

March 1996

FINANCIAL AUDIT

Independent Counsel Expenditures for the Six Months Ended September 30, 1995





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

**Accounting and Information
Management Division**

B-271128

March 29, 1996

Congressional Committees

Enclosed is our opinion on the statements of expenditures by eight offices of independent counsel for the 6 months ended September 30, 1995. 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 eight independent counsels included in our audit, and other interested parties. Copies will be made available to others upon request.

A handwritten signature in black ink that reads "David L. Clark". The signature is stylized with a large, sweeping "D" and a prominent "X" at the end.

David L. Clark
Director, Audit Oversight and Liaison

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Abbreviations

AOUSC	Administrative Office of the U.S. Courts
FBI	Federal Bureau of Investigation

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Management Division

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This report presents the results of our audits of expenditures¹ reported by eight offices of independent counsel for the 6 months ended September 30, 1995. 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, respectively, for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Joseph E. diGenova, Robert B. Fiske, Jr., Daniel S. Pearson, Donald C. Smaltz, Kenneth W. Starr, and Lawrence E. Walsh were reliable 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 audit included limited tests of compliance with laws and regulations that disclosed no reportable 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)) is intended to preserve and promote the accountability and integrity of public officials and of the institutions of the federal government. The Independent Counsel Reauthorization Act of 1994 further amended title 28 of the United States Code to establish certain procedural requirements and extend the law's expiration date to June 30, 1999.

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 United States Courts (AOUSC) for independent counsels'

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

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.

In January 1994, Justice determined that the permanent, indefinite appropriation could also fund the expenditures of Robert B. Fiske, Jr., who was appointed as a regulatory independent counsel² by the Attorney General in January 1994. Mr. Fiske terminated his appointment on October 6, 1994, and Kenneth W. Starr continued the investigation. Since we are required to audit all expenditures from the permanent, indefinite appropriation, this report includes the expenditures of Mr. Fiske's office during the audit period. Also, in March 1994, Lawrence E. Walsh's independent counsel office closed; however, certain costs incurred prior to the closing of his office and paid by AOUSC after Mr. Walsh's operations ceased are included in this report.

During this period, David M. Barrett and Daniel S. Pearson were appointed to investigate allegations against two administration officials. Independent counsel Arlin M. Adams resigned, and Larry D. Thompson was appointed to continue that investigation. Accordingly, six offices of independent counsel were active during this period: Arlin M. Adams/Larry D. Thompson, David M. Barrett, Joseph E. diGenova, Daniel S. Pearson, Donald C. Smaltz, and Kenneth W. Starr.

During any 6-month period, independent counsels may also incur other significant costs that are paid from appropriations other than the permanent, indefinite appropriation established to fund independent counsel activities. These costs arise, for example, from the use of detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI). Independent counsels are not required to and do not include such costs in their statements of expenditures. However, these costs are identified and discussed in the notes to the statements presented in the appendixes to this report.

²Regulatory independent counsels are appointed pursuant to 5 U.S.C. 301 (1994); 28 U.S.C. 509, 510, and 543 (1994). See also 28 C.F.R. Parts 601 and 603 (1994).

Opinion on Statements of Expenditures

The statements of expenditures for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Joseph E. diGenova, Robert B. Fiske, Jr., Daniel S. Pearson, Donald C. Smaltz, Kenneth W. Starr, and Lawrence E. Walsh present fairly, in all material respects, in conformity with a comprehensive basis of accounting other than generally accepted accounting principles, as described in note 1 to each office's statement, the respective expenditures of each office for the 6 months ended September 30, 1995. The statements of expenditures and related notes regarding the basis of accounting and additional pertinent information are in appendixes I through VIII.

Consideration of Internal Control Structure

We gained an understanding of internal controls designed to

- safeguard assets against loss from unauthorized acquisition, use, or disposition;
- 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
- properly record, process, and summarize transactions to permit the preparation of reliable statements of expenditures and to maintain accountability for assets.

We do not express an opinion on internal controls because the purpose of our work was to determine our procedures for auditing the statements of expenditures, not to express an opinion on internal controls. However, for the controls we tested, we found no material weaknesses in the internal control structure and its operations for the 6-month period ended September 30, 1995. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the statements of expenditures may occur and not be detected promptly by employees in the normal course of performing their duties. Our internal control work would not necessarily disclose all material weaknesses.

Our prior reports³ on independent counsel statements of expenditures discussed a material weakness in internal controls over the reporting of expenditures. Specifically, these reports identified errors that were caused

³Financial audits of expenditures by independent counsels (GAO/AFMD-93-1, October 9, 1992; GAO/AFMD-93-60, April 21, 1993; GAO/AIMD-94-76, April 15, 1994; GAO/AIMD-95-85, March 31, 1995; GAO/AIMD-95-112, March 31, 1995; GAO/AIMD-113, March 31, 1995; and GAO/AIMD-95-233, September 29, 1995).

by certain independent counsels submitting incorrect information to AOUSC or by AOUSC incorrectly recording information submitted by independent counsels. During the period audited, AOUSC hired a senior staff member with accounting and financial reporting expertise to review the financial activities and reports of the offices of independent counsel. In addition, several offices of independent counsel used a consultant who reviewed and analyzed their financial transactions and coordinated reporting activities with AOUSC.

Compliance With Laws and Regulations

Our audit 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

- preparing statements of expenditures,
- establishing and maintaining an internal control structure to provide reasonable assurance that the internal control objectives previously mentioned are met, and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the statements of expenditures reported by independent counsels are reliable (free of material misstatement and presented fairly in accordance 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 audit, for testing compliance with selected provisions of laws and regulations, and for performing limited procedures with respect to certain other information appearing in the statements of expenditures.

In order to fulfill these responsibilities, for each independent counsel, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the statement of expenditures and notes thereto, except items indicated as unaudited;

-
- assessed the accounting principles used and significant estimates made by management;
 - evaluated the overall presentation of the statement of expenditures;
 - 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;
 - tested relevant internal controls over safeguarding assets, compliance, and financial reporting; and
 - tested compliance with certain aspects of selected provisions of the independent counsel provisions of 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 obtained, but did not audit, information on costs that were not paid from the permanent, indefinite appropriation established to fund independent counsel activities. We obtained information on these costs from the independent counsel offices; Justice, including the FBI; the Internal Revenue Service; the Office of Inspector General of the Department of Housing and Urban Development; the Office of Inspector General for the Department of Agriculture; the Office of Investigations of the U.S. Customs Service; and the Postal Inspection Service.

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

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

A handwritten signature in black ink, reading "David L. Clark". The signature is written in a cursive style with a large, stylized "D" and "C".

David L. Clark
Director, Audit Oversight and Liaison

March 8, 1996

Committees

The Honorable Mark O. Hatfield
Chairman

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

The Honorable Ted Stevens
Chairman

The Honorable John Glenn
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable Orrin G. Hatch
Chairman

The Honorable Joseph R. Biden
Ranking Minority Member
Committee on the Judiciary
United States Senate

The Honorable Robert L. Livingston
Chairman

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

The Honorable William F. Clinger
Chairman

The Honorable Cardiss Collins
Ranking Minority Member
Committee on Government Reform and Oversight
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

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, 1995

Personnel compensation and benefits	\$ 540,284
Travel	68,619
Rent, communications, and utilities (note 2)	154,896
Contractual services (note 3)	403,894
Acquisition of capital assets (note 4)	4,647
Supplies and materials	15,516
Administrative services (note 5)	<u>60,596</u>
Total expenditures	<u>\$1,248,452</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, 1995. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices 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 (HUD) from 1983 to 1989. On May 15, 1995, Mr. Adams resigned his appointment, effective July 3, 1995, at which time he was succeeded by Mr. 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. The cost of purchased capital assets, which principally consist of office equipment and furniture, is recorded in the statement of expenditures when paid. These assets will remain with the federal government when they are no longer needed by the OIC.

Note 2 - Rent, communications, and utilities

Approximately \$140,100 in office rent is included in rent, communications, and utilities.

Note 3 - Contractual services

Contractual services primarily consists of expenditures incurred to provide documents to defense lawyers as a result of the pretrial disclosure process.

Note 4 - Acquisition of capital assets

These assets remain the property of the federal government at the conclusion of 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-Adams/Thompson. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$25,525, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 6 - Other operating costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the Federal Bureau of Investigation (FBI) and the Inspector General of the Department of Housing and Urban Development (HUD IG) 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 (unaudited)
FBI	\$144,000
HUD IG	<u>67,000</u>
	<u>\$211,000</u>

Statement of Expenditures for Independent Counsel Barrett

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL BARRETT

DAVID M. BARRETT

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1995

Personnel compensation and benefits	\$113,192
Travel	5,160
Rent, communications, and utilities	967
Contractual services	214
Supplies and materials	3,697
Acquisition of capital assets (note 2)	19,478
Administrative services (note 3)	<u>8,044</u>
Total expenditures	<u>\$150,752</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, 1995. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices 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 the Department 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, expenditures are recorded when the funds are disbursed by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Acquisition of capital assets

The capital assets expenditures are for office furniture and equipment. Additional assets have been transferred from the Office of Independent Counsel - Joseph E. diGenova. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 3 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Barrett. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$6,752, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Appendix II
Statement of Expenditures for Independent
Counsel Barrett

Note 4 - Other operating costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the Federal Bureau of Investigation (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 (unaudited)
FBI	\$61,000
Justice	<u>6,000</u>
	<u>\$67,000</u>

Statement of Expenditures for Independent Counsel diGenova

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL diGENOVA

JOSEPH E. diGENOVA

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1995

Personnel compensation and benefits	\$136,372
Travel	342
Rent, communications, and utilities (note 2)	64,686
Contractual services and supplies	379
Administrative services (note 3)	<u>25,797</u>
Total expenditures	<u>\$227,576</u>

The accompanying notes are an integral part of this statement.

JOSEPH E. diGENOVA

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 - Joseph E. diGenova (OIC-diGenova) for the 6 months ended September 30, 1995. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. diGenova was appointed on December 14, 1992, to investigate a preelection search of passport files. OIC-diGenova's investigation concluded on November 30, 1995, when the office issued its report. On January 11, 1996, Joseph E. diGenova resigned as Independent Counsel and was succeeded by Michael F. Zeldin. The office will remain open while the Department of Justice and the OIC evaluate petitions for attorneys' fees. Once approved, these fees will be paid from funds outside of the OIC's appropriations, and the office will close.

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 \$60,000 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-diGenova. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$16,524, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were

Appendix III
Statement of Expenditures for Independent
Counsel diGenova

certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Statement of Expenditures for Independent Counsel Fiske

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL FISKE

ROBERT B. FISKE, JR.

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1995

Travel	\$ 3,253
Rent, communications, and utilities (note 2)	3,175
Contractual services (note 3)	109,613
Supplies and materials	857
Acquisition of capital assets	<u>384</u>
Total expenditures	<u>\$117,282</u>

The accompanying notes are an integral part of this statement.

ROBERT B. FISKE, JR.

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 - Robert B. Fiske, Jr. (OIC-Fiske) for the 6 months ended September 30, 1995. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for OIC-Fiske processed through the Department of Justice.

Robert B. Fiske, Jr., was appointed by Attorney General Janet Reno on January 24, 1994, to investigate criminal and civil violations of the U.S. Code in Re: Madison Guaranty Savings and Loan. On August 5, 1994, pursuant to 28 U.S.C. 592 (c)(1)(A) (1994), the U.S. Court of Appeals for the District of Columbia appointed Kenneth W. Starr to conduct the investigation. After completing a transition of operation to Mr. Starr, Robert B. Fiske, Jr., terminated his appointment on October 6, 1994.

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 the Department of Justice. Although Mr. Fiske terminated his appointment on October 6, 1994, the expenditures included in this statement of expenditures reflect costs incurred prior to his termination, yet paid during the current period.

Note 2 - Rent, communications, and utilities

This amount consists primarily of copier equipment rental.

Note 3 - Contractual services

Contractual services include charges for alterations to offices which were authorized and occurred during Mr. Fiske's tenure.

Statement of Expenditures for Independent Counsel Pearson

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL PEARSON

DANIEL S. PEARSON

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1995

Personnel compensation and benefits	\$ 42,718
Rent, communications, and utilities	1,182
Supplies and materials	2,696
Acquisition of capital assets (note 2)	30,834
Administrative services (note 3)	<u>3,121</u>
Total expenditures	<u>\$ 80,551</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, 1995. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices 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.

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 - Acquisition of capital assets

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

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 \$2,899, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 4 - Other operating costs (unaudited)

Certain costs relating to employees assigned to work with OIC-Pearson by the Department of Justice, the Federal Bureau of Investigation (FBI), 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 period, based on information provided by officials of these agencies.

	Costs (unaudited)
FBI	\$69,000
Justice	3,000
IRS	<u>9,000</u>
	<u>\$81,000</u>

Statement of Expenditures for Independent Counsel Smaltz

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL SMALTZ

DONALD C. SMALTZ

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1995

Personnel compensation and benefits	\$ 778,405
Travel	200,123
Rent, communications, and utilities (note 2)	243,035
Contractual services (note 3)	145,668
Supplies and materials	30,734
Acquisition of capital assets (note 4)	19,145
Administrative services (note 5)	<u>88,825</u>
Total expenditures	<u>\$1,505,935</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, 1995. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of U.S. Courts (AOUSC) and the OIC. Mr. Smaltz was appointed on September 9, 1994, to investigate activities of a former Secretary of the Department of Agriculture. OIC-Smaltz's investigation is ongoing.

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 \$171,000 in office rent is included in rent, communications, and utilities.

Note 3 - Contractual services

Contractual services include investigative, financial, and court reporting services. Document management and courier services are handled in-house.

Note 4 - Acquisition of capital assets

The capital assets expenditures are for telephone systems and office furniture and equipment. These assets remain the property of the federal government at the conclusion of 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-Smaltz. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$47,395, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 6 - Other operating costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the Federal Bureau of Investigation (FBI), the Department of Justice, the U.S. Customs Service, the Department of Agriculture, the Internal Revenue Service (IRS), and the Postal Inspection 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	\$ 250,000
Other Justice	5,000
Agriculture	127,000
Postal Inspection	9,000
IRS	16,000
Customs	<u>44,000</u>
	<u>\$ 451,000</u>

Statement of Expenditures for Independent Counsel Starr

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL STARR

KENNETH W. STARR

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1995

Personnel compensation and benefits	\$ 1,284,463
Travel	463,794
Rent, communications, and utilities (note 2)	406,500
Contractual services (note 3)	353,598
Acquisition of capital assets (note 4)	21,416
Supplies and materials	73,024
Administrative services (note 5)	<u>128,052</u>
Total expenditures	<u>\$2,730,847</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, 1995. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of U.S. Courts (AOUSC) and the OIC and certain costs processed through the Department of Justice. 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.

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 \$237,000 in office rent is included in rent, communications, and utilities.

Note 3 - Contractual services

Contractual services primarily consist of expenditures for investigators, consultants, and other specialists in areas of interest to the investigation such as bankruptcy and taxation.

Note 4 - Acquisition of capital assets

The capital assets expenditures are for telephone systems and equipment. These assets will remain the property of the federal government at the conclusion of 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 Starr. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$45,469, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 6 - Other operating costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the Federal Bureau of Investigation (FBI) and the Internal Revenue Service (IRS) were financed through funds appropriated to these agencies and were not reimbursed from the permanent, indefinite appropriation as of the end of the current period. Accordingly, those costs, as cited below, are not included in the statement of expenditures. The OIC may subsequently reimburse the organizations for some of these costs, and those reimbursements will be shown on the statements of expenditures for future periods. The estimated costs (unaudited) cited below are based on information provided by officials of these agencies and records at the OIC.

	Costs (unaudited)
FBI	\$1,747,000
IRS	<u>388,000</u>
	<u>\$2,135,000</u>

Statement of Expenditures for Independent Counsel Walsh

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL WALSH

LAWRENCE E. WALSH

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended September 30, 1995

Personnel compensation and benefits (note 2)	\$34,477
Rent, communications, and utilities (note 3)	3,600
Administrative services (note 4)	<u>1,016</u>
Total expenditures	<u>\$39,093</u>

The accompanying notes are an integral part of this statement.

LAWRENCE E. WALSH

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 - Lawrence E. Walsh (OIC-Walsh) for the 6 months ended September 30, 1995. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of U.S. Courts (AOUSC). Mr. Walsh was appointed on December 19, 1986, to investigate allegations of crimes relating to the sales of arms to Iran; the diversion of funds to, and other support of, the Nicaraguan Contras; and the prosecution of any indictments stemming from the investigation. Mr. Walsh's final report covering his independent counsel activities was released to the public by the U.S. Court of Appeals for the District of Columbia Circuit on January 18, 1994. Mr. Walsh's office officially closed on March 30, 1994.

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. When active, Mr. Walsh's office used the modified cash basis of accounting and accrued and reported certain expenses prior to payment.

Note 2 - Personnel compensation and benefits

AOUSC paid \$34,477 in unemployment costs for former OIC-Walsh employees. These costs may continue in future periods depending upon the former employees' status.

Note 3 - Rent, communications, and utilities

As noted in note 1, OIC-Walsh accrued certain expenses and reported those expenses when accrued. As a result of changing the basis of accounting from the modified cash to the cash basis, payments totaling \$3,600, which had previously been reported, were recorded in this period.

Note 4 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Walsh. Payment for administrative service fees includes fees for expenditures reported in March 1995. Fees for expenditures reported in September 1995 will be recorded in October 1995.

Note 5 - Legal representation fees

Upon the request of an individual who was the subject of an independent counsel's investigation but who was not indicted, a special division of the U.S. Court of Appeals for the D.C. Circuit may award reimbursement of reasonable attorney's fees to that individual. During the 6-month period ended September 30, 1995, \$435,239 in awarded legal representation fees were paid from a special judgment fund established for such reimbursements. Accordingly, the legal representation fees are not included in the statement of expenditures.

Note 6 - Retroactive retirement coverage

As discussed in prior notes to statements of expenditures, certain employees of the office of independent counsel with qualifying appointments were erroneously not provided retirement coverage. AOUSC began processing retroactive retirement adjustments for these employees during fiscal year 1994. AOUSC is continuing to process retroactive retirement adjustments; however, none were recorded in the current period. Additional adjustments may be recorded in future periods.

Appendix VIII
Statement of Expenditures for Independent
Counsel Walsh

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