because of a storm in the area, and he did not feel comfortable boarding the airplane (in Guam). Babauta instead went to Saipan to attend meetings, rather than returning to Washington, DC, because he was already in the area. He could not recall the meetings he attended in Saipan or with whom he met. Babauta acknowledged that he stayed at the Lao Lao Bay Golf resort on Saipan from July 12 through July 15, 2011.

We also asked Babauta about the Hawaii trip involving the joint economic meetings in August and September 2012. He acknowledged that he learned these meetings had been postponed approximately 4 days before he left. When asked why he did not leave a few days later, stop in Hawaii as authorized, and continue on to the Cook Islands as planned, Babauta said this was a decision he made to make use of his time while he was there. He said he met with a Rear

Admiral with the U.S. Coast Guard; visited the OIA field office in Honolulu, HI, where he met with representatives of the Pacific Islands Health Officers Association; met the incoming U.S. Ambassador to the Republic of the Marshall Islands; and attended meetings on the Republic of the Marshall Islands trust fund.

SUBJECT(S)

1. Babauta, Anthony, former Assistant Secretary for Insular Affairs, U.S. Department of the Interior.
2. Project Coordinator, Micronesian Center for a Sustainable Future.

DISPOSITION

On November 17, 2012, DOI Chief of Staff Laura Davis placed Babauta on administrative leave. Babauta officially resigned as the Assistant Secretary for Insular Affairs on January 24, 2013.

We referred this case to the U.S. Attorney's Office for the Districts of Guam and the Northern Mariana Islands. On July 30, 2013, the U.S. Attorney's Office declined this case for criminal prosecution.