

March 2000

FINANCIAL AUDIT

Independent Counsel
Expenditures for the
Six Months Ended
September 30, 1999



G A O

Accountability * Integrity * Reliability

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Abbreviations

AOUSC	Administrative Office of the U.S. Courts
FBI	Federal Bureau of Investigation
IRS	Internal Revenue Service
OIC	Office of Independent Counsel



United States General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-284845

March 31, 2000

Congressional Committees

Enclosed is our opinion on the statements of expenditures of eight offices of independent counsel for the 6 months ended September 30, 1999. This audit was required by 28 U.S.C. 596(c)(2) (1994) and Public Law 100-202.

We are sending copies of this report to the Attorney General, the Director of the Administrative Office of the U.S. Courts, the independent counsels included in our audit, and other interested parties. Copies will be made available to others upon request.

David L. Clark
Director, Audit Oversight and Liaison



B-284845

Congressional Committees

This report presents the results of our audits of expenditures¹ reported by eight offices of independent counsel (OIC) for the 6 months ended September 30, 1999. The Department of Justice and the independent counsels are required under 28 U.S.C. 594(d)(2), (h), and 596(c)(1) (1994) to report on expenditures from a permanent, indefinite appropriation established within Justice to fund independent counsel activities. To satisfy the requirements of 28 U.S.C. 596(c)(2) and Public Law 100-202, we audit the statements of expenditures prepared by the independent counsels.

We found that the statements of expenditures presented in appendixes I through VIII, for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Daniel S. Pearson, Donald C. Smaltz, Kenneth W. Starr, and Curtis E. von Kann, respectively, were fairly presented in all material respects. Our consideration of internal controls, which was limited for the purpose of determining our procedures for auditing the statements of expenditures, disclosed no material weaknesses. Further, our audits included limited tests of compliance with laws and regulations that disclosed no reportable instances of noncompliance with the laws and regulations we tested.

The following sections provide background information, outline each conclusion in more detail, and discuss the scope of our audits.

Background

The Ethics in Government Act of 1978 amended title 28 of the United States Code to authorize the judicial appointment of independent counsels when the Attorney General determines that reasonable grounds exist to warrant further investigation of high-ranking government officials for certain alleged crimes. The independent counsel law (28 U.S.C. 591-599 (1994)) was intended to preserve and promote the accountability and integrity of public officials and of the institutions of the federal government. The independent counsel law expired on June 30, 1999. Provisions of the law allow the independent counsels serving at the expiration date to continue

¹The term expenditures as used in this report generally means cash disbursed.

investigating pending matters until they determine that the investigations of such matters have been completed.

The independent counsel law directs the Department of Justice to pay all costs relating to the establishment and operation of independent counsel offices and designates specific responsibilities to the Administrative Office of the U.S. Courts (AOUSC) for independent counsels' administrative support. Justice periodically disburses lump-sum payments to AOUSC for this purpose.

In 1987, Public Law 100-202 established a permanent, indefinite appropriation within Justice to fund expenditures by independent counsels. Independent counsels are required to report their expenditures from the appropriation for each 6-month period in which they have operations. We are required to audit expenditures from the permanent, indefinite appropriation and to report our findings to appropriate congressional committees.

During any 6-month period, there may be other significant costs incurred in support of the work of independent counsels, which are paid from appropriations other than the permanent, indefinite appropriation established to fund independent counsel activities. These costs arise when an independent counsel uses detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI). Independent counsels are not required to and do not reflect such costs in their statements of expenditures. However, to the extent practicable these unaudited costs are identified and discussed in the notes to the statements presented in the appendixes to this report.

On September 9, 1999, the Attorney General appointed John C. Danforth as a Special Counsel to investigate the government conduct relative to certain events in Waco, Texas. The Department of Justice determined that the appropriation established by Public Law 100-202 to fund expenditures by independent counsels appointed pursuant to 28 U.S.C. 591-599, also is available to fund the expenditures of the Special Counsel. Public Law 100-202 requires us to audit all expenditures from that appropriation. Mr. Danforth did not have any expenditures from that appropriation during this period. However, the Department of Justice and U.S. Postal Service incurred costs of approximately \$5,698 and \$10,540 respectively in assistance for employees provided to Mr. Danforth. These costs were financed through funds appropriated to these agencies. These agencies are not reimbursed for these costs, and we did not audit the amounts.

Opinion on Statements of Expenditures

Independent counsels prepare their statements of expenditures principally on a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The bases of accounting are described in note 1 of each counsel's statement.

In our opinion, the statements of expenditures including the accompanying notes for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Daniel S. Pearson, Donald C. Smaltz, Kenneth W. Starr, and Curtis E. von Kann present fairly, in all material respects, the expenditures of these counsels for the 6 months ended September 30, 1999, on the basis of accounting described in note 1 to each office's statement.

Consideration of Internal Control Structure

We gained an understanding of internal controls whose objectives are to (1) safeguard assets against loss from unauthorized acquisition, use, or disposition; (2) assure the execution of transactions in accordance with laws governing the use of budget authority and with other laws and regulations that have a direct and material effect on the statements of expenditures; and (3) properly record, process, and summarize transactions to permit the preparation of reliable statements of expenditures and to maintain accountability for assets.

The purpose of our consideration of internal controls was to determine our procedures for auditing the statements of expenditures and, accordingly, we do not express an opinion on internal controls. However, for the controls we tested, we found no material weaknesses or other reportable conditions in the internal control structure and its operations for the 6-month period ended September 30, 1999. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their duties. Our internal control work would not necessarily disclose all material weaknesses.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective

of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

In order to carry out their financial operations and to ensure accountability, independent counsels are responsible for (1) preparing statements of expenditures in conformity with the basis of accounting described in the accompanying notes, (2) establishing and maintaining an internal control structure to provide reasonable assurance that the internal control objectives previously mentioned are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the statements of expenditures reported by independent counsels are presented fairly, in all material respects, in conformity with the basis of accounting described in the accompanying notes. Also, we are responsible for obtaining a sufficient understanding of internal controls to plan the audits and for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, for each independent counsel, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the statement of expenditures and notes thereto, except items indicated as unaudited; (2) assessed the accounting principles used by management; (3) evaluated the overall presentation of the statement of expenditures; (4) obtained an understanding of the internal control structure related to safeguarding assets, compliance with laws and regulations (including execution of transactions in accordance with budget authority), and financial reporting; (5) tested relevant internal controls over safeguarding assets, compliance, and financial reporting; and (6) tested compliance with certain aspects of selected provisions of the independent counsel law (28 U.S.C. 591-599 (1994)), 5 U.S.C. Chapter 55, and implementing regulations relating to pay administration.

We limited our internal control testing to those controls necessary to achieve the objectives outlined in our statement on internal controls. Because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to the offices of independent counsel. We limited our tests of compliance to those which we deemed applicable to the statements of expenditures. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We obtained, but did not audit, information on costs that were not paid from the permanent, indefinite appropriation established to fund independent counsel activities as well as information on receipts. We obtained information on these costs from the independent counsel offices; the Department of Justice, including the FBI; the Department of the Treasury, including the Internal Revenue Service; the U.S. Postal Service; and the Office of Inspector General for the Department of Agriculture.

We discussed the results of our work with representatives of the eight offices of independent counsel, the Department of Justice, and AOUSC and have incorporated their comments where appropriate.

We performed our audits in accordance with generally accepted government auditing standards.

A handwritten signature in black ink that reads "David L. Clark". The signature is written in a cursive style with a large, stylized initial "D".

David L. Clark
Director, Audit Oversight and Liaison

March 10, 2000

List of Committees

The Honorable Ted Stevens
Chairman

The Honorable Robert C. Byrd
Ranking Minority Member
Committee on Appropriations
United States Senate

The Honorable Fred Thompson
Chairman

The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable Orrin G. Hatch
Chairman

The Honorable Patrick J. Leahy
Ranking Minority Member
Committee on the Judiciary
United States Senate

The Honorable C. W. Bill Young
Chairman

The Honorable David R. Obey
Ranking Minority Member
Committee on Appropriations
House of Representatives

The Honorable Dan Burton
Chairman

The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The Honorable Henry J. Hyde
Chairman
The Honorable John Conyers, Jr.
Ranking Minority Member
Committee on the Judiciary
House of Representatives

Statement of Expenditures for Independent Counsel Adams/Thompson

ARLIN M. ADAMS/LARRY D. THOMPSON

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1999

Personnel compensation and benefits	\$53,414
Travel (note 2)	2,707
Rent, communications, and utilities (note 3)	57,023
Contractual services (note 4)	79,241
Supplies and materials	691
Administrative services (note 5)	<u>15,336</u>
Total expenditures	<u>\$208,412</u>

The accompanying notes are an integral part of this statement.

ARLIN M. ADAMS/LARRY D. THOMPSON

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Arlin M. Adams/Larry D. Thompson (OIC-Adams/Thompson) for the 6 months ended September 30, 1999. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Adams was appointed on March 1, 1990, to investigate the administration of various programs of the Department of Housing and Urban Development from 1983 to 1989. On May 15, 1995, Mr. Adams resigned his appointment, effective July 3, 1995, at which time he was succeeded by Larry D. Thompson as independent counsel.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel expenditures include payment for travel performed during the previous audit period.

Note 3 - Rent, communications, and utilities

Approximately \$50,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of payments to experts for assistance in drafting the final independent counsel report and in preparing independent counsel records for disposition.

**Appendix I
Statement of Expenditures for Independent
Counsel Adams/Thompson**

Note 5 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Adams/Thompson. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$5,726, incurred by AOUSC and the Department of Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Statement of Expenditures for Independent Counsel Barrett

DAVID M. BARRETT

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1999

Personnel compensation and benefits	\$726,793
Travel (note 2)	104,555
Rent, communications, and utilities (note 3)	316,593
Contractual services (note 4)	316,691
Acquisition of capital assets	5,419
Supplies and materials	13,215
Administrative services (note 5)	<u>98,330</u>
Total expenditures	<u>\$1,581,596</u>

The accompanying notes are an integral part of this statement.

DAVID M. BARRETT

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-David M. Barrett (OIC-Barrett) for the 6 months ended September 30, 1999. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Barrett was appointed on May 24, 1995, to investigate certain allegations against the Secretary of Housing and Urban Development.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Barrett personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$244,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of expenditures for investigators, protective services, and other specialists in areas of interest to the investigation.

Note 5 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Barrett. Payment

**Appendix II
Statement of Expenditures for Independent
Counsel Barrett**

of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$56,713, incurred by AOUSC and the Department of Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Note 6 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the FBI were financed through funds appropriated to the FBI and, accordingly, are not included in the statement of expenditures. The FBI was not reimbursed for these costs. The estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of the Department of Justice, were \$52,611.

Statement of Expenditures for Independent Counsel Bruce

CAROL ELDER BRUCE

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1999

Personnel compensation and benefits	\$976,453
Travel (note 2)	93,648
Rent, communications, and utilities (note 3)	313,625
Contractual services (note 4)	45,727
Acquisition of capital assets (note 5)	4,713
Supplies and materials	14,062
Administrative services (note 6)	<u>106,444</u>
Total expenditures	<u>\$1,554,672</u>

The accompanying notes are an integral part of this statement.

CAROL ELDER BRUCE

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Carol Elder Bruce (OIC-Bruce) for the 6 months ended September 30, 1999. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Ms. Bruce was appointed on March 19, 1998, to investigate whether the Secretary of the Interior may have violated federal criminal law in sworn testimony before a congressional committee.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Bruce personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$227,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of payments for investigators, court reporters, and other specialists in areas of interest to the investigation.

**Appendix III
Statement of Expenditures for Independent
Counsel Bruce**

Note 5 - Acquisition of capital assets

The capital assets expenditures are for the purchase of law books. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Bruce. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$60,170, incurred by AOUSC and the Department of Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the FBI and the Department of Justice were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies are not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of these agencies.

	Costs <u>(unaudited)</u>
FBI	\$197,358
Other Justice	<u>2,326</u>
	<u>\$199,684</u>

Statement of Expenditures for Independent Counsel Lancaster

RALPH I. LANCASTER

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1999

Personnel compensation and benefits	\$648,322
Travel (note 2)	106,017
Rent, communications, and utilities (note 3)	31,891
Contractual services (note 4)	392,647
Acquisition of capital assets (note 5)	10,798
Supplies and materials	9,643
Administrative services (note 6)	<u>78,666</u>
Total expenditures	<u>\$1,277,984</u>

The accompanying notes are an integral part of this statement.

RALPH I. LANCASTER

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Ralph I. Lancaster (OIC-Lancaster) for the 6 months ended September 30, 1999. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Lancaster was appointed on May 26, 1998, to investigate activities of the Secretary of Labor regarding a possible undisclosed financial interest in a company and the solicitation of illegal campaign contributions.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Lancaster personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), and witnesses.

Note 3 - Rent, communications, and utilities

OIC-Lancaster paid no rent during this period.

Note 4 - Contractual services

Contractual services represent expenditures for alteration and repair of office space performed during an earlier period and for services including those of experts and other specialists in areas of interest to the investigation.

**Appendix IV
Statement of Expenditures for Independent
Counsel Lancaster**

Note 5 - Acquisition of capital assets

The capital assets expenditures are principally for office furniture and fixtures. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Lancaster. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$42,943, incurred by AOUSC and the Department of Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the FBI, the Department of Justice, and the Internal Revenue Service were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies were not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of these agencies.

	Costs (unaudited)
FBI	\$305,332
Other Justice	175
IRS	<u>80,534</u>
	<u>\$386,041</u>

Statement of Expenditures for Independent Counsel Pearson

DANIEL S. PEARSON

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1999

Personnel compensation and benefits	\$44,485
Travel	1,496
Rent, communications, and utilities (note 2)	20,536
Contractual services	129
Supplies and materials	48
Administrative services (note 3)	<u>702</u>
Total expenditures	<u>\$67,396</u>

The accompanying notes are an integral part of this statement.

DANIEL S. PEARSON

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Daniel S. Pearson (OIC-Pearson) for the 6 months ended September 30, 1999. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Pearson was appointed on July 6, 1995, to investigate certain allegations against the Secretary of Commerce. On April 3, 1996, the Secretary was killed in a plane crash. Shortly thereafter, the independent counsel closed the investigation of the Secretary and transferred the investigation related to other parties to the Department of Justice. Expenditures during this period relate to efforts to archive the investigative records and to evaluate petitions for attorneys' fees filed by individuals investigated but not indicted.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 – Rent, communications, and utilities

Approximately \$16,000 in office rent is included in rent, communications, and utilities.

Note 3 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Pearson. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$5,238, incurred by AOUSC and the Department of Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Statement of Expenditures for Independent Counsel Smaltz

DONALD C. SMALTZ

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1999

Personnel compensation and benefits	\$796,933
Travel (note 2)	25,849
Rent, communications, and utilities (note 3)	144,486
Contractual services (note 4)	39,562
Acquisition of capital assets (note 5)	3,880
Supplies and materials	6,731
Administrative services (note 6)	<u>68,672</u>
Total expenditures	<u>\$1,086,113</u>

The accompanying notes are an integral part of this statement.

DONALD C. SMALTZ

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Donald C. Smaltz (OIC-Smaltz) for the 6 months ended September 30, 1999. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Smaltz was appointed on September 9, 1994, to investigate activities of a former Secretary of Agriculture.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel generally includes expenditures for travel paid for OIC-Smaltz personnel and detailees from other federal agencies, such as the Department of Agriculture.

Note 3 - Rent, communications, and utilities

Approximately \$119,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of expenditures for repair and maintenance of equipment and for services of experts and other specialists in areas of interest to the investigation.

**Appendix VI
Statement of Expenditures for Independent
Counsel Smaltz**

Note 5 - Acquisition of capital assets

The capital assets expenditures are principally for office automation equipment. These assets remain the property of the federal government at the conclusion of the investigation.

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Smaltz. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$36,198, incurred by AOUSC and the Department of Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the Inspector General of the Department of Agriculture were financed through funds appropriated to this agency and, accordingly, are not included in the statement of expenditures. The Department of Agriculture was not reimbursed for these costs. The estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of the Department of Agriculture, were \$7,288.

Note 8 - Receipts (unaudited)

As of September 30, 1999, OIC-Smaltz's convictions and referrals have resulted in the imposition of \$11,596,106 in criminal fines, civil penalties, damages and reimbursement of costs. Approximately \$9,926,550 of that amount has been received and deposited into the U.S. Treasury. Of that amount, \$1,464,200 has been returned on appeal to a defendant.

Statement of Expenditures for Independent Counsel Starr

KENNETH W. STARR

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1999

Personnel compensation and benefits	\$2,202,874
Travel (note 2)	590,699
Rent, communications, and utilities (note 3)	835,475
Contractual services (note 4)	795,075
Acquisition of capital assets (note 5)	13,604
Supplies and materials	40,616
Administrative services (note 6)	<u>252,246</u>
Total expenditures	<u>\$4,730,589</u>

The accompanying notes are an integral part of this statement.

KENNETH W. STARR

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Kenneth W. Starr (OIC-Starr) for the 6 months ended September 30, 1999. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Starr was appointed on August 5, 1994, to assume the investigation of possible violations of federal criminal law in Re: Madison Guaranty Savings and Loan Association and other entities, which was begun by regulatory Independent Counsel Robert B. Fiske, Jr. The U.S. Court of Appeals subsequently expanded OIC-Starr's jurisdiction to include selected White House Travel Office and access-to-personnel-file issues on March 22, 1996, and June 21, 1996, respectively. On October 25, 1996, it further expanded OIC-Starr's jurisdiction to include issues related to statements made before the Government Reform and Oversight Committee, U.S. House of Representatives, on June 26, 1996. On January 16, 1998, the Court expanded OIC-Starr's jurisdiction to include issues related to whether, in a civil case, certain individuals suborned perjury, obstructed justice, intimidated witnesses, or otherwise violated federal law in dealing with witnesses, potential witnesses, attorneys, or others. On October 18, 1999, subsequent to this reporting period, Mr. Starr resigned his appointment, and was succeeded by Robert W. Ray as independent counsel effective the same date.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Appendix VII
Statement of Expenditures for Independent
Counsel Starr

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Starr personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), contractors, and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$559,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of expenditures for computer support and maintenance, office alterations and repairs, legal services, and investigators and other specialists in areas of interest to the investigation.

Note 5 - Acquisition of capital assets

The capital assets expenditures are primarily for ADP equipment and office furniture. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Starr. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$113,328, incurred by AOUSC and the Department of Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the FBI, the U.S. Marshal Service, the Department of Justice, and the Internal Revenue Service were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies are not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of these agencies.

**Appendix VII
Statement of Expenditures for Independent
Counsel Starr**

	Costs (unaudited)
Marshal Service	\$486,725
FBI	68,424
Other Justice	2,326
IRS	<u>15,142</u>
	<u>\$572,617</u>

Statement of Expenditures for Independent Counsel von Kann

CURTIS E. VON KANN
(formerly Independent Counsel Sealed-1996)

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1999

Rent, communications, and utilities (note 2)	\$32,931
Administrative services (note 3)	<u>47</u>
Total expenditures	<u>\$32,978</u>

The accompanying notes are an integral part of this statement.

**CURTIS E. VON KANN
(formerly Independent Counsel Sealed-1996)**

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Curtis E. von Kann (OIC-von Kann) (formerly Independent Counsel Sealed-1996) for the 6 months ended September 30, 1999. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. The independent counsel was appointed on November 27, 1996, to investigate whether the former Chief Executive Officer of the Corporation for National and Community Service may have violated federal conflict of interest laws in creating and operating the Partnership for National Service, a nonprofit organization incorporated in the District of Columbia. Judge von Kann submitted his final report to the Special Division of the U.S. Court of Appeals for the District of Columbia Circuit on August 21, 1997. On December 19, 1997, the report was released to the public. On December 11, 1998, based on consideration of information submitted by the independent counsel, the Court ordered the termination of OIC-von Kann, effective November 30, 1998. Expenditures during this period relate to finalizing rent obligations and archiving administrative records.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Rent, communications, and utilities

Approximately \$32,000 in office rent for the period June 1, 1998, through January 31, 1999, is included in rent, communications, and utilities.

**Appendix VIII
Statement of Expenditures for Independent
Counsel von Kann**

Note 3 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-von Kann. Payment of these fees generally occurs in the month following the services.

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