Investigative Report of Gregory W. Smith (Redacted)

Investigative Report

Gregory W. Smith

Report Date: August 7, 2008

This report contains information that has been redacted pursuant to 5 U.S.C. §§ 552(b)(2), (b)(6), and (b)(7)(C) of the Freedom of Information Act. Some references indicating gender were written in the masculine form to protect the identities of individuals and to facilitate the reading of the report. Supporting documentation for this report may be obtained by sending a written request to the OIG Freedom of Information Office.

RESULTS IN BRIEF

The Office of Inspector General (OIG) initiated this investigation in late 2006 based on the allegations of a Confidential Source (CS) regarding misconduct by Gregory W. Smith, Program Director, Royalty in Kind Program (RIK), Minerals Revenue Management (MRM), Minerals Management Service (MMS), Lakewood, CO. The CS alleged that Smith had engaged in outside employment that conflicted with his RIK position, that he accepted gifts from the oil and gas industry, and that he engaged in sex and drug use with subordinates.

Our investigation disclosed that between April 2002 and June 2003, Geomatrix Consultants, Inc. (Geomatrix), an environmental and engineering consulting firm, paid Smith over $30,000 for his work in marketing Geomatrix to various oil and gas companies, most of whom, because of their business relationships with RIK, were considered prohibited sources.

We also confirmed that Smith received almost $1,000 in gifts from the oil and gas industry and engaged in sex with two subordinates and drug use with at least one subordinate. When interviewed by the OIG, Smith minimized the drug use and sexual activity. In addition, we learned that he also suggested to other RIK employees that they should lie to OIG investigators.

Smith retired from MMS during the course of this investigation. The results of this investigation, to include a substantial amount of information obtained through the federal grand jury process that is not included here, were provided to the Public Integrity Section of the U.S. Department of Justice (DOJ) in March 2008 for prosecutorial consideration. In May 2008, DOJ advised that it was declining to prosecute Smith on various charges.

BACKGROUND

MRM is a Denver-based division of MMS and is responsible for managing all royalties associated with both onshore and offshore oil and gas production from federal mineral leases. Federal law allows MRM to collect royalty payments either in value, meaning in the form of cash payments from companies producing from federal leases, or in kind, meaning in the form of actual oil or gas production.

When MRM collects royalties in kind, the oil or gas received from producers is offered for sale on the open market, and the proceeds from these sales are included with other collections made by MRM. The RIK program, within MRM, is responsible for managing these in kind sales. Between October 2005 and September 2006, RIK reported collecting approximately $3.75 billion.

Gregory W. Smith served as the deputy program manager of RIK between approximately 2001 and 2004. In 2005, he was promoted to be the RIK director, a Senior Executive Service position, where he remained until he was detailed out of RIK in January 2007. Smith retired from MMS in May 2007. While at RIK, Smith oversaw all of RIK's operations, managed its 65 or so employees, and served as the public face of RIK as its senior-most representative to the oil and gas industry.

DETAILS OF INVESTIGATION

The OIG initiated this investigation in late 2006 based on the allegations of a CS regarding misconduct by Smith. The CS specifically alleged that Smith had (1) engaged in outside employment with a consultant company that conflicted with his RIK position, (2) accepted gifts from oil and gas

companies conducting business with the RIK Program, and (3) engaged in sex and drug use with RIK subordinates.

We initially focused our investigation on the three specific allegations made by the CS. However, we later expanded the scope of our investigation when we developed evidence that Smith had lied to investigators during his initial OIG interview and that he may have directed other witnesses to lie to the OIG. During the course of this investigation, we conducted over 50 interviews with MMS employees and industry representatives and ultimately reviewed thousands of e-mails, numerous ethics files, and other relevant documents. We have organized our report in four specific sections that mirror the allegations made by the CS and one developed by the OIG.

***Agent's Note**: We conducted this investigation separately from another OIG investigation regarding nine RIK employees suspected of unethical behavior and personal improprieties.*

Geomatrix

According to its Web site, Geomatrix Consultants, Inc., (Geomatrix) is "a diversified technical consulting and engineering firm" with offices located throughout the United States. Geomatrix employs over 450 scientists, engineers, and technical experts and performs work for various industries.

We interviewed Tony Daus, the President of Geomatrix, who stated that he first met Smith in November 2001 on a flight from Denver to Houston. According to Daus, he and Smith were seated next to each other in the first-class cabin when they began talking. During the course of this conversation, Daus said he learned that Smith was employed by MMS and worked in the Gulf of Mexico (Gulf). Daus said he explained to Smith that Geomatrix wanted to further develop its work for oil and gas companies in the Gulf.

At the conclusion of the flight, Daus said he and Smith agreed to discuss Smith's possible employment with Geomatrix, and after subsequent discussions, they agreed that Smith would begin work as a consultant for the firm. Daus said he was concerned about possible conflict-of-interest issues, but Smith assured him that MMS would approve his work with Geomatrix. In fact, Daus said Smith told him he routinely performed outside consulting work and that it was not necessarily frowned upon by MMS.

Daus explained that he hired Smith with the intent of Smith helping Geomatrix develop more business with oil and gas companies in the Gulf. For example, he explained that if Smith had advance knowledge of large projects underway in the Gulf, Geomatrix would have the potential opportunity to "get in the door quickly" and find out how it could become involved in these projects. In addition, Daus said he believed that if Smith had connections in the Gulf, he would be able to put Geomatrix in contact with the companies who were planning these projects. Daus stated that what "attracted" him to Smith was his knowledge of "what's going on and who's doing what" in the Gulf.

Daus also said he hired Smith because he was well-connected in the oil and gas industry – not because of Smith's technical background in geology. He stated that he did not view Smith as a person who was going to provide technical support to Geomatrix and instead viewed him as an "entrée" to prospective clients.

According to Daus, he and Smith agreed that Smith could not work on any potential project involving a contract between Geomatrix and MMS. Daus stated that this was the only area from which Smith recused himself.

We interviewed four other Geomatrix employees concerning the circumstances of Smith's hiring. They each stated that Smith was hired because of his contacts in the oil and gas industry and his ability to use these contacts to generate business opportunities for Geomatrix. None of the Geomatrix employees interviewed were aware of any technical work that Smith had performed for Geomatrix.

We interviewed an MMS employee who stated that Smith once asked her to send a document that appeared to be some type of agreement to a person named Tony. She recalled that Smith asked her to send it by Federal Express, which she did, using the MRM Federal Express account. She also recalled that on one occasion while Smith was at her residence, she overheard him talking on his cell phone to someone named "Tony."

A review of MRM Federal Express shipping records disclosed that on March 4, 2002, an envelope was shipped by "FedEx Priority Overnight" at MRM's expense to Daus at the Geomatrix office in Oakland, CA.

In November 2007, we interviewed Smith in connection with a proffer agreement with DOJ. During that interview, Smith confirmed that he first met Daus on a flight from Denver to Houston in late 2001. Smith stated that during their discussion on the airplane, Daus told him he was interested in developing a business line for Geomatrix in the oil and gas field, and Daus expressed an interest in Smith's potential ability to provide assistance in this area. Smith said their discussion centered on Smith's possible interest in being hired by Geomatrix as a consultant, not an employee, for a relatively short-term assignment.

Smith stated that he told Daus that he possessed information and knowledge concerning the Gulf that he could quickly provide to Geomatrix. He explained that this information was publicly available, but he could provide it to Geomatrix much more quickly than they could obtain it themselves. Smith also said he told Daus that he had previously worked for another environmental consulting firm and thus had experience in this area. Smith said he and Daus continued their discussions through 2001 and into early 2002, and they eventually agreed that Smith would join Geomatrix as a consultant.

Smith's Previous Outside Employment

A review of MMS ethics records disclosed that in February 1992, Smith signed a "Request to Engage in Outside Work or Activity" form (MMS Form 1510) in connection with his employment by Greystone Environmental Services, a Colorado environmental consulting firm now known as Ageiss Environmental, Inc. Mary Ann Seidel, the MMS Ethics Officer at the time, approved the request in April 1992.

We interviewed Seidel, who recalled Smith's work for Ageiss. Seidel stated that at one point during her discussions with Smith about this work, they discussed the fact that he would have to clear the individual clients of Ageiss with her to ensure they were not a contractor to, or seeking to do business with, MMS. In addition, she said Smith received a letter from her reminding him to be cognizant of possible conflict-of-interest issues.

We interviewed Jeffrey Lawrence, the Chief Executive Officer of Ageiss, who stated that Smith was "very clear that he had to separate what he was doing for Interior with what he [was] doing on the outside." Lawrence also said Smith was "very clear" about avoiding any conflict of interest.

We interviewed Kevin Gambrell, former Director, Farmington Indian Minerals Office, MMS, who stated that he began working with Smith in 1996 on Indian minerals issues. In 1998, Gambrell said he was considering a new computer system for compliance analysis for oil and gas royalty collection. When Smith learned this, Gambrell said Smith began to pressure him into hiring a particular Colorado contractor. He said Smith and the contractor also visited the Farmington Indian Minerals Office to urge Gambrell to procure the contractor's services. Gambrell stated the following:

> It appeared that they had some type of relationship that looked like it was outside of work. It was somebody that Greg Smith had a bias towards. That is how it appeared to me…it was almost like Greg Smith was selling the product for the contractor. It wasn't the contractor pushing the project on me; it was Greg Smith pushing the project on me…His aggressiveness with that contract seemed to be unusual…I felt like I was dealing with a salesman.

***Agent's Note**: Given the circumstances, including Smith's relationship with Ageiss at the time, the fact that Ageiss was based in Colorado, and the fact that Ageiss did information technology work, we believe this contractor was, in fact, Ageiss; however, our investigation could not verify this.*

Smith's Outside Employment Request

On January 4, 2002, Smith executed a "Request to Engage in Outside Work or Activity" form seeking permission to work for Geomatrix. Smith reported that his work for Geomatrix would involve "providing advice on business approaches and review of proposals and reports." Specifically, Smith's request stated the following:

> Mr. Smith will work as a senior consultant providing advice on general approaches to consulting based on experience gained in previous engineering/environmental consulting and general knowledge of client/contractor relations and expectations. Specific roles include:
>
> - Advise on general business development approach and business plan content relative to client expectations and technical content
> - Perform direct technical work and provide support for proposals related to environmental characterization and impact assessment
> - Review business development proposals and technical reports
> - Advise on overall areas of business activity in the energy field using publicly available information and general knowledge of associated engineering and environmental opportunities. Discuss same with potential clients.

In a section titled "Stipulations," Smith wrote that he would "recuse himself from any work related to any Geomatrix proposal, negotiation, or contract with a DOI agency or with an energy firm that is a contractor to or regulated by MRM."

Milton Dial, who at the time served as the RIK director and was Smith's immediate supervisor, signed Smith's request on January 16, 2002. When we interviewed Dial, we showed him a copy of Smith's request. He identified his signature on it and said he read the form before signing it.

Dial explained that in addition to reviewing Smith's "Request to Engage in Outside Work or Activity" form, he also discussed it with Smith, who told him his work for Geomatrix would not conflict with his MMS duties. Dial stated that he understood Smith would be performing technical and environmental

work as an advisor for Geomatrix. He noted that Smith's background was in geology and that Smith wanted to work for a hard-science type firm like Geomatrix. Dial explained that he would not have approved the request if he had known Smith would be marketing Geomatrix to companies with which MMS conducted business.

***Agent's Note**: Smith used the phrases "technical content," "direct technical work," and "technical reports" in three of the four bullet points in his request form. However, there is no evidence to suggest that Geomatrix ever intended for Smith to do any technical work. In fact, when we interviewed Daus, he stated that Smith "didn't have much in the way of technical strengths for us."*

Further review of Smith's "Request to Engage in Outside Work or Activity" form disclosed that while Dial signed the form, neither Seidel nor any other MMS official signed it.

When we interviewed Seidel, she confirmed that she did not sign Smith's "Request to Engage in Outside Work or Activity" form, and thus his work was "neither approved nor disapproved." She explained that her missing signature on the form indicated that her office did not have enough information to approve the request. Smith's attachment to the form did not identify the names of the clients with whom he would be working. She noted that based on her previous discussions with Smith relative to his work with Ageiss, Smith knew she needed to know the names of the Geomatrix clients before she could approve the work.

A review of Smith's MMS ethics file identified a March 2003 e-mail string between Seidel and Smith in which Seidel asked if Smith had renewed his employment arrangement with Geomatrix. In this e-mail, Seidel noted that Smith's original "Request to Engage in Outside Work or Activity" form for Geomatrix was dated January 4, 2002, and that he had indicated on the request that his employment would be for only 1 year.

In his e-mail response, Smith wrote that he had not yet renewed the agreement but planned to do so. In her response, Seidel asked Smith if there would be any changes to the previously submitted form, and she wrote that she might ask Smith's second-line supervisor, Lucy Querques Denett, Director, MRM, for her concurrence, which Seidel wrote was a requirement "unless it is low level work." The next day, Smith responded by writing, "I do not think there will be any changes, and, as it will continue to be pretty low level stuff, will not likely need to involve 2nd level signature."

***Agent's Note**: Smith may have intentionally downplayed the nature of his work with Geomatrix in this e-mail because he did not want Seidel discussing his work with Denett. Smith was apparently successful because when we interviewed Denett, she stated that she was not aware of Smith's employment by Geomatrix and that no one discussed it with her.*

When interviewed and questioned about the 14-month time period between when Dial signed the form in January 2002 and when Seidel sent Smith the March 2003 e-mail, Seidel said she and Smith "had a certain understanding about the type of work that he was going to engage in." This understanding, Seidel explained, was based on his previous outside employment with Ageiss. She said there was "never any misunderstanding about the fact that there were limitations and restrictions on what he could and could not do. I thought that was pretty clear." Seidel also noted that the MMS Ethics Office was overwhelmed with work and therefore the review process sometimes took longer than it should have. Seidel stated that at some point during this time period, she and Smith discussed the outside employment request by telephone. It was during this discussion that Smith informed Seidel he was no longer working for Geomatrix.

When we interviewed Smith, we showed him the "Request to Engage in Outside Work or Activity" form, and he identified it as being the one he submitted to Dial in January 2002 in connection with his outside work with Geomatrix. Smith identified the signature on the first page as his own and said he had signed the front page and prepared the attached two pages.

Smith explained that after completing the form, he gave it to Dial for approval. After Dial approved it, Smith said an unknown person forwarded the form to Seidel. Subsequently, Smith said he and Seidel spoke by telephone, at which time Seidel told him she had no objections to his outside work and that she would approve the form. According to Smith, he put "a lot of time into [the form and attachment] to make it clear" and that if for some reason the form was not clear, this was unintentional. Smith said he purposely wrote the description of the work he would be doing for Geomatrix in an overly broad way such that if his duties at Geomatrix changed, he would not have to submit a new form.

We showed Smith the March 2003 e-mail messages between him and Seidel. After reviewing them, Smith identified them as e-mails concerning the renewal of the approval for his Geomatrix work. Smith also stated that his March 5, 2003 e-mail to Seidel was accurate and that his work with Geomatrix had not changed from the date of his original request.

Agent's Note: *Smith stated that he purposely wrote the description of his Geomatrix work in an overly broad way in case his duties at Geomatrix were to change; however, there is no evidence to suggest that Geomatrix ever intended for Smith to do anything but marketing and client development. All of the Geomatrix employees interviewed, including Daus, stated that Smith was hired solely to market Geomatrix in the oil and gas world. In addition, Smith stated that he and Daus anticipated that his Geomatrix employment would be short term, which further suggests that it was unlikely that Smith's duties would change.*

Payments to Smith by Geomatrix

We interviewed James Price, Chief Financial Officer and Risk Management Officer, Geomatrix, who stated that Smith was paid at the rate of $75 per hour and submitted requests for payment on a monthly basis. Price explained that Smith did not use a timesheet but instead would send an e-mail to Daus describing the work he performed during the preceding month. He said Daus would then forward Smith's e-mail to him (Price), which meant Daus approved the work and payment request. As Chief Financial Officer, Price said he would ensure the Geomatrix Controller would issue a payment check to Smith based on the e-mail invoice. Price stated that after the payment checks were prepared, they were mailed to Smith in Colorado.

We interviewed a Payroll Coordinator and Accounts Payable Specialist at Geomatrix, who stated that he was responsible for preparing and issuing payment checks to Smith. The Payroll Coordinator and Accounts Payable Specialist noted that these payment checks, along with IRS Form 1099s, were mailed from the Geomatrix office in Oakland to Smith's residence in Colorado.

A review of payments made to Smith by Geomatrix disclosed that he worked a total of 401 hours between April 2002 and June 2003 and was paid $30,075, as follows:

Work Month	Hours	Amount
April 2002	32	$ 2,400
May 2002	28	$ 2,100
June 2002	32	$ 2,400
July 2002	24	$ 1,800
August 2002	30	$ 2,250
September 2002	16	$ 1,200
October 2002	26	$ 1,950
November 2002	15	$ 1,125
December 2002	12	$ 900
January 2003	32	$ 2,400
February 2003	32	$ 2,400
March 2003	26	$ 1,950
April 2003	32	$ 2,400
May 2003	32	$ 2,400
June 2003	32	$ 2,400
Total:	**401**	**$30,075**

When interviewed, Smith stated that to the best of his knowledge, the only way he submitted invoices to Geomatrix was by e-mail.

A review of Smith's MMS e-mail messages identified one of these e-mail invoices. It is dated June 8, 2003, and was sent from Smith's personal e-mail account to Daus. Smith forwarded a copy of it to his MMS e-mail account. The invoice reported the number of hours he worked for the month of May 2003 and the total cost of his work, and it then described the work he had performed that month. Smith wrote that he had contact with Marathon Oil Company, Forest Oil, Amerada Hess, Burlington Resources, GulfTerra, Apache, Enbridge, Koch, CMS, and Millennium.

Smith's Financial Disclosure Forms

A review of the "Confidential Financial Disclosure Report" (Form OGE-450) form signed by Smith on October 25, 2002, disclosed that he reported Geomatrix as a source of income during that reporting period. On this form, Smith reported that he held an "associate" position with Geomatrix. A review of the "Confidential Financial Disclosure Report" signed by Smith on October 23, 2003, disclosed that he similarly reported Geomatrix as a source of income for this reporting period. On this form, Smith reported that he held a "consultant" position with Geomatrix.

Smith's Ethics Training

A review of Smith's MMS ethics file disclosed that he received ethics training on an annual basis between 2001 and 2006.

When we interviewed Seidel, we asked her if it would have been appropriate for Smith to market Geomatrix to oil and gas companies. Seidel replied, "No, of course not. It wouldn't be appropriate." She added, "In no circumstances would it be appropriate for a manager in particular or any employee to hawk their outside firm to any of the people that we regulated or did business with or who were seeking business from us."

When asked, based on her experience and interactions with Smith, if she believed he was familiar with the ethics rules and requirements, Seidel said, "Oh, definitely." She described Smith as a "pretty bright guy" who was "not uneducated" when it came to ethics issues.

A review of Smith's MMS computer disclosed that October 5, 2001, only one month before he met Tony Daus and began discussions concerning employment with Geomatrix, Smith wrote an e-mail to RIK staff members that stated the following:

> During this season of filing our annual financial disclosure reports and reviewing our ethics guidelines, it is important for us in the RIK Office to pay especially close attention to the Federal ethics guidelines and to always keep them in mind in conducting our everyday business … please pay close attention to the Ethics Guide distributed to all of you as it gives us a great and official template for our actions in this regard ….

When we interviewed Smith, he stated that he recalled attending ethics training, and he recalled discussions at this training concerning appearance issues and conflicts of interest.

Smith's Work for Geomatrix

Record reviews and interviews with industry personnel disclosed that in connection with his marketing work for Geomatrix, Smith communicated with numerous oil and gas firms between April 2002 and June 2003. Smith's interaction with these companies took place by telephone and through face-to-face meetings. In many instances, evidence shows that Smith used his position with RIK to gain access to the prospective customer, as demonstrated in the following four examples involving Enterprise Products Company (Enterprise), El Paso Corporation (El Paso), Millennium Midstream Partners (Millennium), and Enbridge Energy Company, Inc., (Enbridge). Enterprise and El Paso were engaged in business activities with RIK, and each potentially needed the kind of services offered by Geomatrix. The evidence also shows that while discussing RIK matters with Millennium, a new company that was not involved in RIK, Smith made a decision in his role as RIK Deputy Program Manager that impacted Geomatrix.

1. Enterprise

We interviewed a former Geomatrix employee, who stated that Smith arranged for a meeting with four Enterprise representatives that was held on October 31, 2002, at a hotel in Houston, TX. According to the former Geomatrix employee, Smith told him he was able to arrange the meeting because he had contacts with officials at Enterprise through his work with RIK. During the meeting, the Geomatrix employee talked about Geomatrix and its skills and areas of expertise, and the Enterprise representatives talked about their potential areas of interest. At the conclusion of the meeting, they agreed that a Master Services Agreement would be prepared and used as the basis for any work that Geomatrix would conduct for Enterprise. Over the next several months, the Master Services Agreement was developed and finalized.

The former Geomatrix employee also stated that it was his impression that some of the meetings Smith arranged took place solely because of Smith's relationship with MMS and that once Smith was no longer employed by Geomatrix, the interest originally expressed by some prospective clients stopped.

***Agent's Note**: The Geomatrix employee's comment is consistent with statements made by many of the prospective clients we interviewed, who said they only agreed to meet with Smith and Geomatrix as a favor for Smith because Smith, through MMS, was their customer.*

When interviewed, Paul Johnson, Business Commercial Director, Enterprise, corroborated the former Geomatrix employee's recollection of this meeting and stated that he knew Smith because Johnson managed a number of gas plants for Enterprise that sometimes processed RIK gas. In addition to managing these plants, Johnson said he helped prepare and submit bids on RIK gas volumes. Johnson said he understood that Smith managed RIK and thus supervised all of the RIK personnel with whom Johnson interacted. Johnson said he also understood that Smith was a member of the committee at RIK that evaluated and selected bids.

Johnson stated that at one point, Smith contacted him and asked if he (Johnson) could arrange a meeting between Enterprise representatives and Geomatrix representatives. Johnson said he agreed to schedule the meeting, and during the meeting, the Geomatrix representatives passed out a brochure and talked in detail about the services they could provide. He said Smith also attended the meeting. When we asked Johnson if he would have facilitated the meeting with Geomatrix if Smith did not work for MMS, he stated that he usually did not accept "cold calls" from people he did not know.

Johnson said Smith did not discuss RIK business with him in the same context as their discussions involving Geomatrix. According to Johnson, Smith also did not in any way link RIK and Geomatrix activities. Johnson stated that he had an Enterprise attorney attend the meeting to make sure Smith did not say or do anything that was "improper" by linking RIK and Geomatrix.

According to the former Geomatrix employee, in September 2003, he visited one of the Enterprise representatives to discuss Geomatrix again. By this point, Smith was no longer employed by Geomatrix. The Geomatrix employee recalled that during this particular meeting, the Enterprise official "acted like he had never seen me or heard of me." He said this reception was not nearly as warm as the one he had received during the first Enterprise meeting with Smith. He recalled that at the time of the first meeting all of the Enterprise representatives shook Smith's hand and acted like they were happy to see him. He stated that the September 2003 meeting was "very brief" due to Enterprise's disinterest.

The former Geomatrix employee said the distinct difference between the first and second meetings with Enterprise confirmed his concerns about using Smith's MMS influence to generate business for Geomatrix. He stated that once Enterprise knew that Smith was no longer affiliated with Geomatrix, they had no interest in dealing with Geomatrix.

Similarly, the former Geomatrix employee said Daus and Smith once met with a representative of another oil and gas company. He stated that after this meeting, he was told by either Daus or Smith that the meeting went well and that the company had ongoing projects on which Geomatrix could perform work. Sometime thereafter, when the Geomatrix employee contacted the company to schedule a follow-up meeting, he received "a relatively stern rejection." He said this was another instance where once Smith was removed from the picture, companies that had originally expressed an interest in Geomatrix suddenly had no such interest.

2. El Paso

Smith also engaged in discussions regarding Geomatrix with an employee who at the time worked for El Paso. A review of this employee's resume disclosed that in connection with his duties at El Paso, he represented the company on various MMS matters, including RIK.

A review of Smith's MMS e-mails disclosed that on May 29, 2002, the El Paso employee e-mailed Smith and wrote:

> Again we look forward to doing business with you and the RIK program. I believe with closer examination … you will find that the deals along with our facilities are very attractive. Adding this to the strong difference in credit ratings that currently exist the MMS would be in very good hands with the El Paso family of companies.

In a response 2 days later, Smith used this very same e-mail in which MMS business was discussed to market Geomatrix. Specifically, Smith wrote, "[W]e really appreciate our business with El Paso Field Services …" and added that Geomatrix had "a good track record with El Paso (on health and safety issues) and a good relationship with their contacts there." Smith also wrote that he wanted to "facilitate an expansion of business and would hope that [Geomatrix] could be considered for any of your upcoming project [sic] … or ongoing compliance…. [Geomatrix has] my highest endorsement." Smith then asked, "what would you suggest to push things along?"

***Agent's Note**: In 2005, Smith selected the El Paso employee to manage RIK's "Gas Front Office" in Houston, and as a result he became an MMS employee. During a technical surveillance of Smith that agents conducted in early 2007, Smith and the Manager of RIK's Gas Front Office met for drinks for approximately 2 ½ hours one evening. During this meeting, Smith and the Manager discussed the ongoing OIG investigation. The Manager ultimately declined to be interviewed by the OIG, stating that he had retained counsel. He resigned from MMS in July 2007.*

We interviewed James Lytal, formerly of El Paso, who stated that he first met Smith in approximately 2001, when several of Smith's employees were working with several of his employees on transportation and processing deals with RIK. Lytal subsequently participated in several high-level meetings with Smith where they discussed additional RIK opportunities for El Paso.

Lytal recalled that Smith discussed Geomatrix with him at one point and asked him to arrange a meeting between Geomatrix and El Paso. Lytal said the meeting did take place, but Lytal did not attend. Lytal recalled that Smith had stated Geomatrix was operated by his friends. He did not recall Smith stating that he was an employee of Geomatrix.

Lytal explained that he viewed MMS as an El Paso customer given that El Paso already had an existing contract with RIK and was negotiating additional ones. Lytal said MMS had options as to where it could send its RIK gas volumes for processing, and El Paso was competing with other processors for those volumes and therefore the business of MMS. Because RIK, and Smith as its representative, was a customer of El Paso, Lytal said he agreed to help facilitate the meeting with Geomatrix that Smith requested. "I looked at him as a customer, and he asked," Lytal said.

We interviewed Bart Heijermans, who stated that in 2002 and 2003, he was the vice president for Offshore for GulfTerra, an El Paso affiliate. During this period, he said he was also president of Poseidon, an oil pipeline company operated by GulfTerra. Heijermans said Poseidon pipelines were

used to transport RIK products, and as a result, he was introduced to Smith. Heijermans estimated that he and Smith participated in "a handful" of "high level" meetings.

Heijermans recalled that at one point, Smith brought up Geomatrix. Heijermans said that because MMS was a customer of Poseidon's and was involved in other El Paso activities, he agreed to entertain Smith's desire to discuss Geomatrix. Heijermans said there was no "obvious value" for Poseidon in Geomatrix, but he agreed to meet as a courtesy to Smith and as a way to maintain a "relationship with a customer." During the discussion, he said Smith was "pushing" and "trying to sell" Geomatrix. He said Smith never told him that he worked for Geomatrix. Heijermans said it was possible that he and Smith discussed both RIK business and Geomatrix issues during the same meeting but that Smith never attempted to link or connect the two issues.

3. Millennium Midstream Partners

We interviewed Kevin Coxon, a Manager at Millennium, who stated that he first met Smith while working for Dynegy Midstream Services (Dynegy), a natural gas marketing company that purchased RIK gas.

Coxon explained that in mid-2003, while working for Millennium, he was planning to construct a gas processing facility on a pipeline near Toca, LA. At that time, he said there was only one processing plant on the pipeline, and his proposed plant would compete with the existing one and give producers more than one option for processing their gas.

He stated that he spoke to a number of producers at that time and asked them if they would be interested in the construction of this additional plant. Given that RIK was a big producer, he said he asked Smith if he and RIK would be in support of the construction of this plant. Coxon stated that in response, Smith said RIK would be. "[Smith] being one of the big producers, he said yes."

Because the producers he talked to, including Smith, were in favor of this new plant, Coxon said he decided to move forward with the project. In order to move forward, though, he said he needed environmental work to be performed in order to comply with Louisiana regulations.

Coxon could not recall if he had mentioned the need for this work to Smith or if Smith had mentioned that he knew of an environmental firm that could perform the work. Either way, he said Geomatrix came up in his discussions with Smith, thus Coxon got in touch with Geomatrix. He stated that the only way he ever would have found Geomatrix was through Smith. He also stated that Smith never told him that he worked for Geomatrix as a consultant or was otherwise affiliated with the company.

Coxon said Millennium never formally commissioned Geomatrix to perform any work and never paid the company for services. Instead, he said Geomatrix provided Millennium with guidance on three separate projects on which he was working and provided several proposals. He stated that none of these projects, including the gas processing plant near Toca, LA, ever reached the point where any kind of agreement was executed with Geomatrix. However, he noted that had the projects moved forward, he would have continued to use Geomatrix for any needed work.

4. Enbridge

We interviewed Steve Marsh of Enbridge, who stated that he met Smith while working at Dynegy, where Marsh was "heavily" involved with RIK. After Marsh moved to Enbridge, he said Smith contacted him about Geomatrix. Marsh said he understood that Geomatrix was operated by

"acquaintances or friends" of Smith and that Smith was trying to help them get their company "jumpstarted" by finding them work. Marsh said he found it "a bit curious" that Smith would be promoting a privately held company while he was talking to Enbridge about RIK business. "Talking to us about the MMS royalty in kind stuff, and then dropping this other company's name in there, I thought it was a bit strange," Marsh said. Marsh referred Smith to Fred Whitted, another Enbridge employee.

We interviewed Whitted, who confirmed that he met with Smith at some point to discuss Geomatrix. During their discussion, Whitted said, Smith told him that it was not a problem for Smith to represent Geomatrix while simultaneously working for MMS. According to Whitted, Smith said he "did this with a lot of different companies."

Smith stated that it "didn't seem important" to him to tell prospective Geomatrix clients that he was employed as a consultant for Geomatrix. He also said this topic was not an issue he would purposely either bring up or not bring up during his discussions with prospective clients. Smith said, "I wouldn't lie, but I don't know if I led with it." He further stated that if discussions concerning potential projects for Geomatrix went beyond the introductory stage between him and the prospective client, he would step out of the process.

Geomatrix Work: Non-Marketing

When interviewed, Smith recalled two specific written products that he provided to Geomatrix, and he offered these as examples of the types of non-marketing work he performed for Geomatrix. The first was a document describing the National Environmental Policy Act (NEPA) process that he prepared at the request of Daus. This document describes the policies and procedures that had to be followed to comply with NEPA. Second, Smith said he worked on the Geomatrix Statement of Qualifications, which Geomatrix provided to prospective clients.

When we interviewed Daus, he had no recollection of Smith ever preparing such a NEPA document. Daus recalled that when he and Smith were engaged in employment discussions in late 2001 and early 2002, Smith said he had expertise in NEPA matters. In response, Daus said he told Smith that Geomatrix did very little work involving NEPA and therefore did not need such expertise. Further, Daus said he did not view Smith as a person who was going to provide technical support to Geomatrix and instead explained that Smith was an "entrée" to prospective oil and gas clients.

With respect to any documents that Smith did provide to Geomatrix, Daus recalled two: one that Smith actually prepared and one that Smith simply provided to Geomatrix. He said both of these documents concerned MMS.

Daus explained that Smith prepared a document describing the MMS permitting process for offshore operations. Daus said he wanted this information in order to understand how and where Geomatrix might be able to provide services to companies who were involved in obtaining permits from MMS. Daus said he thought that if Geomatrix understood the permitting process, it could determine where its services might be applicable and how they could work with companies in that area.

We confirmed Daus's recollection after reviewing Smith's MMS e-mails, which identified a September 25, 2003 e-mail from Smith to Daus in which Smith described this permitting process.

Daus said the document Smith provided was a copy of a quarterly report that MMS issued on current events in the oil and gas industry. Daus said this document described events happening in the "MMS

world." He said he did not know if this was an internal MMS document or a document that was publicly available.

***Agent's Note**: Follow-up with MMS disclosed that the agency does generate a quarterly statistical report that is not for public dissemination. The report contains information on the number of wells drilled, the number of offshore inspections conducted, the number of drilling permits issued, etc. We have not been able to substantiate that this was the report Smith provided to Daus.*

With respect to Smith's work on the Geomatrix Statement of Qualifications, Daus confirmed that Smith did play a limited role in the revision of an existing Statement of Qualifications.

Smith's Use of MMS Resources

By signing his "Request to Engage in Outside Work or Activity" form, Smith certified that his work with Geomatrix would "not pose a real or apparent conflict of interest" with his regular duties and that he would perform the work "only in a nonduty status, without use of government facilities, equipment supplies, or official information which is not available to the public ...."

The information developed by the investigation is in direct contrast to Smith's written certification. In fact, Smith performed Geomatrix work while on duty status, using both government staff and equipment and official information. Specifically, and as described previously and below, he used an MMS database, the services of an MMS employee, the MMS Federal Express account, his MMS e-mail account, and MMS telephones in furtherance of his work for Geomatrix.

Smith used his personal e-mail address to communicate with Daus and others concerning his Geomatrix work. However, he also used his MMS e-mail account to communicate with individuals concerning Geomatrix.

A review of telephone records identified the following outgoing calls placed from the MRM offices in Denver to Geomatrix offices and personnel between September 2002 and April 2003:

Calls	Call Recipient
18	Geomatrix Office in Houston, TX
10	[Exemption 7C] Geomatrix Employee
1	[Exemption 7C] Geomatrix Employee
6	[Exemption 7C] Geomatrix Employee
5	Geomatrix Office in Oakland, CA
14	Geomatrix Office in Newport Beach, CA

***Agent's Note**: The specific phone number from which these calls originated cannot be determined from MRM's records, but it is likely that Smith was the only MRM employee with reason to telephone Geomatrix. In addition, we did not analyze calls made to the oil and gas companies to which Smith marketed Geomatrix given that such an analysis could not determine if the call concerned Geomatrix business, RIK business, or both.*

A review of Smith's MMS travel reimbursement vouchers disclosed that Smith happened to be in Houston on October 31, 2002, at MMS's expense at the same time he attended the Geomatrix meeting with the Geomatrix employee and Enterprise. We did not find any information revealing that the sole purpose of this or any other MMS-funded trip taken by Smith was to conduct Geomatrix business. Conversely, we found no information identifying the specific MMS work that Smith conducted on

these trips. Our review of Smith's travel vouchers disclosed that he traveled under a blanket travel authorization that described the purpose of each trip as being "To conduct government business with MMS personnel, DOI officials, other Federal agencies, State and local governments, and private organizations in the pursuit of MMS functions."

When we interviewed Daus, he said Smith's Consulting Agreement provided for Smith to be reimbursed by Geomatrix for authorized expenses. Daus did not recall ever approving any expense reimbursement requests for Smith.

When we interviewed Jim Price, Chief Financial Officer, Geomatrix, he confirmed that Smith never submitted any such requests for reimbursement. Price said that as Chief Financial Officer, he would have been in a position to see these requests.

Our investigation disclosed that Smith employed a similar strategy of linking MMS and outside employment travel while working for Ageiss. For example, an April 13, 2001 Ageiss "Trip Report" found on Smith's MMS computer disclosed that between April 3 and 5, 2001, Smith visited Dynegy Field Services, Williams Energy Services, ExxonMobil, and Texaco. According to the memorandum, the purpose of these visits was to discuss the potential services that Ageiss could provide to these companies. According to the memo, "On most trips to Houston, Mr. Smith attempts contact with at least two companies in this context." The review of Smith's MMS travel vouchers disclosed that he was in Houston, purportedly on MMS business, from April 3 and 5, 2001.

Notably, this same memorandum states, "The specific avenue of entry to these companies has been and continues to be access by Mr. Smith at reasonably high levels. The nature of the discussions is to continue to explore specific opportunities, establish relationships, and identify specific contacts within the companies for specific types of opportunities."

When interviewed, Smith confirmed that he never submitted a travel reimbursement or expense voucher to Geomatrix. He also stated that he never took any MMS trip for the sole purpose of conducting Geomatrix business and that the "overwhelming majority" of his work while on travel was spent on RIK business. According to Smith, any work he performed for Geomatrix was brief and done over lunch or during evening hours. Smith said he conducted "no more than two" Geomatrix meetings during normal RIK working hours.

Smith's Use of MMS Database

MMS is required by law to conduct inspections of offshore oil and gas platforms in the Gulf and elsewhere. During these inspections, equipment and operations on the platform are examined to identify potential safety or regulatory violations. If a violation is detected, the MMS inspector issues an Incident of Non-Compliance, or written citation, to the operator. If the violation is not severe or threatening, a warning Incident of Non-Compliance is issued, and the violation must be corrected by the operator within a certain time period. If the violation is severe, a "shut-in" Incident of Non-Compliance may be issued, which requires the operator to stop using the piece of equipment with which the violation is associated.

When we interviewed the former Geomatrix employee, he stated that Smith "generated and delivered a database" to Geomatrix that showed the results of offshore inspections conducted by MMS. He said Geomatrix used this information to identify companies that would most likely have a need for outside consulting services.

We interviewed another former Geomatrix employee, who confirmed that he received a database containing MMS information from Smith. Given his background in the oil and gas industry, he recalled being "surprised" that Geomatrix was able to obtain any information from MMS concerning inspections and Incidents of Non-Compliance.

We interviewed Tim Powers, Acting Deputy Regional Director, Gulf of Mexico Region, MMS, who stated that MMS maintained and operated the Technical Information Management System (TIMS) database, which contained various types of information gathered by MMS, including information on Incidents of Non-Compliance. He said that whenever an employee logged on to TIMS, he or she was shown a warning banner that stated, "This system contains data which is PROPRIETARY or for GOVERNMENT USE ONLY." A query of TIMS conducted by Powers and his staff disclosed no information indicating that Smith had ever accessed the database.

We interviewed an Oil and Gas Analyst, RIK, who recalled that in December 2002 or early 2003, Smith asked him to run TIMS reports that focused on companies with Incidents of Non-Compliance. He said Smith did not tell him why he needed the reports. The Oil and Gas Analyst said Smith did not know how to access TIMS or run reports from the database. After reviewing historical TIMS access logs, the Analyst said he was "positive" that he provided these reports to Smith and that he accessed the section of TIMS that contained these reports 47 times on behalf of Smith between December 1, 2002, and February 28, 2003. The Analyst said running TIMS reports was a slow, "painful" process and estimated that he spent a few days developing the reports for Smith.

We interviewed two Management Analysts, Freedom of Information Act (FOIA) Office, MMS, New Orleans, who stated that they were responsible for responding to FOIA requests. The Management Analysts both stated that there were nine exemptions to the FOIA that applied to MMS, and if a requested document or item did not fall into one of these nine exemptions, by law it had to be released to the requestor. Although this data was not published on the MMS Web site, they said information concerning Incidents of Non-Compliance was not considered to be confidential business information and did not fall into the trade secrets or commercial or financial information exemption and was therefore releasable under FOIA.

We advised the FOIA Management Analysts that some data maintained in TIMS was marked as being "PROPRIETARY." In response, both Management Analysts agreed that "Proprietary" was not a term or classification that they considered when determining if a piece of information was releasable under the FOIA.

When we interviewed Smith, he confirmed that he had obtained Incident of Non-Compliance information from an MMS database and provided it in the form of a report to Geomatrix. Smith stated that while he was certain that all of the data used to compile the report was "completely and totally" public through the MMS Web site, he did not know if the report itself was publicly available. ***Agent's Note:*** *This information was not available through the MMS Web site.* According to Smith, he obtained this data from an MMS employee in New Orleans. Smith said he did not know if he did or did not advise the MMS employee that the information he was asking him to obtain was for Smith's outside employment and not for official MMS business. Smith said he personally did not possess the technical skills to retrieve and process information in the MMS database and therefore had to ask someone to obtain it for him.

We interviewed the MMS employee, and he stated that he did not recall Smith ever asking him for TIMS data or INC-related data.

Agent's Note: *We believe that Smith obtained the information from an RIK Oil and Gas Analyst and was mistaken in his recollection that he obtained it from another MMS employee.*

Termination of Smith's Geomatrix Employment

When interviewed, Daus stated that in April 2003, he and Smith met in Denver to discuss the fact that Smith's work had not resulted in any business for Geomatrix, and he therefore intended to end their association. Daus said Smith agreed and their relationship ended in July 2003.

When we interviewed Smith, he stated that his job as a consultant for Geomatrix was to identify potential customers and alert them to the fact that Geomatrix might be able to provide services that would assist them. "I was doing referral work," Smith said. Smith also explained that if discussions went beyond the introductory stage, he would step out and recuse himself from the process.

According to Smith, there was "never any linkage" between his work for MMS and his work for Geomatrix. He stated that he made it clear up front to the prospective Geomatrix clients with whom he met that there was no such link, connection, or relationship. He also stated that he felt that making "introductions" for Geomatrix was "not in any way, shape, or form" related to his RIK work.

Lukens Energy Group

According to its Web site, Lukens Energy Group (Lukens) is "a management consulting company advising top management in the energy industry on issues of strategy, markets, regulation, valuation and risk management." Fred Hagemeyer was a Vice President of Lukens while Smith worked for Geomatrix.

When we interviewed Smith, he stated that he viewed Hagemeyer as a "trusted advisor," mainly because Hagemeyer helped RIK become established. When RIK was formed, Smith noted, no one working there had any experience or training in energy sales. RIK relied on Hagemeyer to provide advice and input on how to successfully operate the program.

Agent's Note: *In February 2007, the OIG initiated an investigation into allegations that RIK had been improperly influenced by high-level DOI officials in connection with the award of a contract for the assessment of the RIK Program to Lukens. That investigation was unable to corroborate the allegations.*

We interviewed Wally Adcox, senior MMS Procurement Official and former MMS Contracting Officer, who stated that MMS initiated the process to award a contract for an independent assessment of the RIK Program. A number of companies bid on the contract, including Lukens, and members of the Technical Proposal Evaluation Committee (TPEC) evaluated these bids. Adcox identified the TPEC members, all of whom were MMS employees, as the following individuals:

- Bob Brown
- [Exemption 7C]
- Milton Dial
- [Exemption 7C]
- Lucy Querques Denett

According to Adcox, Smith was not a member of the TPEC but was included on most of the communications concerning the contract because as an RIK manager, Smith would have to work with the contractor that was selected.

Our review of e-mail from Adcox confirmed that Smith attended the oral presentations made by the three final bidders, including Lukens. These presentations were made at the MMS office in Herndon, VA, on December 17 and 18, 2002.

We interviewed a former MMS Contracting Officer, who stated that he served as the contract administrator and later contracting officer on this contract with Lukens. According to him, most of the hand-written notes in the contract file were his, including one titled, "RIK Orals," which listed the following five individuals as attending the oral presentations:

- Bob Brown
- [Exemption 7C]
- Milton Dial
- [Exemption 7C]
- Greg Smith

The former MMS Contracting Officer stated that during any MMS contract selection process, there should be no contact between the bidding company and any MMS representative other than the contracting officer.

When we interviewed Milton Dial, he stated that Smith was a technical advisor for the contract and had input in the selection process that was equal to the TPEC members.

According to Adcox, in January 2003, the RIK assessment contract, valued at approximately $500,000, was awarded to Lukens.

Our investigation disclosed that Smith and Hagemeyer communicated extensively before, during, and after this contract was awarded to Lukens. It also disclosed that during this very same time period, Hagemeyer worked with Smith to market Geomatrix.

For example, on November 21, 2002, Hagemeyer sent an e-mail to Smith concerning the contract to be awarded. Attached to this was an electronic version of Lukens' "Capabilities Statement."

On December 11, 2002, only one week before oral presentations, Hagemeyer sent Smith a copy of Lukens' proposal. In this same e-mail string, Smith advised Hagemeyer that he would be in Houston on December 12, 2002, and asked if Hagemeyer would be around. In response, Hagemeyer wrote that he would, and he asked Smith to call him.

A review of Smith's travel vouchers disclosed that he was in Houston on December 12 and 13, 2002, but we could not substantiate whether he met with Hagemeyer.

In an April 14, 2003 e-mail to Smith, Hagemeyer wrote that the American Petroleum Institute taskforce had been formed. He also wrote, "If OK with you, I will also plant the seed about Geomatrix as the preferred Env [sic] firm."

Our e-mail review also identified a May 5, 2003 e-mail from an attorney with the firm of Fulbright and Jaworski, LLP, in Washington, D.C., to Hagemeyer asking if Hagemeyer knew anyone who could provide expert testimony in an environmental matter. In response, Hagemeyer wrote, "As a suggestion, Geomatrix is an environmental consulting firm that may be worth considering." He then provided the Fulbright and Jaworski Attorney with Smith's telephone number. Hagemeyer forwarded this e-mail to Smith the next day.

The following day, Smith sent an e-mail to Daus in which he wrote that he had just talked to the Attorney from Fulbright and Jaworski, and as a result, the Attorney was expecting an e-mail from Geomatrix concerning its capabilities. Smith also wrote that "based on recommendations" from Hagemeyer, the Attorney "is favorably disposed towards geomatrix [sic]."

***Agent's Note**: We did not find any evidence indicating that Geomatrix received any work as a result of this referral.*

When we interviewed a Geomatrix employee, he said he met with Smith in Denver in early March 2003 to discuss his potential role in the marketing work that Smith was performing for Geomatrix. In a March 5, 2003 memorandum to Daus, the Geomatrix employee wrote that during his meeting with Smith, he provided an overview of his marketing efforts. He also discussed a recent relationship that had been established between Geomatrix and Lukens where Lukens and Geomatrix were going to jointly assist oil and gas companies operating in Wyoming.

We interviewed Hagemeyer, who stated that he first met Smith in approximately 1996 or 1997 at an event involving MMS, and they subsequently became better acquainted.

Hagemeyer said he first learned about Geomatrix through Smith, and he understood from his discussions with Smith that Smith was assisting Geomatrix in the area of business development. Specifically, Hagemeyer said he understood Smith was to introduce Geomatrix to sectors of the oil and gas industry to which Geomatrix would not otherwise have access.

With respect to his efforts in assisting Smith's marketing of Geomatrix, Hagemeyer explained that consulting firms frequently tried to align themselves with each other in an attempt to further business opportunities for both. Hagemeyer stated that he made referrals to firms like Geomatrix as he was able and hoped that others would similarly make referrals involving Lukens.

Hagemeyer recalled making an oral presentation to MMS officials in approximately December 2002 in connection with Lukens' successful bid to win the RIK consulting contract. Hagemeyer did not recall if Smith was a member of the selection team, although he said he "could have been." Hagemeyer similarly did not recall if he met with Smith in Houston 1 week prior to the presentation. If they had met, he said they could have discussed the upcoming contract. Hagemeyer also could not recall if Smith helped him prepare any portion of the presentation he gave to MMS. He denied that there was any relationship between the assistance he provided to Smith regarding Geomatrix and Smith's role in the MMS contract award process.

When interviewed, Smith confirmed that he participated in the process through which Lukens was awarded the RIK consulting contract, although he said he had "very little influence" over the selection process. Smith denied that there was any relationship between his contacts with Hagemeyer prior to and during the selection process and any decisions or input he may have made or provided as a member of the group hearing oral proposals. Like Hagemeyer, Smith was not able to recall anything about their discussions prior to and during the selection process.

Drugs and Sex

According to the CS, Smith engaged in sex and drug use with RIK subordinates.

When we interviewed a former Minerals Revenue Specialist, RIK, she said she knew that Smith and some other RIK employees had "gone out on occasion after work." The Minerals Revenue Specialist also stated that she thought one of the RIK employees had once told her that she and Smith had sex. She said the RIK employee told her that Smith had come to her house, at which time their sexual encounter occurred.

When we interviewed the RIK employee, she stated that Smith often asked her for cocaine, and she provided it to him three to four times per year between 2002 and 2005. The RIK employee stated that either she or her boyfriend delivered the drugs directly to Smith at the MMS office, at a restaurant located near the office, or at a restaurant in a nearby town. She stated that on several occasions, Smith went to her house to pick up the cocaine. She said Smith purchased small amounts of the drug and she usually sold it to him for $60. On one occasion, the RIK employee said Smith paid her for cocaine with a personal check made out to her in the amount of $60.

The RIK employee said Smith once asked her for cocaine during the same time that the MMS performance appraisals were due and told her that if she could provide it, he would increase her performance award by $250. Although she could not recall if she provided the cocaine to Smith on that occasion, she said he did increase her award amount by $250.

According to the RIK employee, on more than one occasion, Smith directed her to purchase cocaine for him during normal MMS business hours, and Smith used the term "office supplies" when discussing cocaine while at work.

***Agent's Note**: The RIK employee recalled the incident involving her award increase in part because at that time, she and another employee were both slated to receive awards of the same amount. The RIK employee stated that while her own award was increased by Smith, the other employee's award was not. Our investigation confirmed that in August 2003, the RIK employee received a cash award that was for $250 more than the other employee. However, we found no documentation showing that the RIK employee's award was increased.*

The RIK employee recalled that on one occasion in late 2004, Smith telephoned her repeatedly asking for drugs. She said she provided cocaine to him early that evening, but he continued to call her. Eventually, she said, Smith traveled to her house and wanted her to have sex with him. She said he also asked her if she had more cocaine, and she stated that she did not but that someone who was staying with her might. She said Smith obtained crystal methamphetamine from one of these individuals and she watched him snort it off the toaster oven in her kitchen. The RIK employee also said she and Smith engaged in oral sex that evening.

A review of Smith's MMS cellular telephone records corroborated the RIK employee's statements. These records show Smith calling this employee's office and cellular telephone on the following dates and times:

Date	Time	Phone	Number
December 30, 2004	1:25 p.m.	Office	[Exemption 2]
December 30, 2004	6:06 p.m.	Cellular	[Exemption 7C]
December 30, 2004	6:28 p.m.	Cellular	[Exemption 7C]
December 30, 2004	7:00 p.m.	Cellular	[Exemption 7C]
December 31, 2004	2:11 a.m.	Cellular	[Exemption 7C]

Another RIK employee further corroborated the other RIK employee's statements. When interviewed, this RIK employee stated that in approximately October 2005, the other RIK employee told her that Smith had stopped by her house once in search of sex.

We interviewed yet another RIK employee who stated that in approximately 2005, Smith "insisted" that she ride in his car from one business establishment to another, and she agreed.

This employee stated that Smith took "the long way" between the two businesses, and during the drive, he asked to go to her nearby home, but she refused. "He wanted to have sex; I said no," she recalled. Smith then asked if she would have oral sex with him, but she told him she did not want to. She said Smith then "basically forced [her] head into his lap," and she performed oral sex on him while he drove the car slowly. She said she resisted Smith when he pulled her head into his lap, but Smith did not relent and continued to pull her head down. She said Smith was "real persistent" but not violent, and she did not feel as though she had been sexually assaulted by Smith. She stated that it was difficult for her to have sex with Smith because he supervised her and RIK, but she "felt like [she] could get fired," so she did what Smith wanted. She said she was "scared" that if she did not do what Smith wanted her to do, it could possibly affect her employment. She said this was the only time she had ever had sex with Smith.

When interviewed, Smith confirmed that he and an RIK employee used cocaine together on approximately four or five occasions over a multi-year period. He described his cocaine use as "episodic." He stated that to the best of his knowledge, cocaine was the only drug they had ever used. On several of these occasions, Smith said he went to her house to obtain and use cocaine. On some occasions, Smith claimed that he suggested that they use drugs, and on others the RIK employee suggested it. He said he only purchased small amounts of cocaine from her, valued at between $20 and $60. Smith denied that he directed this employee to obtain cocaine for him during business hours, and he denied raising her performance award amount in exchange for cocaine. Smith did not recall writing her a check for cocaine in the amount of $60 but said that he could think of no other reason that he would have written a check to her.

Smith only admitted to having one sexual encounter with this RIK employee in approximately January of 2003 or 2004. He said it occurred at her residence and involved "groping and touching" and oral sex. Smith claimed that both he and the RIK employee had used cocaine that evening.

***Agent's Note**: During his proffer, Smith stated that his sexual encounter with this employee occurred only after she had tried to "sexually entrap" him for years. However, the evidence shows Smith telephoned this employee repeatedly on the night of their sexual encounter, and it occurred after he went to her residence, not when she went to his.*

Gifts

A review of subpoenaed company employee expense reports disclosed that between April 2002 and October 2006, on 16 occasions, Smith accepted golf outings, drinks, and meals valued at a total of approximately $988.35 from eight different employees of Shell, Chevron, and Gary Williams Energy Company (GWEC), as follows:

Fiscal Year	FY 2002		FY 2003		FY 2004		FY 2005		FY 2007		Total	
Company	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
Shell			1	$120.20	2	$76.96	1	$24.06			4	$221.22
Chevron					1	$16.76	1	$4.24			2	$21.00
GWEC	2	$141.43	3	$114.42	2	$344.09	2	$134.88	1	$11.31	10	$746.13
Total *No gifts in FY 2006											**16**	**$988.35**

The Shell and Chevron charges included six occasions when meals and food items were purchased for Smith in Houston; New Orleans; Scottsdale, AZ; and Denver. The GWEC charges included four golf outings near Denver, as well as meals and other food items. Each of these three companies had a business relationship with RIK and thus were considered "prohibited sources."

By accepting the Shell gratuities in fiscal years 2003, 2004, and 2005, and by accepting the GWEC gratuities in 2002, 2003, 2004, and 2005, Smith violated federal ethics regulations that prohibited accepting items valued in excess of either $20 per occasion or $50 in total from one source in a given year.

We interviewed a GWEC Executive, who stated that a GWEC refinery obtained crude oil through RIK, and Smith was one of his main contacts at MMS.

The GWEC Executive explained that GWEC held an annual customer appreciation golf tournament in Colorado. He said GWEC paid all fees associated with attendance at the tournament, including all golf-related fees as well as breakfast, lunch, and dinner. In addition, he said each participant received a gift, such as a golf bag, luggage, a jacket, or sunglasses, as well as paid attendance at a local event, such as a professional golf tournament or a Colorado Rockies' baseball game.

According to the GWEC Executive, because GWEC considered MMS to be a customer, Smith had been invited to this customer appreciation event. He said a review of his records indicated that Smith attended the event in 2004 but did not accept the gift, which was luggage. He also said it was likely that Smith attended the event in 2005 and accepted the gift, which was a golf bag.

A review of the "Confidential Financial Disclosure Report" (OGE 450) signed by Smith on October 29, 2004, covering the period October 1, 2003, through September 30, 2004, disclosed that Smith reported receiving no gifts from one source totaling more than $285, excluding anything valued at $114 or less. The total value of the two golf outings that Smith accepted from GWEC during this reporting period was $344.09. The first outing was valued at $54.59, which was less than $114 and was therefore properly excluded from his OGE 450. The total cost of the customer appreciation outing was $289.50. According to GWEC, however, none of the individual components of this outing (the golf, the food, or the event tickets) exceeded $114. The GWEC Executive stated that Smith did not accept the gift of luggage, which was valued at $128.

***Agent's Note**: A December 12, 2007 legal opinion issued by the OIG's Office of General Counsel concludes that a confidential financial disclosure form filer who received multiple benefits in connection with his/her attendance at a single event must treat the entire package of benefits as a single gift for the purpose of determining whether the gift meets the reporting thresholds of $114 and $285. However, this opinion also points out that the form's instructions in 2004, as well as relevant regulatory examples at that time, did not provide clear guidance for the filer.*

False Statements

We interviewed an OIG Special Agent, who stated that in 2004, he was assigned to conduct an investigation involving allegations that an RIK employee had possessed and used illegal drugs. In connection with this investigation, in September 2005, he interviewed this employee and Smith, who was this employee's supervisor. The Special Agent said that during his interview, Smith denied any knowledge of drug activity involving himself or this employee. Smith also stated that he and this employee had only a professional business relationship and that he had only been to her residence on one occasion for a party with other MMS employees. The Special Agent stated that the RIK employee similarly denied using or distributing drugs in her interview. She also denied having any type of personal relationship with Smith.

***Agent's Note**: A review of the written questions asked by the Special Agent during these interviews, as well as a review of the notes taken by both the Special Agent and the assisting special agents during these interviews, disclosed that the Special Agent's recollection of these interviews were entirely consistent with both the questions and the notes.*

Subsequent to the time of her original interview with the OIG Special Agent, we re-interviewed this employee. During this second interview, she stated that Smith told her what to say during her interview with the Special Agent. Specifically, she stated that Smith told her that he had denied everything during his interview with the Special Agent and that she should "just say I've never been to your house."

When we interviewed one of the RIK employees, she recalled that several months after the incident in Smith's car, Smith called her into his office in order to notify her of an OIG investigation. Smith said it was likely that the OIG would interview him and ask questions about what had happened with her in his car. Smith went on to tell her that if these questions were asked by investigators, he planned to deny everything about the incident.

During his November 2007 interview, Smith stated that his September 2005 statement to the OIG that he had only a professional business relationship with an RIK employee was "not true." He also stated that he attempted to "downplay" other aspects of his relationship with this employee during this same OIG interview because he was "scared" by the questioning and he did not want to "self incriminate" and "ruin" his career. Smith stated that he felt that the OIG had no authority or reason to investigate his alleged sexual relationship with this employee or his alleged drug use, which Smith said occurred during his own time, away from MMS. "Whether that translates to not telling the truth to the OIG, I don't know," Smith said.

Smith also denied ever telling anyone to lie to OIG agents about his relationship with her or to lie about any other matter. Instead, Smith stated that he only told people that "no one has a right to know what I do on my personal time."