

September 1997

FINANCIAL AUDIT

Independent Counsel Expenditures for the Six Months Ended March 31, 1997



**Accounting and Information
Management Division**

B-277107

September 30, 1997

Congressional Committees

Enclosed is our opinion on the statements of expenditures of seven offices of independent counsel for the 6 months ended March 31, 1997. This audit was required by 28 U.S.C. 596(c)(2) (1994) and Public Law 100-202.

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



David L. Clark
Director, Audit Oversight and Liaison

Contents

Letter	1
Opinion Letter	4
Appendix I Statement of Expenditures for Independent Counsel Adams/Thompson	10
Appendix II Statement of Expenditures for Independent Counsel Barrett	13
Appendix III Statement of Expenditures for Independent Counsel diGenova/Zeldin	16
Appendix IV Statement of Expenditures for Independent Counsel Pearson	19

Appendix V Statement of Expenditures for Independent Counsel Smaltz	22
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Appendix VI Statement of Expenditures for Independent Counsel Starr	25
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Appendix VII Statement of Expenditures for Independent Counsel Sealed-1996	28
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Abbreviations

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

**Accounting and Information
Management Division**

B-277107

Congressional Committees

This report presents the results of our audits of expenditures¹ reported by seven offices of independent counsel for the 6 months ended March 31, 1997. The Department of Justice and the independent counsels are required under 28 U.S.C. 594(d)(2),(h), and 596(c)(1) (1994) to report on expenditures from a permanent, indefinite appropriation established within Justice to fund independent counsel activities. To satisfy the requirements of 28 U.S.C. 596(c)(2) and Public Law 100-202, we audit the statements of expenditures prepared by the independent counsels.

We found that the statements of expenditures presented in appendixes I through VII, respectively, for the offices of independent counsel (OIC) Arlin M. Adams/Larry D. Thompson, David M. Barrett, Joseph E. diGenova/Michael F. Zeldin, Daniel S. Pearson, Donald C. Smaltz, Kenneth W. Starr, and a sealed independent counsel were reliable in all material respects. Our consideration of internal controls, which was limited for the purpose of determining our procedures for auditing the statements of expenditures, disclosed no material weaknesses. Further, our audits included limited tests of compliance with laws and regulations that disclosed no reportable instances of noncompliance with the laws and regulations we tested.

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

Background

The Ethics in Government Act of 1978 amended title 28 of the United States Code to authorize the judicial appointment of independent counsels when the Attorney General determines that reasonable grounds exist to warrant further investigation of high-ranking government officials for certain alleged crimes. The independent counsel law (28 U.S.C. 591-599 (1994)) is intended to preserve and promote the accountability and integrity of public officials and of the institutions of the federal government. The Independent Counsel Reauthorization Act of 1994 further amended title 28 of the United States Code to establish certain procedural requirements and extend the law's expiration date to June 30, 1999.

The independent counsel law directs the Department of Justice to pay all costs relating to the establishment and operation of independent counsel offices and designates specific responsibilities to the Administrative Office

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

of the U.S. Courts (AOUSC) for independent counsels' administrative support. Justice periodically disburses lump-sum payments to AOUSC for this purpose.

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

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

Also, these statements and related notes do not include certain expenditures related to the investigation by former independent counsel Lawrence E. Walsh. Mr. Walsh's office officially closed in March 1994, and accordingly, no longer prepares financial statements. However, in September 1996, a special division of the U.S. Court of Appeals for the D.C. Circuit awarded reimbursements of \$562,111 for attorneys' fees and expenses to individuals who had been investigated by Mr. Walsh but not indicted. The reimbursement was made in October 1996 from the permanent fund established for the payment of judgments.

Opinion on Statements of Expenditures

The statements of expenditures, including the accompanying notes, for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Joseph E. diGenova/Michael F. Zeldin, Daniel S. Pearson, Donald C. Smaltz, Kenneth W. Starr, and a sealed independent counsel present fairly, in all material respects, in conformity with a comprehensive basis of accounting other than generally accepted accounting principles, as described in note 1 to each office's statement, the respective expenditures of each office for the 6 months ended March 31, 1997. The statements of expenditures and related notes regarding the basis of

accounting and additional pertinent information are in appendixes I through VII.

Consideration of Internal Control Structure

We gained an understanding of internal controls whose objectives are to

- safeguard assets against loss from unauthorized acquisition, use, or disposition;
- assure the execution of transactions in accordance with laws governing the use of budget authority and with other laws and regulations that have a direct and material effect on the statements of expenditures; and
- properly record, process, and summarize transactions to permit the preparation of reliable statements of expenditures and to maintain accountability for assets.

The purpose of our consideration of internal controls was to determine our procedures for auditing the statements of expenditures, and accordingly we do not express an opinion on internal controls. However, for the controls we tested, we found no material weaknesses in the internal control structure and its operations for the 6-month period ended March 31, 1997. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the statements of expenditures may occur and not be detected promptly by employees in the normal course of performing their duties. Our internal control work would not necessarily disclose all material weaknesses.

Compliance With Laws and Regulations

Our audit tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

In order to carry out their financial operations and to ensure accountability, independent counsels are responsible for

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

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

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

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

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

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

We obtained, but did not audit, information on costs that were not paid from the permanent, indefinite appropriation established to fund independent counsel activities. We obtained information on these costs

from the independent counsel offices; the Department of Justice, including the FBI; the Internal Revenue Service; the Office of Inspector General for the Department of Agriculture; and the Office of Investigations of the U.S. Customs Service.

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

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

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

David L. Clark
Director, Audit Oversight and Liaison

September 12, 1997

List of Committees

The Honorable Ted Stevens
Chairman

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

The Honorable Fred Thompson
Chairman

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

The Honorable Orrin G. Hatch
Chairman

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

The Honorable Bob Livingston
Chairman

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

The Honorable Dan Burton
Chairman

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

The Honorable Henry J. Hyde
Chairman

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

Statement of Expenditures for Independent Counsel Adams/Thompson

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL
ADAMS/THOMPSON

ARLIN M. ADAMS/LARRY D. THOMPSON

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 1997

Personnel compensation and benefits	\$243,048
Travel	10,229
Rent, communications, and utilities (note 2)	198,636
Contractual services (note 3)	138,199
Supplies and materials	544
Administrative services (note 4)	<u>31,344</u>
Total expenditures	<u>\$622,000</u>

The accompanying notes are an integral part of this statement.

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

ARLIN M. ADAMS/LARRY D. THOMPSON

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel - Arlin M. Adams/Larry D. Thompson (OIC-Adams/Thompson) for the 6 months ended March 31, 1997. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Adams was appointed on March 1, 1990, to investigate the administration of various programs of the Department of Housing and Urban Development (HUD) from 1983 to 1989. On May 15, 1995, Mr. Adams resigned his appointment, effective July 3, 1995, at which time he was succeeded by Mr. Larry D. Thompson as independent counsel.

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

Note 2 - Rent, communications, and utilities

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

Note 3 - Contractual services

Contractual services primarily consist of litigation support services and products that assist this office in responding to court pleadings and preparing its final report.

Appendix I
Statement of Expenditures for Independent
Counsel Adams/Thompson

Note 4 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Adams/Thompson. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$13,846, incurred by AOUSC and Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Statement of Expenditures for Independent Counsel Barrett

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL BARRETT

DAVID M. BARRETT

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 1997

Personnel compensation and benefits	\$806,794
Travel (note 2)	169,646
Rent, communications, and utilities (note 3)	182,092
Contractual services (note 4)	51,654
Acquisition of capital assets	4,762
Supplies and materials	11,402
Administrative services (note 5)	<u>81,061</u>
Total expenditures	<u>\$1,307,411</u>

The accompanying notes are an integral part of this statement.

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

DAVID M. BARRETT

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel - David M. Barrett (OIC-Barrett) for the 6 months ended March 31, 1997. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Barrett was appointed on May 24, 1995, to investigate certain allegations against the Secretary of the Department of Housing and Urban Development.

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

Note 2 - Travel

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

Note 3 - Rent, communications, and utilities

Approximately \$149,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

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

Note 5 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Barrett. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$46,435, incurred by AOUSC and Justice in providing administrative guidance and support to independent counsel offices. These

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

costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Note 6 - Other operating costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the Federal Bureau of Investigation (FBI) were financed through funds appropriated to the FBI and, accordingly, are not included in the statement of expenditures. The FBI is not reimbursed for these costs. The estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of the FBI, were \$356,509.

Statement of Expenditures for Independent Counsel diGenova/Zeldin

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL diGENOVA/ZELDIN

JOSEPH E. diGENOVA/MICHAEL F. ZELDIN

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 1997

Personnel compensation and benefits and travel	\$ 582
Rent, communications, and utilities (note 2)	(1,505)
Administrative services (note 3)	<u>3,251</u>
Total expenditures	\$ <u>2,328</u>

The accompanying notes are an integral part of this statement.

**Appendix III
Statement of Expenditures for Independent
Counsel diGenova/Zeldin**

JOSEPH E. diGENOVA/MICHAEL F. ZELDIN

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel - Joseph E. diGenova/Michael F. Zeldin (OIC-diGenova/Zeldin) for the 6 months ended March 31, 1997. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. diGenova was appointed on December 14, 1992, to investigate a preelection search of passport files. OIC-diGenova's investigation concluded on November 30, 1995, when the office issued its report. On January 11, 1996, Joseph diGenova resigned as Independent Counsel and was succeeded by Michael F. Zeldin. The office remained open while the Department of Justice and the OIC evaluated petitions for attorneys' fees. Approved fees will be paid from funds outside of the OIC's appropriations. The office closed on June 1, 1996.

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

Note 2 - Rent, communications, and utilities

This balance consists primarily of a refund of about \$1,500 from a local telephone company.

Note 3 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-diGenova/Zeldin. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$2,257, incurred by AOUSC and Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

**Appendix III
Statement of Expenditures for Independent
Counsel diGenova/Zeldin**

Note 4 - Other costs (unaudited)

In May, July, and August 1996, a special division of the U.S. Court of Appeals for the D.C. Circuit awarded reimbursements of \$369,123 for attorneys' fees and expenses to individuals who had been investigated by OIC-diGenova/Zeldin but not indicted. The reimbursements were made in November 1996 from the permanent fund established for the payment of judgments.

Statement of Expenditures for Independent Counsel Pearson

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL PEARSON

DANIEL S. PEARSON

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 1997

Personnel compensation and benefits	\$380,354
Travel (note 2)	129,320
Rent, communications, and utilities (note 3)	14,788
Contractual services (note 4)	3,504
Acquisition of capital assets (note 5)	4,004
Supplies and materials	431
Administrative services (note 6)	<u>32,996</u>
Total expenditures	<u>\$565,397</u>

The accompanying notes are an integral part of this statement.

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

DANIEL S. PEARSON

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel - Daniel S. Pearson (OIC-Pearson) for the 6 months ended March 31, 1997. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Pearson was appointed on July 6, 1995, to investigate certain allegations against the Secretary of Commerce. On April 3, 1996, the Secretary was killed in a plane crash. Shortly thereafter, the independent counsel closed the investigation of the Secretary and transferred the investigation related to other parties to the Department of Justice. Mr. Pearson's final report covering his independent counsel activities was released to the public by the U.S. Court of Appeals for the District of Columbia Circuit on November 14, 1996.

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

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Pearson personnel, detailees from other federal agencies, such as the FBI, and witnesses.

Note 3 - Rent, communications, and utilities

OIC-Pearson paid no rent during this period.

Note 4 - Contractual services

Contractual services primarily consist of payments to experts and to the General Services Administration.

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

Note 5 - Acquisition of capital assets

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

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Pearson. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$6,044, incurred by AOUSC and Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Statement of Expenditures for Independent Counsel Smaltz

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL SMALTZ

DONALD C. SMALTZ

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 1997

Personnel compensation and benefits	\$1,286,149
Travel (note 2)	422,834
Rent, communications, and utilities (note 3)	350,732
Contractual services (note 4)	377,091
Acquisition of capital assets (note 5)	31,268
Supplies and materials	57,339
Administrative services (note 6)	<u>165,144</u>
Total expenditures	<u>\$2,690,557</u>

The accompanying notes are an integral part of this statement.

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

DONALD C. SMALTZ

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel - Donald C. Smaltz (OIC-Smaltz) for the 6 months ended March 31, 1997. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of U.S. Courts (AOUSC) and the OIC. Mr. Smaltz was appointed on September 9, 1994, to investigate activities of a former Secretary of the Department of Agriculture.

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

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Smaltz personnel, detailees from other federal agencies, such as the FBI, and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$161,100 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services includes investigative, court reporting, and other experts and contractual services.

Note 5 - Acquisition of capital assets

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

Appendix V
Statement of Expenditures for Independent
Counsel Smaltz

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Smaltz. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$93,445, incurred by AOUSC and Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other operating costs (unaudited)

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

	Costs <u>(unaudited)</u>
FBI	\$279,744
Other Justice	2,699
Customs	28,556
Agriculture IG	<u>184,370</u>
	<u>\$495,369</u>

Statement of Expenditures for Independent Counsel Starr

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL STARR

KENNETH W. STARR

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 1997

Personnel compensation and benefits	\$1,613,944
Travel (note 2)	392,937
Rent, communications, and utilities (note 3)	306,165
Contractual services (note 4)	313,555
Acquisition of capital assets	11,566
Supplies and materials	44,390
Administrative services (note 5)	<u>142,707</u>
Total expenditures	<u>\$2,825,264</u>

The accompanying notes are an integral part of this statement.

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

KENNETH W. STARR

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel - Kenneth W. Starr (OIC-Starr) for the 6 months ended March 31, 1997. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of U.S. Courts (AOUSC) and the OIC. Mr. Starr was appointed on August 5, 1994, to assume the investigation of possible violations of federal criminal law in Re: Madison Guaranty Savings and Loan Association and other entities, which was begun by regulatory Independent Counsel Robert B. Fiske, Jr. The U.S. Court of Appeals subsequently expanded OIC-Starr's jurisdiction to include selected White House Travel Office and access to personnel file issues on March 22, 1996, and June 21, 1996, respectively. On October 25, 1996, it further expanded OIC-Starr's jurisdiction to include issues related to statements made before the Government Reform and Oversight Committee, U.S. House of Representatives, on June 26, 1996.

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

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Starr personnel, detailees from other federal agencies, such as the Department of Justice, and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$184,200 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of expenditures for investigators, consultants, and other specialists in areas of interest to the investigation as well as alterations and repairs to office space rented from the General Services Administration.

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

Note 5 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Starr. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$56,336, incurred by AOUSC and Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

Note 6 - Other operating costs (unaudited)

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

	Costs (unaudited)
FBI	\$491,494
IRS	<u>15,705</u>
	<u>\$507,199</u>

Statement of Expenditures for Independent Counsel Sealed-1996

STATEMENT OF EXPENDITURES FOR INDEPENDENT COUNSEL
SEALED-1996

INDEPENDENT COUNSEL SEALED-1996

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

For the Period November 27, 1996 (inception),
through March 31, 1997

Personnel compensation and benefits	\$38,575
Communications	398
Contractual services	493
Acquisition of capital assets (note 2)	1,502
Supplies and materials	229
Administrative services (note 3)	<u>7,587</u>
Total expenditures	<u>\$48,784</u>

The accompanying notes are an integral part of this statement.

**Appendix VII
Statement of Expenditures for Independent
Counsel Sealed-1996**

INDEPENDENT COUNSEL SEALED-1996

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel Sealed-1996 (OIC-Sealed) for the period from November 27, 1996 (inception), through March 31, 1997. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the offices of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. The independent counsel was appointed on November 27, 1996.

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

Note 2 - Acquisition of capital assets

The capital assets expenditures are primarily for telephone systems. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 3 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Sealed. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$6,832, incurred by AOUSC and Justice in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC or Justice, paid from the independent counsel appropriation, and allocated to the OIC.

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