

September 1998

FINANCIAL AUDIT

Independent Counsel Expenditures for the Six Months Ended March 31, 1998



**Accounting and Information
Management Division**

B-279972

September 30, 1998

Congressional Committees

Enclosed is our opinion on the statements of expenditures of six offices of independent counsel for the 6 months ended March 31, 1998. 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

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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

**Accounting and Information
Management Division**

B-279972

Congressional Committees

This report presents the results of our audits of expenditures¹ reported by six offices of independent counsel (OIC) for the 6 months ended March 31, 1998. 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 VI, for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Carol Elder Bruce, Donald C. Smaltz, Kenneth W. Starr, and Curtis E. von Kann (formerly Independent Counsel Sealed-1996), respectively, 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 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)) 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 U.S. Courts (AOUSC) for independent counsels' administrative

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

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, other significant costs incurred in support of the work of independent counsels 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, these unaudited costs are identified and discussed in the notes to the statements presented in the appendixes or elsewhere in this report.

Also, these statements and related notes do not include certain expenditures related to the investigation by former independent counsel Lawrence E. Walsh. Mr. Walsh's office officially closed in March 1994 and, accordingly, no longer prepares financial statements. However, a special division of the U.S. Court of Appeals for the D.C. Circuit awarded reimbursements of \$8,400 for attorneys' fees and expenses to an individual who had been investigated by Mr. Walsh but not indicted. The reimbursement was made in December 1997 from the permanent fund established for the payment of judgments.

Further, although he was not required to do so, OIG-Smaltz included information in the notes to his statement regarding litigation and referral actions he initiated. This information did not include expenditures, and we did not audit it.

Opinion on Statements of Expenditures

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, Donald C. Smaltz, Kenneth W. Starr, and Curtis E. von Kann 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 March 31, 1998. The statements of expenditures and related notes regarding the basis of accounting and additional pertinent information are in appendixes I through VI.

Consideration of Internal Control Structure

We gained an understanding of internal controls whose objectives are 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.

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 in the internal control structure and its operations for the 6-month period ended March 31, 1998. 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.

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 in conformity with the basis of accounting described in the accompanying notes,
- 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 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

- 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 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; the Department of Justice, including the FBI; the Internal Revenue Service; the Department of the Treasury; and the Office of Inspector General for the Department of Agriculture. In addition, we obtained, but did not audit information on amounts received by the federal government as a result of court actions initiated by an OIG.

We discussed the results of our work with representatives of the six offices of independent counsel and representatives of AOUSC and Justice 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

September 11, 1998

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United States Senate

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Chairman

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Ranking Minority Member
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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 March 31, 1998

Personnel compensation and benefits	\$173,233
Travel (note 2)	12,896
Rent, communications, and utilities (note 3)	177,034
Contractual services (note 4)	128,521
Supplies and materials	1,603
Administrative services (note 5)	<u>31,573</u>
Total expenditures	<u>\$524,860</u>

The accompanying notes are an integral part of this statement.

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

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 March 31, 1998. 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 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.

Note 2 - Travel

Travel expenditures are for travel incurred by independent counsel personnel.

Note 3 - Rent, communications, and utilities

Approximately \$174,000 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.

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

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

administrative services are other costs, amounting to \$15,543, incurred by AOUSC and 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

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL BARRETT

DAVID M. BARRETT

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 1998

Personnel compensation and benefits	\$703,148
Travel (note 2)	198,435
Rent, communications, and utilities (note 3)	274,424
Contractual services (note 4)	129,409
Acquisition of capital assets	17,844
Supplies and materials	25,352
Administrative services (note 5)	<u>127,476</u>
Total expenditures	<u>\$1,476,088</u>

The accompanying notes are an integral part of this statement.

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

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 March 31, 1998. 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 FBI, and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$192,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of expenditures for investigators 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 of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$85,209, incurred by AOUSC and Justice in providing administrative guidance and support to independent counsel offices. These

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

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 Federal Bureau of Investigation, the Internal Revenue Service, and the Department of the Treasury 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	\$286,926
IRS	38,530
Treasury	<u>38,355</u>
	<u>\$363,811</u>

Statement of Expenditures for Independent Counsel Bruce

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL BRUCE

CAROL ELDER BRUCE

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

For the Period March 19, 1998 (Inception)
Through March 31, 1998

Rent	<u>\$ 4.020</u>
Total expenditures	<u>\$4.020</u>

The accompanying note is an integral part of this statement.

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

CAROL ELDER BRUCE

Office of Independent Counsel

Note to Statement of Expenditures

Note - 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 period from March 19, 1998 (inception) through March 31, 1998. 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. During the period, OIC-Bruce's only expenditures were for rent.

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 March 31, 1998

Personnel compensation and benefits	\$1,123,593
Travel (note 2)	321,892
Rent, communications, and utilities (note 3)	383,405
Contractual services (note 4)	280,146
Acquisition of capital assets (note 5)	9,345
Supplies and materials	28,584
Administrative services (note 6)	<u>178,540</u>
Total expenditures	<u>\$2,325,505</u>

The accompanying notes are an integral part of this statement.

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

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 March 31, 1998. 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 investigation and trial-related travel paid for OIC-Smaltz personnel, detailees from other federal agencies, such as the FBI, and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$154,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services represent expenditures for services including those of experts and other specialists in areas of interest to the investigation.

Note 5 - Acquisition of capital assets

The capital assets expenditures are principally for law reference materials. These materials remain the property of the federal government at the conclusion of the investigation.

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

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 \$107,090, incurred by AOUSC and 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 Federal Bureau of Investigation and the Inspector General of the Department of Agriculture 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 <u>(unaudited)</u>
FBI	\$184,987
Agriculture IG	<u>143,887</u>
	<u>\$328,874</u>

Note 8 - Receipts (unaudited)

The federal government has received payments resulting from court ordered fines, penalties, and judgments against defendants and respondents as a result of litigation and referral actions initiated by OIC-Smaltz. As a result of actions initiated by OIC-Smaltz, the federal government received about \$7,650,000, that had not been previously reported, from defendants and respondents.

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 March 31, 1998

Personnel compensation and benefits	\$1,247,223
Travel (note 2)	701,504
Rent, communications, and utilities (note 3)	291,233
Contractual services (note 4)	496,336
Acquisition of capital assets (note 5)	207,856
Supplies and materials	61,433
Administrative services (note 6)	<u>206,856</u>
Total expenditures	<u>\$3,212,441</u>

The accompanying notes are an integral part of this statement.

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

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 March 31, 1998. 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.

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-Starr personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation, and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$201,000 in office rent is included in rent, communications, and utilities.

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

Note 4 - Contractual services

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

Note 5 - Acquisition of capital assets

The capital assets expenditures are primarily for computers and other office equipment. 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 \$121,711, incurred by AOUSC and 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 Federal Bureau of Investigation, 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.

	Costs (unaudited)
FBI	\$601,525
Other Justice	2,291
IRS	<u>134,450</u>
	<u>\$738,266</u>

Statement of Expenditures for Independent Counsel von Kann

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 March 31, 1998

Personnel compensation and benefits	\$75,715
Travel (note 2)	819
Rent, communications, and utilities (note 3)	39,437
Contractual services	1,737
Acquisition of capital assets	960
Supplies and materials	1,182
Administrative services (note 4)	<u>17,040</u>
Total expenditures	<u>\$136,890</u>

The accompanying notes are an integral part of this statement.

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

**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 March 31, 1998. 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.

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-von Kann personnel.

Note 3 - Rent, communications, and utilities

Approximately \$33,600 in office rent is included in rent, communications, and utilities.

Note 4 - 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. Also included in administrative services are other costs, amounting to \$11,875, incurred by AOUSC and Justice in

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

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.

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