



U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

March 2, 2021

The Honorable Peter DeFazio
Chairman
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Dear Chairman DeFazio:

This responds to your letters of October 11, 2019, and December 20, 2019, requesting that we investigate potential conflicts of interest and favoritism involving former Secretary of Transportation Elaine L. Chao. Citing multiple news reports, you expressed concerns about Secretary Chao's meetings with local officials from Kentucky and the role of former Chief of Staff Todd Inman with respect to Federal grants benefiting Kentucky. You also noted questions regarding Secretary Chao's actions relating to her family's shipping business as well as her financial holdings in Vulcan Materials, a stone and asphalt producer.

Prior to receiving your October 2019 letter, our office had opened a preliminary review covering similar matters related to Secretary Chao in response to questions raised in press reports and correspondence from the public. As part of this review, we obtained emails and grant documentation and conducted interviews with senior Department of Transportation (DOT) officials, including political and career staff. The Office of Inspector General (OIG) Office of Chief Counsel coordinated the preliminary review with the assistance of analysts in the Office of Surface Transportation Audits and investigators in the Office of Investigations.

Based on our preliminary review, we concluded that there was not a sufficient basis to initiate a formal investigation into grant awards or the Secretary's financial interest in Vulcan Materials. However, we concluded that a formal investigation into potential misuses of position was warranted. We initiated our formal investigation in December 2019, and the results of that investigation have been documented in a report of investigation.

The following presents details about our review.

Grants Benefiting Kentucky

In your letters, you noted concerns regarding allegations of steering DOT grant funds to the Commonwealth of Kentucky, the State represented by Secretary Chao's husband, Senator Mitch McConnell, who was the majority leader at the time. Your letters also raised questions regarding the role of Mr. Inman in advising Kentucky officials related to DOT grants and the number of meetings between the Secretary and officials from Kentucky. Our preliminary

review did not give rise to a factual basis for opening an investigation with respect to the awarding of Federal grants benefiting Kentucky or Mr. Inman.

In response to your concerns about the share of the Secretary's meetings with officials from Kentucky, we obtained her calendar. Overall, her calendar shows she was in contact with officeholders and others from across the country representing a variety of interests. We cannot make any conclusions based on Secretary Chao's percentage of meetings with Kentucky officials out of all of her meetings with State and local officials. There is also no standard by which to judge whether the number of meetings from one's home State is so excessive as to raise ethical issues. Some meetings were one-on-one while others involved speaking to groups of individuals. Mr. Inman, who supervised schedulers, described some meetings as courtesies for local officials who were in Washington, DC, on business and wanted to stop by to meet the Secretary and take photos. This was corroborated by other evidence. According to Mr. Inman, individuals from Kentucky and elsewhere who knew the Secretary had sought personal meetings with her, and the Secretary wanted to be responsive to these requests.

As part of our review, the OIG Data Analytics and Computer Crimes (DACC) unit analyzed grants by four major grant-making DOT Operating Administrations (Federal Aviation Administration, Federal Highway Administration, Federal Transit Administration, and Federal Railroad Administration) awarded to each State starting in 2014. This analysis found that Kentucky did not receive a disproportionate amount of DOT grant funds as a whole. The DACC concluded that any changes in the grant totals and obligations for Kentucky that occurred after the 2017 administration change were not significant when compared to other States during the same period.

We then focused on the 2018 discretionary grants administered by the Office of the Secretary—the Better Utilizing Investments to Leverage Development (BUILD) and the Infrastructure for Rebuilding America (INFRA) grant programs. Specifically, we identified and reviewed four grants pertaining to projects in Kentucky that had been cited in multiple news reports:

- \$11.5 million BUILD grant for KY 331 Industrial Drive and Rinaldo Road widening in Owensboro, Daviess County, KY;
- \$23.0 million BUILD grant for U.S. 641 widening and rehabilitation in Calloway County, KY;
- \$25.0 million BUILD Grant interchange improvement on Route 461 in Pulaski County, KY; and
- \$67.5 million INFRA grant for I-71/I-75 interchanges in Boone County, KY on the Ohio and Kentucky border.

We looked for indications that these grants were improperly awarded or steered. Specifically, we reviewed the departmental application review and award process, the completeness of

the grant applications, and the evaluation of these particular grants. We also examined how Kentucky fared during the “haircut” process by which the Department makes final grant decisions in order to stay under budgetary caps.

We did not find any irregularities. Of particular note, we found that Kentucky did not receive a disproportionate share of INFRA or BUILD grants. This analysis showed that in relation to the universe and other States, the Kentucky grants appear to be in line with expectations for the process. For example, of the 21 BUILD applications from Kentucky in 2018, 7 applications were forwarded to the Secretary for final selection, and 3 were ultimately selected. Likewise, of the six INFRA applications Kentucky submitted in 2018, four were forwarded to the Secretary for final selection. Both are consistent with other States’ results.

Moreover, our review of the grant files and our interviews with DOT staff involved in the selection and award process did not find evidence of steering. All the individuals we interviewed were consistent in their responses, and none alerted us to process irregularities for these grants. We did not find evidence that their evaluation of these grant applications had been improperly influenced by others. We also received no complaints from DOT employees or others with personal knowledge regarding preferential treatment of Kentucky in any program.

We note, however, that the final project selections at the conclusion of the process for the BUILD and INFRA programs had not been well documented. Consistent with departmental practice that spanned administrations, there was little information documenting the final project decision for all grants, including the ones we reviewed. The main focus of DOT’s BUILD and INFRA grant application evaluation process is to inform decision makers about each project’s eligibility, readiness, and other merits. Then, the decision makers may use their subjective judgment to make final project selections. As you know, the Government Accountability Office identified this as an issue and made recommendations to DOT to improve its transparency regarding discretionary grant decisions.¹

Regarding the role of Mr. Inman, our review did not find a basis to conduct a formal investigation. In an interview with our office, Mr. Inman denied being an “intermediary” for Kentucky officials and stated he was not involved in grantee selection. He told us that several individuals whom he knew personally from Kentucky had contacted him, but that he gave Kentucky officials the same advice about the grant process that he would give anyone who had asked. Mr. Inman also indicated that he oversaw the Secretary’s schedulers, so dealing with requests to meet with her was within his assigned duties. Moreover, interviews with persons involved in the grant selection process and our review of DOT emails did not uncover evidence that Mr. Inman influenced grant awards benefitting Kentucky or gave Kentucky applicants an improper advantage.

¹ Government Accountability Office, *Discretionary Transportation Grants: Actions Needed to Improve Consistency and Transparency in DOT’s Application Evaluations* (GAO-19-541), June 2019.

Vulcan Materials Stock

Our preliminary review also looked into matters concerning the Secretary's financial interest in Vulcan Materials, a large stone and asphalt producer that has received Federal grant funds. As you noted in your October 2019 letter, news reports raised questions about Secretary Chao's adherence to her Federal ethics agreement in which she stated that her financial interest in the company would be converted to cash. Based on our review, we did not identify any evidence of a financial conflict of interest.

Prior to serving as Secretary of Transportation, Secretary Chao sat on the Vulcan Materials board of directors. In her Federal ethics agreement signed prior to her confirmation in 2017, Secretary Chao committed to recusing herself from Vulcan Materials until she received a cash payout of her vested deferred stock units in April 2018. However, in April 2018, her financial interests in Vulcan were converted into common stock, not cash. The stock was sold on June 3, 2019.

During our inquiry, we learned that DOT ethics officials were informed of the conversion to common stock about a year before it was publicly known. On May 31, 2018, an advisor to Secretary Chao who assisted her with the preparation of her financial disclosure reports informed a DOT ethics official, who in return informed her supervisors, that the Secretary had received Vulcan Materials stock, not a cash payout. However, the Secretary's ethics agreement was not amended until after her stock ownership was publicly disclosed in 2019.

We found no evidence that the Secretary participated in any particular matter pertaining to Vulcan Materials in violation of the main financial conflict of interest law, 18 U.S.C. § 208. According to the career Deputy General Counsel, who serves as DOT's Designated Agency Ethics Official (DAEO), the Secretary's recusal from Vulcan—which was distributed to senior staff early in her tenure—was never lifted. Although certain DOT Operating Administrations did have particular matters related to Vulcan Materials, we saw no evidence that these matters rose to the Secretarial level.

Based on the absence of evidence of a violation of the conflict of interest laws, we did not open a formal investigation into this issue.

The Secretary's Video Appearances With Her Father

Your October 2019 letter also noted concerns regarding Secretary Chao's actions related to her family's shipping business, the Foremost Group, which was founded by her father and for which her sister is the chairperson and chief executive. These concerns included reports that the Secretary's office asked to have Chao family members from the Foremost Group participate in official events during a planned official trip to China in 2017 that was later cancelled.

We also reviewed matters related to joint video interviews with the Secretary and her father that were referenced in news articles in early 2018. In response to these articles, the U.S.

Office of Government Ethics (OGE) communicated with the DAEO about these videos. In July 2018, the DAEO informed OGE by email:

Going forward, the Office of Public Affairs has committed to consulting with our ethics team prior to scheduling any media events that would involve the Secretary and her family.

As for other public events that involve the Secretary's family, based on appearance concerns, we have discouraged official duty activities with her family. The Secretary is committed to seeking ethics advice in advance of those events.

OGE then informed the DAEO that, "[g]iven this update, we consider OGE's consultation on this matter concluded." In order to ensure that OGE's consideration of this matter included all the relevant facts, we asked for OGE's opinion on the relevant ethics issues and provided OGE with English transcriptions of videos that included some content in the Chinese language. One video in particular, in which the Secretary and her father are interviewed together at DOT, raised concerns with us because it featured the Secretary talking about official matters such as the Administration's priorities for transportation as well as commentary about the written biography of her father.

In a response to OIG dated February 25, 2020, the Director of OGE indicated that OGE understood that the DAEO had discouraged the Secretary from participating in official duty activities with her family, and that the Secretary agreed to consult with the DOT ethics office prior to scheduling any media events that would involve the Secretary's family. The Director concluded that the DAEO was and remains in the best position to analyze the totality of the circumstances and to determine what steps needed to be taken to eliminate any appearance of Government sanction or endorsement. Based on OGE's response, we did not pursue this matter further.

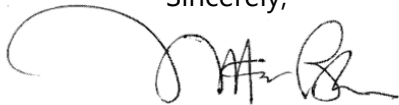
Investigation and Referrals of Other Misuse of Position Issues

Our preliminary review revealed other potential misuses of position that warranted additional review. On December 13, 2019, the OIG Office of Chief Counsel referred these matters to the Office of Investigations, which opened a formal investigation. OIG's formal investigation involved review of more departmental emails, interviews, and other investigative techniques. The Department cooperated with this investigation in all respects.

In accordance with OIG's investigative process and Federal investigation standards, the Office of Investigations referred its findings to the U.S. Attorney's Office for the District of Columbia on December 16, 2020, and the U.S. Department of Justice Public Integrity Section on December 17, 2020, both of which declined prosecution. We provided a copy of a report of investigation to the DOT Office of General Counsel (OGC) for any actions deemed appropriate, as well as to identify any privileged material and other information subject to an applicable Freedom of Information Act exemption. On February 26, 2021, DOT OGC provided us a redacted copy of the report of investigation, which we have enclosed with this letter.

If you have any questions about the matters discussed in this letter, please contact me at (202) 366-6767 or Nathan Richmond, Director, Office of Government and Public Affairs, at (202) 366-8751.

Sincerely,

A handwritten signature in black ink, appearing to read "Mitch Behm". The signature is stylized with a large, sweeping initial "M" and a long, horizontal flourish extending to the right.

Mitch Behm
Deputy Inspector General

Enclosure



U.S. Department of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I20E002R200	DATE
Title: CHAO-Ethics Violation (Misconduct) Elaine Lan Chao Former Secretary Department of Transportation Violations Investigated: 5 CFR Part 2635.702 – Use of Public Office for Private Gain	PREPARED BY SPECIAL AGENT (b) (6), (b) (7)(C)	STATUS
	DISTRIBUTION	APPROVED BY

Initiation

The U.S. Department of Transportation (DOT) Office of Inspector General (OIG) Office of Investigations initiated this investigation in December 2019 upon a referral from the OIG Office of Chief Counsel. In June 2019, the Office of Chief Counsel commenced a preliminary inquiry regarding a variety of ethics issues related to the former Secretary of Transportation, Elaine L. Chao. In addition, on October 11, 2019, the Chairman of the U.S. House of Representatives Committee on Transportation and Infrastructure requested that OIG investigate certain allegations against the Secretary, including Secretary Chao's actions relating to her family's shipping business. During the course of the preliminary inquiry, the OIG Office of Chief Counsel discovered material that warranted a formal investigation into the conduct of the Secretary.

Overview

The following presents the findings of OIG's formal investigation into alleged violations of ethics rules and concerns regarding potential misuse of position by Secretary Chao. This includes a description of (I) evidence relating to potential ethics concerns discovered during the course of the investigation, (II) the DOT Office of General Counsel (OGC)'s opinions on ethics issues detailed in this report, and (III) the investigation's closure.

This report does not make any conclusion regarding the compliance of the Secretary or any other Federal employee with any ethical principle or rule. To put the facts of this report in proper context, the text of relevant ethical rules are included.

The Standards of Ethical Conduct for Employees of the Executive Branch (5 C.F.R. Part 2635) provide that "public service is a public trust" and that each employee has a responsibility to place loyalty to the Constitution, laws, and ethical principles above private gain. The Standards contain "general principles" that apply to every employee, including the following:

- Employees shall not use public office for private gain.
- Employees shall act impartially and not give preferential treatment to any private organization or individual.
- Employees shall protect and conserve Federal property and shall not use it for purposes other than authorized activities.
- Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards set forth in this part.

In addition to prohibiting the use of public office for private gain, these standards state that an employee shall not use public office for the endorsement of any product, service or enterprise; or for the private gain of friends, relatives, or persons with whom the employee is affiliated in a nongovernmental capacity.

I. Evidence Relating to Potential Ethics Concerns Discovered During the Course of the Investigation

During the course of its investigation, OIG discovered evidence relating to potential ethics concerns arising from the actions of the Secretary and Office of the Secretary (OST) staff under her direction. The facts underlying potential ethics concerns include:

- a) tasking OST political appointees to contact the Department of Homeland Security (DHS) about the status of a work permit application submitted by a foreign student studying at a U.S. university who was a recipient of Chao family philanthropy,
- b) including family members and personal events in the Secretary's planned, but subsequently cancelled, trip to China in November 2017,
- c) providing DOT Public Affairs and media support to the Secretary's father, and
- d) using DOT resources and OST staff time for tasks for the Secretary that appear to be personal in nature.

These areas are described below.

A. Tasking Political Appointees To Contact DHS on Behalf of a Foreign Student (August 2017)

Through the Foremost Foundation, the Chao family participates in philanthropic activities in the United States and China. In April 2017, a beneficiary of one of these programs ("the fellow"), a foreign student who was studying in the United States, contacted Angela Chao, the Secretary's sister and then Deputy Chair of Foremost Group, via email. The fellow requested to interview Dr. James S.C. Chao, Secretary Chao's father and then Chief Executive Officer (CEO) of Foremost Group, on camera "to share his story with Chinese millennials."

On May 2, 2017, a member of Secretary Chao's DOT staff sent an email from her personal email account to the fellow. The email stated, "I am on Secretary Chao's staff. We heard about your interest in interviewing Dr. Chao... Most importantly, where will your interview be published?" The fellow replied with details about her plans. Later that month, the fellow interviewed Dr. Chao at the Foremost Group office in New York City.

On August 9, 2017, Finch Fulton, DOT Deputy Assistant Secretary for Transportation Policy, emailed DHS officials. In his interview with OIG, Fulton said he knew the officials because they, like Fulton, were part of a network of individuals in the Washington, DC, area who had worked for former Senator Jeff Sessions. Fulton asked the two DHS officials whether there was "a political at DHS that handles" U.S. Citizenship and Immigration Services (USCIS) matters.

On August 10, 2017, Fulton emailed the DHS officials:

Just tried to call you. I now understand more about the problem. It's not crazy sensitive, but it is for the Secretary. There is [an individual] who is a [] School Scholar and a recipient of Chao Family [philanthropy]. [They are] caught in a hard place with [their] student visa

about to expire and [their] Employment Authorization Document [EAD] yet to be approved. [They] already [have] a job lined up, [so they] just [need] this to go through the system.

Fulton then identified the fellow and provided case information, which showed that USCIS had accepted the application for employment authorization on June 13, 2017. The student hoped to have an EAD by August 31, 2017. Fulton added:

I will say, it is my expectation that I will be routinely required to “get the latest” on this. So, I really appreciate you taking the time, and I ask for your patience as we run this down. If you could please forward any scrap of new information as it comes along, I would be greatly obliged.

Fulton inquired with the DHS officials again on August 17, 2017, asking via email, “Do we have any updates I can provide the Secretary?” On August 21, 2017, Fulton sent them another email noting that the “Secretary just asked about this again. Is there anything more I can tell her about the process, or anything that can help gauge expectations?” The next day, one of the DHS officials responded by email that it would probably be “a couple more months” before the fellow received the EAD. Fulton emailed the DHS officials and inquired whether there were “interim steps [the fellow] can take so that [they] can stay in the country” and start working before receiving the EAD. The DHS officials emailed back that USCIS was “adjudicating applications received on or before April 1. As USCIS clears through those, it will then proceed to others received after that.” Fulton forwarded the response to Derek Kan, Undersecretary of Transportation for Policy.

On August 26, 2017, Secretary Chao emailed Kan. In her email, she asked, “Whatever happened to [the fellow]....? You called your contact...What happened? Did you speak to [the fellow] to keep [them] up to date?” Kan responded that he and Fulton “have been pinging with DHS at different levels every 2-3 days.” He added, “Both of us have been keeping [the fellow] in the loop. On average, these applications take 90 days to resolve and [the fellow is] in the queue. [They] actually applied somewhat late and is aware [they] could have applied earlier to avoid this situation.” Kan stated that, “We’ve asked DHS that her file be reviewed, which often accelerates the process. As soon as I get any meaningful info, I’ll let you know.”

Three days later, on August 29, 2017, Kan emailed Secretary Chao, “FYI: DHS processed [the fellow’s] employment documentation this morning and notified [them]. All good and [they] expressed thanks.” Secretary Chao forwarded the email to Angela Chao and copied it to Dr. Chao, stating, (b) (6)

In an interview with OIG on September 10, 2020, Fulton stated that since joining DOT in January 2017, he did not recall another instance when a DOT employee had asked him to inquire about the immigration status of an individual.

OIG referred this potential misconduct issue involving Department of Homeland Security Officials to the DHS Office of Inspector General for any action they deem necessary.

B. Including Family Members and Personal Events in the China Trip, Which Was Later Cancelled (November 2017)

The U.S.-China Transportation Forum is an annual event that the United States and China have participated in every year for approximately the past decade. The United States and China alternate years hosting the event. Planning for this event takes several months and involves significant intra- and inter-agency coordination.

DOT emails indicate that the Secretary directed her staff to include her relatives in both the planning of the 2017 trip to China and participation in the official events and high-level meetings during the trip.

As early as August 2017, versions of the draft itinerary for the Secretary's trip to China included stops in Jiangsu for "public diplomacy outreach." The draft itineraries indicated that in Jiangsu the Secretary would visit the "Tian Quan Hu Zhen groundbreaking of facility and tour." This event was the subject of a May 8, 2017, meeting at DOT in the Secretary's office at DOT Headquarters with the Secretary's father and a group known as the "Jiangsu Delegation." The meeting concerned the construction of a building and housing complex to be erected in Tianquanhu Township, Jiangsu Province, China, in honor of the Secretary's late mother. Members of the Jiangsu Delegation who attended the May 2017 meeting included the county and township officials, representatives from holding companies, and a Chinese state interpreter.

Later versions of the itinerary also included a stop in Shanghai for the Secretary to speak as a guest lecturer at the Shanghai Maritime University and to visit the Shanghai Jiao Tong University, both of which have received funding from charitable foundations set up by the Secretary's family. In addition, the Secretary would visit several kindergartens that have received financial support from charitable organizations connected to her family. The Secretary was also scheduled to attend a book signing event for the biography of her father, *Fearless Against the Wind*.

Between August 2017 and October 2017, OST staff arranged logistical support for Dr. Chao and the "Dr. Chao delegation" that would be travelling with the Secretary on the trip to China. The "Dr. Chao delegation" was comprised of six people including Dr. Chao himself, Angela Chao, and Angela Chao's husband. Examples of logistical support included OST officials requesting, through the U.S. Department of State, to have the Chinese Ministry of Transportation (MOT) provide two vehicles for the Dr. Chao delegation and (b) (6). In another instance, a DOT official in the international policy office emailed the Secretary asking her whether Dr. Chao would be interested in meeting with a former high level Chinese official, who was Dr. Chao's former classmate and lived in Shanghai. An email exchange on October 4, 2017, between OST staff reflect a priority to support the needs of Dr. Chao. The email exchange from one OST staffer to another stated "Above all, let's keep [the Secretary] happy. If Dr. Chao is happy, then we should be flying with a feather in our hat."

A small number of OST employees coordinated logistical support for the Dr. Chao delegation. For example, on October 23, 2017, in response to U.S. Embassy officials requesting the biographical and passport information for the Dr. Chao delegation, an employee in the DOT Office of International Transportation and Trade responded that the employee would "defer to [an OST

staffer] and/or Todd [Inman, former DOT Director of Operations,] for Dr. Chao and non-DOT delegation's passport bio pages.”

Emails indicate that on or about August 25, 2017, DOT Office of General Counsel (OGC) career ethics attorneys met with former DOT Chief of Staff Geoffrey Burr, Deputy Secretary Jeffrey Rosen, Undersecretary for Transportation Policy Derek Kan, and an OST scheduler about the proposed trip to China and the proposed itinerary. Ethics attorneys expressed concern about events planned in Jiangsu, at certain kindergartens, at Shanghai Maritime University (SMU), and at Shanghai Jiao Tong University (SJTU) due to an apparent connection with Foremost Group and/or a Chao family foundation. It is unclear from the notes taken by the OGC ethics attorneys on September 11, 2017, that the attorneys were aware of Dr. Chao's attendance or the attendance of those in Dr. Chao's delegation. In notes of the meeting, the ethics attorneys expressed concerns about the proposed itinerary. Specifically, the notes stated:

[T]he Ethics Team expressed concerns that the events in Jiangsu and Shanghai at the kindergartens and at Shanghai Maritime University and Jiao Tong University, should be personal events for the Secretary because of their connection to her family's business. The Secretary, as a Government official, may not use her public office for her own private gain, or the gain of others. The Ethics Team expressed concerns that if the Secretary were to engage in “public diplomacy” events at locations closely connected with the Foremost Group, it would provide an inappropriate advantage, in the form of publicity, to Secretary Chao's family's business. However, the Secretary could still visit the sites that her family's foundation has contributed to in her personal capacity. But, the Ethics Team stressed that the Secretary should work directly with the Foundation to set up such personal events and not involve DOT staff in the preparation of such events or on the day (outside of one person to provide a link in case of DOT emergency and necessary security).

Following the meeting with OGC ethics attorneys, OST staff continued to prepare for and coordinate the events listed on the draft itinerary as scheduled. For example, on September 11, 2017, an OST staffer emailed a Foremost Group employee several draft trip itineraries, each containing the personal events in Jiangsu and Shanghai that ethics attorneys had expressed concern about. On September 22, 2017, an OST staffer emailed the Secretary asking her to confirm the quantity of gifts from the White House to be sent via FedEx. The Secretary then forwarded the email to her father and he responded, (b) (6)

In addition, DOT public affairs officials coordinated with the U.S. Embassy press office and Chinese media outlets to arrange media coverage emphasizing the Secretary's personal and family story.

On October 13, 2017, the Secretary emailed an OST staffer a list of to-do items. These included:

- “redo itinerary –to reflect SJTU”
- “Need to tell who will be at top leaders meeting: Dr. Chao Angela Chao [Angela Chao's husband] “Coming along but not in room: [Foremost Employee]” “DOT: none” “US Embassy – Ambassador, I'm sure. Maybe Control Officer” “MOT: they will take care of.”

- “Things to ask [Official at Chinese Ministry of Transportation]:” “(b) (6)”; “Lai’an kindergarten dinner – invite [Chinese official] and party secretary and other officials as appropriate”. “invite [Chinese official] and party secretary and other officials as appropriate”;
- “Dr. Chao’s event Wed am – [Senior Chinese government officials] invited to attend.”
- “SJTU and SMU – hope they get as big audience as they can ...but minimum hope it will be 400-500.”

In the 2 weeks before the trip, (b) (5)

For example, in an exchange between Inman and an OST staffer on October 16, 2017, Inman wrote that (b) (5)

The OST staffer responded via email to Inman (b) (5)

On October 18, 2017, an OST staffer emailed a Chinese ministry official attaching bios for each member of Dr. Chao’s delegation. The staffer wrote, “Thank you for the opportunity to work with you on Secretary Chao’s upcoming visit to China...As offered, please find attached a list of people who will be accompanying Secretary Chao’s father, Dr. James S. C. Chao; their bios in English and Chinese, for your easy reference.”

On October 18, 2017, the same OST staffer emailed a Chinese ministry official, stating that, “As for the State Leaders meetings, our side will include: Secretary Elaine L. Chao, U.S. Secretary of Transportation[;] Ambassador Terry Branstad, US Ambassador[;] Dr. James S.C. Chao, Founder and Chairman, Foremost Group[;] Ms. Angela Chao, Deputy Chair, Foremost Group[;] [Angela Chao’s husband][;] Mr. Derek Kan, Undersecretary for Transportation Policy nominee[;] US Embassy staff.” The OST staffer emailed the ministry official again, thanking the official for (b) (6), asking about Dr. Chao’s preference for two black sedans, and looking into the “desired seating arrangements in the high level meetings.”

Also on October 18, 2017, U.S. Embassy officials emailed DOT officials stating:

We’re aware that Secretary Chao is bringing Dr. Chao, Angela Chao, and [Angela’s husband] to China. We understand from MOT that Dr. Chao, Angela, and [Angela’s husband] are planning to accompany Secretary Chao to her official meetings. Is this correct? We want to ensure that this wasn’t a miscommunication. If this is the case, can you please provide us with a complete list of the meetings that they would attend? We would need to vet this with the State Department.

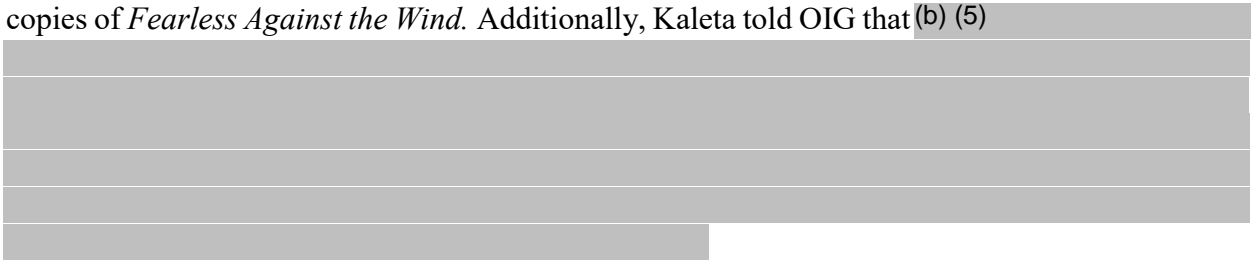
Internal Department of State emails on October 19, 2017, reveal (b) (5)

OIG found these Department of State emails on DOT servers in connection with the Government’s defense of a Freedom of Information Act lawsuit for information about the China trip:

(b) (5)



On October 20, 2017, Inman reached out to the DOT Designated Agency Ethics Official (DAEO), career Deputy General Counsel Judy Kaleta, asking to meet. The DAEO is the agency employee with primary responsibility for directing the daily activities of the agency's ethics program and coordinating with the Office of Government Ethics. Kaleta told OIG that, at that meeting, she learned the Secretary planned to attend an event during the trip where her father would be signing copies of *Fearless Against the Wind*. Additionally, Kaleta told OIG that (b) (5)



On October 24, 2017, OGC delivered an ethics memo (titled “Ethical Parameters for the Secretary’s Trip to China”) to James Owens, then a non-career Deputy General Counsel, with information for Kan. In the memo, OGC advised how the trip could occur within ethics parameters and delineated official events and personal events with specific ethics advice. In particular, the October 2017 ethics memo reiterated that the Secretary may not use her public office for private gain or the gain of others: “Such gain does not have to be strictly economic in nature and can include even such intangible benefits as publicity or increased public awareness.” The memo expressed concern that if “the Secretary were to engage in events at locations closely connected with the Foremost Group, it would provide an inappropriate advantage, in the form of publicity, to Secretary Chao’s family’s business interests.” The memo expressed particular concern about the planned event involving Dr. Chao signing and promoting a biography about him: “The Secretary should avoid attending such an event as her presence, even in her personal capacity, could lend publicity to the event that would potentially increase sales of the book.” The memo provided that at other events with connection to her father and the family, the Secretary “can give official remarks, but any mention of her father should be limited. The Secretary’s father may attend, but should not sit on stage with her.”

The memo also expressed concern about the Secretary’s father and sister attending official events and bilateral meetings with Chinese officials. The Secretary would be permitted to bring a “plus one” to social events where other guests or spouses would be in attendance. However, the memo

stated that it would be inappropriate for the Secretary to use her official position to provide her family members access not afforded to a private citizen.

Finally, the October 2017 ethics memo provided that the Secretary would have to attend several events in her personal, rather than official, capacity. These events included visits to institutions with connections to the Chao family's charitable foundation, the Foremost Foundation, and her father Dr. Chao. It was later determined that "all of the kindergartens on the Secretary's schedule – two in the provinces and one in Shanghai – have all received funding from the Chao family." The memo provided that, at these personal events, the Secretary could bring one DOT staff person to accompany her and travel to and from these events at the Secretary's expense.

At or near the time of the October 2017 ethics memo, the trip was cancelled. (b) (5)

In an interview with OIG in December 2020, Kaleta stated that she stood behind the contents of the October 2017 ethics memo. In the interview, Kaleta described issues around the cancelled China trip as a "disconnect" between the information provided to OGC ethics attorneys and information OGC would later learn in the trip planning process. For example, OGC later discovered that OST staff had prepared remarks for and planned to accompany the Secretary to private personal events on the trip at DOT expense. Kaleta stated that DOT staff should not prepare or draft remarks for events the Secretary attends in her personal capacity. In addition, on official travel, the Secretary must take the most direct routes, not divert, and not create official events to engage in personal activity. Kaleta also stated she later learned that an OST official told the Department of State that the Secretary's events had been cleared by DOT ethics attorneys, which Kaleta told OIG was not the case.

When OIG asked Kaleta whether the Secretary would be able to attend a book signing event promoting her father's biography, such as the one on the itinerary of the cancelled China trip, Kaleta stated that it depended. She would want to know who would be at the event and would not want to say that the Secretary could not attend such an event as a general matter. Kaleta noted the Secretary's attendance would present difficult questions because there is a heightened sensitivity around her public status. She added the Secretary has a greater impact than a normal DOT employee when she attends an event.

In a December 2020 interview, OIG also asked DOT General Counsel Steven Bradbury, who was confirmed soon after the China trip was cancelled, about the trip. Bradbury stated the proposals and itineraries for the cancelled China trip were constantly changing, and it is fair to say those itineraries were not fully vetted by OGC ethics attorneys.

C. Providing DOT Media and Public Affairs Support for the Secretary's Family (2017–2018)

OIG's investigation reviewed two areas of concern related to support for the Secretary's family: (1) DOT media support and (2) public affairs and other support at certain events, as follows.

C-1. DOT Media Strategy Support

A review of DOT emails and interviews with staff revealed that OST staffers provided various media and public affairs support to the Secretary's father in 2017 and 2018. In addition to the planned book signing in China, there were several additional instances where OST staff were directed to help promote Dr. Chao's biography, *Fearless Against the Wind*. For example, in August 2017, the Secretary directed two OST staffers to send a copy of *Fearless Against the Wind* to a well-known CEO of a major U.S. corporation (which is not regulated by DOT) along with a letter requesting that he write a foreword for the book and a sample foreword. Emails revealed that the Secretary had asked a third staffer to edit the sample foreword. OIG's review indicated that the Secretary involved OST staff in similar requests for forewords to *Fearless Against the Wind* to several other prominent individuals, such as leaders at three elite U.S. educational institutions.

OIG found evidence that OST staffers actively maintained a list of all of Dr. Chao's awards. For example, on September 30, 2017, the Secretary emailed an OST staffer, "Where is listings of awards for Dr C [] that you updated with latest Boston award? Email to me asap." The staffer responded with an attachment containing a list of awards for the Secretary's father and also stated that, "a hard copy should have arrived in NY." Similarly, on November 9, 2017, the Secretary emailed an OST staffer a picture of an inscribed trophy and directed the staffer to "include on dr c list of awards."

OIG also found evidence that the former DOT Director of Public Affairs, Marianne McNerney, and OST staffers also drafted, edited, and implemented a media strategy and public relations plan. The employees who worked on this document were no longer employed by DOT during the investigation and would not consent to a voluntary interview. OIG attempted to interview McNerney on December 12, 2019. McNerney asked OIG to send her a formal interview request, which OIG subsequently sent to her via email. McNerney did not respond to that request or to OIG's multiple additional requests for an interview. On January 29, 2020, OIG also attempted to interview an OST staffer who worked on this document. The OST staffer did not consent to a voluntary interview with OIG. However, emails show their involvement in this document.

On March 26, 2018, McNerney emailed an OST staffer requesting "all the upcoming awards and date[s]." The staffer responded with "Columbia 4/17 SUNY Maritime 5/1 Lloyd's List Houston 5/23." The next week, on April 4, 2018, McNerney emailed the staffer requesting help in proofing a document titled, "Dr. Chao spring 2018 Events." The document, which was attached to the Director of Public Affairs' email, "proposes proactively leveraging Dr. Chao's upcoming awards and equities to counterbalance recent coverage." The document also highlights several awards Dr. Chao was to receive in the coming weeks: an inaugural EPIC award from Columbia University; an award from State University of New York (SUNY) Maritime College; a Lifetime Achievement Award from Lloyd's List; and an honorary degree from Massachusetts Maritime Academy (MMA). The document further highlights Dr. Chao's profile in a chapter in *Dynasties of the Seas, II (Dynasties)*, a book about international shipping firms, and *Journeys – An American Story (Journeys)*, an essay collection that includes an essay by the Secretary about her family's immigration story.

In a section called “Strategy,” the “Dr. Chao spring 2018 Events” document states, “We recommend amplifying the coverage in regional press a means to build Dr. Chao’s profile and to share the story of his journey.” The strategy also describes recommendations relating to *Dynasties*: “We recommend working with the publisher to promote the book to mainstream press in May prior to the June book launch. From our perspective, we would ask the publisher for permission to leverage the chapter as part of outreach on Dr. Chao.”

The same document also sets forth a timeline for Dr. Chao’s media strategy. According to the document, the tasks to be accomplished include: “update digital Dr. Chao media kit. (Bio, Abbreviated Excerpts of Dr. Chao story. Philanthropic work. Photo profiles, etc.)”; “Work with Columbia to pitch award and event”; “Work with SUNY Maritime to pitch award and event”; “Pitch and place *Dynasties*”; and “Work with Lloyds to promote Lifetime Achievement award.”

OIG’s review revealed evidence that OST staffers appear to have implemented Dr. Chao’s media strategy. As described in more detail in the section below, OST staff were involved in organizing the 2018 events at Columbia University, SUNY Maritime College, Lloyd’s List, and MMA. Emails reveal that the Secretary directed the Director of Public Affairs to “work on *Dynasties of the Seas*.” Throughout 2017 and 2018, more than three OST staffers were involved in editing *Dynasties*, together with Foremost Group staff. Drafts of *Dynasties* edited by OST staffers focused primarily on the accomplishments of Dr. Chao, Angela Chao, and Foremost Group; the working title of the *Dynasties* chapter edited by OST staffers was, “Dr. James Chao & Angela Chao, Turning the Impossible into the Possible.”

One OST staffer interviewed by OIG acknowledged editing the *Dynasties* chapter and explained that this book was not sold or authored by the Chao family. Although the staffer acknowledged the publication did not have any DOT-specific nexus, the staffer was asked to review the chapter and said the chapter contained similar text and language about the Secretary’s immigrant story that appears in official speeches. This staffer stated that the point person on this project was McInerney. *Dynasties* was published on June 8, 2018, by Marine Money, Inc.

Emails also indicate that OST staff were involved in drafting and editing *Journeys*. OST staffers submitted the essay to the author of the collection in August 2017. Although *Journeys* was included on the media strategy document about the Secretary’s father, our review revealed that the essay did not exclusively focus on the Secretary’s father. In June 2018, DOT records indicate that the author of *Journeys* was invited to DOT to meet with the Secretary. Records indicate that McInerney and the author were present at the meeting. *Journeys* was published on July 3, 2018, by Rosetta Books.

OIG also found that, on January 6, 2018, the Secretary asked an OST staffer to edit her father’s Wikipedia page. In an interview with OIG in January 2020, the staffer confirmed that she edited the page and told OIG that they were the Secretary’s Wikipedia point person. When asked about writing speeches or editing content about the Secretary’s father, the OST staffer stated that the Secretary’s family story is often a part of her public speeches. The staffer did not feel that editing or speechwriting work that mentions Dr. Chao is outside the scope of DOT duties because much of the story about the life of the Secretary involves her father. According to the staffer, the family story is a narrative tool utilized as part of speechwriting. The OST staffer stated that there is a lot

of overlap between the Secretary's official business with DOT and her personal life story because the Secretary previously worked for MARAD, she came to America on a ship, and her father owns ships. The OST staffer did not feel conflicted writing about the Secretary's family story. A different staffer believed it was the responsibility of another OST staff member to manage the Asian affairs events for the Secretary, which includes editing speeches and remarks for the Secretary's father.

In OIG's December 2020 interview with DOT General Counsel Steven Bradbury, he stated that he never spoke to the Secretary about her support or apparent promotion of books and other publications about her father or the Chao family, but was aware of the topic. Bradbury said the Secretary should not use her staff to organize these book events or to edit the book material. He was not aware of the Secretary's staff soliciting forewords for Dr. Chao's biography. Bradbury said giving these books at events where the Secretary appeared in her official capacity would not be inappropriate, depending on the audience, because telling the Secretary's life story could be seen as a benefit for DOT.

Bradbury said it would not be appropriate for the Secretary to direct subordinates to work on these publications, but added he did not think of the OST staffers that worked on these publications as subordinates due to their long professional relationships with the Secretary. Bradbury said these were ethical questions and it would be best to avoid and minimize these tasks, if possible, and to ensure the OST staffers were compensated if they worked on these tasks outside of normal working hours.

In December 2020, DOT DAEO Judy Kaleta told OIG she has never been asked by OST to provide ethics advice relating to Dynasties or Journeys. When OIG asked whether the authoring and editing of this media strategy document was part of the official duties of OST staff, Kaleta stated that she had not been aware of this document.

C-2. Public Affairs and Other Support at Specific Events

OIG's investigation identified and examined 14 events that the Secretary attended or planned to attend with her father that took place from March 2017 to the summer of 2018. These include attendance at events in both her personal and official capacities and events for which DOT staff provided public affairs or other support. OIG did not determine whether the Secretary attended these events in her official or personal capacity. OIG contacted OGC for its determination on whether these events were official or personal in nature for the Secretary, and OGC's responses are included in the summaries below.

i. DOT 50th Anniversary (March 29, 2017)

DOT held an event celebrating its 50th anniversary on March 29, 2017. Over 500 people, including former Department Secretaries, current members of Congress, and other guests gathered in the atrium of DOT's headquarters for an "open house" to commemorate the anniversary of the Department's creation, celebrate its achievements, and reaffirm the Department's commitment to addressing the transportation challenges of the present and future. The Secretary provided remarks to the attendees.

The Secretary's father, Dr. Chao, also attended this event. According to records prepared by OST staff, approximately 100 guests with connections to Dr. Chao and Foremost Group. Emails between OST staffers referred to these individuals as "Dr. Chao's" guests. Additionally, members of the Chinese media were also in attendance. OST staff also prepared detailed itineraries and facilitated the booking of a private Amtrak car for Dr. Chao and his guests to travel from New York to Washington, DC, and back. Emails indicate that OST staffers reached out to Amtrak's sales and charter office, requested pricing options, communicated those pricing options to Foremost Group employees, and reserved a private Amtrak car using a Foremost Group employee's credit card. OIG also found emails indicating that OST staff met with Amtrak staff to conduct a walk-through of the Amtrak car reserved for Foremost Group.

OIG found emails showing that, in the days prior to the anniversary event, OST staff reached out to Chinese press to offer interviews of the Secretary and Dr. Chao. Additionally, the emails indicate the Secretary used DOT office spaces to film several interviews with Chinese press with her father present and participating in the interviews.

ii. *Chinese Consolidated Benevolent Association, Chinatown Events
(May 27, 2017)*

On May 27, 2017, Secretary Chao visited the Chinese Consolidated Benevolent Association (CCBA) in New York City. As part of this visit, Secretary Chao took part in a series of events celebrating Chinese-Americans. The Secretary delivered remarks at the New York Chinese Community Center, where she paid honor to her father, and introduced him so he could deliver remarks to the audience. The Secretary and her father also participated in a parade hosted by the CCBA. According to the event sheet prepared by OST staff, the event background for the parade stated, "This parade is being held to honor the work and success of DR. CHAO and THE SECRETARY. Additionally, it is to celebrate the contributions they have made to the Chinese-American community." The event sheet also listed a number of Chinese press organizations that were expected to cover the parade.

According to the event sheets compiled by OST staff outlining her events for that day, the Secretary and her father also laid a wreath in honor of Chinese-American veterans and opened an exhibit at Confucius Plaza. Further, according to another event sheet compiled by OST staff, the Secretary was also scheduled to attend a CCBA banquet dinner that evening with her father, which included posing for photos. This event also had multiple Chinese press organizations in attendance. Foremost Group sponsored a table at the banquet. The Secretary was referred to by her official title in these event sheets and was listed as U.S. Secretary of Transportation Elaine L. Chao on the CCBA's website, where it highlighted her visit.

OST staff prepared the Secretary's remarks for each event and conducted outreach to Chinese press organizations for interviews to be conducted of the Secretary and her father. The Secretary and members of her staff, including employees from the Office of Public Affairs, traveled to this event using DOT travel funds.

When asked by OIG if a determination was made on whether this event was deemed to be an official or personal event for Secretary Chao, OGC stated that they had no record of a request to provide ethics advice for this event.

According to Department records, at least eight DOT staff accompanied the Secretary to this event.

iii. Seamen's Church Institute Silver Bell Award Dinner (June 8, 2017)

The Seamen's Church Institute (SCI) Silver Bell Award Dinner is an annual fundraiser event honoring maritime leaders of the year. On June 8, 2017, the 40th annual gala was held in New York City. Dr. Chao was honored with the Silver Bell Award for his contributions to the maritime industry. Secretary Chao presented a prepared set of remarks in which she acknowledged the SCI honorees and discussed the accomplishments of her father. These included the start of his own shipping company, now known as Foremost Group, and his charitable gift to SUNY Maritime as "one example of the many ways he is leaving a legacy for the mariners who come after him."

Additionally, Secretary Chao introduced her sister Angela Chao, then Deputy Chair of Foremost Group, who accompanied Dr. Chao on stage for the acceptance of the Silver Bell lifetime achievement award. Per Angela Chao's draft remarks, she provided her father the opportunity to speak. Angela Chao then continued her remarks in which she discussed Foremost Group and family foundation-related maritime educational programs.

In communications about the event, OST staff advised organizers there would be a total of six staff traveling with the Secretary, including (b) (7)(E) [REDACTED]. The Secretary was seated at the Foremost Group table along with Dr. Chao and SUNY Maritime President Rear Admiral Michael Alfultis, among others.

Further, OST staff prepared a Media Advisory for the 40th Annual Silver Bell Awards Dinner. The advisory stated Secretary Chao would "introduce her father, Dr. James S.C. Chao, who is this year's recipient of the prestigious award." The advisory did not mention the other honorees. In additional correspondence, the Secretary requested OST staff "alert Chinese press about this event."

When asked by OIG if a determination was made on whether this event was deemed to be an official or personal event for Secretary Chao, OGC stated that they had no record of a request to provide ethics advice for this event.

According to Department records, at least two DOT staff accompanied the Secretary to this event.

*iv. United States Merchant Maritime Academy Commencement
(June 17, 2017)*

On June 17, 2017, the U.S. Merchant Marine Academy (USMMA) held its commencement ceremony in Kings Point, New York. The Secretary was the keynote speaker and presented the graduation address. Dr. Chao attended as the Secretary's guest.

OST staff instructed other OST staff to notify the Chinese press of the event and to “get a photo on stage with Dr Chao with uniformed people.” The DOT press release labeled the event as “U.S. Secretary of Transportation Elaine L. Chao Addresses Midshipmen at USMMA Commencement; Secretary Chao Also Honored her Father, Dr. James S.C. Chao, in Celebration of Father’s Day.”

In regards to the press release, the Secretary instructed OST staff to “Enclose the speech Distribute only to Chinese media outlets I specified. Call them NOW and tell them we are sending a story over. They will print what press release and speech says.”

When asked by OIG if a determination was made on whether this event was deemed to be an official or personal event for Secretary Chao, OGC stated that they had no record of a request to provide ethics advice for this event.

According to Department records, at least four DOT staff accompanied the Secretary to this event.

v. *International Leadership Foundation Gala (July 21, 2017)*

The International Leadership Foundation (ILF) is a nonprofit organization “that promotes the civic awareness, public service, and economic effectiveness of the Asian American Pacific Islander community.” ILF holds an annual awards gala to recognize individuals and organizations for achievements in and improvements to the Asian American Pacific Islander community.

On April 11, 2017, Secretary Chao was invited to give a keynote address at the 2017 ILF Awards Gala. Her father was also invited to speak at the Awards Gala. In a letter dated April 11, 2017, to Dr. Chao, an ILF [official] stated, in part, “this event is not only to highlight Chao family legacy but also to share your life experience to inspire the whole APA community.” The invitation indicated Dr. Chao had shared his biography, *Fearless Against the Wind*, with the ILF New York Chapter’s Roundtable Discussion at the Harvard Club the previous year and “this time, we would like to share your biography with the whole nation.”

On May 31, 2017, the Secretary emailed an ILF organizer, “Enable me to try to arrange Dr Chao to attend this event. I will attend and look forward to seeing you all.” That same evening, the Secretary emailed the organizer again, “Can you perhaps think of a role for Dr. Chao and me? Do you anticipate distributing 500 copies of his book? I hesitate to bring him to DC - although he’s very enthusiastic to support you - if not a role for him? Many many thanks!” On June 6, 2017, the ILF organizer emailed the Secretary a document titled, “Draft – 2017 ILF Gala Timeline (as of June 5).” This document stated that, “We plan to have a backdrop of *Fearless against the Wind* at the private reception” and “We plan to distribute 500 books at the event and insert special sections about Celebration of Secretary Chao as Transportation Secretary in the gala book.”

On July 9, 2017, ILF sent OST staff the ILF Gala timeline as of that date. The timeline indicated the Secretary and Dr. Chao were scheduled to meet with Chinese press about *Fearless Against the Wind*. It also indicated ILF had distributed books to the reporters in advance. In addition, the timeline indicated, “Dr. Chao’s book will be placed on each seat of 500 attendees with the ILF Gala book and gift bag.” During the introduction of the Secretary, the Secretary’s headshot and title, “The Honorable Elaine L. Chao, the 18th U.S. Secretary of Transportation,” would be on

screens to the left and right of the stage. The timeline further indicated that when Dr. Chao speaks, his title, “Philanthropist and Founder and Chairman of Foremost Group,” with a headshot would appear on the right and left screens. The Secretary’s remarks were labeled as “Keynote speech by Secretary Elaine L. Chao & Special remarks by Dr. James S.C. Chao about his book, *Fearless Against the Wind*.” OST staff prepared the Secretary’s remarks, which focused on Dr. Chao’s journey and career. On July 17, 2017, OST staff coordinated with Foremost Group staff to send briefing books to Dr. Chao for the ILF event, “as we have done for previous events.” In advance of events, OST staff would create briefing books for the Secretary, including information such as biographical information about people seated at her table.

According to the schedule of events for Dr. Chao, which was drafted by the Secretary’s staff and sent to Foremost Group staff, Dr. Chao had several media interviews at DOT in the afternoon of July 20, 2017. OIG’s review of emails revealed that OST public affairs staff reached out to Chinese media outlets notifying the outlets that the Secretary would “provide the keynote address at the ILF dinner on July 20th. In advance of the evening, we are inviting a few media outlets to join us for a small interview at the Department of Transportation.” The subject line of one email was “An Interview with Dr. Chao and Secretary Chao.” OIG investigators found evidence that those interviews did occur at DOT.

On July 21, 2017, after the ILF event, the Secretary sent McInerney an email with the subject line, “Can you encourage press to cover ILF.” In a separate email on the same day, the Secretary directed McInerney to have an OST staffer “Print out online versions of media from yesterday” and directed then DOT Director of Operations Todd Inman to “send someone Go to Chinatown and buy newspapers: World Journal Sing Tao China Press.” OIG found evidence that McInerney sent an email to various media outlets with “Dr. James S.C. Chao” in the subject line. The email indicated OST staff were “gathering stories and coverage of the ILF event for Dr. Chao.” It further stated “you can contact us at any time for media interviews or comments.” In addition, an OST staffer responded to the Secretary, attaching two news articles that referenced the ILF event and stated that they would also include those articles “in your FedEx.”

When asked by OIG if a determination was made on whether this event was deemed to be an official or personal event for Secretary Chao, OGC stated that they had no record of a request to provide ethics advice for this event.

There are no DOT travel records for this event because it was held in Washington, DC.

vi. *Chinese American Academic and Professional Society
Annual Convention (August 19, 2017)*

On August 19, 2017, the Chinese American Academic & Professional Society (CAAPS) held its 42nd Annual Convention in Flushing, New York. The theme for this convention was “New Thinking and New Technology in the Changing Era,” and approximately 350 guests attended. Secretary Chao was one of three invited keynote speakers.

OIG’s review of emails revealed that the Secretary was seated with her father at one of two honorable guest tables for dinner, and Angela Chao was seated at the second honorable guest table.

During the awards ceremony, the Secretary, Dr. Chao, and Angela Chao were introduced together and were seated on the stage. Angela Chao was presented with the CAAPS Distinguished Entrepreneurship Award, and she made brief remarks. The Secretary was presented with the CAAPS Lifetime Achievement Award and delivered the keynote speech. Following the ceremony, the Secretary, Dr. Chao, and Angela Chao remained seated on the stage for photographs.

Prior to the event, on June 22, 2017, CAAPS sent a draft of the awardees' citations and biography to Dr. Chao and his staff at Foremost Group. On the same day, Dr. Chao forwarded this email and attachment to the Secretary. On June 26, 2017, the Secretary forwarded an email chain to an OST staffer and stated, "would greatly appreciate if you can edit Angela's bio [] as per directions provided Monday.....and return to me with edits shown in tracks. thanks."

An email dated August 19, 2017, from CAAPS to an event presenter states, "...The Secretary want to shorten the procedure to save time for Dr. James Chao, She would like you to introduce Angela and Her together. After the award presentation, Dr. Chao can take photo with both of them rather than with one of them each time, to reduce the burden on Dr. Chao." A follow up email later that day stated, "Let's follow the original plan by introducing them separately; and after The Secretary has received the award, Dr Chao will take photo with both of them."

On August 21, 2017, 2 days after the event, Kaleta sent DOT Assistant General Counsel for General Law Terence Carlson and another OGC ethics attorney an email and asked, "Did you approve an award that the secretary received on Saturday?" On the same day, Carlson responded, "We did not. We were not asked about it."

When asked by OIG if a determination was made on whether this event was deemed to be an official or personal event for Secretary Chao, OGC stated that they had no record of a request to provide ethics advice for this event.

According to Department records, at least four DOT staff accompanied the Secretary to this event.

vii. *Massachusetts Maritime Academy fundraiser event, Salute to Maritime Person of the Year (September 21, 2017)*

On September 21, 2017, MMA held a fundraising event, MMA's 2017 Salute to the Maritime Person of the Year, at the Intrepid Sea Air Space Museum in New York City. In a September 5, 2017, letter from MMA, Secretary Chao was invited to speak on the "future of the Merchant Marine" and to formally introduce her father, who was recognized that evening with the inaugural Admiral's Distinguished Service Award. OIG's review of emails revealed that Secretary Chao did not introduce her father. Rear Admiral Francis X. McDonald introduced Dr. Chao and presented him with the award. McDonald later introduced Secretary Chao.

Prior to the event, in an email dated July 26, 2017, from Angela Chao to the Secretary and Dr. Chao, Angela told Dr. Chao, (b) (6) [REDACTED] The next day, the Secretary responded to Angela asking, (b) (6) [REDACTED]

On the same day, Angela responded, (b) (6)

[REDACTED]

On August 1, 2017, the Secretary forwarded this email to OST staff and stated, “please put on my calendar.” OST staff forwarded this email to Kaleta on August 29, 2017. On August 29, 2017, Kaleta forwarded this email to Carlson, and Carlson responded to Kaleta on the topic of reporting gifts from relatives on financial disclosure reports. In his email to Kaleta, Carlson wrote (b) (5)

[REDACTED]

In a September 6, 2017, email, OST staff forwarded the Secretary’s MMA invitation to the OST ethics email address, Kaleta, Carlson, and other OST staff. The email stated, “Please see attached. Not sure if/how this changes participation on [The Secretary’s] part.”

On September 13, 2017, a draft of the program was emailed from MMA to OST staff, at OST’s request. The email requested the approval of the Secretary’s biography and photograph in the program. In the program the Secretary was pictured with her biography and the heading “Introduction of Admiral’s Distinguished Service Award.” Pictured below, on the same page, was Dr. Chao and his biography with the heading, “Introduction of Emery Rice Award.” The next page of the program is a full page Foremost Group sponsor advertisement.

On September 15, 2017, MMA sent Foremost Group staff suggested remarks for Dr. Chao’s introduction at the event. On September 18, 2017, a Foremost Group employee forwarded the email to the Secretary and an OST staffer. In an email chain dated September 17, 2017, regarding the MMA event, the Secretary advised OST staff, “In addition to receiving the updated schedule which I requested below, please ask your contact at Mass Maritime – do they need any assistance in preparing introduction for me and for Dr Chao....let us see their introductions. Let me and [OST staffer] see intros.” In an email dated September 19, 2017, OST staff stated, “Here is my edited version of Dr. Chao’s introduction for Mass Maritime.” Also on September 19, 2017, OST staff sent an internal email stating, “Please see attached for a draft of Dr. Chao’s remarks for the residence,” with an attached Word document entitled “Dr. Chao remarks.” An email dated September 21, 2017, from OST staff to MMA stated, “Can you please give the slightly revised introduction of Dr. Chao to Admiral MacDonald, with our sincere apologies for these last minute changes?” OST staff also edited Dr. Chao’s introduction, which was delivered by McDonald.

When asked by OIG if OGC had any record of providing an ethics determination to OST for this event, Kaleta provided OIG with a draft email, dated August 29, 2017, from Kaleta to an OST staffer and the OGC Ethics Office mailbox, discussing the parameters of the Secretary attending in her personal capacity versus her official capacity. (b) (5)

[REDACTED]

(b) (5)

Kaleta told
OIG this was only a draft email and was never communicated with OST.

This event was also discussed in a draft November 2017 ethics memo that OIG obtained. In the memo, DOT OGC ethics attorneys stated (b) (5)

In OIG's interview with Carlson in January 2021, he recalled (b) (5)

, but stated OGC and OST try to have an "exchange of ideas" prior to OGC providing a written ethics determination for an event.

According to Department records, at least four OST staff attended the event with the Secretary, as did Maritime Administrator Rear Admiral Mark H. Buzby. A member of the Secretary's close family also attended as a guest of the Foremost Group. The Foremost Group purchased a table for the event as a \$25,000 donation.

*viii. Chinese Institute of Engineers Centennial Convention
(October 14, 2017)*

In April 2017, the Chinese Institute of Engineers (CIE) invited Secretary Chao to be the keynote speaker at its centennial convention in Palisades, New York, on October 14, 2017. The Secretary had been a guest speaker at two prior CIE conventions. On August 13, 2017, the CIE reached out to the Secretary again to invite her to be its keynote speaker. The Secretary's scheduler reached out to Dr. Chao's Executive Assistant on August 15, 2017, to see if he wished to attend, and contacted the CIE on August 21, 2017, to formally accept its invitation for the Secretary.

On August 28, 2017, the Secretary emailed her scheduler and asked if she had accepted the invitation to the CIE, adding "If you have NOT accepted, I have extra message for you to tell organization. Wait for my instructions." Later that same day, the Secretary's scheduler contacted the CIE and requested they confirm that Dr. Chao was receiving an award at the banquet and, if he was, that OST review any materials distributed regarding Dr. Chao. The CIE replied to the Secretary's scheduler that the CIE had nominated Dr. Chao for its Centennial Medal.

The draft remarks for the Secretary's keynote address, last edited by her speechwriter on the morning of the banquet, referenced her father's book, *Fearless Against the Wind*. Copies of the book were placed on the attendees' chairs. Dr. Chao received the CIE's Centennial Medal that evening "For his leadership in adopting energy-efficient and eco-friendly ship design and

technology,” which is a phrase from his event biography that was edited and provided to the CIE by OST staff.

McInerney sent the Secretary a draft press release of the event, labeled as “Draft Release” and dated October 14, 2017, highlighting the Secretary’s speech and her father’s receipt of the Centennial Medal. However, OIG found no record of an official press release by DOT for the CIE event.

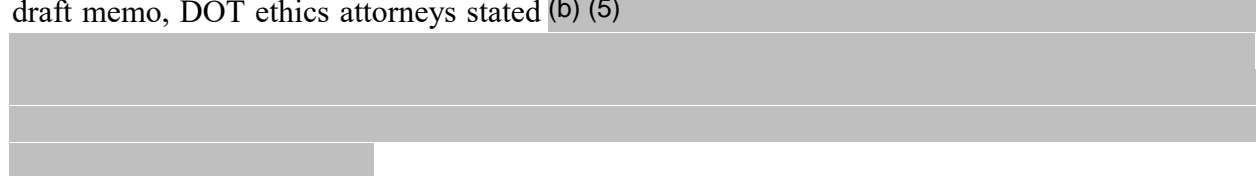
On August 28, 2017, OST informed DOT OGC ethics attorneys via email that the Secretary was going to be the keynote speaker and her father was receiving an award at the CIE event. Kaleta provided OIG with a draft email, written by Carlson and addressed to Kaleta on September 1, 2017:

(b) (5)



Kaleta could not find record of this email being shared with OST. OIG, in its review of OST emails, also found no record of this memo being shared with OST by OGC.


This event was also discussed in the draft November 2017 ethics memo obtained by OIG. In the draft memo, DOT ethics attorneys stated (b) (5)



In OIG’s January 2021 interview with Carlson, (b) (5)



In OIG’s December 2020 interview with Bradbury, he commented that (b) (5)



Bradbury stated he did not know whether the CIE event was an official or personal event for the Secretary.

According to Department records, at least three DOT staff accompanied the Secretary to this event.

ix. *OCA Westchester 37th Anniversary and Dynamic Achiever Award Gala
(November 11, 2017)*

On November 11, 2017, the Westchester & Hudson Valley Chapter of the Organization of Chinese Americans (OCA-WHV) hosted its Dynamic Achiever Award Gala and 37th Anniversary Celebration in Tarrytown, New York. Dr. Chao was one of three Dynamic Achiever Awardees, and the OCA-WHV invited Secretary Chao to attend as a distinguished guest and speaker.

In a May 9, 2017, email to a Foremost Group employee, an OCA-WHV representative asked Dr. Chao to accept their Dynamic Achiever Award. Approximately 4 hours later, an OST staffer indicated Secretary Chao's desire to attend the gala in an email that also asked the Foremost Group employee for the date of the gala "so that we can coordinate." Per the Foremost Group employee's request, Dr. Chao received a formal invitation on May 12, 2017. Later, in an October 23, 2017, email to OCA-WHV, a Foremost Group employee stated Dr. Chao's preference that Secretary Chao introduce him during the gala.

From November 2 to November 6, 2017, an OCA-WHV official and an OST staffer spoke several times via telephone and exchanged emails during which they revised the Secretary and Dr. Chao's respective activities during the gala. Among other things, they discussed a draft version of the gala's program book and the order in which the Secretary and Dr. Chao would speak, pose for photographs, return to their seats, and have dinner. In a November 5, 2017, email to the OCA-WHV official, an OST staffer suggested two edits to the program book: (1) Insert "Keynote by the Honorable Elaine L. Chao" and (2) Change to Dr. James S.C. Chao.

In a November 7, 2017, email, an OGC ethics attorney provided guidance concerning the gala to Inman and Carlson pursuant to Inman's request. In the email, the OGC ethics attorney advised that, in keeping with previous advice, Secretary Chao could accept an invitation to the gala, she could attend as the Secretary of Transportation, and the dinner would not be considered a gift to her or DOT if she spoke at the gala. The OGC ethics attorney further advised, however, that if Secretary Chao "attends in her official capacity, she should not introduce her father, because of his connection to the Foremost Group and their transportation interests." In the event Secretary Chao wished to introduce her father, according to the ethics attorney's email, "she should attend in her personal capacity, not as Secretary Chao, but just as the Honorable Elaine L. Chao."

In a November 8, 2017, email to a Foremost Group employee and OST staffer, an OCA-WHV official sought approval to use 90 bags provided by a local bank to gift one copy of Dr. Chao's book, *Fearless Against the Wind*, upon request. Later that day, the Foremost Group employee emailed an approval and the OCA-WHV official promptly expressed thanks in a reply email to the Foremost Group employee and OST staffer.

On November 9, 2017, an OST staffer emailed a Foremost Group employee an itinerary for the gala. According to the itinerary and other emails, a national OCA official would deliver welcome remarks and then introduce Secretary Chao, who would deliver her keynote address and then return

to her seat. At this point, the master of ceremonies would introduce the Secretary and Dr. Chao for the presentation of his award.

Also prior to the gala, Secretary Chao's staff reached out to Chinese-language media to cover the event, specifically the New York City office of a Hong Kong-based news outlet. In a November 10, 2017, email, McInerney informed the media outlet of the event and stated that Secretary Chao would deliver the keynote and Dr. Chao would receive the award. McInerney also asked if the news outlet would have a reporter in attendance and if she could facilitate a photograph.

OIG reviewed an approximately 11-minute video of Secretary Chao's speech at the gala, which an OST staffer received from an attendee. In addition to, among other things, congratulating the award recipients, the Secretary spoke for approximately 2 and a half minutes about her father, 2 and a half minutes about transportation issues, and 3 and a half minutes about the Asian American community and diversity. OIG also reviewed a video of Dr. Chao's remarks at the gala. The approximately 8-minute video does not show whether the Secretary introduced her father.

According to Department records, at least four DOT staff accompanied the Secretary to this event.

x. *Chinese Television Interviews (February 9, 2018)*

According to a memo prepared by McInerney (see below), Secretary Chao attended a lunch in or before January 2018 with representatives from a Chinese state-owned broadcasting network. The memo stated that during the lunch, the representatives discussed a potential documentary about Dr. Chao's "life journey."

Subsequently, on January 22, 2018, McInerney received an email from a producer with the broadcasting network's English-language news channel. In the email, the producer suggested the interview of Dr. Chao occur at his home and office in New York in February 2018, asked for suggestions concerning "the family's story," expressed an intention to interview Angela Chao, and asked for dates that would accommodate Dr. Chao's schedule. On January 29, 2018, the producer sent another email to McInerney providing an interview plan written primarily in Chinese. In the email, the producer stated the interview of Dr. Chao would be primarily conducted in Chinese, repeated her request for potential February interview dates in New York City, and asked to include Secretary Chao and Angela Chao to reflect on their relationship with their father.

According to an OST staffer's translation of the interview plan, it primarily involved questions for Dr. Chao concerning, among other things, *Fearless Against the Wind*, Dr. Chao being dubbed the "Chinese Ship King," how Foremost Group "ascended to its status in the world," and Dr. Chao's business endeavors. These were followed by questions concerning Chinese culture, how Dr. Chao spends his day, his plans for the future, the importance of education and family, the Ruth Mulan Chu Chao Center, and the Ruth Mulan Chu Chao Scholarships. The plan also suggested asking Secretary Chao and Angela Chao for examples of the support they received from their parents, especially Dr. Chao. Additionally, the plan proposed footage of Dr. Chao's life, Foremost Group, Dr. Chao interacting with his daughters, and the Ruth Mulan Chu Chao Center.

Secretary Chao and McNerney then exchanged emails on January 30, 2018, concerning other upcoming media events with Chinese-language media, including the same Chinese broadcasting network that was planning the interviews about the Secretary's father. In the initial email, the Secretary suggested conducting the interviews on February 9, 2018, at Dr. Chao's office. When McNerney replied with a question about the interview with the Chinese broadcasting network, Secretary Chao wrote, "I know nothing of details of [this] request [.] You must write me a memo and tell me details, etc. You must cc [OST staffer] so [they] can arrange questions/answers. This is a TEAM project!"

In response, McNerney prepared the above-referenced memo for Secretary Chao and emailed it to the Secretary later on January 30, 2018. Among other things, the one-page memo referenced Secretary Chao's lunch, provided a biography of the Chinese broadcasting network's interviewer, and summarized the interview format. To her memorandum, McNerney attached the interview plan as translated by the OST staffer and the producer's January 22 and 29 emails.

According to internal DOT documents, the interview occurred on February 9, 2018, at Foremost Group headquarters in New York City, with Secretary Chao scheduled to attend the filming from 2:00 p.m. to 4:00 p.m.

OIG also found evidence concerning the use of a DOT-owned lighting kit during the interview. After receiving information from Foremost Group about the size and layout of the conference room in which the interview would take place, McNerney and DOT Media Center staff exchanged emails about bringing a portable interview lighting kit previously purchased by DOT Public Affairs. In the last of those February 7, 2018, emails, McNerney wrote, "Could you bring it up ... I may have to takek [sic] it" and the Media Center replied that they would bring the lighting kit to her. During interviews with OIG, DOT Media Center and Public Affairs staff stated they could not find the lighting kit during a subsequent search at DOT headquarters. The interviewees did not know the current location of the lighting kit or what happened after DOT Media Center staff gave it to McNerney.

When asked by OIG if a determination was made on whether this event was deemed to be an official or personal event for Secretary Chao, OGC stated that they had no record of a request to provide ethics advice for this event.

According to Department records, McNerney accompanied the Secretary to this event.

*xi. EPIC Achievement Award at Columbia University Teachers College
(April 17, 2018)*

On April 17, 2018, Secretary Chao attended a private luncheon and participated in a public fireside chat with her father and her sister Angela at Columbia University Teachers College. At the private luncheon, Dr. Chao received an inaugural Education for Persistence and Innovation Center (EPIC) Achievement award. A draft press advisory, drafted by Columbia University and edited by OST staff, described the fireside chat event as "a public conversation about [Dr. Chao's] experiences in overcoming extreme adversity to become an entrepreneur and the founder of one of the world's largest shipping companies." A draft public relations plan created by a university official described the event as a way to announce and launch the EPIC, while recognizing Dr. Chao and donors

contributing the \$4 million to launch the center. In an email to her scheduler, the Secretary stated that she would “spend Monday in NY and attend 4/17/18 Dr Chao event.”

During the fireside chat with her father and sister, the Secretary introduced her father and presented a slide show about her father’s life. Foremost Group was specifically referenced several times in draft press advisories describing the event. In several draft documents, the Secretary was referred to by her title as Secretary. In other draft documents, she was referred to as the “Honorable Elaine Chao.”

Several OST staffers worked with organizers on this event. OST staffers edited draft press advisories for the event and edited Dr. Chao’s biography for the event. Other OST staffers worked to encourage the Columbia University President to attend Dr. Chao’s event. For example, one OST official asked whether there has “been any contact to the Secretary’s office from [the President’s] office? All the efforts and pressure have been applied from within Columbia to encourage [the] President ... to be at Dr. Chao’s award ceremony.” In an interview with OIG, an OST staffer recalled reaching out to the President encouraging him to attend the event. The staffer told OIG that it was not unusual to promote events the Secretary was attending.

OST staff were also involved in conducting media outreach on the event. After the fireside chat, McInerney followed up with event organizers, noting that she had not seen any “pick-up from the event” and asked whether there would be a secondary press or photo release that would focus on mainstream or trade press. McInerney later emailed event organizers stating that she “was looking for a link to placement on the wires for the family. If you happen across one, would you mind forwarding.”

When asked by OIG if a determination was made on whether this event was deemed to be an official or personal event for Secretary Chao, OGC stated that they had no record of a request to provide ethics advice for this event.

According to Department records, at least four DOT staff accompanied the Secretary to this event.

xii. Lloyd’s List Award (May 23, 2018)

Lloyd’s List is an organization that provides online news, analysis, and insights about the shipping industry. Our review of DOT emails revealed that Secretary Chao planned to attend, but ultimately decided not to attend, a May 2018 event hosted by Lloyd’s List in Houston, Texas. At this event, the Secretary’s father would receive a lifetime achievement award. Draft itineraries of this trip indicate that the Secretary planned to attend the event, give remarks at the event, and present the award to her father. OIG found evidence that, on March 26, 2018, prior to her cancellation, OST staff invited individuals the Secretary knew in Houston to the event honoring the Secretary’s father. OIG also found evidence that OST staff were involved in coordinating this event with Lloyd’s List organizers and Foremost Group staff.

On May 9, 2018, Kaleta emailed Inman advising Inman that the Secretary could only participate to present the award to her father in her personal capacity. Kaleta advised that in her personal capacity, the Secretary could not be introduced with her title, and her remarks should be consistent

with the following: “I am here tonight as a very proud daughter and in my personal capacity to present the Lloyd’s List Lifetime Achievement Award to my father.” Inman informed the Secretary of Kaleta’s advice.

The Secretary ultimately decided not to attend the event. On May 18, 2018, after the Secretary’s decision, one Foremost Group employee emailed Lloyd’s List organizers stating that they would “be taking over the arrangements of the Lloyd’s list event.” After this, several OST staffers’ personal emails continued to be copied on emails with event organizers. In one email, the Secretary’s sister Angela directed a Foremost Group employee to reach out to McInerney and an OST staffer about the event and to ask the OST staffer to give the individuals that had been invited by OST “a general run of events.”

xiii. SUNY Maritime Admiral’s Scholarship Dinner (May 1, 2018)

OIG found evidence that the Secretary planned to attend, but ultimately did not attend, a fundraiser event at the SUNY Maritime College at which her father would be receiving an award. On August 16, 2017, Rear Admiral Alfultis of the SUNY Maritime College invited Dr. Chao, Angela Chao, “and Foremost Group to be honored at the SUNY Maritime College Admiral’s Scholarship Dinner.” Alfultis noted in his invitation that that this event “has become the College’s main vehicle for raising scholarship support.” That same day, Angela Chao forwarded the invitation to the Secretary and two OST staffers. On August 17, 2017, the OST scheduler placed the event on the Secretary’s calendar, and the Secretary told the scheduler that she would be attending the event. Emails indicate that OST schedulers forwarded a copy of this invitation to DOT ethics officials on September 1, 2017.

On January 6, 2018, Alfultis separately emailed the Secretary’s scheduler and invited the Secretary to attend several events at SUNY, including the Admiral’s Scholarship Dinner and VIP pre-dinner reception. Alfultis noted that “Secretary Chao’s father will be honored at our Admiral’s Scholarship Dinner.” On February 14, 2018, an OST scheduler emailed Alfutis and stated that the Secretary would be attending the event.

OST staffers were involved in coordinating the event with SUNY staff. Early itineraries of the event indicate that the Secretary would be giving remarks at the event and introducing her father and sister. OIG found evidence that OST staffers prepared remarks for the Secretary. In addition, staffers reviewed Dr. Chao and Angela Chao’s biographies for the program book. Event sheets prepared by OST staff reveal that McInerney was targeting specific media for the event. OST staffers also edited pre- and post-event press announcements that highlighted the professional accomplishments of Angela Chao, Dr. Chao, and the Foremost Group. One OST staffer described this event as “SUNY Maritime Event for Dr. C.” An OST staffer told SUNY event organizers that four OST staffers would be accompanying the Secretary at the event: one advance staff, the Director of Operations, the Director of Public Affairs, and a personal aide to the Secretary.

On April 9, 2018, an OGC ethics attorney provided the following ethics advice to Inman: “SUNY Maritime College has invited the Secretary to speak at their 2018 Admiral’s Scholarship Dinner, held at Marina Del Ray, near SUNY Maritime’s campus. There will be about 650 attending. This is okay to accept as a speaking invite – it is not a gift to the Secretary or the agency.” It is not clear

that the OGC attorney was aware that the Secretary would be introducing her father and sister at the event.

The Secretary ultimately did not attend this event and delegated this event to Maritime Administrator Buzby. On April 21, 2018, 9 days before the event, McInerney emailed OST advance staff stating that, “Just want to reconfirm that all communication from or about SUNY should be directed to the Foremost offices. They will handle all items and be the lead.” Advance staff told OIG investigators that because Secretary Chao had cancelled, all further inquiries relating to Dr. Chao would go directly to the Foremost Group.

xiv. Massachusetts Maritime Academy Commencement (June 22–23, 2018)

In June 2018, Secretary Chao attended an MMA commencement ceremony at which MMA awarded the Secretary’s father an honorary doctorate degree in public administration.

In his interview with OIG, Inman stated he learned at the MMA’s fundraising event at the Intrepid Sea Air Space Museum in 2017 that McDonald intended to present the Secretary or another Chao family member with an honorary degree. Emails indicate that in March 2018, Inman requested DOT OGC ethics officials to opine on the Secretary receiving an honorary degree. On March 14, 2018, Kaleta replied that the Secretary could receive an honorary degree under two conditions: (1) the degree must be from an accredited public or nonprofit institution of higher education and (2) the timing of the award should not cause a reasonable person to question the Secretary’s impartiality in a matter affecting the institution. Kaleta noted that this was particularly important in light of DOT programs such as the University Transportation Centers Program and DOT’s relationship with the maritime academies.

Inman contacted McDonald on behalf of the Secretary to decline the honorary degree. In an email on April 6, 2018, from MMA employees to an OST staffer, the MMA employee states, “By the way, Todd Inman is the person who contacted President McDonald regarding Secretary Chao delivering the Commencement Address and Dr. Chao receiving the honorary degree.” Inman told OIG that he did not ask McDonald to award the honorary degree to the Secretary’s father in lieu of the Secretary. McDonald told OIG that the decision to award the honorary degree to the Secretary’s father was made by MMA after the Secretary declined the degree. McDonald added that Angela Chao has been on MMA’s Board of Advisors since prior to Secretary Chao’s nomination as DOT Secretary.

After the decision to present the honorary degree to the Secretary’s father, early versions of the Secretary’s travel and event schedule indicate that the Secretary planned to give the MMA commencement address and attend the event in her official capacity. OST advance staff coordinated with MMA organizers in planning this event, and MMA organizers sent advance staff early versions of the commencement program book. MMA employees also sent copies of Dr. Chao’s bio for the program book for OST staff to review. OST staff prepared remarks for the Secretary to give at the commencement.

Inman informed DOT ethics attorneys that the Secretary planned to attend the commencement in her official capacity, present the honorary degree to her father, and give the keynote

commencement address. An ethics attorney provided draft advice to Kaleta via email on May 30, 2018, (b) (5)

Kaleta could not provide evidence this advice was provided to the Secretary or her staff, but the Secretary appears to have followed this advice.

According to Department travel records, one OST staffer accompanied the Secretary to this event. OIG interviewed the OST staffer, who was involved in planning this event. The staffer indicated that the Secretary did not attend the event in her official capacity and that the staffer was brought along as her “plus-one.” The OST staffer added that since the Secretary attended the event in a personal capacity, she did not give remarks at the event, did not sit with her father, and sat towards the end of the stage outside of the view of the cameras.

D. Using DOT Resources and Subordinate Time for Personal Tasks

OIG’s investigation revealed instances where OST staff members performed personal tasks for the Secretary and her relatives that did not have an obvious nexus to DOT tasks.

On September 24, 2017, Secretary Chao sent an email to an OST staff member with the subject line, “Dr. Chao’s (b) (6).” In the email, Secretary Chao stated, “He bought a new (b) (6) (b) (6) at [the store] 2 years ago. 2 years later, it has malfunctioned. (b) (6) was bought from their shop. It was returned to them for repair. The estimate was 6 weeks. [Foremost Group employee] has called and some parts had not come in and it will still require 2 more weeks. This is not right. Please call (b) (6) owners and ask them to expedite. I used to go into the store with Dr Chaotell them I am SOT.” On September 30, 2017, Secretary Chao sent an email to two OST staff members, stating “please call [the store] again and check on status. Dr C still has not heard. Do they send (b) (6) for repairs (b) (6) []? and thus have no control over how long it takes? [OST staffer]: If [OST staffer] is not around, please call [store] and check on when (b) (6) ready.” When asked about this incident in during his December 2020 interview with OIG, DOT General Counsel Steven Bradbury said these types of events should be avoided and ideally the Secretary would make other arrangements.

OIG also found several instances where the Secretary directed OST staff to perform personal tasks for her. Examples of this include:

- The Secretary forwarding an email from a Foremost Group employee containing a “Life and Legacy of Ruth Mulan Chu Chao DVD booklet set design” to an OST staffer and directing that staffer to “print and fedex to Houston today for tomorrow delivery.”

- The Secretary emailing an OST staffer with subject, “Xmas ornaments” and directing the staffer to “sort out and fedex on Monday to Dr. Chao, and my sisters. Please draft a cover note –let me see it-telling them what we are sending.”
- The Secretary emailing an OST staffer directing the staffer to “Please call [(b) (6)] office, introduce yourself and me, and tell them to let [(b) (6)] know that Sec Chao will be accompanying Dr. Chao who’s seeing [(b) (6)]. Tell the office that Dr. Chao is a great philanthropist –his most recent gift is a building at Harvard – Ruth Mulan Chu Chao Center...”
- A Foremost Group employee emailing an OST staffer to request help in pushing [(b) (6)] to move up [(b) (6)] for the Secretary’s father. “Do you think you can help to give below [(b) (6)] a call and push a little for an ASAP [(b) (6)]? 2015 we got the [(b) (6)] 6 weeks after we made the phone call..hopefull [sic] we can get an EARLIER appt this time!” The OST staffer then forwarded this email to the Secretary, “Secretary – I am more than happy to assist but just want to make sure you are okay with me handling this?” Several hours later, the OST staffer responded to the Foremost Group employee, “[Foremost employee] –I spoke to [(b) (6)]. She said she should have an appointment scheduler by tomorrow morning. She will email you and also keep me in the loop.” In his December 2020 interview with OIG, when informed that the Secretary’s staff was asked by Dr. Chao’s assistant to contact [(b) (6)] to “push a little” to get Dr. Chao [(b) (6)], Bradbury related [(b) (5)]
- The Secretary requesting OST staffers get photos of Dr. Chao signed by [(b) (6)]. The Secretary further asked an OST staffer to upload the photo, once autographed, to the DOT-OST shared drive “under folder for: Dr Chao.” The Secretary also requested OST staffers get photos of Dr. Chao signed by [(b) (6)]

A review of Department emails also revealed several instances where the Secretary directed her staff to research and/or purchase personal items for her online, to include searching for free shipping and coupon codes. These purchases were paid for using the Secretary’s personal credit card.

In interviews with OIG investigators, one OST staffer explained that there are no “off hours” and that the Secretary works quite a lot. When asked about running personal errands for the Secretary, a different OST staffer acknowledged that sometimes it was easier for the staffer to go to a store for an item because if the Secretary went herself it would have required [(b) (7)(E)] as well as an advance vehicle. The staffer added that this practice also helped keep the Secretary on time and avoid interruptions to the schedule.

None of the staffers interviewed by OIG described feeling ordered or coerced to perform personal or inappropriate tasks for the Secretary. In addition, none of the staffers interviewed by OIG described receiving separate compensation from the Secretary for work performed. Another staffer told investigators that while they did not believe work was done for the Secretary’s father or Foremost Group, the staff look out for Dr. Chao when he is with the Secretary because he is in his 90s.

In an interview with DOT DAEO Judy Kaleta in December 2020, OIG asked whether it would be appropriate for DOT staff to perform personal errands or tasks for the Secretary's father. Kaleta stated that it would strike her as unusual for that to occur. When asked whether it would be appropriate for DOT staff to perform personal errands for the Secretary, Kaleta replied, "No," and stated that this is covered in the general ethics training all DOT employees receive. Kaleta stated that she has no awareness of DOT staff performing personal errands or tasks for the Secretary.

II. DOT OGC Opinions on Ethics Issues Detailed in This Report

As part of its investigation, OIG interviewed DOT General Counsel Steven Bradbury and DAEO Judy Kaleta about several of the specific events described in Section I above and related ethics issues. The following presents OGC's opinions regarding (a) the overall ethics parameters and vetting process for personal and official events, (b) a draft November 2017 ethics memo that was drafted by OGC ethics attorneys but never finalized, (c) improvements made to the vetting process for the Secretary's events, and (d) the role of cultural values of filial piety in the Secretary's relationship to her father.

A. Ethics Parameters for Personal and Official Events

In his December 2020 interview with OIG, Bradbury said each event the Secretary attends, whether personal or official, must be viewed individually and in the totality of the surrounding circumstances. He added that personal and official events each have restrictions in the ethics regulations that must be followed.

Bradbury stated it is appropriate for DOT to provide a security detail and minimal staffing at the Secretary's personal events in order to "run interference" and ensure that individuals do not try to ask official business of the Secretary. He gave the example of someone accompanying the Secretary to receive a business card offered to her and advised that someone would contact that individual at a later date.

Bradbury said it would not be appropriate for DOT public affairs staff to attend the Secretary's personal events. In addition, Bradbury stated that at personal events, and particularly at personal events that involve fundraising, the Secretary's role should be minimized, stating she should be addressed or referred to as the Honorable Elaine Chao instead of DOT Secretary.

In her December 2020 interview, Kaleta said there is not a standardized process for vetting the Secretary's invitations to events, as vetting a particular invitation is situationally dependent. She added vetting can range in formality, depending on the timing, and related that many invitations are orally vetted. Vetting invitations may require several follow-up exchanges between the organization/inviter, schedulers, and OGC attorneys to learn pertinent details about the event, such as who would be sitting with the Secretary at her table.

Kaleta added that if the Secretary is attending in her official capacity, the ethics attorney must review what matters are pending before DOT. Other factors to consider when vetting events include, but are not limited to: what relationship the event or organizer has to the transportation industry; whether the organization or organizer is a lobbyist; the cost of any meals or attendance; who is sitting where; whether the Secretary is giving remarks; whether there is a fundraising component; and whether the event involves political activity.

Kaleta provided additional details on the guidelines around events that the Secretary attends in her personal capacity. It is permissible for DOT schedulers to place personal events on the Secretary's calendar, for security detail to accompany her, and for one staff person to attend to keep the Secretary accessible to the Department. Kaleta emphasized that DOT employees should not write

remarks for the Secretary's personal events. She stated that given the Secretary's position, it is possible that employees could feel coerced to do this type of work if asked by the Secretary. Kaleta reiterated that DOT resources should not be used for the Secretary's personal activity. For example, Kaleta said she would not expect the Secretary to use the DOT Media Center for personal activity.

Kaleta told OIG that the Secretary was appointed by the President to be on task forces for Asian and Pacific American initiatives and that OGC does take some of this into account. However, it was a question of to what extent and what end.

B. OGC Draft November 2017 Ethics Memo

In November 2017, following the cancelled trip to China, Bradbury requested that Kaleta provide him information relevant to the Secretary's ethics concerns. At the request of Kaleta, DOT OGC ethics attorneys wrote a memo, marked as Draft, to Bradbury concerning the (b) (5)

(b) (5)

(b) (5)

In December 2020, OIG interviewed Kaleta regarding the draft November 2017 memo. In her interview, Kaleta said (b) (5)

OIG also interviewed Bradbury regarding the draft November 2017 memo. Bradbury recalled (b) (5)

(b) (5)

(b) (5)

Bradbury stated Kaleta made it clear the version presented to him was not the final version of OGC's analysis of the events detailed. He added the analysis within the memo was incomplete and did not have all of the facts necessary to make a proper ethics determination. Bradbury could not recall why the memo was never finalized but surmised it was probably because there was no need to as he saw his recommended process improvement for vetting the Secretary's invitations as the resolution to the issues outlined in the memo.

C. Improvements to Ethics Vetting of Secretary's Events

In his interview with OIG in December 2020, Bradbury said he believed the issues outlined in the draft November 2017 memo were the result of a lack of a coordinated review by OGC ethics officials during the planning of the Secretary's event appearances. Bradbury related that after he came onboard at DOT in November 2017, he made sure all invitations received by the Secretary, whether personal or official in nature, were reviewed by OGC ethics officials.

Bradbury said he advised the Secretary and then Director of Operations Todd Inman that the Secretary should have one calendar with both personal and official invitations on it in order to keep better track of all of the invitations coming in from multiple channels.

In a December 2020 interview, Inman also told OIG that he began personally ensuring all of the Secretary's invitations were properly vetted in May or June of 2018.

In our review of emails and interviews with OST employees, OIG did not find evidence of similar activities relating to event appearances by the Secretary continuing past the spring of 2018.

D. Filial Piety Memorandum

In advance of his December 2020 interview with OIG investigators, Bradbury provided OIG a memo, dated September 24, 2020, and titled "The Importance of Asian Cultural Values to the Success and Effectiveness of Secretary Elaine L. Chao."

The memo provided by Bradbury states, in part, "Anyone familiar with Asian culture knows it is a core value in Asian communities to express honor and filial respect toward one's parents, and this ingrained value of love, respect, and filial piety always takes precedence over self-promotion and self-aggrandizement... As the eldest daughter, she is expected to assume a leadership role in family occasions that honor her father and her late mother."

The memo adds, “If the Secretary focused only on herself in media interviews or in cultural or social interactions involving Asian communities and neglected any mention of her parents or inclusion of her one living parent, her father, with these audiences, her reputation and stature as a government official would be diminished considerably in the eyes of many Asians and Asian Americans.”

Bradbury said the memo was written by him and was his idea. He added the Secretary and two other OST staffers also reviewed this document prior to it being provided to OIG. Bradbury said that Secretary Chao cannot be divorced from her father’s story and that this concept is important to keep in mind, but does not excuse all of the issues discussed with OIG, such as the Secretary’s use of subordinates to perform personal tasks. Bradbury said he considered the memo to be an official DOT document because the Secretary’s relationship with her father is part of her effectiveness as the Secretary.

When presented with a copy of this memo, Kaleta stated that neither she nor the career ethics attorneys in OGC were consulted in the preparation or drafting of this memo.

III. Investigation Closure

A. Outreach to Secretary Chao for Comment

OIG offered Secretary Chao, through DOT General Counsel Steven Bradbury, the opportunity to share her thoughts regarding the ethics issues under investigation. OIG was advised that Secretary Chao had nothing to add to the previously provided memorandum regarding filial piety that came from Bradbury on her behalf. The filial piety memo provided to OIG by Bradbury is included below in its entirety.

September 24, 2020

**THE IMPORTANCE OF ASIAN CULTURAL VALUES TO THE
SUCCESS AND EFFECTIVENESS OF SECRETARY ELAINE L. CHAO**

Having served as U.S. Secretary of Labor from 2001 to 2009 and now serving the present Administration as Secretary of Transportation, Elaine L. Chao is the first Asian American woman ever to sit in a President's Cabinet in our Nation's history. Her distinguished record of public service as an Asian American immigrant resonates deeply with the Asian American community, and she is an inspiration to people of Asian descent everywhere. Indeed, Secretary Chao's value as a cultural role model and ambassador to Asian communities and to Asia is one of the important assets she brings to the President's Cabinet and to her work as a senior representative of the United States Government.

Secretary Chao's life and family history speak to the boundless possibilities our Nation offers first-generation Americans. The Secretary was born in Taiwan as the eldest of six daughters, and she came to America with her mother, Mrs. Ruth Mulan Chu Chao, and younger sisters by freighter when she was 8 years old, speaking no English. Her parents had relocated from mainland China to Taiwan before immigrating to America. Her father, Dr. James S.C. Chao, was one of the youngest sea captains of his time at the age of 29, and after coming to the United States, he founded a company that eventually grew into a successful international shipping business. Later in life, the Secretary's parents have generously supported educational opportunities for young people, both in the United States and in Asia—a record of philanthropy for which they are well known on both sides of the Pacific.

Naturalized as a U.S. citizen at the age of 19, Secretary Chao attended Mount Holyoke College and Harvard Business School and worked in the banking sector before embarking on her long career in public service. In addition to serving in two Cabinets, she has been Deputy Secretary of Transportation, Chairman of the Federal Maritime Commission, Deputy Maritime Administrator, White House Fellow, Director of the Peace Corps, and President and CEO of United Way of America, one of our Nation's largest charities.

No matter how much success she has achieved in her own career, Secretary Chao, like many Asian Americans, has never forgotten her roots as an Asian American immigrant and the appreciation she feels for her parents, who have worked so hard and sacrificed so much to provide a life of opportunity for their daughters. Anyone familiar with Asian culture knows it is a core value in Asian communities to express honor and filial respect toward one's parents, and this ingrained value of love, respect, and filial piety always takes precedence over self-promotion and self-aggrandizement. It's not surprising that Secretary Chao is unabashedly proud of her family. She dearly loves and honors her 93-year-old father and cherishes the memory of her mother, who passed away in 2007. As the eldest daughter, she is expected to assume a leadership role in family occasions that honor her father and her late mother.

These values are inherent to Secretary Chao as a person and as a public official, and it's simply not reasonable to think she would or could completely separate and seal off any expression of filial piety from her functions as a member of the Cabinet. Though it may be difficult for some non-Asians to appreciate, for those steeped in Asian culture, Secretary Chao's image and reputation as a public official cannot be divorced from her family story and from her demonstration of filial respect toward her parents.

For example, when Asian media profile Secretary Chao or cover her official actions as Secretary, they invariably want to tell the story of her family and include a profile of her father as the head of her family. Consistent with the cultural value of filial piety, Asian audiences respond with greater respect for the Secretary, as a prominent Asian American daughter, when she takes suitable opportunities to recognize her parents, both publicly and privately. And Asian audiences welcome and respond positively to actions by the Secretary to include her father in activities when appropriate—for instance, as a “plus one” at events where she may be appearing as Secretary. Similarly, when the Secretary is engaged in public diplomacy and outreach to nations in Asia or other Asian communities on behalf of the United States, those host communities view the Secretary's performance through the same cultural lens of filial piety.

If the Secretary focused only on herself in media interviews or in cultural or social interactions involving Asian communities and neglected any mention of her parents or inclusion of her one living parent, her father, with these audiences, her reputation and stature as a government official would be diminished considerably in the eyes of many Asians and Asian Americans. Thus, in making time for expressions of filial piety and taking advantage of reasonable opportunities to include her father in ceremonial functions, Secretary Chao enhances her reputation and advances the interests of the Department by strengthening her effectiveness as a member of the Cabinet and as a representative of the Federal Government to Asian cultural communities. And, importantly, she does so without creating any conflict of interest. The international shipping business founded by the Secretary's father is not regulated by the Department of Transportation and does not have business before the Department—and if it ever did have a direct interest in any action to be taken by the Department, the Secretary would, of course, be recused from participating in that action.

Over the course of her career, both in and out of government, Secretary Chao has built an extraordinary record of public service that exemplifies the highest standards of professionalism, competence, and ethical conduct. Under her leadership, the Department of Transportation acts in accordance with the law, does not compromise on ethics, and never puts private interests above the interests of the American people. Any suggestion to the contrary based on her background and support of her family ignores the diverse cultural fabric and values upon which our country is founded.

B. Referral of Investigation to the U.S. Department of Justice

On December 16, 2020, OIG referred this investigation to the U.S. Department of Justice (DOJ), United States Attorney's Office (USAO) for the District of Columbia, for criminal prosecution. The USAO declined to open a criminal investigation on this matter. The USAO stated that there may be ethical and/or administrative issues to address but there is not predication to open a criminal investigation.

On December 17, 2020, OIG referred this investigation to DOJ Public Integrity Section (PIN) for criminal prosecution. DOJ PIN declined to open an investigation on this matter.

C. Resignation of Secretary Chao

On January 7, 2021, Secretary Chao announced her resignation as U. S. Secretary of Transportation, to take effect on Monday, January 11, 2020. In a resignation letter to former President Trump following the January 6, 2021, riot at the Capitol, Secretary Chao wrote, "I had planned on serving through the end of your term in office, but after yesterday's events at the U.S. Capitol, I will resign as U.S. Secretary of Transportation, effective Monday, January 11, 2021, to provide a short period of transition."

D. Closure of Investigation

Based on the lack of prosecutorial interest from DOJ, OIG has determined it will close this investigation. OIG is providing a copy of this report of investigation to the DOT OGC for action it deems appropriate.

GLOSSARY OF FREQUENTLY REFERENCED INDIVIDUALS AND TERMS

Steven Bradbury	Former General Counsel, Office of the Secretary of Transportation (OST); former Deputy Secretary, Office of the Secretary of Transportation (OST); and former Acting Secretary, Office of the Secretary of Transportation (OST)
Terence Carlson	Assistant General Counsel for General Law, Office of the Secretary of Transportation (OST)
Angela Chao	The Secretary's sister, current Chairperson and Chief Executive Officer of Foremost Group
Elaine L. Chao	Former Secretary of Transportation
Dr. James S.C. Chao	Secretary Chao's father and founder of Foremost Group
Foremost Group	The Foremost Group is a privately-held shipping company based in New York, New York. Though Foremost Group is based in New York, it operates globally and none of its vessels are flagged (registered) in the United States.
Finch Fulton	Former Deputy Assistant Secretary for Transportation Policy, Office of the Secretary of Transportation (OST)
Todd Inman	Former Chief of Staff, Office of the Secretary of Transportation (OST) and prior Director of Operations, Office of the Secretary of Transportation (OST)
Judy Kaleta	Designated Agency Ethics Official (DAEO) and career Deputy General Counsel, Office of the Secretary of Transportation (OST)
Derek Kan	Former Undersecretary for Transportation Policy, Office of the Secretary of Transportation (OST)
Marianne McInerney	Former Director of Public Affairs, Office of the Secretary of Transportation (OST)

INDEX OF ATTACHMENTS

Initiation

- October 11, 2019, Chairman of the U.S. House of Representatives Committee on Transportation and Infrastructure, Letter to DOT-OIG

Overview

- Relevant Federal ethics regulations

I. Evidence Relating to Potential Ethics Concerns Discovered During the Course of the Investigation

- A. Tasking Political Appointees To Contact DHS on Behalf of a Foreign Student (August 2017)
- B. Including Family Members and Personal Events in the China Trip, Which Was Later Cancelled (November 2017)
- C. Providing DOT Media and Public Affairs Support for the Secretary's Family (2017–2018)
 - C-1. DOT Media Strategy Support
 - C-2. Public Affairs and Other Support at Specific Events
 - i. DOT 50th Anniversary (March 29, 2017)
 - ii. Chinese Consolidated Benevolent Association, Chinatown Events (May 27, 2017)
 - iii. Seamen's Church Institute Silver Bell Award Dinner (June 8, 2017)
 - iv. United States Merchant Maritime Academy Commencement (June 17, 2017)
 - v. International Leadership Foundation Gala (July 21, 2017)
 - vi. Chinese American Academic and Professional Society (CAAPS) Annual Convention (August 19, 2017)
 - vii. Massachusetts Maritime Academy fundraiser event, Salute to Maritime Person of the Year (September 21, 2017)
 - viii. Chinese Institute of Engineers Centennial Convention (October 14, 2017)
 - ix. OCA Westchester 37th Anniversary and Dynamic Achiever Award Gala (November 11, 2017)
 - x. Chinese Television Interviews (February 9, 2018)
 - xi. EPIC Achievement Award at Columbia University Teachers College (April 17, 2018)
 - xii. Lloyd's List Award (May 23, 2018)
 - xiii. SUNY Maritime Admiral's Scholarship Dinner (May 1, 2018)
 - xiv. Massachusetts Maritime Academy Commencement (June 22–23, 2018)
- D. DOT Resources and Subordinate Time for Personal Tasks

II. DOT OGC Opinions on Ethics Issues Detailed in This Report

Memoranda of Activity (MOAs)