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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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CHAIRMAN

April 27, 2007

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The Honorable Johnnie E. Frazier
Inspector General
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Mr. Frazier:

Nearly 30 years has passed since the Inspector General Act of 1978 was enacted, and since that passage, the Inspector General community has served as our Nation's first line of defense against fraud, waste, and abuse. Congress entrusts these watchdogs to protect not only the taxpayer's purse, but also to uphold and ensure the integrity of our Government and its programs.

It is therefore all the more grievous when serious questions are raised about whether this trust you have held since July 1999 may have been violated. Numerous current and former employees have made serious allegations against you and the way that you have managed your office. They have provided the Committee on Energy and Commerce with credible allegations of serious and widespread fraud, waste, and abuse within your office that involves not only you personally, but also many members of your current management team. These allegations include the filing of fraudulent travel vouchers, contracting irregularities, wasteful expenditures, favoritism, pre-selection of Senior Executive Service (SES) candidates, the harassment of whistleblowers, and obstruction of justice.

Accordingly, pursuant to Rules X and XI of the Rules of the House of Representatives, the Committee on Energy and Commerce and the Subcommittee on Oversight and Investigations have begun an investigation into the operations of your office. To assist this inquiry, we require that you arrange to provide information regarding the following allegations within two weeks of the date of this letter.

Excessive and Inappropriate Travel

The Committee has received information that:

- You and other members of your staff have repeatedly charged the government for excessive and unnecessary travel, unrelated to your official government duties;
- You have permitted and even encouraged such travel;
- Individuals routinely traveled over weekends and to various locations where there was no apparent work-related purpose; and,
- On a number of occasions and especially for foreign travel, the number of Inspector General staff traveling was excessive.

With regard to your personal travel, we have received information that you:

- Regularly traveled without any clear governmental purpose;
- Regularly scheduled your travel over weekends for no apparent governmental purpose;
- Ignored Government regulations concerning expenses and unnecessary upgrades;
- Regularly and without justification charged the Government for first-class accommodations including, but not limited to, roomette and bedroom service for train travel;
- May have incurred expenses for family members and friends who accompanied you; and,
- Regularly required the services of an administrative clerk to travel with you apparently for the primary purpose of providing audiovisual support.

For example, the Committee has received credible allegations that you traveled by train to Boston and New York for a week last August, leaving on a Sunday and returning the following weekend. During this week, it is alleged that you apparently had only three brief meetings with Commerce Department employees. The only other work you performed appears to have involved meeting with a former colleague to discuss teaching her college class in Boston. The Committee is concerned that this entire trip may have been planned to justify that personal meeting and lecture. The Committee's concern is heightened by other information it has received that you have allegedly informed one or more individuals that the real purpose of your extensive travel was to find post-government employment.

Senior Management Meetings and the “All-Hands” Conference in Philadelphia

Committee staff has received a number of allegations that call into question the need for some of the expenses incurred at senior management meetings held in Denver, Atlanta, and Seattle and the 2006 “All-Hands” conference held in Philadelphia.

In particular, Committee staff was told that little if any work was conducted at many of these meetings. For example, Committee staff was told that one of the senior management meetings was planned in order to celebrate the retirement of one of your colleagues. Likewise, a number of senior officials in your office viewed the Philadelphia “All Hands” conference as a “waste of time” and inappropriate in light of the dire financial situation your office has faced for the last few years—so serious that apparently you were forced to offer “early out” to a number of your staff.

The Committee is particularly concerned about allegations by current and former OIG staff that you apparently insisted that a training session end early on Thursday, June 1, 2006, at the “All Hands” conference so that you and a select group of your senior staff could travel to Atlantic City in order to gamble. Committee staff was told that you and your colleagues did not take “leave” for this gambling excursion and continued to subsist on Government per diem.

Retaliation, Harassment, and Intimidation

Committee staff has also received credible information that you may have committed prohibited personnel practices as defined by the Whistleblower Protection Act, by retaliating against a number of individuals for attempting to expose misconduct by you and other senior members of your staff.

In particular, we are aware of one individual who, we are informed, has repeatedly raised concerns about possible ethical violations by you, your predecessor and others in your office. We have learned that since raising these concerns, this individual has apparently never received an annual performance review, a raise or bonus, or otherwise been eligible for promotion as a result.

The Committee has also learned that in another instance, you allegedly demoted and reassigned your own former Deputy Inspector General (Deputy IG) because he refused to sign a travel voucher for your August 2006 trip to Boston and New York, and alerted the President’s Council on Integrity and Efficiency (PCIE) to possible travel fraud relating to that trip. The Committee has been informed that you similarly reassigned your former Counsel because she may have advised your former Deputy IG to file the travel complaint.

Such conduct has not gone unnoticed. Apparently, your office has been subject to an inordinate number of Office of Special Counsel (OSC) and Equal Employment and Opportunity complaints in relation to its size.

Favoritism, Improper Gifts and Bonuses, and Pre-Selection of SES

In addition, the Committee staff has been warned that you have fostered an environment of favoritism within the Office of the Inspector General (OIG). Staff has been informed by several undisclosed sources that those employees not within your circle of friends, or who did not exhibit strong loyalty to you, are treated unfairly and denied promotion. Committee staff has been told that those employees, including management, who question your decisions, are excluded from advancement and choice work assignments, projects, and meetings. Committee staff has also been told that you have given bonuses that may not have been earned. For example, the Committee heard an allegation that you gave a retirement bonus as a wedding gift to a former OIG employee who was marrying another member of your management team.

In addition, the Committee has been told that you promoted those who were your close friends while ignoring those who deserved serious consideration based on merit. Members of your staff have told us that you allegedly bypassed the official SES process, and pre-selected several of your friends for SES positions. In one instance you are alleged to have ordered another senior official within the OIG to draft the required Knowledge, Skills and Abilities (KSAs) documentation for a pre-selected candidate. In another instance you told subordinates to prepare SES job descriptions to ensure that only certain friends would qualify.

Contracting and Procurement Issues

As an Inspector General, you are often asked to monitor the Department's contracting and procurement for irregularities, fraud, abuse, unfairness, and suspicious activity. Naturally, it was disturbing for Committee staff to learn of various allegations relating to improper and unreasonable contracting and procurement activities within the OIG.

Committee staff was told that you might have improperly arranged for a no-bid contract for \$150,000 to Rede, Inc., a company that was connected to a retiring OIG staff member. We further understand that the contract proposal was prepared by a former Deputy Inspector General, United States Agency for International Development, who was a former colleague of yours.

In addition, the Committee staff was told that you contracted to have walls torn down to create an open floor plan within OIG, and that your office ordered modular "cubicle" furniture specifically for this open design. Several sources allege that in the middle of that renovation process, over the objections of others, you ordered that the walls be replaced because your special assistant complained about having to work in a cubicle. Committee staff was told that the combined cost for converting back to the original workspace might be as high as \$100,000.

Committee staff has also been told that you pushed your staff to agree to build an unnecessary and lavish conference room next to your office. Committee staff understands that the cost of the conference room may have been exceptionally high, and, as soon as the construction was complete, you hosted a personal birthday party in the room.

Destruction and Tampering with Evidence, and Interference with Investigations

The Committee finds it particularly troublesome that you are alleged to have possibly destroyed, altered, and/or tampered with evidence during the course of an official investigation of some of the complaints that form the basis of the current inquiry. The Committee was told that, in the past, you never deleted your e-mails, and you may have had thousands of e-mail messages stored or archived in your computer system. It is alleged that one or more staff assisted you in deleting e-mail messages from your computer after an OSC investigation had already begun.

Further, the Committee has been told that individuals were seen in your office possibly deleting documents, and/or carrying files out of your office. We have also been told that some of the files related to your travel are missing or may have been altered or destroyed. In another instance, we were told that attorneys from your Counsel's office were seen in your office suspiciously rifling through your travel records. One source was allegedly told not to ask any questions or say anything about the encounter. In addition, the Committee has been told that after you received a letter on November 29, 2006, from the PCIE relating to a travel fraud investigation, you may have altered or destroyed (or attempted to alter or destroy) a document that contained important details relating to your travel to Boston and New York in August 2006. Staff concerns about your actions have reached such a level that a number of your staff have begun duplicating original records due to fear that you or others may destroy them.

Accordingly, we request that you provide to the Committee, within two weeks of the date of this letter, all records relating to:

- 1) Your compliance with all document requests and investigations regarding the OIG. We request a list of the name(s), title(s) and contact information of the person(s) who worked on any document request targeting the OIG within the past five (5) years.
- 2) Travel or proposed travel, including travel requests and travel cancellations, of you, Johnnie Frazier, since becoming Inspector General, as well as all records relating to the travel or proposed travel for the last five (5) years for the following individuals:
 - Elizabeth Barlow, Acting Deputy Inspector General
 - William "Bill" Bedwell, former head of Audits, Atlanta (retired)
 - Edward Blansitt, Assistant Inspector General for Investigations
 - Carolyn Croak, Acting Counsel to the Inspector General
 - Kyle Fields, Management Assistant
 - Jill Gross, Assistant Inspector General for Inspections

- Allison Lerner, Deputy Assistant Inspector General for Audits
 - Anthony Mayo, former Assistant Inspector General for Investigations (retired)
 - Thomas Hung Phan, Deputy Assistant Inspector General for Administration
 - Jessica Rickenbach, Assistant Inspector General for Administration
 - Belinda Robinson, Assistant to the Inspector General
 - Vernon Robinson, Special Agent, Atlanta
 - Michael Sears, former Assistant Inspector General for Audits (retired)
 - David Sheppard, Supervisory Auditor, Seattle
 - Keith Teamer, Supervisory Criminal Investigator, Atlanta
- 3) The September 16, 2006, letter from Edward L. Blansitt to Chairman Burrus, PCIE, and any records relating to the issues and allegations discussed therein.
 - 4) The October 23, 2006, letter from Allison Lerner to Chairman Burrus, PCIE, and any records relating to the issues and allegations discussed therein.
 - 5) All proposed or implemented travel procedures for reviewing and approving travel orders and vouchers.
 - 6) The “All-Hands” conference as well as all senior management meetings and training meetings held over the last five years. These records should include, but not be limited to, the following: an itemized list of all associated costs and expenses for the conferences and training meetings; all staff attending; all documents related to the purpose of each meeting; and, all materials provided to attendees including all training materials and presentations.
 - 7) Your gambling excursion to Atlantic City, on or around June 1, 2006, including a list of all employees attending, casinos visited, means and mode of transportation, in addition to a list of all expenses charged to the Government for this trip.
 - 8) Allegations, cases, complaints, claims, and suits regarding retaliation, discrimination, harassment, and personnel matters that have been filed against you or any senior member of your staff since you became Inspector General.
 - 9) The March 22, 2007, letter from Dean Manis to Elizabeth Barlow, Johnnie Frazier, Michael R. Osver, Jessica Rickenbach, Carolyn Croak, Thomas Phan, and Yvette Evans, and any records relating to the issues, allegations, and other correspondence (including letters by Manis dated January 12, 2007, and March 19, 2007) discussed therein, including but not limited to, any and all responses to these allegations.

- 10) Bonuses, gifts, promotions, demotions, reprimands, employee terminations, reassignments, and SES appointments and terminations. In addition, we request the personnel records and performance appraisals for all OIG front office staff, management staff and the following individuals:
 - Keith Teamer, Supervisory Criminal Investigator, Atlanta
 - Belinda Robinson, Assistant to the Inspector General
 - David Sheppard, Supervisory Auditor, Seattle
 - Michael Sears, former Assistant Inspector General for Audits (retired)
 - Elizabeth Barlow, Acting Deputy Inspector General
 - William "Bill" Bedwell, former head of Audits, Atlanta (retired)
 - Edward Blansitt, Assistant Inspector General for Investigations
 - Carolyn Croak, Acting Counsel to the Inspector General
 - Kyle Fields, Management Assistant
 - Jill Gross, Assistant Inspector General for Inspections
 - Allison Lerner, Deputy Assistant Inspector General for Audits
 - Anthony Mayo, former Assistant Inspector General for Investigations (retired)
 - Dean Manis, Counsel
 - Thomas Hung Phan, Deputy Assistant Inspector General for Administration
 - Jessica Rickenbach, Assistant Inspector General for Administration
 - Vernon Robinson, Special Agent, Atlanta
 - Joan Holland, former Deputy Assistant Inspector General for Investigations
- 11) Rede, Inc., and a detailed explanation of any relationships and/or connections you have with any of the company's employees and principals.
- 12) The newly renovated conference room in the OIG, the birthday party hosted in that conference room, and any and all records relating to the renovation of OIG's office space.
- 13) The February 14, 2006, letter from James E. Woods to Senator Richard C. Shelby, and any records relating to any of the issues and allegations raised therein, and the closed file on the matter.

Furthermore, given the gravity of the aforementioned allegations, the Committee is concerned about the ability of your office to conduct an objective and unbiased response to this record request. Likewise, because of the Inspector General's unique role overseeing the Department and its employees, we do not believe that any Department employee would be appropriate to oversee the response to this request. Accordingly, the Committee requests that you retain an outside, third-party entity, such as another Inspector General or a representative of the PCIE, to oversee your response to this and all future requests for documents from the Committee. As soon as possible, please provide Committee staff with a list of the name(s),

title(s) and contact information of the person(s) who will be overseeing your compliance with this records request.

Lastly, pursuant to our April 13, 2007, letter to you, no records, documents, data or information called for by this request shall be destroyed, modified, removed, transferred, or otherwise made inaccessible to the Committee. In addition, pending the outcome of this investigation, please cease and desist from making any promotions, demotions, or new hires within your office.

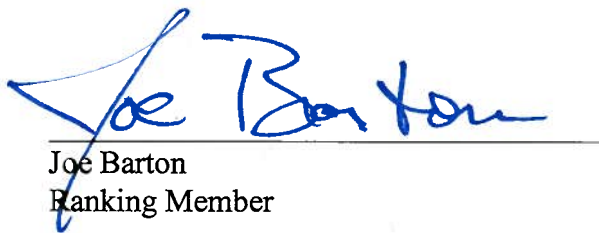
In responding to this and all other requests for documents, please be advised that the terms "records" and "relating to" are defined in the attachment to this letter. However, in addition to those definitions, this specific request should include, but not be limited to, a list of all government-issued credit or travel cards issued to you and any of the above-mentioned individuals, as well as a complete list of all expenses charged over the last five years on those cards. In addition, you should include all justification memos, itineraries, vouchers, expense reports, meeting memos, trip reports, bills, receipts, interview notes, e-mails, briefings, presentations, and speeches related to travel by you or these individuals. Also, please provide lists of all travelers, if traveling in a group, including all non-government employees traveling with you and the above-mentioned individuals.

Thank you for your prompt attention to this request. If you have questions regarding this investigation, please call Steven Rangel with the Committee Majority staff at (202) 225-2927 or Alan Slobodin with the Committee Minority Staff at (202) 225-3641.

Sincerely,



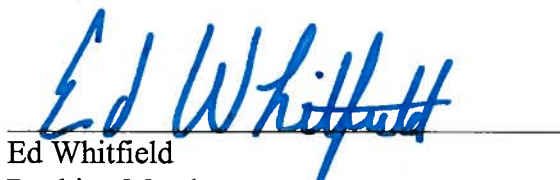
John D. Dingell
Chairman



Joe Barton
Ranking Member



Bart Stupak
Chairman
Subcommittee on Oversight and Investigations



Ed Whitfield
Ranking Member
Subcommittee on Oversight and Investigations

ATTACHMENT

1. The term "records" is to be construed in the broadest sense and shall mean any written or graphic material, however produced or reproduced, of any kind or description, consisting of the original and any non-identical copy (whether different from the original because of notes made on or attached to such copy or otherwise) and drafts and both sides thereof, whether printed or recorded electronically or magnetically or stored in any type of data bank, including, but not limited to, the following: correspondence, memoranda, records, summaries of personal conversations or interviews, minutes or records of meetings or conferences, opinions or reports of consultants, projections, statistical statements, drafts, contracts, agreements, purchase orders, invoices, confirmations, telegraphs, telexes, agendas, books, notes, pamphlets, periodicals, reports, studies, evaluations, opinions, logs, diaries, desk calendars, appointment books, tape recordings, video recordings, e-mails, voice mails, computer tapes, or other computer stored matter, magnetic tapes, microfilm, microfiche, punch cards, all other records kept by electronic, photographic, or mechanical means, charts, photographs, notebooks, drawings, plans, inter-office communications, intra-office and intra-departmental communications, transcripts, checks and canceled checks, bank statements, ledgers, books, records or statements of accounts, and papers and things similar to any of the foregoing, however denominated.
2. The terms "relating," or "relate" as to any given subject means anything that constitutes, contains, embodies, identifies, deals with, or is in any manner whatsoever pertinent to that subject, including but not limited to records concerning the preparation of other records.