

July 18, 2005

The Honorable Alberto R. Gonzales  
Attorney General  
United States Department of Justice  
950 Pennsylvania Avenue, N.W.  
Washington, DC 20530

Dear Mr. Attorney General:

I am writing to expand on a recent referral you received from the Chairman and Ranking Member of the House Committee on Resources regarding the Commonwealth of the Northern Marianas (CNMI) and Mr. Jack Abramoff. Mr. Abramoff was contracted by the government of the CNMI from 1994 to October 2001 to help maintain the territory's exempt status from certain labor and immigration laws.<sup>1</sup>

Since 1992, I have been engaged in efforts in the Congress to remedy the abuse of tens of thousands of foreign guest workers in the U.S. Commonwealth of the Northern Marianas Islands (CNMI) and to strengthen U.S. immigration and labor laws governing the territory.

For many years, there has been a systematic and well-documented pattern of labor and human rights violations, as the CNMI aggressively developed its economy based on the importation of tens of thousands of poor, indentured foreign workers -- mostly women -- from Asia. Housed in barrack-like buildings, sometimes surrounded by barbed wire, the workers have been forced to toil as much as 12 hours a day at sub-minimum wages, under often dangerous and unsafe conditions. Widespread cases of wage underpayment and other violations of federal labor law have been documented, litigated and prosecuted, including a \$20 million settlement between 54 retailers and the CNMI government to compensate and give back pay to up to 30,000 factory workers on the islands.<sup>2</sup>

The situation has been even graver for the young women who arrived in the CNMI with the promise of a job in the garment factories or hotels, only to find no job available. Hundreds of these young women have been coerced into the CNMI's thriving sex trade.<sup>3</sup> Others were simply abandoned in the slums of Saipan, thousands of dollars in debt to mercenary recruiters, and unable to afford to return to their home countries.<sup>4</sup>

As early as 1992, as chairman of the Committee on Natural Resources, I held a hearing on the abuses in the CNMI. In subsequent years, I conducted additional investigations, including an official inspection tour, and I produced two reports that documented the extent of these abuses.<sup>5</sup>

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<sup>1</sup> Audit Report AR-99-04, Office of the Public Auditor, CNMI

<sup>2</sup> Associated Press, 2/25/03.

<sup>3</sup> "Is this the USA?" *20/20 ABC News*. 3/13/98.

<sup>4</sup> "Economic Miracle of Mirage: The Human Cost of Development in the Commonwealth of the Northern Marianas Islands." Committee on Resources, Democratic Staff. US House of Representatives. 4/24/97

<sup>5</sup> "Economic Miracle or Mirage: The Human Cost of Development in the Commonwealth of the Northern Marianas Islands." Committee on Resources, Democratic Staff. US House of Representatives. 4/24/97; "Beneath the

The findings of these reports were confirmed by several interdepartmental reports from the Executive Branch, as well as in numerous press and media exposés.

I also introduced legislation in 1997 to fully extend US labor and immigration laws to the CNMI.<sup>6</sup> While the Senate passed CNMI immigration legislation by unanimous consent in February 2000, the House has never acted on any of my legislative proposals regarding the CNMI.<sup>7</sup>

Recent media reports have uncovered additional information about suspected wrongdoings by lobbyist Jack Abramoff, his associates, and clients in the CNMI, that shed light on Congress's inability to address the serious concerns that I and others raised in the 1990's and highlight potential criminal wrongdoings by several individuals involved at the time. Several of these allegations appear to be related to the Department's ongoing investigation of Mr. Abramoff and his colleagues.

For instance, many of the same lobbyists who were involved with Mr. Abramoff's Native American clients -- and who are currently under investigation -- were also working with Mr. Abramoff on CNMI issues, including Michael Scanlon, Kevin Ring, Shawn Vasell, Tony Rudy, Patrick Pizella, and Dennis Stephens.<sup>8</sup> Additionally, a closer look at Mr. Abramoff's lobby disclosure reports reveal some discrepancies between what he reported receiving in lobbying fees and what CNMI audits indicate he was paid; and one of the non-profits associated with Mr. Abramoff and Mr. Scanlon, the American International Center (AIC), reportedly lobbied on behalf of territorial issues, which may well be an indirect reference to the CNMI.

For the past four months, I have been urging House Resources Committee Chairman Richard Pombo to direct his committee to undertake a thorough, bipartisan investigation of any potential wrongdoings related to Mr. Abramoff, his associates, and clients in the CNMI. Though some of the issues I raised with Chairman Pombo can only be investigated by either the House Committee on Resources or the House Committee on Standards of Official Conduct, I do agree with the Chairman that many should also be referred to the Public Integrity section of the Criminal Division at the Department of Justice.

The following is a brief outline of the issues I believe are appropriately referred to the Department of Justice for investigation.

### **Inadequate Accounting of CNMI Lobbying Fees and Ties to Non-Profits**

Between 1994 and 2000, Mr. Abramoff represented the government of CNMI, first through the lobbying firm Preston Gates Ellis and Rouvelas Meeds, LLP, and after 2000, through the

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American Flag: Labor and Human Rights Abuses in the CNMI." Rep. George Miller and the Committee on Resources, Democratic Staff. US House of Representatives. 3/26/98.

<sup>6</sup> HR 1450, introduced 4/24/97.

<sup>7</sup> Senator Daniel Akaka, Press Release, "Senate Passes CNMI Reform Bill." 2/7/00.

<sup>8</sup> Lobbying Reports, Clerk of the Senate.

lobbying firm Greenberg Traurig. In 1999, Mr. Abramoff was also contracted to represent the Western Pacific Economic Council, a non-profit organization located in the CNMI, and from 2001-2002, Mr. Abramoff represented the Saipan Garment Manufacturers Association -- the textile industry association in the CNMI.<sup>9</sup>

According to a 1999 internal audit of the CNMI's lobbying contracts, Mr. Abramoff and others were paid \$8-10 million to represent the Marianas and the Saipan garment industry -- a substantial sum given the CNMI's \$35 million budget deficit in 1998.<sup>10</sup>

The audit raised two key questions about the Abramoff contract.

- The audit questioned whether the CNMI had overpaid Mr. Abramoff for his services at Preston Gates; and,
- The audit found that between October 1, 1996 through October 31, 1997, and again from November 1, 1998 through July 31, 2000, Preston Gates had no valid contract with CNMI, and thus payments made to the firms were unlawful.<sup>11</sup>

A comparison of Mr. Abramoff's lobby disclosure reports to the audits reveals that Mr. Abramoff failed to account for more than \$1 million in fees the CNMI government paid for his services between 1996 and 2001.<sup>12</sup>

#### **American International Center**

Lobby disclosure reports filed for the American International Center (AIC) in 2001 -- one of the not-for-profits established by Michael Scanlon that is currently under investigation by the Senate Committee on Indian Affairs -- indicate that the AIC was lobbying on behalf of "US Territorial Sovereignities and Economies," a category used to describe the CNMI.<sup>13</sup>

Senate investigations of the AIC have revealed that Mr. Abramoff and Mr. Scanlon were funneling payments for Native American lobbying services through the AIC to avoid paying taxes, yet no investigation to my knowledge has been initiated to determine whether these same men were conducting the similar skimming scheme with lobbying fees for the CNMI.

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<sup>9</sup> Lobbying Reports, Clerk of the Senate.

<sup>10</sup> Seattle Times, 7/2/98.

<sup>11</sup> Audit Report, AR-99-04, Office of the Public Auditor, CNMI

<sup>12</sup> Audit Report M-01-05 of the Office of the Public Auditor, CNMI reported between fiscal years 1996-2001, CNMI paid Abramoff \$7,171,131. Abramoff's lobby disclosure reports, however, report his earnings at only \$5,560,000 for calendar years 1996-2001. In fiscal year 1999, alone, CNMI reported paying Abramoff \$1,064,314 in fees, yet Abramoff failed to disclose any payments in his lobbying forms for that calendar year.

<sup>13</sup> Senate Office of the Clerk: <http://sopr.senate.gov>.

### **Interference in CNMI Elections**

In 1999, Mr. Abramoff's contract with the CNMI government was suspended, with no clear prospect of renewal.<sup>14</sup> At the same time, an Abramoff supporter, Mr. Fitial, was a candidate for Speaker of the legislature. Mr. Fitial, however, was two votes behind his opponent, Mr. Heinz S. Hofschneider, according to press reports of a letter signed by 10 out of the 12 CNMI Republican House members in support of Mr. Hofschneider, including Representative Alejo Mendiola and Representative Norman S. Palacios. These 10 Republican legislators were enough to secure Mr. Hofschneider the election.<sup>15</sup>

Recent reports by the *Los Angeles Times* and *Mariana's Variety* confirm that in 1999 Mr. Fitial did indeed meet with two individuals associated with both Mr. Abramoff and Congressman Tom DeLay: Mr. Ed Buckham and Mr. Michael Scanlon. At the time, Mr. Scanlon was an employee of Congressman DeLay's. Later, he would work closely with Mr. Abramoff on many of the clients the Justice Department is currently investigating. Mr. Buckham, a one-time chief of staff to Congressman DeLay who later became the head of his Leadership PAC, ARMPAC, worked closely with Mr. Abramoff when he was in Congressman DeLay's office, as well as afterwards, when he became a lobbyist for the Alexander Strategy Group.<sup>16</sup>

At the meeting, Mr. Fitial recommended that the two men meet with Representatives Mendiola and Palacios, both of whom had signed the letter in support of Mr. Hofschneider, to encourage them to switch their votes for Speaker.<sup>17</sup> Later that year, Rota Mayor Benjamin Manglona wrote a letter to Mr. Scanlon to thank him for his visit and to praise Congressman DeLay for the "great many supports ... he has given us over the years."<sup>18</sup>

When Mr. Scanlon and Mr. Buckham met with the two legislators, they promised to help secure money for local projects in exchange for their votes for Mr. Fitial, including federal resources for repairing a breakwater on the island of Tinian, a priority for Mr. Palacios. They were successful, and Mr. Fitial was elected Speaker. Mr. Abramoff's contract was subsequently renewed.<sup>19</sup> Shortly thereafter, Rota Mayor Manglona wrote to Mr. Scanlon: "We hope that the action of our CNMI leadership would please [Congressman DeLay]. We hope we can now work together as a real good team to enhance and improve our CNMI/Federal relationship."<sup>20</sup>

The following year, Congress passed one appropriations bill in October that included \$150,000 for the breakwater restoration project in Mr. Palacios' district and another appropriations bill in May that listed funding for an airport repaving project in Rota in the committee report as a

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<sup>14</sup> [Los Angeles Times](#), 5/6/05.

<sup>15</sup> [Mariana's Variety](#), 11/24/99, 12/17/99.

<sup>16</sup> Senate Office of the Clerk: <http://sopr.senate.gov>, [National Journal](#), 4/23/04.

<sup>17</sup> [Los Angeles Times](#), 5/6/05, [Mariana's Variety](#), 4/29/05.

<sup>18</sup> [National Journal](#), 5/14/05

<sup>19</sup> [Mariana's Variety](#), 12/17/99, [Los Angeles Times](#), 5/6/05.

<sup>20</sup> [National Journal](#), 5/14/05.

priority for discretionary grants. The Rota project was located on the island that Mr. Mendiola represented.<sup>21</sup>

Congressman DeLay was a member of the conference committee on the bill that included the breakwater project, as well as a member of the subcommittee that approved the transportation project. His aide, Mr. Scanlon, was on the appropriations committee payroll when he traveled to the Mariana Islands with Mr. Buckham to secure Mr. Fitial's election as Speaker; and another of Congressman DeLay's aides, Brett Loper, reportedly traveled to the CNMI in 2000 to review possible appropriations projects.<sup>22</sup>

### **Congressional Intervention in CNMI on Behalf of Enron**

There is also a record of congressional intervention into contract negotiations in the CNMI. In 1999, Enron, represented by Mr. Buckham, was involved in a dispute over a power plant permit in CNMI. Bidding on the contract had already closed before Enron had submitted an offer. Mr. Buckham had Congressman DeLay write to the CNMI government on Enron's behalf, asserting that while he understood that the Marianas "desperately needs a fair hearing in far-off Washington, D.C., which at least some of us here have been able to provide," but that he was "also obligated to provide the same opportunity to ... Houston-based Enron Corp."<sup>23</sup> The bidding was reopened, Enron qualified, and Fitial made sure the \$120 million contract went to Enron.<sup>24</sup> Enron later backed out of the deal.<sup>25</sup>

### **Conclusion**

I support Chairman Pombo's and Ranking Member Rahall's decision to refer the potentially criminal matters that have arisen with regard to Mr. Abramoff's behavior and the CNMI to the Department of Justice for further investigation, and I would hope to be able to work with you to delineate those matters that are best suited for the Department's consideration. Specifically, I believe that the Department should further investigate the following issues:

- Did Mr. Abramoff fail to report all of the fees he received from the CNMI?
- Did Mr. Abramoff funnel lobbying fees to the non-profit, American International Center?
- Did Congressman DeLay or his representatives offer quid pro quo appropriations projects to CNMI officials in order to affect the outcome of the Speaker election in the CNMI to benefit Mr. Abramoff?
- Did Congressman DeLay or his representatives inappropriately interfere with the procurement of a contract in the CNMI?

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<sup>21</sup> Los Angeles Times, 4/6/05

<sup>22</sup> National Journal, 5/14/05, Los Angeles Times, 5/6/05.

<sup>23</sup> DeLay Letter to Speaker Benavente, 5/18/99.

<sup>24</sup> Washington Post, 7/26/2000.

<sup>25</sup> Baltimore Sun, 4/3/02.

Attorney General Gonzalez

June 20, 2005

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In writing this letter, I want to be clear that that I do not believe that a referral to the Department of Justice in any way obviates the need for the Committee on Resources or another House committee to conduct a thorough investigation of these matters pertaining to the CNMI, in particular those related to violations of the Code of Ethics for the US House of Representatives.

I look forward to working with you to uncover all the facts associated with these activities.

Sincerely,

**GEORGE MILLER**

Member of Congress