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Since January 1977, there has been a new commitment to ethics in both the Congress and the executive branch of the Government. The new administration has made financial disclosure and ethics a high priority, with the President requiring his appointees to publicly disclose their financial interests. The President has proposed legislation to the Congress that would expand safeguards against actual or potential conflicts of interest on the part of executive branch officials, create a new program of public disclosure, create an Office of Government Ethics, and strengthen and broaden the post-Government employment restrictions. Findings/Conclusions: Problems exist in the present financial disclosure system because: the Civil Service Commission (CSC) did not design and operate the system effectively; the system lacked enforcement authority from the President; the Commission was not involved in the review and investigation process of appointees by the White House and Senate confirmation committees; the system was managed with limited support and insufficient resources; additional financial information was needed from appointees because of their particular duties and responsibilities; and policies and criteria for blind trusts had not been formalized and enforced. Current legislation before the Congress would remedy many of the system's deficiencies. If the legislation is not enacted, there are many actions which the President and CSC should take to strengthen and improve the current system. (Author/SC)

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REPORT TO THE CONGRESS

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*



Financial Disclosure For High-Level Executive Officials: The Current System And The New Commitment

Civil Service Commission

The new administration has made financial disclosure and ethics a high order of priority. Presidential top level officials have made public their personal financial interests and committed themselves to a stricter code of ethics.

The Civil Service Commission's system for disclosing high-level officials' financial interests has not been effective. Current legislation before the Congress would remedy many of the system's deficiencies. However, should the legislation not be enacted, the report recommends what the President and the Civil Service Commission can do to strengthen and improve the current system.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-103987

To the President of the Senate and the
Speaker of the House of Representatives

This report was made pursuant to a request from Representative John E. Moss to audit the effectiveness of the Civil Service Commission's financial disclosure system for heads of agencies, Presidential appointees in the Executive Office of the President who are not subordinate to the head of an agency in that Office, and full-time members of a committee, board, or commission appointed by the President.

The report highlights (1) problem areas in the current financial disclosure system, (2) the new commitment by the Congress and the President to effect changes, (3) our recommendations for improving the system, and (4) categories of financial information which should be reported to detect and resolve possible conflict-of-interest matters.

We did not obtain formal comments from officials of the Civil Service Commission. Instead, we met with them and their comments were considered in the report.

We are sending copies of this report to the President of the United States; the Director, Office of Management and Budget; the Chairman, Civil Service Commission; and other interested parties.

A handwritten signature in black ink that reads "Luther B. Steets".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

FINANCIAL DISCLOSURE FOR
HIGH-LEVEL EXECUTIVE OFFICIALS:
THE CURRENT SYSTEM AND THE
NEW COMMITMENT
Civil Service Commission

D I G E S T

Both houses of the Congress have adopted new Codes of Conduct and requirements for publicly disclosing financial interests which are milestones in our Government's history to prevent actual and potential conflicts of interest. The leaders of both Houses of the Congress have pledged their personal support to enact into law these new codes and reporting requirements. Current legislative proposals before the Congress would, if enacted, remedy many of the system's deficiencies identified by the GAO review.

High-level Federal officials' disclosures and holdings of financial interests are governed by Executive Order 11222, criminal and civil statutes, and regulations prescribed by the Civil Service Commission, and the executive departments and agencies. In 1965 the President delegated this system's operation to the Civil Service Commission.

GAO's review was based on financial disclosure statements filed with the Commission as of June 30, 1975. The review did not include the disclosure statements of incoming Presidential appointees of the new administration. Many, but not all, of the appointees included in the review are no longer in office.

Although GAO reviewed every statement, it did not attempt to determine whether financial interests reported were free from conflicts of interest from an audit viewpoint. Such a review would have required extensive work at each Federal agency. Instead, the review focused on the effectiveness of the system to identify and resolve conflict-of-interest situations. (See p. 8.)

Problems exist because:

- The Commission did not design and operate the system effectively.
- The system lacked enforcement authority from the President.
- The Commission was not involved in the review and investigation process of appointees by the White House and Senate confirmation committees.
- The system was managed with limited support and insufficient resources.
- Additional financial information was needed from appointees because of their particular duties and responsibilities.
- Policies and criteria for blind trusts had not been formalized and enforced. (See chs. 3 and 4.)

Since January 1977 there has been a new commitment to ethics in both the Congress and the executive branch of the Government. The President has required his appointees to publicly disclose their financial interests. He has proposed legislation to the Congress that would

- expand safeguards against actual or potential conflicts of interest on the part of executive branch officials,
- create a new program of public disclosure,
- create an Office of Government Ethics, and
- strengthen and broaden the post-Government employment restrictions. (See p. 2.)

The Senate has passed S. 555, the Public Officials Integrity Act of 1977. Titles III and IV of S. 555 deal with financial disclosure by high-level officials in all three branches of the Federal Government.

Most of the provisions of the President's legislative proposal are included in S. 555, and the President has endorsed its enactment. (See p. 35.) GAO's recommendations for strengthening and improving the system are discussed in chapter 5.

In a series of reports issued over a 3-year period, GAO has found deficiencies in the existing laws, regulations, and procedures relating to conflicts of interest. (See pp. 45 to 47).

GAO did not obtain formal comments from officials of the Civil Service Commission. Instead, it met with them and their comments were considered in the report.

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ABBREVIATIONS

CSC	Civil Service Commission
GAO	General Accounting Office
SEC	Securities and Exchange Commission

CHAPTER 1

INTRODUCTION

High-level Federal officials' disclosure and holdings of personal financial interests are governed by Executive Order 11222, criminal and civil statutes, and regulations issued by the Civil Service Commission (CSC), and the executive departments and agencies.

THE NEW COMMITMENT

Since January 1977 there has been a new commitment to ethics in Government found in both the Congress and in the executive branch. It has led to new emphasis and major changes in insuring that public officials are devoted to the public interest.

The President began fulfilling the new commitment by making information on his own financial interests publicly available. He required new Presidential appointees to disclose publicly their business and financial interests to remove any possibility of hidden conflicts of interest. The President also asked appointees to enter into a letter of commitment in which they state their intention to serve for the entire appointed term and to agree to other provisions concerning financial disclosure, and post-Government employment, and compensation.

Both Houses of the Congress have adopted new Codes of Conduct which are milestones in our Government's history to prevent actual or potential conflicts of interest. The leaders of both Houses of the Congress have also pledged personal support to enact these new codes into law. The Senate passed S. 555, the Public Official Integrity Act of 1977, and the House has been working on legislation to establish Government-wide ethical standards.

On February 28, 1977, following a 2-year investigation which included a series of 20 reports on Federal agency financial disclosure systems, we issued a report entitled "Actions Needed to Make the Executive Branch Financial Disclosure System Effective" (FPCD-77-23). This report recommended establishing an Office of Ethics for the executive branch and what the President could do to improve the overall administration and enforcement of the system. Congressional and Presidential action has incorporated and built upon these recommendations.

On May 3, 1977, the President transmitted to the Congress his Ethics in Government Act calling for a three-part program of financial disclosure, creation of a new Office of Ethics in CSC and strengthened restrictions on postemployment activities of Government officials. This legislative proposal was introduced in the Senate as S. 1446 and in the House as H.R. 6954. The proposal, if enacted, would establish far-reaching safeguards against actual and potential conflicts of interest and abuse of the public trust by Government officials. The legislation also incorporated the standards imposed on certain Presidential appointees and extended the coverage to include other high-ranking officials.

In the Senate most of the provisions of the President's bill were included in titles III and IV of S. 555, the Public Official Integrity Act of 1977. This bill passed by the Senate on June 27, 1977, would create an executive branch Office of Government Ethics with strong enforcement authority in CSC. In establishing a public disclosure system, S. 555 would require officials in grades GS-16 and above, including the uniformed services, to file financial disclosure statements which would be publicly available.

The House Subcommittee on Employee Ethics and Utilization, Committee on Post Office and Civil Service, has held hearings on several financial disclosure bills including H.R. 6954, which the President proposed. The House Select Committee on Ethics has held hearings on H.R. 7401, the Legislative Branch Disclosure Act of 1977, which would enact into law provisions of the House and Senate new codes of ethics.

THE CURRENT SYSTEM

This report discusses CSC's current financial disclosure system for high-level Federal officials established by Executive Order 11222. We recognize that legislation may change this system in the near future. However, we believe that many of the areas of concern discussed herein are problems due not only to the Executive order, but with implementation and operation of the system that could and should be avoided if and when any new system is implemented.

EXECUTIVE ORDER 11222

In 1965 the President issued Executive Order 11222 which prescribed standards of ethical conduct for Government officers and employees. The President directed CSC to establish

guidelines and administer the financial disclosure reporting system for Presidential appointees. The order replaced Executive Order 10939 issued in 1961 as a guide for Presidential appointees and members of the White House staff.

Key provisions of the order state that:

- "Employees may not (a) have direct or indirect financial interests that conflict substantially, or appear to conflict substantially, with their responsibilities and duties as Federal employees, or (b) engage in, directly or indirectly, financial transactions as a result of, or primarily relying upon, information obtained through their employment." (Section 203)
- "An employee shall not engage in any outside employment, including teaching, lecturing, or writing, which might result in a conflict, or apparent conflict, between the private interests of the employee and his official Government duties and responsibilities * * *." (Section 202)
- "* * * no employee shall solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, from any person, corporation, or group which
 - (1) has, or is seeking to obtain, contractual or other business or financial relationships with his agency;
 - (2) conducts operations or activities which are regulated by his agency; or
 - (3) has interests which may be substantially affected by the performance or nonperformance of his official duty." (Section 201)

Section 401 of the order directed that each agency head; each Presidential appointee in the Executive Office who is not subordinate to the head of an agency; and each full-time member of a committee, board, or commission appointed by the President file a statement of employment and financial interests with the Chairman, CSC.

CSC developed a financial disclosure form for use throughout the executive branch for all levels of employees. The form requires the disclosure of financial interests (business entities in which an interest is held), outside

employment, creditors, and interests in real property owned as of June 30 of each year. The amount of financial interest or indebtedness, or the value of real property is not required to be disclosed. In 1975, the CSC form was revised to require disclosure of financial interests affected or restricted by agency and statutory prohibitions.

Statements must be filed no later than 30 days after entrance on duty and updated quarterly if financial interests should change. Whether changes occur or not, an annual financial statement is required for annual review by CSC. Interests of a spouse, minor child, or other member (blood relation) of an appointee's immediate household are considered interests of the reporting employee. All statements submitted are confidential. CSC is not permitted to disclose information on a statement except for good cause shown.

In January 1975, CSC appointed a full-time ethics counselor to carry out CSC's Government-wide ethics responsibilities under Executive Order 11222. On a broad basis, the counselor is responsible for reviewing the conduct regulations of each department and agency in the executive branch, and for continually evaluating the agency's role in administering the program. He is responsible for monitoring each agency's compliance with the filing requirements for submission of financial disclosure statements. In conjunction with his broad duties, the ethics counselor is directly responsible for reviewing Presidential appointee disclosure statements for conflicts with their official responsibilities. If conflicts, or appearances of conflicts are found to exist, the ethics counselor reports them to the Chairman, who is supposed to report them to the President.

CSC has not written regulations formalizing the financial disclosure system for Presidential appointees.

STATUTORY PROHIBITIONS

Prohibitions affecting Federal employees' and officials' financial interests and outside employment are contained in sections of title 18 of the United States Code and in various statutes affecting individual agencies and departments.

The most relevant provision of title 18 affecting the personal financial interests of Federal employees is section 208, a criminal statute. It requires employees to refrain from participating personally and substantially in their governmental capacity in any matter in which they, their spouses, minor children, or outside business associates

have a financial interest. A waiver may be granted from the prohibition in this section when the financial interest is judged " * * * not so substantial as to be deemed likely to affect the integrity of the employee's services." Financial interests may also be exempted as too remote or inconsequential by a general regulation published in the Federal Register.

Statutory restrictions are imposed on appointees and employees of many Federal departments and agencies. For example, statutory restrictions are imposed on employees of the Bureau of Land Management and Geological Survey. Title 43 U.S.C. 11 prohibits officers and employees in the Bureau of Land Management from directly or indirectly purchasing or becoming interested in the purchase of any public land. It further directs that the Director and members of the Geological Survey shall have no personal or private interests in the lands or mineral wealth of the region under survey, and shall execute no surveys or examinations for private parties or corporations.

Other agencies we reviewed whose employees are subject to specific statutory prohibitions include:

- Federal Communications Commission
- Civil Aeronautics Board
- Inter-American Foundation
- U.S. Railway Association
- Tennessee Valley Authority
- Department of Agriculture

SCOPE OF REVIEW

Our review was primarily conducted at Civil Service Commission Headquarters in Washington, D.C. It was made pursuant to a request from Representative John E. Moss, to audit the financial disclosure statements of Presidential appointees filed with CSC. It focused on the effectiveness of the CSC financial disclosure system for high-level officials to prevent and detect actual and potential conflicts of interest.

Our review was performed on statements filed as of June 30, 1975. The review did not include the financial disclosure statements of any incoming officials of the new administration. Many, but not all, of the appointees included in our review are no longer in office.

CHAPTER 2

PREAPPOINTMENT INVESTIGATIONS

When an individual is selected by the President to fill a high-level Federal position, the nominee initially undergoes a background investigation by the White House followed by a separate investigation by the Senate confirmation committees. The investigations include a review of the appointee's financial interests. Following Senate confirmation, the appointee is required to submit yet another statement of personal financial interests to CSC. The statement is usually not as detailed a disclosure as that required by the White House and Senate committees.

WHITE HOUSE REVIEW

The process for selecting individuals for Presidential appointments is similar in each administration. Initially, White House staff and Presidential aides will interview and gather background information on a number of prospective nominees from which the President makes his selection. Each nominee is requested to complete an extensive and detailed resume of his past life. The resumes include questions on such matters as financial interests, corporate ties, political affiliations, violations of law, and controversial litigation, issues, and speeches which may become a source of controversy during Senate confirmation hearings.

Each potential nominee is investigated by the Federal Bureau of Investigation. The Bureau examines criminal files, reviews character references, and checks with the Internal Revenue Service to see if there have been any tax discrepancies in tax returns. The information compiled is not evaluated or verified. Instead, it is summarized in a report for review by the White House staff. If there are no irregularities found in the information reviewed, with respect to the selected nominee, the President submits the nomination to the Senate for confirmation.

SENATE REVIEW

The Senate committees responsible for confirmation hearings do not have standardized procedures for reviewing a nominee's financial interests. They do, however, request the nominee to submit a financial statement. The committees exercise flexibility in dealing with conflict-of-interest matters.

For example, the Senate Committee on Commerce (which has jurisdiction over many Federal regulatory agencies) usually requests the nominee to complete an extensive questionnaire on his income, assets, liabilities, and income-producing arrangements for the 3 years preceding his nomination. The questionnaire also extends to individuals within the nominee's immediate household.

Proposals to remedy any potential conflict of interests are also disclosed, and the Committee consults with the Department of Justice and the general counsel of the appropriate agency to determine whether the remedies proposed are satisfactory. These remedies have ranged from divestiture, to disqualification, or establishment of blind trusts.

When the Committee is satisfied with a nominee's financial arrangements and other qualifications, the nomination is reported to the full Senate for a vote on confirmation. After confirmation, CSC is responsible for reviewing and monitoring appointees' financial interests annually.

CHAPTER 3

CHANGES ARE NEEDED IN THE EXECUTIVE ORDER

AND CSC'S PROCEDURES

In June 1975, CSC required and obtained financial disclosure statements from 185 Presidential appointees. Our review of the statements showed that 16 of the appointees reported they had no interests, non-Government positions, or creditors. The remaining 169 appointees reported

- 2,227 financial interests, such as stocks, bonds, trusts, partnerships, and mutual funds;
- 52 retirement interests or pension plans;
- 218 non-Government positions both with and without compensation (outside employment, directorships, trustees);
- 183 real property interests (excluding residence);
- 137 creditors; and
- 70 blind trusts.

Although we reviewed every statement filed as of June 30, 1975, it was not our purpose to determine whether any potential conflicts of interest existed. Such a review would have required extensive work at each Federal agency to determine the specific duties and decisions of each appointee. It would have required examinations of disqualifications actions, agency procurement records, Senate confirmation hearings and records, and current agency administrative law cases. However, we did note many interests which raised questions concerning the adequacy of CSC's system and the review procedures used.

Problems exist in the design and operation of CSC's financial disclosure system. These problems stem from the Executive order and CSC's implementation of it. Essential changes needed just for management control include

- identification of appointee positions required to file,
- greater coordination with the White House and executive branch agencies,

- development of written regulations,
- improved review procedures,
- additional financial information to be disclosed,
and
- greater enforcement authority for CSC.

We also believe that the Chairman, CSC, should be required to file his disclosure statements with the Executive Office of the President.

APPOINTEE POSITIONS REQUIRED TO
FILE SHOULD BE IDENTIFIED

The exact identity of all positions referred to in section 401 of the Executive order which should have financial statements filed with CSC, has never been specified. As a result, CSC does not know if all appointees are filing.

CSC maintains a card file on appointees who currently file. At our request, a checklist was compiled from the card file to be used during our review. Since no established procedures exist for identifying appointees, the checklist may be incomplete. It is our opinion that once CSC becomes aware of what positions are required to be filed, they should publish a listing of all of them.

Before 1975, financial disclosure statements were reviewed by a designated attorney in CSC's Office of General Counsel. When the ethics counselor took over in January 1975, one of his first tasks was to determine positions that should be filed by identifying (1) incumbents who had filed several years before but had stopped filing in recent years and (2) agencies in which one commissioner filed, but others had not filed.

As a result of his findings, the Ethics Counselor wrote letters to the following agencies requesting seven appointees to file a statement for the first time: Farm Credit Administration, Upper Mississippi River Basin Commission, New England River Basin Commission, Pacific Northwest Regional Commission, Securities and Exchange Commission, Missouri River Basin Commission, and American Bicentennial Administration.

Such an indirect method indicates a definite need for a comprehensive identification and listing of all positions which should file financial disclosure statements with CSC.

IMPROVED COORDINATION IS NEEDED

No formalized procedures between the White House and CSC

There is no sharing of financial disclosure information between the White House and CSC when the White House conducts an initial review of the appointee's financial interests. Formalized procedures do not exist for the White House to notify CSC of an appointee's nomination. Usually the White House informs CSC within 2 weeks after an individual's confirmation. If CSC is not otherwise informed, it will not write the appointee apprising him of his responsibility to report his financial interests. Thus the appointee may not know that he must file a financial disclosure statement and his financial and employment interests may not be monitored by CSC.

No coordination with Federal agencies

We identified at least 16 agencies which deal with numerous companies in all sectors of business. These agencies award licenses, grants, and research contracts, and in general, regulate various industries. Since many companies conduct daily transactions with the agencies, it is an impossible task for the CSC Ethics Counselor, with existing resources, to know which companies deal with which agencies. Therefore, a strong need exists for coordination between the agencies and CSC. For example:

- One member of the Federal Maritime Commission following our report on the agency's disclosure system requested that the agency review his financial interests. His agency informed him that six of the stocks he owned could create a conflict of interest because the companies or their subsidiaries obtain agency certifications of financial responsibility for oil pollution and passenger indemnity. The appointee divested the interests. CSC has no list of companies certified by the agency.
- Another appointee has interests in three companies with which his agency could have official business or major procurement contracts. However, CSC does not have or obtain any information to determine whether the agency in fact had dealings with these companies.

--Two appointees in an environmental agency owned stock in several companies which conceivably could come before their agency, but CSC has no listing of companies currently involved in agency matters.

In cases such as the above, establishment of an information and review system between CSC and the agency's General Counsel could be very valuable to the CSC ethics counselor. Agency general counsels or the agency ethics counselors are in a better position to know which companies fall under the agencies' auspices and could annually review the financial statements with the CSC Ethics Counselor, and make note of any possible conflicts based on their knowledge. CSC would be responsible for final review and action. Agency counsels could also assist CSC in establishing procedures to help insure that agency heads or commissioners disqualify themselves when necessary.

REGULATIONS SHOULD BE DEVELOPED AND PUBLISHED IN THE FEDERAL REGISTER

CSC requires each agency to develop and publish in the Federal Register regulations concerning its financial disclosure system and code of ethics. Like the agencies, CSC should have developed regulations for appointees establishing (1) a separate code of conduct for appointees reflecting their particular susceptibility to conflict-of-interest situations stemming from their prior work experience in private industry, (2) additional standards of conduct and reporting requirements that are appropriate to the particular functions and activities of an agency, and (3) a system for filing and reviewing appointee financial disclosure statements.

Regulations should be submitted to the Federal Register for publication. As a minimum, such regulations would aid in the appointee's transition from private industry to the Government, serve as an ethical guide for his conduct, and specify a system for CSC's review of statements submitted under the regulations.

NEED FOR FORMAL REVIEW PROCEDURES

As stated previously, an appointee's financial interests normally undergo a review by the White House and the Senate, before they are submitted to CSC. Conceivably, there should be no apparent conflicts when CSC gains responsibility for monitoring the financial interests. However, on March 22, 1977, the CSC General Counsel, in hearings before the House Subcommittee on Employee Ethics and Utilization, Committee on Post Office and Civil Service, stated that some appointees:

do emerge from the confirmation process who hold interests which CSC considers to be possible conflicts.

If CSC were involved in the initial review of appointee interests and were to recommend remedies for conflict-of-interest situations, problems such as the one cited above would not occur. Also, a formal review system would entail written guidelines and regulations to deal with existing problem areas, such as who should file with CSC, reporting of insufficient information, monitoring of disqualifications, and inadequate followup procedures.

According to present CSC practices, appointees are required annually to file financial disclosure statements noting any changes or additions that have occurred during the previous year. In some cases it is difficult to determine the status of financial interests for certain appointees because after filing a statement during the year of appointment, they only reported changes or additions during subsequent years rather than submit a new complete or amended financial statement. We brought this to the attention of the Ethics Counselor, and beginning with 1976 statements, appointees were sent letters requesting that they file complete statements each year.

Sometimes, interests listed on financial statements cannot be found in standard reference sources. When this occurs, CSC must seek other sources to effectively rule out the possibility of a conflict. CSC did not always document these other reference sources in the files, and the Ethics Counselor could not remember the nature of the interests in all cases; consequently, it was difficult for us to determine if the matter was adequately resolved.

Review of property interests

CSC should further question an appointee's interest in rental property and undeveloped land, especially when the appointee's agency is concerned with the economic development of the land or managing its resources. Specifically, a check should be made to determine what use is made of the property, and to whom it is leased, if anyone.

During our review we found instances where appointees had interests in land located in the geographic area which may fall under the jurisdiction of their agency.

- One appointee to an agency which develops and coordinates long-range comprehensive Federal and State economic development programs owned industrial property in an area over which his agency may have jurisdiction.
- Two appointees to agencies which develop and coordinate long-range, comprehensive, Federal and State economic development programs owned undeveloped land which may be affected by their agencies' actions.
- One appointee to an agency which coordinates water and related land resources planning among Federal and State agencies and local interests was a trustee for a land conservation trust in an area possibly under his agency's jurisdiction.
- An appointee to an agency which conducts a program of resource conservation, development, and use to advance the economic development of a region, owned three farms, a quarry, and a mountain tract in that region.

We believe these interests should have been questioned further by CSC.

Executive Order 11222, statutes, and regulations prohibit appointees from participating in any matter in which they have a financial interest. CSC does not currently look behind the statements to determine if appointees participate in any matter involving their property interests while in office.

Monitoring disqualifications

We found several appointees who said that they would disqualify themselves from matters involving their financial interests, rather than divesting of the interests or forming blind trusts.

- An appointee of a Federal banking agency owned stock in two banks which are registered holding companies. He had considered divesting himself of stock in one bank, but his agency's General Counsel recommended that he disqualify himself from any matters involving the bank regardless of whether he owned any stock. The appointee decided to keep the stock and disqualify himself from matters concerning both banks, should the need arise.

-An appointee on a national arbitration board had financial interests in 10 companies which could come before the board, in which case he must disqualify himself from dealings with them. CSC did not monitor any disqualification action by the appointee. Another appointee to the same board sent a letter to CSC stating that he will not participate in cases dealing with his former clients or other institutions with which he had a close relationship. A list of companies was attached.

Title 18 U.S.C. 208 represents the general statutory conflict-of-interest prohibition regarding the official activities of Government officers and employees. Subsection (a) requires them to refrain from participating personally and substantially in any matter in which they, their immediate families, or partners may have a financial interest.

Disqualification problems are twofold. First, CSC does not monitor disqualifications; secondly, an individual with several interests requiring disqualification may be hindered in the official discharge of the duties for which he was appointed. An appointee at this level should be on the job and not be burdened with acting on some matters and disqualifying himself from others.

A means for monitoring disqualifications should be established. One method would be to require the General Counsel of each agency to review a copy of the disclosure statement annually and report to CSC on any interests which create a problem. The General Counsel would retain a copy of the statement and insure that agency heads disqualify themselves when necessary. CSC could enforce this by reviewing disqualifications as a part of its monitoring and audits of agency financial disclosure systems.

Adequate followup procedures
for compliance must be established

The Executive order states that if a change is made in an individual's financial holdings, it is to be reported within the quarter. CSC is satisfied if these changes are reported annually; thus some appointees are changing their financial holdings, yet reporting them to CSC up to 1 year later. The possibility exists that a questionable interest may be acquired and held for quite some time before it is reported and reviewed by CSC.

We found cases where CSC questioned appointees about financial interests, but left resolution of the questions to the appointees and did not follow up to determine how the questions were resolved. Financial interests which might raise the question of appearance of conflict of interest were mentioned to the appointee. How best to resolve the matter (disqualification, divestiture, or blind trust) was left up to each appointee. CSC did not require a response; therefore, it received no feedback on actions taken in some cases.

CSC's Ethics Counselor leaves much to the "discretion of the appointee." Oral or written communication from CSC serves to put the appointee on notice, and it is assumed that CSC's suggestions are followed. At the least, a memo should be included in the file stating the outcome of requests made, such as putting the interests into a blind trust, or divesting of certain stocks.

If CSC is to have a financial disclosure system which will assure high ethical conduct among Presidential appointees, then it must adhere to reporting requirements contained in the Executive order and establish control procedures which will enable the system to operate in an effective manner.

Nonblind trust assets should be listed and reviewed

When an appointee has his assets managed by a trustee and the trust is not blind, CSC's only policy is to have the appointee list the interests held in trust on the financial disclosure statement. Since appointees have knowledge of the assets held in nonblind trusts, the potential for apparent or real conflicts of interest is just as prevalent as with appointees who directly hold financial interests. We found that some appointees did not list assets contained in nonblind trusts; therefore, we believe that CSC should follow up and insure that appointees adhere to its policy.

OTHER INFORMATION SHOULD BE DISCLOSED

Complete disclosure of personal financial interests should be required in those areas where conflicts of interest might arise with an appointee's official duties. The information currently required by the Executive order reported on financial disclosure statements is insufficient. Interests reported should reflect all financial interests held during the current year rather than only those interests held on June 30 of each year.

In summary, the following disclosures should be required.

1. Sources of income (other than from Federal Government)--name, address, and nature of the business; services rendered for income; and amount.
2. Gifts, honorariums, and travel reimbursements (other than from Federal Government)--source, value, and date of receipt of (a) gifts other than from relatives, (b) honorariums, and (c) reimbursements for transportation, lodging, food, or entertainment.
3. Ownership of securities, bonds, patent rights, and commodities' futures--name, address, and nature of the business or commodity; dates of acquisition and divestiture; and value.
4. Organizational relationships--name, address, and nature of business or entity with which connected (as an employee, officer, owner, director, member, trustee, partner, or adviser or through a pension plan, shared income, severance payments, agreement for future employment, or other arrangements).
5. Liabilities (other than ordinary household expenses)--name, address, and nature of the business or individual to which the appointee is liable; date liability was assumed; and amount.
6. Real property--address or legal description of property location other than that which is occupied as a personal residence; purpose for which property is used; if rental property, name of person who is renting the property; date of acquisition or divestiture; and approximate market value.

Appointees should also disclose whether the financial interest belongs to them, their spouse, or their dependents. The value of the interest should be in categories of amounts.

**GREATER ENFORCEMENT
AUTHORITY IS NEEDED**

Executive Order 11222 does not give CSC direct enforcement authority to require appointees to rid themselves of apparent or actual conflicts of interest, but directs that CSC report any conflicts to the President. CSC would like to see the Executive order rewritten to reflect explicit

powers. On February 2, 1976, CSC's General Counsel testified before the Joint Committee on Defense Production that:

"* * * It is our duty under the Executive Order to serve a coordinating and monitoring role by reviewing each agency's ethics regulations before they are promulgated or modified. * * * Executive Order 11222 (leaves) primary responsibility for the ethics program in the agencies themselves. While we (CSC) cannot force a divestiture, our advice in this area is generally accepted. If necessary we can report any problem to the White House for action. * * * The Commission has no authority to deal with those aspects of the ethics program arising out of 18 U.S.C. S201 et seq."

If CSC believes that a possible conflict exists, it can only suggest appropriate action to the appointee to remedy the matter. For example, an appointee in an agency dealing with environmental quality owned stock in a company whose functions have an environmental impact. CSC expressed concern over the appointee's retention of shares in these companies that could affect, or appear to affect, his official duties. It was left to the discretion of the appointee to dispose of the stock. He did not see the necessity for divestiture, preferring instead to disqualify himself from dealings with these companies, if the need should arise.

Although CSC may recommend revising the Executive order to assure the maintenance of high ethical standards, it has rarely exercised this responsibility and has made no formal recommendations to the President for improving the system. In light of current system deficiencies, we believe that CSC can no longer manage the financial disclosure system for Presidential appointees without strong enforcement authority.

If an executive branch Office of Ethics is established as proposed in our report "Action Needed to Make The Executive Branch Financial Disclosure System Effective" (FPCD-77-23, Feb. 28, 1977), the financial disclosure system for Presidential appointees should be placed under its jurisdiction. This office, as called for in the report, would require strong Presidential support, adequate staffing and funding, enforcement authority, and a clear charter setting forth its mission and responsibilities.

CHAIRMAN SHOULD FILE WITH
THE WHITE HOUSE

Under the present system, the Chairman of CSC is required to file his financial disclosure statements with his own agency. Since the Chairman is responsible for the financial disclosure system for Presidential appointees, it is our opinion that he should file with an outside independent body rather than his own agency to prevent the possible appearance of a conflict--more appropriately with the Executive Office of the President.

CHAPTER 4

NEED TO FORMALIZE BLIND TRUST PROCEDURES

As a result of heightened public concern over conflicts of interest, some Presidential appointees have placed many or all of their assets in a blind trust to eliminate or substantially reduce the possibility of conflicts of interest. In the past, placing assets in a blind trust was considered to be an acceptable alternative to an outright sale, because the blind trust, in theory, eliminates the official's knowledge of any financial interests. In many instances this was preferable to divestiture since this method could result in selling assets at a financial loss or, if sold at a gain, entailing a large tax increase.

The American Association of Law Libraries defines a blind trust as:

"* * * an irrevocable trust established by a public official whereby he or she conveys all or most of his or her personal wealth to an independent third party as Trustee, which is usually a corporate financial institution for the term of his or her public office. While this term is in existence, the Trustee has complete and exclusive control, dominion, and management of the trust assets. In other words, the public official has no say whatsoever concerning the administration or disposition of the trust assets while under the sole jurisdiction of the trustee."

Use of the blind trust has received the continuing sanction of the Congress--both in the legislative history of section 208 of title 18 of the United States Code and subsequently in Senate confirmation of Presidential appointees. The Justice Department also approves of the device.

There are, however, many difficulties with the blind trust remedy. Some persons doubt its validity believing that it does not prevent even the appearance of a conflict of interest. The question of whether the trust is truly blind depends to a great degree on the trustee and his relationship with the appointee. Certain tax law requirements also make it somewhat difficult to maintain a trust's blindness. In many instances, depending on the nature of the

trust's assets, an appointee can reasonably assume that a prudent trustee is unlikely to dispose of all the original assets.

CSC's POLICIES AND CRITERIA FOR BLIND TRUSTS

CSC for the first time in 1973 required tighter supervision over Presidential appointee blind trusts. The first step in exerting its supervision was to require the submission of blind trust agreements for review to determine if they, in fact, insulated the appointee from knowledge of his stocks.

CSC did not develop written guidelines for this review. However, memos to the files and letters to Presidential appointees indicate to us that CSC's policy does require (1) filing of the trust agreement and an inventory of assets placed in trust and (2) the trustee to be independent.

CSC made available a sample blind trust agreement to Federal agency ethics counselors in 1975. In addition to (1) and (2) above, the sample trust agreement included the following basic provisions:

- The trustee shall not communicate to the appointee any assets held in trust during the trust term.
- The trust term must extend through the appointee's appointment.
- The trustee shall never purchase or otherwise acquire prohibited interests.
- Within a specified period of time following the creation of the trust, the trustee shall dispose of any original property which the trustee is prohibited from purchasing or acquiring.
- The trustee shall file with CSC an annual report of assets held in trust.
- The trustee shall be responsible for preparing and filing the appointee's income taxes.

CSC has not required strict compliance concerning blind trusts from appointees. It is generally hesitant to question high-level officials for two reasons: (1) the White House

and Senate confirmation committees have, in many cases, reviewed the blind trusts and found them acceptable and/or (2) by CSC's determination, the appointee does not "need" a blind trust; therefore, CSC is not concerned about the trust's effectiveness.

REVIEW OF APPOINTEE
BLIND TRUST AGREEMENTS

Our review showed that 26 appointees listed 70 blind trusts on their financial disclosure statements. We were unable to conduct a complete review because 44 of the blind trust agreements had not been filed with CSC, and none of the 26 agreements met all the CSC criteria spelled out in their sample blind trust agreement.

- 15 blind trust files did not contain an inventory of original assets placed in trust.
- 3 trustees' independence appeared questionable. These trustees included the brother of one appointee and the former employers of the two other appointees.
- 3 blind trust agreement files did not contain a provision that the appointee and trustee agreed not to communicate concerning the trust assets.
- 5 agreements did not provide that the trust would extend through the appointee's term of office.
- 1 agreement specifically directed the trustee to ignore certain agency regulations which prohibit the ownership of certain types of interest while 5 trust agreements did not instruct the trustee to abide by statutory prohibitions against the ownership of certain interests.
- None of the trust agreements required the trustee to file an annual report of trust assets with CSC to insure compliance with various trust provisions.
- Only 8 trust agreements provided that the trustee should prepare and file the appointee's taxes and not provide copies of the tax returns to the appointee until after his term expires.

It is evident that while CSC informally established certain blind trust provisions, these provisions are not being adhered to. This is particularly true in cases when the appointee has established a blind trust and CSC does

not think that the trust is necessary. The Ethics Counselor relies upon the integrity of the trustees and believes that they will comply with the various trust provisions.

SENATE GOVERNMENT OPERATIONS COMMITTEE STUDY

In January and February 1977, the Senate Government Operations Committee issued a two-volume study on Federal Regulation. Volume I entitled "The Regulatory Appointments Process" pointed out that "blind trusts are sometimes ineffective because of the manner in which they are construed."

The study pointed out problems that required action beyond the mere creation of a blind trust. For instance, some stock may be transferred to a blind trust which no prudent trustee would sell due to capital gains tax considerations. Other stock may contain restrictions on sale or transfer obviously nullifying the objective of the trust.

The Senate study concluded that problems occur because there are no written guidelines for blind trusts and recommended many provisions that should be in a blind trust concerning the independence and authority of the trustee, and the composition and disposal of the assets.

Currently, S. 555 contains very strict provisions concerning blind trusts (see app. III). These provisions are generally consistent with our work and views and we endorse them.

CONCLUSIONS

While CSC has informally set up certain blind trust provisions, these provisions are not being adhered to. In many cases, trusts are established before the appointee is confirmed, and CSC does not question them once the appointee takes office. This leads to many trust agreements which do not conform to CSC standards. CSC is reluctant to request trust amendments because it only has monitoring responsibilities rather than enforcement power.

We believe that CSC should formalize its policies and strengthen blind trust procedures and require that they be enforced. Stronger trust provisions could be achieved by merging CSC's blind trust provisions with those recommended in the Senate study. If such provisions were set forth in specific legislation and adopted by CSC, the White House, and the Senate confirmation committees, this would provide standardized basic criteria for acceptable blind trusts.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Under its current financial disclosure system, CSC cannot effectively protect the public against potential conflicts of interest. This has resulted because of the lack of express enforcement authority in Executive Order 11222, lack of CSC involvement when appointees' interests are initially reviewed, inadequate system development, and insufficient resources.

Section 404 of Executive Order 11222 does not give specific enforcement authority to CSC to require appointee compliance with conflict-of-interest regulations. Rather it requires CSC to report to the President or to the head of the agency concerned, any information contained in the statements which may indicate a conflict of interest. As a result, there is little CSC can do to enforce conflict-of-interest regulations. CSC could have, however, under section 701(c), recommended to the President that it be given greater enforcement and monitoring authority. The lack of strong enforcement authority puts CSC in a weak position when dealing with Cabinet members and other agency heads.

Much of the authority to force changes if needed in an appointee's personal financial portfolio, rests with the White House and the Senate confirmation committees at the time a nominee is selected and confirmed; usually CSC is not involved. If it were, it would strengthen the system and prevent difficulties after the nominee is confirmed.

Under Executive Order 11222, CSC was to issue appropriate regulations and instructions implementing part IV of the order which dealt with the reporting of appointee financial interests. CSC, however, has published no formal written regulations, for Presidential appointees, although it requires each agency to develop such regulations for its employees. Such regulations would seem highly important to appointees since (1) most are coming from private industry and are unaware of Federal ethical standards, (2) they have much authority over Federal actions, and (3) their actions are highly visible to the public. Such regulations should be developed and include such items as a list of Presidential appointee positions required to file with CSC, statutory prohibitions, regulations concerning the appropriateness of disqualifications, as opposed to divestiture, blind trust

provisions, and current general ethics regulations on honorariums, outside employment, and acceptance of gifts. CSC should also develop statement review guidelines, procedures for monitoring disqualifications, and guidelines for determining potential conflicts of interest.

Also, CSC must be given strong Presidential support, adequate staffing, and funding if the financial disclosure system for appointees is to operate effectively. Currently, only one person in CSC is responsible, full time, for the Government-wide ethics program, including the Presidential appointee disclosure system. S. 555 would establish an Office of Government Ethics within CSC, with a budget of \$3 million. This Office would be given strong enforcement powers under the direction of a Presidential appointee.

RECOMMENDATIONS

Current legislation before the Congress could effect many changes in the financial disclosure system for high-level Federal officials. Such changes are necessary for the system to operate effectively. However, should such legislation not be enacted, we recommend that the President of the United States:

- Delegate to the CSC enforcement authority to deal with conflict-of-interest matters concerning high-level Federal officials including the authority to investigate and resolve conflict-of-interest situations.
- Include, in the appointee selection process, a formal review of the proposed appointee's interests by CSC and the Justice Department for potential conflicts of interest. They would recommend how and in what manner such conflicts should be resolved in light of applicable laws and regulations.

(Title IV of S. 555, section 402(b) would provide enforcement authority to an Office of Government Ethics. The Director of the Office in consultation with the Attorney General, would be authorized to develop and recommend to CSC, rules and regulations to be promulgated by the President or CSC pertaining to the identification and resolution of conflicts of interest.)

- Require the CSC Chairman to file his financial disclosure statements with the Executive Office of the President.

(Title III of S. 555, section 304(c) would direct each CSC commissioner and the Director of the Office of Government Ethics to file their reports with the President and the Office of Government Ethics.)

We recommend that the Chairman, CSC:

--Complete system development. This would involve formalizing policy and supporting procedures which parallel those now required to be developed by agencies for their employees. The system development should, among others, include

(a) identification of positions required to be filed;

(Title III, section 301(b)(5) and (8) of S. 555 would require that officers and employees of an executive agency classified at GS-16 and above and those in the uniformed service at or in excess of O-7 file public statements. Section 304(5) specifies that Presidential appointees, heads of agencies, etc. are required to file.)

(b) identification of the statutory prohibitions and their applicable interpretations regarding the financial interests which are prohibited with those positions required to file;

(c) development of blind trust provisions similar to those discussed in the Senate report on "The Regulatory Appointment Process" in addition to the provisions in use to help insure that blind trusts are effective;

(Title III, section 303 of S. 555 spells out blind trust provisions similar to what we are suggesting.)

(d) establish procedures for controlling, and a means of monitoring, appointee disqualification; and

(e) establish procedures for granting exemptions to hold a financial interest under 18 U.S.C. 208.

(These procedures could be covered by the Office of Government Ethics under title IV, section 402(b) of S. 555.)

- Develop criteria and regulations establishing the procedures for reporting and reviewing financial disclosure statements.

(Title IV, section 402(b) (1) of S. 555 would require the Director of the Office of Government Ethics, in consultation with the Attorney General, to develop and recommend to CSC rules and regulations to be promulgated by the President or CSC pertaining to conflicts of interest and ethics in the executive branch, including rules and regulations establishing procedures for filing, review, and public availability.)

- Revise the form used to collect financial disclosure information so that all relevant information needed to identify and resolve conflict-of-interest matters concerning an appointee's interests is obtained. Appointees should also be required to disclose other financial information concerning gifts, honorariums, travel reimbursements, sources of income, and other pertinent data including the value of such items, by categories of amounts to protect against conflicts of interest.

(Title III, section 302 of S. 555 specifies the content of what would be required to be reported including the data listed above.)

- Improve the documentation process by maintaining complete files on exemptions granted; disqualifications; Senate confirmation proceedings; White House, Department of Justice, and CSC reviews and investigations of interests; blind trust agreements and trust assets; and other pertinent data used in reviewing statements.

Executive Order 11222

PRESCRIBING STANDARDS OF ETHICAL CONDUCT FOR GOVERNMENT OFFICERS AND EMPLOYEES

By virtue of the authority vested in me by Section 301 of Title 3 of the United States Code, and as President of the United States, it is hereby ordered as follows:

PART I—POLICY

SECTION 101. Where government is based on the consent of the governed, every citizen is entitled to have complete confidence in the integrity of his government. Each individual officer, employee, or adviser of government must help to earn and must honor that trust by his own integrity and conduct in all official actions.

PART II—STANDARDS OF CONDUCT

SECTION 201. (a) Except in accordance with regulations issued pursuant to subsection (b) of this section, no employee shall solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, from any person, corporation, or group which—

(1) has, or is seeking to obtain, contractual or other business or financial relationships with his agency;

(2) conducts operations or activities which are regulated by his agency; or

(3) has interests which may be substantially affected by the performance or nonperformance of his official duty.

(b) Agency heads are authorized to issue regulations, coordinated and approved by the Civil Service Commission, implementing the provisions of subsection (a) of this section and to provide for such exceptions therein as may be necessary and appropriate in view of the nature of their agency's work and the duties and responsibilities of their employees. For example, it may be appropriate to provide exceptions (1) governing obvious family or personal relationships where the circumstances make it clear that it is those relationships rather than the business of the persons concerned which are the motivating factors—the clearest illustration being the parents, children or spouses of federal employees; (2) permitting acceptance of food and refreshments available in the ordinary course of a luncheon or dinner or other meeting or on inspection tours where an employee may properly be in attendance; or (3) permitting acceptance of loans from banks or other financial institutions on customary terms to finance proper and usual activities of employees, such as home mortgage loans. This section shall be effective upon issuance of such regulations.

(c) It is the intent of this section that employees avoid any action, whether or not specifically prohibited by subsection (a), which might result in, or create the appearance of—

(1) using public office for private gain;

(2) giving preferential treatment to any organization or person;

(3) impeding government efficiency or economy;

(4) losing complete independence or impartiality of action;

(5) making a government decision outside official channels; or

(6) affecting adversely the confidence of the public in the integrity of the Government.

SEC. 202. An employee shall not engage in any outside employment, including teaching, lecturing, or writing, which might result in a conflict, or an apparent conflict, between the private interests of the

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employee and his official government duties and responsibilities, although such teaching, lecturing, and writing by employees are generally to be encouraged so long as the laws, the provisions of this order, and Civil Service Commission and agency regulations covering conflict of interest and outside employment are observed.

Sec. 203. Employees may not (a) have direct or indirect financial interests that conflict substantially, or appear to conflict substantially, with their responsibilities and duties as Federal employees, or (b) engage in, directly or indirectly, financial transactions as a result of, or primarily relying upon, information obtained through their employment. Aside from these restrictions, employees are free to engage in lawful financial transactions to the same extent as private citizens. Agencies may, however, further restrict such transactions in the light of the special circumstances of their individual missions.

Sec. 204. An employee shall not use Federal property of any kind for other than officially approved activities. He must protect and conserve all Federal property, including equipment and supplies, entrusted or issued to him.

Sec. 205. An employee shall not directly or indirectly make use of, or permit others to make use of, for the purpose of furthering a private interest, official information not made available to the general public.

Sec. 206. An employee is expected to meet all just financial obligations, especially those—such as Federal, State, or local taxes—which are imposed by law.

PART III—STANDARDS OF ETHICAL CONDUCT FOR SPECIAL GOVERNMENT EMPLOYEES

SECTION 301. This part applies to all "special Government employees" as defined in Section 202 of Title 18 of the United States Code, who are employed in the Executive Branch.

Sec. 302. A consultant, adviser or other special Government employee must refrain from any use of his public office which is motivated by, or gives the appearance of being motivated by, the desire for private gain for himself or other persons, including particularly those with whom he has family, business, or financial ties.

Sec. 303. A consultant, adviser, or other special Government employee shall not use any inside information obtained as a result of his government service for private personal gain, either by direct action on his part or by counsel, recommendations or suggestions to others, including particularly those with whom he has family, business, or financial ties.

Sec. 304. An adviser, consultant, or other special Government employee shall not use his position in any way to coerce, or give the appearance of coercing, another person to provide any financial benefit to him or persons with whom he has family, business, or financial ties.

Sec. 305. An adviser, consultant, or other special Government employee shall not receive or solicit from persons having business with his agency anything of value as a gift, gratuity, loan or favor for himself or persons with whom he has family, business, or financial ties while employed by the government or in connection with his work with the government.

Sec. 306. Each agency shall, at the time of employment of a consultant, adviser, or other special Government employee require him to supply it with a statement of all other employment. The statement shall list the names of all the corporations, companies, firms, State or local governmental organizations, research organizations and educational or other institutions in which he is serving as employee, officer, member, owner, director, trustee, adviser, or consultant. In addition, it shall list such other financial information as the appointing department or agency shall decide is relevant in the light of the duties the appointee is to perform. The appointee may, but need not, be required to reveal precise amounts of investments. The statement shall be kept current throughout the period during which the employee is on the Government rolls.

PART IV—REPORTS OF FINANCIAL INTERESTS

SECTION 401. (a) Not later than ninety days after the date of this order, the head of each agency, each Presidential appointee in the Executive Office of the President who is not subordinate to the head of an agency in that Office, and each full-time member of a committee, board, or commission appointed by the President, shall submit to the Chairman of the Civil Service Commission a statement containing the following:

(1) A list of the names of all corporations, companies, firms, or other business enterprises, partnerships, nonprofit organizations, and educational or other institutions—

(A) with which he is connected as an employee, officer, owner, director, trustee, partner, adviser, or consultant; or

(B) in which he has any continuing financial interests, through a pension or retirement plan, shared income, or otherwise, as a result of any current or prior employment or business or professional association; or

(C) in which he has any financial interest through the ownership of stocks, bonds, or other securities.

(2) A list of the names of his creditors, other than those to whom he may be indebted by reason of a mortgage on property which he occupies as a personal residence or to whom he may be indebted for current and ordinary household and living expenses.

(3) A list of his interests in real property or rights in lands, other than property which he occupies as a personal residence.

(b) Each person who enters upon duty after the date of this order in an office or position as to which a statement is required by this section shall submit such statement not later than thirty days after the date of his entrance on duty.

(c) Each statement required by this section shall be kept up to date by submission of amended statements of any changes in, or additions to, the information required to be included in the original statement, on a quarterly basis.

Sec. 402. The Civil Service Commission shall prescribe regulations, not inconsistent with this part, to require the submission of statements of financial interests by such employees, subordinate to the heads of agencies, as the Commission may designate. The Commission shall prescribe the form and content of such statements and the time or times and places for such submission.

Sec. 403. (a) The interest of a spouse, minor child, or other member of his immediate household shall be considered to be an interest of a person required to submit a statement by or pursuant to this part.

(b) In the event any information required to be included in a statement required by or pursuant to this part is not known to the person required to submit such statement but is known to other persons, the person concerned shall request such other persons to submit the required information on his behalf.

(c) This part shall not be construed to require the submission of any information relating to any person's connection with, or interest in, any professional society or any charitable, religious, social, fraternal, educational, recreational, public service, civic, or political organization or any similar organization not conducted as a business enterprise and which is not engaged in the ownership or conduct of a business enterprise.

Sec. 404. The Chairman of the Civil Service Commission shall report to the President any information contained in statements required by Section 401 of this part which may indicate a conflict between the financial interests of the official concerned and the performance of his services for the Government. The Commission shall report, or by regulation require reporting, to the head of the agency concerned any information contained in statements submitted pursuant to regulations issued under Section 402 of this part which may indicate a conflict between the financial interests of the officer or employee concerned and the performance of his services for the Government.

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Sec. 405. The statements and amended statements required by or pursuant to this part shall be held in confidence, and no information as to the contents thereof shall be disclosed except as the Chairman of the Civil Service Commission or the head of the agency concerned may determine for good cause shown.

Sec. 406. The statements and amended statements required by or pursuant to this part shall be in addition to, and not in substitution for, or in derogation of, any similar requirement imposed by law, regulation, or order. The submission of a statement or amended statements required by or pursuant to this part shall not be deemed to permit any person to participate in any matter in which his participation is prohibited by law, regulation, or order.

PART V--DELEGATING AUTHORITY OF THE PRESIDENT UNDER SECTIONS 205 AND 208 OF TITLE 18 OF THE UNITED STATES CODE RELATING TO CONFLICTS OF INTEREST

SECTION 501. As used in this part, "department" means an executive department, "agency" means an independent agency or establishment or a Government corporation, and "head of an agency" means, in the case of an agency headed by more than one person, the chairman or comparable member of such agency.

Sec. 502. There is delegated, in accordance with and to the extent prescribed in Sections 503 and 504 of this part, the authority of the President under Sections 205 and 208(b) of Title 18, United States Code, to permit certain actions by an officer or employee of the Government, including a special Government employee, for appointment to whose position the President is responsible.

Sec. 503. Insofar as the authority of the President referred to in Section 502 extends to any appointee of the President subordinate to or subject to the chairmanship of the head of a department or agency, it is delegated to such department or agency head.

Sec. 504. Insofar as the authority of the President referred to in Section 502 extends to an appointee of the President who is within or attached to a department or agency for purposes of administration, it is delegated to the head of such department or agency.

Sec. 505. Notwithstanding any provision of the preceding sections of this part to the contrary, this part does not include a delegation of the authority of the President referred to in Section 502 insofar as it extends to:

- (a) The head of any department or agency in the Executive Branch;
- (b) Presidential appointees in the Executive Office of the President who are not subordinate to the head of an agency in that Office; and
- (c) Presidential appointees to committees, boards, commissions, or similar groups established by the President.

PART VI--PROVIDING FOR THE PERFORMANCE BY THE CIVIL SERVICE COMMISSION OF CERTAIN AUTHORITY VESTED IN THE PRESIDENT BY SECTION 1753 OF THE REVISED STATUTES

SECTION 601. The Civil Service Commission is designated and empowered to perform, without the approval, ratification, or other action of the President, so much of the authority vested in the President by Section 1753 of the Revised Statutes of the United States (5 U.S.C. 631) as relates to establishing regulations for the conduct of persons in the civil service.

Sec. 602. Regulations issued under the authority of Section 601 shall be consistent with the standards of ethical conduct provided elsewhere in this order.

PART VII--GENERAL PROVISIONS

SECTION 701. The Civil Service Commission is authorized and directed, in addition to responsibilities assigned elsewhere in this order:

- (a) To issue appropriate regulations and instructions implementing Parts II, III, and IV of this order;
- (b) To review agency regulations from time to time for conformance with this order; and

(c) To recommend to the President from time to time such revisions in this order as may appear necessary to ensure the maintenance of high ethical standards within the Executive Branch.

Sec. 702. Each agency head is hereby directed to supplement the standards provided by law, by this order, and by regulations of the Civil Service Commission with regulations of special applicability to the particular functions and activities of his agency. Each agency head is also directed to assure (1) the widest possible distribution of regulations issued pursuant to this section, and (2) the availability of counseling for those employees who request advice or interpretation.

Sec. 703. The following are hereby revoked:

- (a) Executive Order No. 10996 of May 5, 1961.
- (b) Executive Order No. 11185 of October 29, 1963.
- (c) Section 2(a) of Executive Order No. 11590 of May 10, 1964.
- (d) White House memorandum of July 20, 1961, on "Standards of Conduct for Civilian Employees."
- (e) The President's Memorandum of May 2, 1963, "Preventing Conflicts of Interest on the Part of Special Government Employees." The effective date of this revocation shall be the date of issuance by the Civil Service Commission of regulations under Section 701(a) of this order.

Sec. 704. All actions heretofore taken by the President or by his delegates in respect of the matters affected by this order and in force at the time of the issuance of this order, including any regulations prescribed or approved by the President or by his delegates in respect of such matters, shall, except as they may be inconsistent with the provisions of this order or terminate by operation of law, remain in effect until amended, modified, or revoked pursuant to the authority conferred by this order.

Sec. 705. As used in this order, and except as otherwise specifically provided herein, the term "agency" means any executive department, or any independent agency or any Government corporation; and the term "employee" means any officer or employee of an agency.

TIM WARRIS HOOPER,
May 2, 1965.

LYNDON B. JOHNSON

REBARGARD FOR RELEASE UNTIL
AFTER 11:30 A.M. BRIEFING

MAY 3, 1977

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

During my campaign I promised the American people that as President I would assure that their government is devoted exclusively to the public interest. I began fulfilling that promise by making information on my own financial interests publicly available. I have also required that all Presidential appointees disclose their business and financial interests, to remove any possibility of hidden conflicts of interest. In addition, I have obtained a commitment from these officials to adhere to tighter restrictions after leaving government, in order to curb the "revolving door" practice that has too often permitted former officials to exploit their government contacts for private gain.

To expand upon the actions I have taken so far, I am submitting to Congress the Ethics in Government Act of 1977. This bill will establish far-reaching safeguards against conflicts of interest and abuse of the public trust by government officials. The bill incorporates the standards I have required of my own appointees, and extends their coverage to other high-ranking officials. It builds upon the Comptroller General's two-year investigation of conflict of interest enforcement in the Executive Branch. It also parallels the unprecedented efforts the Congress has made to strengthen ethical standards for its members.

In addition to strengthening conflict of interest controls through the Ethics in Government Act, I am today announcing support for legislation to authorize appointment of a temporary Special Prosecutor to handle cases of misconduct by high-ranking Executive Branch officials.

Both Houses have recently adopted new Codes of Conduct which are milestones in the history of government action to prevent actual or potential conflicts of interest. The leadership of both Houses have also pledged personal support for enactment of these new Codes into law. The Senate is currently considering S. 555, the Public Official Integrity Act of 1977, and the House, in addition to creating a Select Committee on Ethics to enact its new Code into law, has also been working on legislation to establish government-wide ethical standards. I am confident that through our joint efforts, legislation prescribing government-wide standards of conduct will be considered and passed this year.

The Ethics in Government Act calls for a three-part program of financial disclosure, creation of a new Office of Ethics in the Civil Service Commission, and strengthened restrictions on post-employment activities of government officials.

First, the Ethics in Government Act would require policy-making officials, whether political appointees or top-level career civil servants, to disclose publicly their financial interests. Currently, policy-making employees must file statements of financial interest, but these statements are not available to the public. In addition to requiring public disclosure, the Act would require collection of more extensive information about employees' financial interests than the current Executive Order. Each official's report will include information on:

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- income, whether earned or from investments;
- gifts, including travel, lodging, food and entertainment;
- assets, liabilities and financial transactions;
- positions held in business and professional organizations;
- agreements for future employment.

The vast majority of government officials, of course, have always followed strict ethical standards. I respect their efforts and integrity, and I have carefully considered the new obligations that this legislation will place on them. The provisions of the Act would strike a careful balance between the rights of these individuals to their privacy and the right of the American people to know that their public officials are free from conflicts of interest.

Second, the Ethics in Government Act would strengthen existing restrictions on the revolving door between government and private industry. All too often officials have come into government for a short time and then left to accept a job in private industry, where one of their primary responsibilities is to handle contacts with the former employer. To restrict this kind of arrangement I propose:

1. An extension of the current prohibition on appearances before an agency of former employment on matters that were under the official's responsibility:
 - by extending the period of the prohibition from one year to two; and
 - by including informal as well as formal contacts.
2. A new and broader ban on formal or informal contact on other matters with agencies of former employment, for a period of one year after the end of government service.

These rules also reflect a balance. They do not place unfair restrictions on the jobs former government officials may choose, but they will prevent the misuse of influence acquired through public service.

Third, this Act would establish a new Office of Government Ethics in the Civil Service Commission. Under the existing Executive Order, guidelines have often been unclear, and enforcement has been ineffective in some agencies. An effective oversight office is essential if strict ethical requirements are to be enforced throughout the government.

Because I believe these responsibilities are so important, I am asking that the Office be headed by a Director who is a Presidential appointee, confirmed by the Senate. I want to designate an individual who is clearly accountable to me, to the Chairman of the Civil Service Commission and to the Congress for the supervision of ethical standards in the Executive Branch. The Director and his new Office would:

- issue general guidelines to agencies on what constitutes a conflict of interest, and how those conflicts can be resolved;

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- make recommendations to me on any changes needed in laws and regulations governing conflicts of interest;
- monitor compliance by agencies and individuals with established requirements; and
- increase understanding throughout the government and on the part of the American people of the ethical standards of conduct required of Executive Branch employees.

This new Office will ensure vigilant enforcement of the standards that are established to protect the honesty and integrity of our government.

To complement the Ethics in Government Act, I am also announcing my support for legislation which would require appointment of a Special Prosecutor to investigate and prosecute alleged offenses by high government officials. I am now submitting my own bill, for legislation has already been introduced in the Congress which, with relatively small revisions, will conform to my own principles for sound Special Prosecutor legislation. Under those principles the Special Prosecutor would be appointed by a specially empaneled court. He or she could be removed from office only upon a finding of extraordinary impropriety or incapacity. The Special Prosecutor's jurisdiction would extend to alleged misconduct by the President, the Vice President, members of the Cabinet, and White House staff members.

This approach will eliminate all appearance of high-level interference in sensitive investigations and prosecutions. The American people must be assured that no one, regardless of position, is above the law.

I look forward to working with the Congress to enact both the Ethics in Government Act and Special Prosecutor legislation, so that we can help restore the faith of the American people in their government.

JIMMY CARTER

THE WHITE HOUSE,

May 3, 1977.

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**TITLES III AND IV OF S. 555--THE PUBLIC
OFFICIAL INTEGRITY ACT OF 1977**

**TITLE III--GOVERNMENT PERSONNEL;
FINANCIAL DISCLOSURE REQUIREMENTS**

Sec. 301. (a) Any individual who is an officer or employee designated under subsection (b), and who performs the duties of his position or office for a period in excess of sixty days during a calendar year, shall file on or before May 15 of the succeeding year a report as required by section 302 containing a full and complete financial statement for that calendar year.

(b) The officers and employees referred to in subsection (a) are--

- (1) the President;
- (2) the Vice President;
- (3) each Member of Congress;
- (4) each justice or judge or other adjudicatory official of the judicial branch of the United States and of the judicial branch of the government of the District of Columbia;
- (5) each officer or employee of an Executive agency, as defined in section 105 of title

5, United States Code, whose position is classified at a grade of GS-16 or above of the General Schedule prescribed by section 5332 of title 5, United States Code, or who is in a position at a comparable or higher level, and each officer or employee of the United States not employed by an Executive agency, as so defined, who is compensated at a rate equal to or in excess of the minimum rate prescribed for employees holding the grade of GS-16 of the General Schedule prescribed by section 5332 of title 5, United States Code; and

(6) each member of a uniform service whose pay grade is at or in excess of O-7 under section 1009 of title 37, United States Code.

(c) Within thirty days of assuming the position of an officer or employee designated under section (b), an individual shall file a report as required by section 302(f) unless such individual has left another position designated in subsection (b) within thirty days prior to assuming his new position.

(d) Within five days of the transmittal by the President to the Senate of the nomination of a Presidential nominee, as defined in section 309(13), but in any event prior to confirmation by either House of Congress, such nominee shall file a report as required by section 302(f). Nothing in this Act shall prevent any Congressional committee from requesting, as a condition of confirmation, any additional financial information from any Presidential nominee whose nomination has been referred to that committee.

(e) Within thirty days of becoming a candidate seeking nomination for election, or election, to the office of President, Vice President, or Member of Congress, or on or before May 15 of that calendar year, whichever is later, and on or before May 15 of each successive year the individual continues to be a candidate, an individual shall file a report for the preceding calendar year as required by section 302.

(f) Any individual who occupies an office or position designated in subsection (b) shall, within thirty days after leaving such position, file a report as required by section 302 (covering the portion of that calendar year up to the date the individual left such office or position) unless such individual has accepted employment in another position designated in subsection (b).

CONTENTS OF REPORT

Sec. 302. Each report filed under subsections 301 (a), (e), and (f) shall include a full and complete statement, in such manner and form as the supervising ethics office (as defined in section 304(a)) for the filing individual shall prescribe, which contains the following:

(a) (1) The amount and the identity of each source of earned income (exclusive of honoraria) received during such calendar year which exceeds \$100 in amount or value

(2) The identity of the source, the amount, and the date, of each honorarium received during such calendar year and an indication of which honoraria, if any, were donated to a charitable organization.

(3) The identity of each source of income (other than earned income) received during such calendar year which exceeds \$100 in amount or value, and an indication of which of the following categories the amount or value of such item of income is within--

- (A) not more than \$1,000,
- (B) greater than \$1,000 but not more than \$2,500,
- (C) greater than \$2,500 but not more than \$5,000,
- (D) greater than \$5,000 but not more than \$15,000,
- (E) greater than \$15,000 but not more than \$50,000,
- (F) greater than \$50,000 but not more than \$100,000, or
- (G) greater than \$100,000.

(4) For purposes of paragraphs (1) and (3), any gift described in subsections (b) and (c) of this section shall not be considered as income.

(b) The identity of the source, a brief description of, and the value of, any gifts of transportation, lodging, food, or entertainment aggregating \$250 or more provided by any one source other than a relative during the calendar year except that any food, lodging, or entertainment received as part of the personal hospitality of any individual need not be reported.

(c) The identity of the source, a brief description of, and the value of all other gifts aggregating \$100 or more from any one source other than a relative during the calendar year unless, in an unusual case, a waiver is granted by an individual's supervising ethics office.

(d) (1) Gifts with a fair market value of less than \$35 need not be aggregated for the purposes of subsections (b) and (c) of this section.

(2) In aggregating gifts for purposes of subsections (b) and (c) of this section, the reporting individual may deduct from the total value of gifts received from any source during the calendar year the total value of gifts given by the reporting individual to that source during the calendar year, except that, if gifts with a fair market value of less than \$35 received from that source are not aggregated, gifts with a fair market value of less than \$35 given to that source may not be deducted.

(e) (1) The identity and category of value of each item of real property held, directly or indirectly, during such calendar year which has a fair market value in excess of \$1,000 as of the close of such calendar year.

(2) The identity and category of value of each item of personal property held, directly or indirectly, during such calendar year in a trade or business or for investment or the production of income which has a fair market value in excess of \$1,000 as of the close of such calendar year.

(f) The identity and category of value of each personal liability owed, directly or indirectly, other than to a relative, which exceeds \$2,500 at any time during such calendar year.

(g) The identity, date, and category of value of any transaction, directly or indirectly, in securities or commodities futures during such calendar year exceeding \$1,000, except that (1) the identity of the recipient of any gift to any tax-exempt organization described in section 501(c)(3) of the Internal Revenue Code of 1954 involving such a transaction need not be reported, and (2) any transaction solely by and between the reporting individual, his spouse, and dependents need not be reported.

(h) (1) The identity, date, and category of value of any purchase, sale, or exchange, directly or indirectly, of any interest in real property during such calendar year if the value of the property involved in such purchase, sale, or exchange exceeds \$1,000 as of the date of such purchase, sale, or exchange, except that (1) the identity of the recipient of any gift to any tax-exempt organization described in section 501(c)(3) of the Internal Revenue Code of 1954 involving such a transaction need not be reported, and (2) any transaction solely by and between the reporting individual, his spouse, or dependents need not be reported.

(2) For the purposes of subsection (e) (1) of this section and paragraph (1) of this subsection, the identity of an item of real property shall include the number of acres of property, if there is more than one acre, the exact street address (except with respect to a personal residence of a reporting individual), the town, county, and State in which the property is located, and if there are substantial improvements on the land, a brief description of the improvements (such as "office building").

(i) The identity of and a description of the nature of any interest in an option, mineral lease, copyright, or patent right held during such calendar year.

(j) The identity of all positions held as an officer, director, trustee, partner, proprietor, agent, employee, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, any nonprofit organization, and any educational or other institution, except that this subsection shall not require the reporting of positions held in any religious, social, fraternal, or political entity.

(k) A description of, the parties to, and the terms of any contract, promise, or other agreement between such individual and any person with respect to his employment after such individual ceases to occupy an office or position described in section 301, including any agreement under which such individual is taking a leave of absence from an office or position outside of the United States Government in order to occupy an office or position described in section 301(b), and a description of and the parties to any agreement providing for continuation of payments or benefits from a prior employer other than the United States Government.

(1) If any person, other than the United States Government, paid the reporting individual compensation in excess of \$5,000 in any of the two calendar years prior to such calendar year, the individual shall include in the report—

(1) the name and address of each source of such compensation;

(2) the period during which the reporting individual was receiving such compensation from each such source;

(3) the title of each position or relationship the reporting individual held with each compensating source; and

(4) a brief description of the duties performed or services rendered by the reporting individual in each such position.

The preceding sentence shall not require any individual to include in such report any information which is considered confidential as a result of a privileged relationship, established by law, between such individual and any person nor shall it require an individual to report any information with respect to any person for whom services were provided by any firm or association of which such individual was a member, partner, or employee unless such individual was directly involved in the provision of such services.

Sec. 303. (a) For purposes of subsections (e) through (h) of section 302, an individual need not specify the actual amount or value of each item required to be reported under such subsections, but such individual shall indicate which of the following categories such amount or value is within:

(1) not more than \$5,000.

(2) greater than \$5,000 but not more than \$15,000.

(3) greater than \$15,000 but not more than \$50,000.

(4) greater than \$50,000 but not more than \$100,000.

(5) greater than \$100,000 but not more than \$250,000.

(6) greater than \$250,000 but not more than \$500,000.

(7) greater than \$500,000 but not more than \$1,000,000.

(8) greater than \$1,000,000 but not more than \$2,000,000.

(9) greater than \$2,000,000 but not more than \$5,000,000, or

(10) greater than \$5,000,000.

(b) For the purposes of subsection (e) of section 32, if the current value of an interest in real property (or an interest in a real estate partnership) is not ascertainable without an appraisal, an individual may list

(i) the date of purchase and the purchase

price of the interest in the real property, or (ii) the assessed value of the real property for tax purposes, adjusted to reflect the market value of the property used for the assessment if the assessed value is computed at less than 10% percent of such market value, but such individual shall include in his report a full and complete description of the method used to determine such assessed value, instead of specifying a category of value pursuant to subsection (a) of this section. If the current value of any other item required to be reported under subsection (e) of section 302 is not ascertainable without an appraisal, such individual may list the book value of a corporation whose stock is not publicly traded, the net worth of a business partnership, the equity value of an individually owned business, or with respect to other holdings, any recognized indication of value, but such individual shall include in his report a full and complete description of the method used in determining such value. In lieu of any value referred to in the preceding sentence, an individual may list the assessed value of the item for tax purposes, adjusted to reflect the market value of the item used for the assessment if the assessed value is computed at less than 100 percent of such market value, but a full and complete description of the method used in determining such assessed value shall be included in the report.

(c) (1) For the purposes of subsection (a) through (c) of section 302, the individual shall report the source, but need not report the amount, of any earned income over \$1,000 or gifts over \$100 (\$250 in the case of transportation, lodging, food, or entertainment) received by a spouse or minor dependent, and of gifts of over \$500 received by an adult dependent, but with respect to earned income, if his spouse or any minor dependent is self-employed in his or her own business or profession, only the nature of such business or profession need be reported.

(2) For the purposes of subsection (a) (3) and subsections (e) through (i) of section 302, a reporting individual shall also report the interests of the spouse or dependents of that individual: *Provided*, That a reporting individual shall not be required to report any specific information concerning interest of a spouse or dependent if the reporting individual certifies to the supervising ethics office that: (A) he or she has no knowledge of such information; (B) he or she has made every reasonable effort to obtain the required information from his or her spouse or dependent; (C) he or she derives and expects to derive no benefit from such interests; (D) and that such interests were not derived directly or indirectly from interests or income formerly owned or controlled by the reporting individual.

(3) No report shall be required with respect to the interests of a spouse living separate and apart from the reporting individual.

(d) (1) Except as provided in paragraph (2), each reporting individual shall report, in accordance with the provisions of section 302, the identity of the holdings of and the identity of the source of income from a trust or other financial arrangement from which income is received by, or with respect to which an equity interest is held by, such individual, his spouse, or any of his dependents.

(2) A reporting individual other than a judge or justice of the United States need not report the holdings of or the source of income from any of the holdings of—

(A) any qualified blind trust (as defined in paragraph (8)); or

(B) a trust—

(i) which was not created directly by such individual, his spouse, or any of his dependents,

(ii) with respect to which such individual, his spouse, and any of his dependents have

no knowledge of the holdings or sources of income of the trust, and

(iii) with respect to which such individual has requested the trustee to provide information with respect to the holdings and sources of income of the trust and the trustee refuses to disclose the information,

but such individual shall report the category of the amount of income received by him, his spouse, or his dependents from the trust under section 302(a) (3).

(3) For purposes of this subsection, the term "qualified blind trust" includes any trust, in which a reporting individual, his spouse, or any of his dependents has a beneficial interest in the principal or income, and which meets the following requirements:

(A) The trustee of the trust is a financial institution, an attorney, a certified public accountant, or a broker, who (in the case of a financial institution or investment company, any officer or employee involved in the management or control of the trust who)—

(i) is independent of any interested party so that the trustee cannot be controlled or influenced in the administration of the trust by any interested party;

(ii) is not an employee of any interested party, or any organization affiliated with any interested party and is not a partner of, or involved in any joint venture or other investment with, any interested party, and

(iii) is not a relative (as defined in section 309(14)) of any interested party.

(B) Any asset transferred to the trust by an interested party is free of any restriction with respect to its transfer or sale unless such restriction is expressly approved by the supervising ethics office of the reporting individual.

(C) The trust instrument which establishes the trust provides that—

(i) except to the extent provided in clause (B), the trustee in the exercise of his authority and discretion to manage and control the assets of the trust shall not consult or notify any interested party;

(ii) the trust shall not contain any asset the holding of which by an interested party is prohibited by any law or regulation;

(iii) the trustee shall promptly notify the reporting individual and his supervising ethics office when the holdings of any particular asset transferred to the trust by any interested party are disposed of or when the value of such holding is less than \$1,000;

(iv) the trust tax return shall be prepared by the trustee or his designee, and such return and any information relating thereto (other than the trust income summarized in appropriate categories necessary to complete an interested party's tax return), shall not be disclosed to any interested party;

(v) an interested party shall not receive any report on the holdings and sources of income of the trust, except a report at the end of each calendar quarter with respect to the total cash value of the interest of the interested party in the trust or the net income or loss of the trust or any reports necessary to enable the interested party to complete an individual tax return required by law or to provide the information required by section 302(a)(3) of this title, but such report shall not identify any asset or holding;

(vi) except for communications which solely consist of requests for distributions of cash or other unspecified assets of the trust, there shall be no direct or indirect communication between the trustee and an interested party with respect to the trust unless such communication is in writing and unless it relates only (I) to the general financial interest and needs of the interested party (including, but not limited to, an interest in maximizing income or long-term capital gain), (II) to the notification of the trustee of a law or regulation subsequently applicable to the reporting individual which prohibits the interested

party from holding an asset and which notification directs that the assets not be held by the trust, (III) to directions to the trustee to sell all of an asset initially placed in the trust by an interested party which in the determination of the reporting individual creates a conflict of interest or the appearance thereof due to the subsequent assumption of duties by the reporting individual (but nothing herein shall require any such direction); and

(vii) the interested parties shall make no effort to obtain information with respect to the holdings of the trust, including obtaining a copy of any trust tax return filed or any information relating thereto except as otherwise provided in this subsection.

(D) The proposed trust instrument and the proposed trustee shall be approved by the reporting individual's supervising ethics office. For purposes of this paragraph, "interested parties" means a reporting individual, his spouse, and dependents if the reporting individual, his spouse, or dependent has a beneficial interest in the principal or income of a qualified blind trust. The term "broker" is used as defined in section 78 of title 15, United States Code.

(4) An asset placed in a trust by an interested party shall be considered a financial interest of the reporting individual, for the purposes of section 206 of title 28, United States Code, and any other conflict of interest statutes or regulations of the Federal Government, until such time as the reporting individual is notified by the trustee that such asset has been disposed of, or has a value of less than \$1,000.

(5)(A) The reporting individual shall file within 30 days after a qualified blind trust is approved by his supervising ethics office a copy of—

(i) the executed trust instrument of such trust (other than those provisions which relate to the testamentary disposition of the trust assets), and

(ii) a list of the assets which were transferred to such trust, including the category of value of each asset as determined under section 303(a),

with each office, agency, committee, or individual with whom such reporting individual is required to file a report under section 304.

(B) The reporting individual shall, within thirty days of transferring an asset (other than cash) to a previously established qualified blind trust, notify his supervising ethics office of the identity of each such asset and the category of value of each asset as determined under section 303(a).

(C) Within thirty days of the dissolution of a qualified blind trust, a reporting individual shall—

(i) notify his supervising ethics office of such dissolution, and

(ii) file a copy of a list of the assets of the trust at the time of such dissolution and the category of value under section 303(a) of each such asset with each office, agency, committee, or individual with whom such individual is required to file a report under section 304.

(D) Documents filed under clauses (A), (B), and (C) of this paragraph shall be made available to the public in the same manner as a report is made available under section 305 and the provisions of section 305, as appropriate, shall apply.

(E) A copy of each written communication with respect to the trust under paragraph (4)(C)(iv) shall be filed by the person initiating the communication with the reporting individual's supervising ethics office within five days of the date of the communication.

(6)(A) A trustee of a qualified blind trust shall not knowingly or negligently (i) disclose any information to an interested party with respect to such trust that may not be disclosed under this subsection; (ii) acquire any holding the ownership of which is prohibited by the trust instrument; (iii) solicit advice from any interested party with respect to such trust, which solicitation is prohibited by this subsection or the trust agreement; or (vi) fail to file any document required by this subsection.

(B) A reporting individual shall not knowingly or negligently (i) solicit or receive any information with respect to a qualified blind trust of which he is an interested party that may not be disclosed under this subsection, or (ii) fail to file any document required by this subsection.

(C)(i) Any individual who knowingly and willfully violates the provisions of subparagraph (A) or (B) shall be fined in any amount not exceeding \$5,000, or imprisoned for not more than one year, or both.

(ii) Any individual who negligently violates the provisions of subparagraph (A) or (B) shall be fined in any amount not exceeding \$5,000.

(7) Any trust which is in existence prior to the date of the enactment of this Act shall be considered a qualified blind trust if—

(A) the supervising ethics office determines that the trust was a good faith effort to establish a blind trust;

(B) the previous trust instrument is amended or, if such trust instrument does not by its terms permit amendment, all parties to the trust instrument, including the reporting individual and the trustee, agree in writing that the trust shall be administered in accordance with the requirements of paragraph (8)(c) and a trustee is (or has been) appointed who meets the requirements of paragraph (3); and

(C) a copy of the trust instrument (except testamentary provisions), a list of the assets previously transferred to the trust by an interested party, and the category or value of each such asset at the time it was placed in the trust is filed and made available to the public as provided under paragraph 5.

(e) The President, the Judicial Conference of the United States, the House of Representatives, or the Senate may require the reporting and disclosure of information with respect to gifts received by reporting individuals under their supervision, as designated in section 304(a), and their spouses and dependents, in addition to that required by section 302 if it is determined that such information is necessary for the effective enforcement of the conflict of interest laws or regulations.

(f) Each report filed under subsection 301(c) and (d) shall include a full and complete statement, in such manner and form as the individual's supervising ethics office shall prescribe, with respect to information required by subsections (e), (f), (i), (j), (k), and (l) of section 302, as of the date of filing, and the sources and amounts of any payments to date over and above normal salary (including but not limited to severance, bonus or buy-out payments) from a prior employer or partner for the year of filing and the preceding calendar year.

FILING OF REPORTS

Sec. 304. (a) For purposes of this title, the term "supervising ethics office" means—

(1) a committee designated by the Senate of the United States in the case of Members, officers, and employees of the Senate, candidates seeking election to the Senate, and officers and employees of the General Accounting Office, the Cost Accounting Standards Board, the Office of Technology Assessment, and the Office of the Attending Physician;

(2) a committee designated by the House of Representatives in the case of Members, officers, and employees of the House of Representatives, candidates seeking election to the House of Representatives, and officers and employees of the Architect of the Capitol, the

Botanic Gardens, the Government Printing Office, and the Library of Congress;

(3) a committee designated by the Judicial Conference of the United States in the case of justices and judges of the United States, any officer or employee of the judicial branch of the Government or the District of Columbia government, and any Presidential nominee for any such position;

(4) the President in the case of any Commissioner of the Civil Service Commission and the Director of the Office of Government Ethics of the United States Civil Service Commission; and

(5) the Office of Government Ethics of the United States Civil Service Commission in the case of any other individual required to file a report under section 301; (b) (1) Each officer or employee whose supervising ethics office is the Office of Government Ethics of the United States Civil Service Commission (hereinafter referred to as the "Office of Government Ethics"), other than an individual excepted under paragraph (2), shall—

(A) file the report required by this title with the designated official of his agency; and

(B) file a copy of his report with the Office of Government Ethics if such officer or employee is the President, the Vice President, a Presidential appointee in the Executive Office of the President who is not subordinate to the head of an agency in that Office, a full-time member of a committee, board, or commission appointed by the President or an individual whose pay rate is specified in subchapter II of chapter 53 of title 5, United States Code.

(2) The President may exempt any individual in the Central Intelligence Agency, the Defense Intelligence Agency, or the National Security Agency, or any individual engaged in intelligence activities in any agency of the United States from the requirement to file a report with his supervising ethics office if the President find that, due to the nature of the office or position occupied by such individual, public disclosure of such report would reveal the identity of an undercover agent of the Federal Government. Each individual exempted by the President from such requirements shall file such report with the head of the agency in which he occupies an office or position and said report shall not be made public.

(c) Each Commissioner of the Civil Service Commission and the Director of the Office of Government Ethics of the Civil Service Commission shall file the report required by this title with the President and a copy with the Office of Government Ethics.

(d) (1) Each individual identified in subsection 301(d) who is nominated for a position the supervising ethics office for which is the Office of Government Ethics shall file the report required by this title with the Senate committee (in the case of a nominee for Vice President, the Senate and House committees) considering his nomination and a copy of such report with the agency in which he is nominated to serve and the Office of Government Ethics.

(2) Each individual identified in subsection 301(d) who is not referred to in paragraph (1) of this subsection shall file the report required by this title with the Senate committee considering his nomination and a copy of such report with the supervising ethics office for the position for which he is nominated.

(e) Each individual identified in subsection 301(e) shall file the report required by this title with the supervising ethics office for the position for which he is a candidate.

(f) (1) Each Member, officer, employee or candidate whose supervising ethics office is a committee designated by the Senate or House of Representatives shall file the report required by this title with the Secretary of the Senate or the Clerk of the House of Representatives, respectively.

(2) Each Member of the House of Representatives or the Senate or a candidate for such a position shall also file a copy of such report as a public document with the Secretary of State (or, if there is no office of Secretary of State, the equivalent state officer) in the State which the individual represents or in which he is a candidate.

(g) (1) Each justice, judge, adjudicatory official, officer, or employee of the judicial branch or the judicial branch of the District of Columbia shall file the report required by this title with his supervising ethics office.

(2) In addition, each justice or judge or other adjudicatory official of the judicial branch of the United States shall file a copy of such report as a public document with the clerk of the court on which he sits.

(h) The individual's supervising ethics office may grant one or more reasonable extensions of time for filing any report (other than a report required by subsection 301(d)) but the total of such extensions shall not exceed ninety days. The congressional committee considering a nomination may grant one or more reasonable extensions of time for filing any report required to be filed under subsection 301(d) but in no event shall such extension extend beyond the time such nominee is confirmed.

CUSTODY OF AND PUBLIC ACCESS TO REPORTS

SEC. 305. (a) The Secretary of the Senate, the Clerk of the House of Representatives, each Secretary of State, the committee designated by the Judicial Conference, and each clerk of court shall make each report filed under section 304 available to the public within fifteen days after the receipt of such report from any individual and provide a copy of such report to any person upon a written request.

(b) Each executive agency, as defined in section 105 of title 5, United States Code, and the Office of Government Ethics of the Civil Service Commission shall—

(1) make each report filed under section 304 available to the public within forty-five days after the receipt of such report from any individual and provide a copy of such report to any person upon a written request and

(2) prior to making such reports available to the public, cause each such report to be reviewed to assure compliance with applicable laws and regulations and indicate on the financial disclosure report the name of the person who conducted such review and the fact that no conflicts exist or a description of the action taken to eliminate any conflicts which do exist.

(c) Any person receiving a copy of a report or inspecting a report pursuant to subsection (a) or (b) shall be required to supply his name and address and the name of the person or organization, if any, on whose behalf he is requesting a report and may be required to pay a reasonable fee in any amount which is found necessary to recover the cost of reproduction or mailing of such report excluding any salary of any employee involved in such reproduction or mailing. A copy of such report may be furnished without charge or at a reduced charge if it is determined that waiver or reduction of the fee is in the public interest. The names and addresses of persons or organizations inspecting or receiving a copy of a report shall be made available to the reporting individual and to the public.

(d) (1) It shall be unlawful for any person to inspect or obtain a report—

- (A) for any unlawful purpose;
- (B) for any commercial purpose;
- (C) for determining or establishing the credit rating of any individual; or
- (D) for use, directly or indirectly, in the solicitation of money for any political, charitable, or other purpose.

(2) The Attorney General may bring a civil action against any person who inspects or obtains a report for any purpose prohibited in paragraph (1). The court in which such action is brought may assess against such person a penalty in any amount not to exceed \$5,000.

(e) Any report received under this title by the offices referred to in subsections (a) and (b) shall be held and kept available to the public for a period of six years after its receipt. After such six year period, any such report shall be destroyed.

AUDITS OF REPORTS

SEC. 306. (a) The Office of Government Ethics shall, under such regulations as are prescribed by that Office in order to monitor the accuracy and completeness of such reports—

(1) conduct, on a random basis, a sufficient number of audits, as deemed necessary and appropriate, of the reports filed with that Office (other than the reports filed by the President, Vice President, a Commissioner of the Civil Service Commission or the Director of the Office of Government Ethics); and

(2) audit at least one report filed by an individual holding the office of President, Vice President, or Civil Service Commissioner during the term of such person; and at least once every four years audit one report filed by the Director of the Office of Government Ethics, except that no such audit shall take place during the calendar year and any such individual is up for reelection.

(b) The Comptroller General shall, under such regulations as may be prescribed by him, in consultation with the respective supervising ethics office of the Senate or the House of Representatives, in order to monitor the accuracy and completeness of such reports—

(1) conduct on a random basis, a sufficient number of audits, as determined by the respective supervising ethics office, of the reports filed with such offices (other than those filed by a Member of the Senate or House of Representatives or an officer or employee of the General Accounting Office); and

(2) during each six-year period beginning after December 31, 1977, audit at least one report filed by each Member of the Senate and House of Representatives, except that no such audit shall take place during the calendar year such Member is up for reelection and the report of any Member not reelected or who does not serve out the term of his office shall not be subject to audit after he has left office.

(c) The supervising ethics office for the judicial branch of the United States and the District of Columbia shall, under such regulations as are prescribed by that office, conduct, on a random basis, a sufficient number of audits of the reports filed with that office in order to monitor the accuracy and completeness of such reports.

(d) The supervising ethics office of the Senate shall, under the regulations prescribed by the Comptroller General under subsection (c), conduct on a random basis, a sufficient number of audits of the reports filed with said office by officers and employees of the General Accounting Office in order to monitor the accuracy and completeness of such reports.

(e) The findings of each audit conducted pursuant to this section shall be transmitted to the individual being audited and that individual's supervising ethics office.

(f) Nothing in this section shall affect the authority of a supervising ethics office to conduct an audit of a report filed under this

title in the course of an investigation of allegations of wrongdoing.

**FAILURE TO FILE, FALSIFYING REPORTS;
PROCEDURE**

Sec. 307. (a) (1) Any individual who knowingly and willfully falsifies or omits to report any material information such individual is required to report under section 302 shall be fined in any amount not exceeding \$5,000, or imprisoned for not more than one year, or both.

(2) The Attorney General may bring a civil action in any district court of the United States against any individual who fails to file a report which such individual is required to file under section 301 or who fails to report or inaccurately reports any information which such individual is required to report under section 302. The court in which such action is brought may assess against such individual a penalty in any amount not to exceed \$5,000.

(b) The supervising ethics office shall refer to the Attorney General the name of any individual such office has reasonable cause to believe has failed to file a report, has falsified or failed to file information required to be reported, or has violated any law relating to conflicts of interest of officers and employees of the Government, and in the case of the President, Vice President, or any justice or judge of the United States, shall also refer such matter to the Committee on the Judiciary of the House of Representatives.

(c) The supervising ethics office for the judicial branch shall, subject to such procedures and regulations as the office shall prescribe—

(1) review the reports filed with it under this title to insure that the reports are filed in a timely manner, and are complete and in proper form;

(2) arrange for the audits required by section 308(c) of this title;

(3) investigate complaints with respect to alleged violations of this title;

(4) take appropriate administrative action against employees of the judicial branch who violate this title;

(5) refer matters to the Attorney General and the Committee on the Judiciary of the House of Representatives pursuant to section 307(b); and

(6) report at least annually to the Congress on the activities of the Judicial Conference of the United States pursuant to this title and the effectiveness of the judicial branch system for the prevention of conflicts of interest, with recommendations for changes or additions to applicable laws as necessary.

ADVISORY COMMISSION ON ETHICS

Sec. 308. (a) There is established an independent advisory commission to be known as the National Advisory Commission on Ethics in Government (hereinafter in this section referred to as the "Commission").

(b) (1) The Commission shall be composed of nine members who shall be appointed from private life, as follows:

(A) three appointed by the President of the United States, no more than two of whom shall be affiliated with the same political party;

(B) two appointed by the President of the Senate: *Provided*, That such appointees shall not be affiliated with the same political party;

(C) two appointed by the Speaker of the House of Representatives: *Provided*, That such appointees shall not be affiliated with the same political party; and

(D) two appointed by the Chief Justice of the United States: *Provided*, That such appointees shall not be affiliated with the same political party.

(2) The Commission shall elect a Chairman and a Vice Chairman from among its members. The Chairman and the Vice Chair-

man shall not be affiliated with the same political party. The Vice Chairman shall act as Chairman in the absence or disability of the Chairman.

(3) The terms of office of persons first appointed as members of the Commission shall be for the period of the 1979 calendar year.

(4) After the close of the 1979 calendar year, persons shall be appointed as members of the Commission with respect to the 1983 calendar year. The terms of office of persons so appointed shall be for the period of the 1983 calendar year.

(5) A vacancy in the membership of the Commission shall be filled in the manner in which the original appointment was made.

(6) Each member of the Commission shall be paid at the rate of \$100 for each day such member is engaged upon the work of the Commission, and shall be allowed travel expenses, including a per diem allowance, in accordance with section 5703(b) of title 5 of the United States Code, when engaged in performance of services for the Commission.

(c) (1) Without regard to the provisions of title 5 of the United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates, and on a temporary basis for periods covering all or part of any calendar year referred to in subsection (b) of this section—

(A) the Commission shall appoint an Executive Director and General Counsel and fix their basic pay at the rate provided for level V of the Executive Schedule by section 5316 of title 5 of the United States Code, and

(B) with the approval of the Commission, the Executive Director is authorized to appoint and fix the basic pay (at respective rates not in excess of the maximum rate of the General Schedule in section 5332 of title 5 of the United States Code) of such additional personnel as may be necessary to carry out the function of the Commission.

(2) Upon the request of the Commission, the head of any department, agency, or establishment of any branch of the Federal Government is authorized to detail, on a reimbursable basis, for periods covering all or part of any calendar year referred to in subsection (b) of this section, any personnel of such department, agency, or establishment in carrying out its functions.

(d) The Commission may use the United States mails in the same manner and upon the same conditions as other departments and agencies of the United States.

(e) The Administrator of General Services shall provide administrative support services for the Commission on a reimbursable basis.

(f) The Commission shall conduct, in each of the respective calendar years referred to in subsection (b) of this section, a review of—

(1) the effectiveness in avoiding conflicts of interest and the efficiency of the operation of the financial disclosure system established by this title, and a summary of actions taken under Section 307 for—

(A) Members of Congress, Congressional candidates, legislative branch employees;

(B) the Judiciary, and

(C) executive branch officials and employees,

(2) the effectiveness and frequency of use of remedies for conflicts of interest, including but not limited to, divestiture and disqualification and blind trusts;

(3) the effectiveness of the enforcement systems established to insure compliance with financial disclosure and other requirements designed to minimize conflicts of interest.

(4) the effectiveness of post-employment restrictions established by this title in eliminating the interchange of personnel between government and industry, and whether the preemployment reporting requirements established by this title reveal any need for additional legislation to avoid conflicts of interest arising from previous employment.

(5) any other matters relating to the financial conflicts of interest of public officials.

(g) The Commission shall submit to the President of the United States, the President of the Senate, the Speaker of the House of Representatives and the Chief Justice of the United States a report of the results of each review conducted by the Commission under subsection (f) of this section, together with its recommendations. Each such report shall be submitted not later than January 1 next following the close of any calendar year in which the review is conducted by the Commission.

DEFINITIONS

SEC. 309. As used in this title—

(1) the term "agency" means each authority of the Government of the United States;

(2) the term "candidate" has the meaning set forth in section 301 of the Federal Election Campaign Act of 1971 (2 U.S.C. 431);

(3) the term "commodity future" means commodity future as defined in section 2 and 5 of the Commodity Exchange Act, as amended (7 U.S.C. 2 and 5);

(4) the term "Comptroller General" means the Comptroller General of the United States;

(5) the term "dependent" has the meaning set forth in section 152 of the Internal Revenue Code of 1954;

(6) the term "earned income" means any income earned by an individual which is compensation received as a result of personal services actually rendered;

(7) the term "employee" includes any employee designated under section 2105 of title 5, United States Code, and any employee of the United States Postal Service or of the Postal Rate Commission;

(8) the term "gift" means a payment, subscription, advance, forbearance, rendering, or deposit of money, services, or anything of value, including food, lodging, transportation, or entertainment, and reimbursement for other than necessary expenses, unless consideration of equal or greater value is received, but does not include (A) a political contribution otherwise reported as required by law, (B) a loan made in a commercially reasonable manner (including requirements that the loan be repaid and that a reasonable rate of interest be paid), (C) a bequest, inheritance, or other transfer at death, or (D) anything of value given to a spouse or dependent of a reporting individual by the employer of such spouse or dependent in recognition of the service provided by such spouse or dependent;

(9) the term "income" means gross income as defined in section 61 of the Internal Revenue Code of 1954;

(10) the term "Member of Congress" means a Senator, a Representative, a Resident Commissioner, or a Delegate;

(11) the term "officer" includes any officer designated under section 2104 of title 5, United States Code, and any officer of the United States Postal Service or of the Postal Rate Commission;

(12) the term "officer or employee of the Senate or the House of Representatives" includes any individual whose salary is disclosed by the Secretary of the Senate or the Clerk of the House of Representatives except the Vice President;

(13) the term "Presidential nominee" means an individual appointed by the President to an office for which confirmation, by

and with the advice and consent of the Senate, is required, or an individual nominated by the President to serve as Vice President pursuant to the twenty-fifth article of amendment to the Constitution of the United States;

(14) the term "relative" means, with respect to a person required to file a report under this rule, an individual who is related to the person as father, mother, son, daughter, brother, sister, uncle, aunt, great uncle, great aunt, first cousin, nephew, niece, husband, wife, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, fiancé, fiancée, or who is the grandfather or grandmother of the spouse of the person reporting;

(15) the term "security" has the meaning set forth in section 2 of the Securities Act of 1933, as amended (15 U.S.C. 77b);

(16) the term "transactions in securities and commodities futures" means any acquisition, transfer, or other disposition involving any security or commodity future;

(17) the term "uniformed services" means any of the Armed Forces, the commissioned corps of the Public Health Service, or the commissioned corps of the National Oceanic and Atmospheric Administration.

APPLICABILITY TO PER DIEM EMPLOYERS

SEC. 310. Notwithstanding any other provision of this title, in exceptional circumstances, the supervising ethics office of an individual who is an employee hired on a per diem basis or a consultant retained on a contractual basis, may waive the applicability of the provisions of this title to such individual, except section 307.

SEPARABILITY

Sec. 311. If any part of this title is held invalid, the remainder of the title shall not be affected thereby. If any provision of any part of this title, or the application thereof to any person or circumstance, is held invalid, the provisions of other parts and their application to other persons or circumstances shall not be affected thereby.

AUTHORIZATION OF APPROPRIATIONS

Sec. 312. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title.

EFFECTIVE DATE:

Sec. 313. This title shall take effect on January 1, 1978, and the first reports under section 301(a) shall be filed on or before May 15, 1978, and shall only include the information required by paragraphs (e), (f), (i), (j), (k), and (l) of section 302 as of January 1, 1978.

TITLE IV—OFFICE OF GOVERNMENT ETHICS

OFFICE OF GOVERNMENT ETHICS

Sec. 401. (a) There is established in the United States Civil Service Commission (hereinafter referred to as the "Commission") an office to be known as the Office of Government Ethics (hereinafter referred to as the "Office").

(b) There shall be at the head of the Office a Director (hereinafter referred to as the "Director"), who shall be appointed by the President, by and with the advice and consent of the Senate.

AUTHORITY AND FUNCTIONS

Sec. 402. (a) The Director shall provide, under the general supervision of the Commission, overall direction of executive branch policies related to preventing conflicts of interest on the part of officers and employees of any executive agency, as defined in section 105 of title 5, United States Code, except the General Accounting Office.

(b) The responsibilities of the Director shall include—

(1) developing and recommending to the Commission, in consultation with the Attorney General, rules and regulations to be promulgated by the President or the Commission pertaining to conflicts of interest and ethics in the executive branch, including rules and regulations establishing procedures for the filing, review, and public availability of financial statements filed by officers and employees in the executive branch as required by title III of this Act;

(2) developing and recommending to the Commission, in consultation with the Attorney General, rules and regulations to be promulgated by the President or the Commission pertaining to the identification and resolution of conflicts of interest;

(3) monitoring and investigation compliance with the public financial disclosure requirements of title III of this Act by officers and employees of the executive branch and executive agency officials responsible for receiving, reviewing, and making available such statements;

(4) establishing a system whereby each financial disclosure statement filed, whether public or confidential, is promptly reviewed by the Director, an ethics counselor, or a reviewing official under the supervision thereof, and that the individual conducting the review signs and dates the financial disclosure statement and indicates on the

statement that it has been reviewed and that no conflicts exist or indicates the action taken to eliminate any conflicts which do exist;

(5) conducting the random audits required by title III of this Act of financial disclosure statements to determine whether such statements are complete and accurate;

(6) conducting a random annual review of not less than five per centum of the financial statements filed by officers and employees in the executive branch as required by title III of this Act to determine whether such statements reveal possible violations of applicable conflict of interest laws or regulations and recommending appropriate action to correct any conflict of interest or ethical problems revealed by such review;

(7) monitoring and investigating individual and agency compliance with any additional financial reporting and internal review requirements established by law for the executive branch;

(8) interpreting rules and regulations issued by the President or the Commission governing conflict of interest and ethical problems and the filing of financial statements;

(9) consulting, when requested, with agency ethics counselors and other responsible officials regarding the resolution of conflict of interest problems in individual cases;

(10) establishing a formal advisory opinion service whereby advisory opinions which the Director renders on matters of general applicability or on important matters of first impression are rendered after, to the extent practicable, providing interested parties with an opportunity to transmit written comments to the Director with respect to the request for such advisory opinion, and whereby such advisory opinions are compiled, published, and made available to agency ethics counselors and the public;

(11) ordering corrective action on the part of agencies and employees which the Director deems necessary;

(12) requiring such reports from executive agencies as the Director deems necessary;

(13) assisting the Attorney General in evaluating the effectiveness of the conflict of interest laws and in recommending appropriate legislative action;

(14) evaluating with the assistance of the Attorney General, the need for changes in rules and regulations issued by the Commission and the agencies regarding conflict of

interest and ethical problems, with a view toward making such rules and regulations consistent with and an effective supplement to the conflict of interest laws;

(15) cooperating with the Attorney General in developing an effective system for reporting allegations of violations of conflict of interest laws to the Attorney General, as required by section 535 of title 28, United States Code;

(16) providing information on and promoting understanding of ethical standards in executive agencies;

(17) reporting to the Commission recommendations which shall be submitted to the Congress no later than February 1, 1979, as to which additional executive branch employees, if any, should be covered by the requirements for public financial disclosure and a report on which executive branch officials are required to file confidential financial disclosure statements under any Executive order, rules, or regulations; and

(18) reporting to the Commission, which report shall be submitted to the President and the Congress at least annually, on the activities of the Office and the effectiveness of the executive branch system for the prevention of conflicts of interest, with recommendations for changes or additions to applicable laws as necessary. Such report shall include the number of financial disclosure statements annually audited by the Office pursuant to title III of this Act.

(c) In the development of policies, rules, regulations, procedures, and forms to be recommended, authorized, or prescribed by him, the Director shall consult, when appropriate, with the executive agencies affected and the Attorney General.

ADMINISTRATIVE PROVISIONS

Sec. 403. (a) Upon the request of the Director, each executive agency is directed to—

(1) make its services, personnel, and facilities available to the Director to the greatest practicable extent for the performance of functions under this Act; and

(2) except when prohibited by law, furnish to the Director all information and records in its possession which the Director may determine to be necessary for the performance of his duties.

(b) Section 5316 of title 5, United States Code, is amended by adding at the end thereof the following:

"(141) Director, Office of Government Ethics, Civil Service Commission".

AUTHORIZATION OF APPROPRIATIONS

Sec. 404. There are authorized to be appropriated to carry out the provisions of this title—

(1) not to exceed \$3,000,000 for the fiscal year ending September 30, 1978;

(2) not to exceed \$3,000,000 for each of the fiscal years 1979, 1980, 1981, and 1982.

SEPARABILITY

Sec. 405. If any part of this title is held invalid, the remainder of the title shall not be affected thereby. If any provision of any part of this title, or the application thereof to any person or circumstance, is held invalid, the provisions of other parts and their application to other persons or circumstances shall not be affected thereby.

REPORTS ISSUED ON AGENCIES'
FINANCIAL DISCLOSURE SYSTEMS

<u>Agency</u>	<u>Report title, number, and issue date</u>
Federal Power Commission	Need for Improving the Regulation of the Natural Gas Industry and Management of Internal Operations, B-180228, 9/13/74.
U.S. Geological Survey	Effectiveness of the Financial Disclosure System for Employees of the U.S. Geological Survey, FPCD-75-131, 3/3/75.
Civil Aeronautics Board	Effectiveness of the Financial Disclosure System for Civil Aeronautics Board Employees Needs Improvement, FPCD-76-6, 9/16/75.
Federal Maritime Commission	Improvements Needed in the Federal Maritime Commission's Financial Disclosure System for Employees, FPCD-76-16, 10/22/75.
U.S. Railway Association	Improvements Needed in Procurement and Financial Disclosure Activities of the U.S. Railway Association, RED-76-41, 11/5/75.
Department of the Interior	Department of the Interior Improves Its Financial Disclosure System for Employees, FPCD-75-167, 12/2/75.
Food and Drug Administration	Financial Disclosure System for Employees of the Food and Drug Administration Needs Tightening, FPCD-76-21, 1/19/76.
U.S. Geological Survey	Letter report to Congressman John Moss on U.S. Geological Survey Employees' Divestiture, FPCD-76-37, 2/2/76.

REPORTS ISSUED ON AGENCIES' FINANCIAL
DISCLOSURE SYSTEMS

<u>Agency</u>	<u>Report title, number, and issue date</u>
Inter-American Foundation	Inter-American Foundation's Financial Disclosure System for Employees and Its Procurement Practices, ID-76-69, 6/30/76.
Federal Aviation Administration	Problems With the Financial Disclosure System, Federal Aviation Administration. FPCD-76-50, 8/4/76.
Department of Commerce	Problems Found in the Financial Disclosure System for Department of Commerce Employees, FPCD-76-55, 8/10/76.
Small Business Administration	Management Control Functions of the Small Business Administration--Improvements Are Needed, GGD-76-74, 8/23/76.
Export-Import Bank	Export-Import Bank's Financial Disclosure System for Employees and Its Procurement Practice, ID-76-81, 10/4/76.
Federal Communications Commission	Actions Needed To Improve the Federal Communications Commission Financial Disclosure System, FPCD-76-51, 12/21/76.
Tennessee Valley Authority	Tennessee Valley Authority: Information on Certain Contracting and Personnel Management Activities, CED-77-4, 12/29/76.
Food and Drug Administration	The Food and Drug Administration's Financial Disclosure System for Special Government Employees: Progress and Problems, FPCD-76-99, 1/24/77.

<u>Agency</u>	<u>Report title, number, and issue date</u>
Energy Research and Development Administration	An Improved Financial Disclosure System, FPCD-77-14, 1/26/77.
Department of Agriculture	Financial Disclosure System for Department of Agriculture Employees Needs Strengthening, FPCD-77-17, 1/31/77.
The White House	Action Needed To Make the Executive Branch Financial Disclosure System Effective, FPCD-77-23, 2/28/77.
Office of the Comptroller of the Currency	Financial Disclosure Systems in Banking Regulatory Agencies, FPCD-77-29, 3/23/77.
The Federal Deposit Insurance Corporation	The Federal Deposit Insurance Corporation's Financial Disclosure Regulations Should Be Improved, FPCD-77-49, 6/1/77.

PRINCIPAL CIVIL SERVICE COMMISSION OFFICIALS

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
COMMISSIONER:		
Alan K. Campbell, Chairman	May 1977	Present
Jule M. Sugarman, Vice Chairman	June 1977	Present
Ersa H. Poston, Commissioner	June 1977	Present
Robert E. Hampton, Chairman	Jan. 1969	Dec. 1976
Georgiana H. Sheldon, (acting Chairman)	Dec. 1976	May 1977
L. J. Andolsek, Commissioner	Apr. 1963	May 1977
EXECUTIVE DIRECTOR:		
Raymond Jacobson	July 1975	Present
Bernard Rosen	June 1971	June 1975
GENERAL COUNSEL:		
Carl Goodman	Aug. 1975	Present
Anthony Mondello	Apr. 1968	July 1975
ETHICS COUNSELOR:		
David Reich	Jan. 1975	Present