

**NOMINATIONS OF JAMES G. HUSE, JR.
AND NEAL S. WOLIN**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON THE

NOMINATION OF

**JAMES G. HUSE, JR., TO BE INSPECTOR GENERAL, SOCIAL SECURITY
ADMINISTRATION; AND NEAL S. WOLIN, TO BE GENERAL COUNSEL,
DEPARTMENT OF THE TREASURY**

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SEPTEMBER 15, 1999
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INSPECTOR GENERAL, SOCIAL SECURITY
ADMINISTRATION; AND NEAL S. WOLIN, TO
BE GENERAL COUNSEL, DEPARTMENT OF
THE TREASURY**

WEDNESDAY, SEPTEMBER 15, 1999

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:10 a.m., in room SD-215, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman of the committee) presiding.

Also present: Senators Grassley, Moynihan, Conrad, and Kerrey.

**OPENING STATEMENT OF HON. WILLIAM V. ROTH, JR., A U.S.
SENATOR FROM DELAWARE, CHAIRMAN, COMMITTEE ON FI-
NANCE**

The CHAIRMAN. The committee will please be in order.

Good morning. We are here to consider two very important nominations, Neal S. Wolin, to be General Counsel of the Treasury, and James G. Huse, to be Inspector General of the Social Security Administration.

Do not be concerned about the young ones, because we are proud to have them. [Laughter.] Oh, come on, you do not have to leave. He makes more sense than some of the Senators. [Laughter.] Emphatically so.

As I said, both of these positions are very important. The Treasury General Counsel heads a legal department of about 2,000 attorneys and is responsible for legal advice on diverse issues ranging from management of the public debt to law enforcement.

The Social Security IG is responsible for promoting efficiency, economy, and preventing and detecting fraud and abuse in the Nation's largest and most popular, important program, Social Security and SSI.

I look forward to hearing from both of our nominees today. We are going to try, to be honest, to push you quickly, because we, as always, have some votes scheduled at 11:00.

So it is now my pleasure to turn to my good friend and colleague, Senator Moynihan.

**OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN,
A U.S. SENATOR FROM NEW YORK**

Senator MOYNIHAN. Thank you, Mr. Chairman. Let us see what response I get from the little one. [Laughter.]

The CHAIRMAN. Very smart baby. [Laughter.]

Senator MOYNIHAN. That suggests brevity, Mr. Chairman.

I would like simply to endorse, as I know our colleague, Senator Conrad will do, the importance of the two positions we have before us and the distinction of the two nominees that have come before us.

Mr. Huse has a long experience in the kind of work he is doing, and it is very serious nationwide. It goes around the world, indeed, because Social Security checks, I suppose, are mailed to 150 countries in the world, if not more.

I believe, sir, that you have been acting Inspector General, is that not the case?

Mr. HUSE. Yes, Senator. Since June of 1998.

Senator MOYNIHAN. So, in effect, you know what the job is you are about to take.

Mr. Wolin, I would just note by way of congratulations that I believe you will be the youngest General Counsel of the Department of Treasury.

Mr. WOLIN. I believe so, Senator.

Senator MOYNIHAN. Younger than Alexander Hamilton. [Laughter.]

Mr. WOLIN. I am not sure about that, Senator. But, yes, indeed.

Senator MOYNIHAN. Well, that is quite a nice thing to know.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Moynihan.

Yes, sir. Senator Conrad?

**OPENING STATEMENT OF HON. KENT CONRAD, A U.S.
SENATOR FROM NORTH DAKOTA**

Senator CONRAD. Mr. Chairman, I just want to point out that these positions are critically important to the proper functioning of these departments and agencies, and from a review of the records and backgrounds of both Mr. Huse and Mr. Wolin, it appears to me that the administration has chosen well. I hope we can move these nominations very quickly through the process.

These are people with very distinguished backgrounds, and I might say, from what I have heard just through the grapevine, people who are really exceptional. We are very pleased that you are willing to serve in the public sector. We know that you could make much more money in the private sector.

It would be very difficult for these agencies to function appropriately without the quality and the character of people like you willing to come forward and serve, and I just want to publicly commend you for that willingness to take on public service.

Thank the Chairman.

The CHAIRMAN. Thank you. I would echo those sentiments.

Mr. Wolin and Mr. Huse, I hear that you have some members of your family here that you would like to introduce. Incidentally, Mr. Wolin, you have, I understand, twin nephews.

Mr. WOLIN. Yes, Mr. Chairman.

The CHAIRMAN. Which follows in the footsteps of two recent Treasury nominees, Larry Summers and Lee Sachs, both of whom have twins. Was this a prerequisite for the job? [Laughter.]

Mr. WOLIN. I think it may have been, Mr. Chairman.

The CHAIRMAN. Would you please introduce your family.

Mr. WOLIN. Thank you very much, Mr. Chairman. My father, Harry Wolin. My sister is with us, Karen Wolin, and her husband Joe Carsons. And then the twins; Zeke, with my sister Karen, and Max with my brother-in-law, Joe.

The CHAIRMAN. Well, we want to welcome you. I know this is a very important day. We are particularly delighted to have the nephews.

Mr. Huse?

Mr. HUSE. Thank you, Mr. Chairman. I would like to introduce my son Jim and his wife Dodi from New York City. Jim is a Secret Service agent. My son, Tom, and his friend, Sarah Brown. Tom is a lawyer in Annapolis. My nephew, Peter. I also would like to introduce Monseigneur Jerry Kenny, who is our National chaplain.

The CHAIRMAN. Let me welcome and thank each of you for being here for what is a very, very important day, both for government, but particularly for the family.

So, with that—

Senator CONRAD. Mr. Chairman, might I just observe that one way to shorten these hearings is to have children in attendance? [Laughter.]

The CHAIRMAN. Will that be effective in cutting your questions? [Laughter.]

Senator CONRAD. Yes, sir.

The CHAIRMAN. Gentlemen, would you please rise so that I can swear you in.

[Whereupon, Messrs. Huse and Wolin were duly sworn.]

The CHAIRMAN. Please be seated.

We will proceed now with opening statements. Mr. Wolin, why do you not go first?

STATEMENT OF NEAL S. WOLIN, TO BE GENERAL COUNSEL, DEPARTMENT OF THE TREASURY

Mr. WOLIN. Thank you, Chairman Roth, Senator Moynihan, and members of this committee, for the opportunity to appear before you today in connection with my nomination to be the General Counsel of the Department of Treasury.

I am deeply honored to be President Clinton's nominee for the position and I am sincerely grateful to Secretary Summers and former Secretary Rubin for recommending me to the President. I also very much appreciate the strong support I have received from Deputy Secretary Eizenstat.

Mr. Chairman, Senator Moynihan, as you know, the General Counsel serves as the chief legal officer of the Treasury Department, and one of the critical duties of this position is to provide legal advice to the Secretary, the Deputy Secretary, and other senior department officials. This advice is on matters ranging from the government's fiscal operations, to law enforcement, to domestic and international economic affairs.

I have spent the past 4½ years serving as the Deputy General Counsel at the Treasury. In that capacity, I have gained a strong foundation in the activities of the department's legal division and have provided advice and counsel to its senior officials on a wide range of issues.

My service has given me great respect for my colleagues at Treasury, and in particular, for the extraordinary talent and experience of Treasury's career legal staff.

I look forward to working closely with the Congress, especially you, Mr. Chairman, and the other members of this committee. I have enormous respect for this institution and I am deeply committed to maintaining a close working relationship between the executive and legislative branches of our government.

Mr. Chairman, I am grateful to you for bringing me before this committee and I would be pleased to respond to any questions that you or other members of this committee may have.

The CHAIRMAN. Thank you, Mr. Wolin.

Mr. Huse?

[The prepared statement of Mr. Wolin appears in the appendix.]

STATEMENT OF JAMES G. HUSE, JR., TO BE INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION

Mr. HUSE. Good morning, Mr. Chairman, Senator Moynihan, and members of the committee. It is an honor for me to be the Presidential nominee for the position of Inspector General of Social Security.

I consider today's hearing to be the high point of my 34-year Federal career. I appreciate the opportunity to appear before this distinguished panel to discuss my vision for ensuring the integrity of SSA's programs, should I be confirmed.

Let me briefly summarize my experience and qualifications. I first arrived at Social Security in February of 1996. An independent Office of the Inspector General had just been created.

As the first Assistant Inspector General for Investigations, my main task was to construct a robust investigative unit to attack program fraud. I hired over 200 new criminal investigators and deployed them in strategic locations throughout the country.

In November of 1997, I was promoted to Deputy Inspector General, and in June, 1998, became the Acting Inspector General. These positions have provided me with the opportunity to help shape the entire OIG organization.

My first act as the Acting Inspector General was to establish an Office of External Affairs to focus on quality assurance and Congressional liaison. I consider these vitally important functions. Our audits and investigations must be conducted with strict adherence to legal and professional standards.

I also recognize the need for a focal point for contact with Congress, and I established the Congressional Liaison Office and a Quick Response Team to address issues requiring immediate attention.

I believe that SSA's OIG has become a strong organization in the fight against fraud in SSA's programs. Both the Congress and SSA have invested significant resources to create a first-rate OIG.

This investment has allowed us to establish one of the largest anti-fraud hot-lines in government by increasing our hot-line staffing from 2 to 54 positions. Our investigators also have amassed about 1,500 convictions and over \$55 million in fines for the first half of this fiscal year.

I have also established a number of law enforcement initiatives to make efficient use of our resources. Several of these actually prevent fraud on the front end of SSA's business processes.

These include our cooperative disability investigative teams that focus on front-end disability fraud and our identity theft task forces. If confirmed, I will expand these efforts.

Our Office of Audit, which has increased in size by almost one-third since 1995, is also making significant contributions. In the first half of this fiscal year, our auditors reported about \$140 million in questioned costs and funds that could be put to better use.

We also issued a key report on the use of Social Security numbers to commit fraud, which has launched an SSA-wide dialogue focusing on Social Security number misuse, and the identity theft issue, generally.

Also, with the help of Congress, I increased the number of resources dedicated to monitoring SSA's implementation of the Government Performance and Results Act.

In 1994, the Congress provided the Commissioner of Social Security with new enforcement tools to help fight misleading advertising and program fraud. In April of 1999, we stopped the Federal Record Service Corporation from targeting millions of Americans with misleading SSA-related advertisements.

If confirmed, I plan to further expand our use of civil monetary penalty programs to protect SSA's trust funds and its customers. I believe my 34 years of experience have prepared me for the responsibilities of the IG position.

My early service as an Army officer, where I served two tours of duty in Vietnam, provided valuable lessons in leadership. These skills were further refined during my 25 years with the Secret Service, where I managed increasingly more responsible law enforcement operations.

If confirmed, I am committed to building on our current progress and I will concentrate heavily on program integrity issues facing the high-risk Supplemental Security Income program, as well as the Disability program. I will also aggressively pursue Social Security number misuse and identity theft issues.

Finally, since we have more than doubled our size since 1995, I would ensure that a strong and diverse management team leads an independent OIG into the next century.

Because Social Security plays such an important role in the lives of Americans, I would consider it an honor to serve as the next Inspector General for Social Security.

Thank you for this opportunity. I would be pleased to answer any questions you might have.

[The prepared statement of Mr. Huse appears in the appendix.]

The CHAIRMAN. Thank you, Mr. Huse.

I am going to begin by asking both of you the three standard questions that we ask every nominee. I will ask you, Mr. Wolin to answer first, then you, Mr. Huse.

First, is there anything you are aware of in your background that might present a conflict of interest for the duties of the office to which you have been nominated?

Mr. Wolin?

Mr. WOLIN. No, Mr. Chairman.

The CHAIRMAN. Mr. Huse?

Mr. HUSE. No, Mr. Chairman.

The CHAIRMAN. Second, do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. Wolin?

Mr. WOLIN. No, Mr. Chairman.

The CHAIRMAN. Mr. Huse?

Mr. HUSE. No, Mr. Chairman.

The CHAIRMAN. Third, do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly-constituted committee of Congress, if you are confirmed?

Mr. Wolin?

Mr. WOLIN. Yes, Mr. Chairman.

The CHAIRMAN. Mr. Huse?

Mr. HUSE. Yes, Mr. Chairman.

The CHAIRMAN. Let me ask you, Mr. Wolin. As you know, last year the IRS restructuring legislation made some changes to the Office of the IRS Chief Counsel. For many issues, the Chief Counsel reports to both the IRS Commissioner and the Treasury General Counsel. For other issues relating solely to tax policy, the Chief Counsel reports only to the General Counsel.

I would like you to comment on how these modifications might work in practice, and what you see as the Chief Counsel's primary responsibility. What do you see? Would you describe the relationship between the Chief Counsel's office and your office?

Mr. WOLIN. Thank you, Mr. Chairman. I believe that the Chief Counsel's primary responsibility is to support the important work of Commissioner Rossotti in restructuring and reinventing the IRS.

I know that the Chief Counsel has been very much engaged with the Commissioner in all of his efforts along those lines. I view my primary responsibility in engaging with the Chief Counsel to facilitate those important efforts.

The CHAIRMAN. Let me ask you, Mr. Huse. One of the critical functions of the Social Security Administration is, of course, keeping accurate track of the earnings of American workers which determines their eligibility for benefits and benefit amounts.

Currently, Social Security simply posts W-2 information without any checks for accuracy. Should the committee be concerned about the accuracy of earnings records?

Mr. HUSE. I agree with you, Mr. Chairman, the committee should be concerned about the accuracy of earnings information. We have conducted some work in this area. We have a draft audit that will be issued soon that deals with the reporting of earnings, particularly with respect to the suspense file problem at Social Security.

Some of this responsibility is shared with the Internal Revenue Service, and I think that any focus on that is an important one.

The CHAIRMAN. Let me ask you this. The 1996 welfare reform legislation created a new so-called bounty system to encourage prison officials to submit prisoner's Social Security numbers for comparison with benefit rolls. How many institutions are participating, how timely and accurate are their reports, and how cost effective would you say this new system is?

Mr. HUSE. Well, Mr. Chairman, first of all, I think I am going to hold on a number because I will have to come back to you with that. I do not have that number with me as to the number of institutions. But the institutional reporting of prisoners is working.

We, of course, did some significant audit work that focused on that that has helped SSA reinvigorate that process, and we intend to go back and review that soon to see if that success is continuing.

The CHAIRMAN. I would like to learn of the results of that study.

Mr. HUSE. I would be pleased to come back and report to you, sir.

The CHAIRMAN. Senator Moynihan?

Senator MOYNIHAN. Thank you, Mr. Chairman.

I have only one general question, and one specific. To Mr. Wolin, this will appear uninformed, and it is. I am asking for help, as it were.

We are finding that the issue of fraudulent transfers of monies from one country to another, banks, and such-like, has risen to the level of a foreign policy issue in our country.

Will the Treasury be involved in these matters, and the councils, to concern themselves with the subject itself? I know that there is a Federal Reserve, and so forth, but the Treasury is the executive agency in this regard. Would you comment on that just a bit?

Mr. WOLIN. Senator, I believe the Treasury is currently very much involved, and will continue to be so involved, in the range of these issues, both with respect to our law enforcement functions with respect to enforcement of money laundering statutes and so forth, as well as with respect to foreign economic policy, making sure that monies provided in these contexts are well safeguarded. So, we will be engaged on these issues from both sides of Treasury, as we have been in the past, and will continue to be.

Senator MOYNIHAN. Providing some auditing function when there has been a transfer of monies elsewhere to see how it works out?

Mr. WOLIN. Yes, Senator. To make sure that there are proper safeguards are in place, and that, when the U.S. Government or international institutions provide these sorts of monies, that we do so with proper standards in place and with as much assurances as possible that the money is being put to proper purposes.

Senator MOYNIHAN. Now, you would not be of the view that we have been particularly successful in this regard with the Russian Republic over the last 10 years, would you say?

Mr. WOLIN. I think there have been problems, and ones that we are—

Senator MOYNIHAN. There have been problems.

Mr. WOLIN. We are continuing to work on them, Senator.

Senator MOYNIHAN. I would have thought that it rose to a level of a crisis of the regime over there, as against problems.

Mr. WOLIN. To be sure, Senator, these are obviously enormously important issues and ones that my office at Treasury and my col-

leagues are very much focused on, as well as others within the executive branch.

We are continuing to be very vigilant on these issues in working with the law enforcement community, as well as the foreign policy community, to get absolutely the best safeguards in place that we can have.

Senator MOYNIHAN. All right. Can I just say that policy needs to mature in this area. The only images we have are organized crime, Mafioso, images that are as much of journalism as they are of any legal reality, the drug smuggling cartels that have a half-life of perhaps seven weeks. They are somehow counterparts in Moscow and the major banks, and gas bombs, and things like that.

We need better terms. We need a maturing of policy in an area which is new to us. This is a wholly new phenomenon in foreign policy, and it is going to be part of your job.

Mr. WOLIN. Absolutely, Senator.

Senator MOYNIHAN. All right.

Mr. Huse, you mentioned your priorities, the matter of pursuing Social Security number misuse and identity theft issues. For 20 years on this committee, I have been seeking to create a Social Security card that was not only permanent, but looked permanent, and to some degree was, as opposed to the pasteboard of the 1930's. Perhaps an electronic strip. I mean, you can get them for almost any commercial purpose. Have you given any thought to that? Because we cannot get the Social Security Administration to think.

Mr. HUSE. Well, Senator, I agree with you that anything we do to the card to make it a better and more credible identification item, certainly to have more faith in it, is a good thing. We have not done any specific work on the card itself, except to participate with Social Security, looking at options.

We have done some work in looking at, perhaps, some ways to finance a better card. We looked at Canada, which charges some money for replacement cards, and so forth, and we have issued that audit. But I think it is a good thing.

Senator MOYNIHAN. I wish we could hear from you from time to time on this subject. Could we do?

Mr. HUSE. Absolutely.

Senator MOYNIHAN. Would that be all right, Mr. Chairman?

The CHAIRMAN. That would be excellent.

Senator MOYNIHAN. I thank you, sir. I thank you, gentlemen.

The CHAIRMAN. If I could just underscore this problem of money laundering. Ten, fifteen years ago when I was head of the PSI subcommittee, we had some extensive hearings which showed the seriousness of the problem then.

It does seem to me the problem has only increased to a point where it is not just a question of integrity and credibility, but, unfortunately, is becoming a key factor in international policy, as Senator Moynihan so eloquently expressed.

This is something that I think really deserves the attention at the highest order, because the international order really depends upon an international system that is based on honesty. Frankly, I think rather than getting better, we just see it deteriorating and it is a matter of real concern. So, I thank Senator Moynihan for raising it.

Next, we have Senator Grassley. Let me say, the record will be kept open until 5:00 tonight. I would ask Mr. Huse and Mr. Wolin to answer any written questions that might be submitted.

The CHAIRMAN. Mr. Grassley?

Senator GRASSLEY. First of all, I will put a statement in the record in the case of Mr. Huse.

[The prepared statement of Senator Grassley appears in the appendix.]

Senator GRASSLEY. I will start with you. I have questions of both of you, but I will ask each separately.

Obviously, you have a very tough job as Inspector General because you have to work with Congress in our oversight capacity, and you have to keep your credibility to be effective inside the agency. How do you propose to open this cooperative relationship with Congress to assist us in our oversight role?

Mr. HUSE. I have established an Office of External Affairs, Senator, that we did not have until I became Acting Inspector General. That office really has as its central mission the job of keeping Congress advised of our activities virtually on a daily basis. Very shortly, we are going to add another member to our immediate staff, whose responsibility it will be to be up here and to keep in touch with our Congressional customers.

But, more than that, this office also has the responsibility to respond to all of your constituents' correspondence that we receive, and we receive a significant number of it.

At the same time, some of these issues require a rather immediate response, so we have established a kind of rapid reaction force audit team to sometimes look at some of these emerging issues very quickly so you are able to get an answer back to your constituents on these Social Security issues.

Senator GRASSLEY. All right. As Inspector General, you will have responsibility for working on an issue of great importance and interest to all Americans, and that is, particularly as it deals with the elderly, identity theft and identity fraud. What do you see as the major challenges that this type of crime poses to our citizens, and what would you do as Inspector General to address it?

Mr. HUSE. Well, Senator, it is certainly an emerging and really urgent issue that does need attention. The Congress recognized this last year, with the passage of the Identity Theft Deterrence Act. That, for the first time, made the misuse of a Social Security number—not the card, the number—a Federal felony. That puts the burden on Federal law enforcement to do something about that.

We have taken up that mission, the Office of the Inspector General, as one we see extremely important to us, as it would be also to other Federal law enforcement agencies.

With that, we did some significant audit work this year and issued this report that was issued approximately a month ago on Social Security number misuse, which has caused the agency now to examine exactly what Social Security's role should be in connection with shoring up its business processes to protect the Social Security number itself, and also what our roles should be for the victims of identity theft, generally. That is ongoing. As that policy works out, we will be pleased to come up and report to you on its progress.

Senator GRASSLEY. I would go to Mr. Wolin, now. I want to go over, before I ask a question, some specifics on an example of how not to do your job. This is not finding fault with you, or at least as of this moment I do not think I have any fault to find with you, but I want to bring out this very negative experience with the General Counsel's Office last year that I hope will not be repeated.

On February 9, 1999, I asked Treasury Commissioner Richard Gregg for copies of two U.S. Treasury checks bearing on a fraud case that I was investigating. I also asked for any records or information that the department might have pertaining to the processing of those two checks.

Since I wanted to independently verify information previously received from the Defense, Finance, and Accounting Service regarding the checks, I asked that my inquiry be treated as confidential and not shared with DFAS.

My request for the two Treasury checks caused attorneys at the General Counsel's Office to intervene. The two attorneys insisted, first, that my request for confidentiality would violate a long-standing government-wide policy—with emphasis upon the word policy—and second, DFAS had to be notified of the request.

When my staff asked for documents governing the policy in question, the attorneys in the General Counsel's Office, including Mr. Ken Schmalsbach, admitted that there was no policy.

The attorneys in the General Counsel's Office said the policy was really practice. When asked for documentation underlying the practice, they repeated that there was no documentation.

Then on March 17, 1999, I received an unsolicited letter from Mr. Edward S. Knight, the General Counsel at the Treasury Department. Mr. Knight, once again, insisted that there was, in fact, a policy and that the policy had "strong legal foundation." Those were his words.

To back up his assertion, he provided documents that he previously said did not exist. Unfortunately, the documentation provided by Mr. Knight pertained to an entirely unrelated matter.

Mr. Knight's letter, combined with the earlier communication through the General Counsel's Office, led me to conclude that the General Counsel's Office at the Treasury Department might be providing me with misleading and inaccurate information.

Because of these concerns, I asked the Secretary at the time, Mr. Rubin, and the Inspector General, to conduct a review of the matter. The Treasury IG completed a report that I have that you may be aware of, and it was completed on June 16, 1999.

The report examined two allegations as follows. Allegation number one: it was alleged that Senator Grassley's request for confidentiality was disregarded. The second allegation: it was alleged that the Department of Treasury, General Counsel's Office, provided inaccurate and misleading information to this Senator.

The Inspector General's report reached two important conclusions regarding these allegations. Finding number one: the investigation established that Senator Grassley's request for confidentiality was not honored based on instructions issued personally by Mr. Knight. Finding number two: the investigation established that the General Counsel's Office did mislead this Senator and my office

when they cited the third agency rule as policy rather than an unwritten, routine practice.

Question for you, in your new capacity. I am continuing to conduct an investigation of possible fraud in the payments process at the Department of Defense. At the present time, with the General Accounting Office's help, I am examining a large number of suspicious checks issued by the Navy and the Air Force.

I may be asking the Treasury Department for copies of those checks, and if I do, I would want my request to be treated as confidential and not shared with the Department of Defense.

First of all, as a Deputy, were you involved with this problem that I had with Mr. Knight, and if so, what was your involvement?

Mr. WOLIN. Senator, I was vaguely aware of this issue, but I was not personally involved in any of the activity that is contained within the report that you have before you.

Senator GRASSLEY. If you are confirmed and become General Counsel at the Treasury Department, would you honor my request for confidentiality?

Mr. WOLIN. Yes, Senator.

Senator GRASSLEY. I am done, Mr. Chairman. Thank you very much.

The CHAIRMAN. Thank you, Senator Grassley.

Senator Kerrey?

Senator KERREY. Thank you, Mr. Chairman.

First of all, to you, Mr. Wolin and Mr. Huse, I am going to vote for your confirmation. You can relax. [Laughter.] I do not want anything I say to frighten you or your families. Mr. Wolin, I do not have any questions of you. I have concerns about some of the things that Senator Moynihan asked Mr. Huse earlier.

First of all, may I ask, are you familiar with an INS program called Vanguard?

Mr. HUSE. Yes, I am, Senator.

Senator KERREY. All right. So I would just alert you, that is where I am going.

Mr. HUSE. All right.

Senator KERREY. As I understand it, the Social Security Administration has estimated it would cost \$20 per American for a modern, smart identification card from the Social Security Administration.

Mr. HUSE. That is probably at the top of a range of options. But the more you put in the card for security, the more it will cost.

Senator KERREY. All right. Let me just show you what I have got here. I get from my friendly banker, who wants me to use as much cash as I can, one of these, right? And if I am short of cash, I go over and slide it through this machine and there is money in there. It comes out. Where did it come from? I do not know. It came from my account, is where it came from. Right?

Would this be \$20 a copy?

Mr. HUSE. What they are factoring into that cost per card, is the cost that it would take to vet every one of those cards. In other words, ensure that the holder is the person.

Senator KERREY. Right.

Mr. HUSE. That would be an enormous administrative process.

Senator KERREY. Enormous. I mean, everything we do around here is enormous, Mr. Huse.

Mr. HUSE. Exactly. But there would be costs.

Senator KERREY. Right. But what I typically do is try to measure a benefit and try to determine whether or not there is a relationship between the cost and the benefit.

The problem, of course, that SSA has got is that the benefit would be felt by people outside of SSA. It would not just be anti-fraud efforts for the Social Security Administration, it might be beneficial to the Department of Defense, for all I know, and would be coming out of your budget.

Mr. HUSE. And Commerce, in general.

Senator KERREY. Yes. Especially—and you now know where I am going, I am going to Vanguard—and this was initially put in the immigration bill in 1996, for obvious reasons, because it would save us a lot of money on the law enforcement side on immigration. It would probably solve this privacy problem that we had with Vanguard, which was a very unhappy experience, I can tell you.

So you think it would cost \$20 a card? I am not going to hold you to this.

Mr. HUSE. I do not know the exact dollar amount. I know it is more than pennies. It is going to be significant.

Senator KERREY. Right. More than pennies.

Mr. HUSE. Sure.

Senator KERREY. So we are going to have to do 270 million of them?

Mr. HUSE. And vet each one of them to be sure that the person is the right one.

Senator KERREY. A lot of work. I got that down. It is a lot of work.

Mr. HUSE. All right.

Senator KERREY. Two hundred and seventy million Americans would have these cards, so that would cost us how much, \$5 billion?

Mr. HUSE. I defer to your math, Senator.

Senator KERREY. Well, yes, it would. If it is \$10, it is \$2.7 billion. If it is \$20, it is \$5.4 billion.

So in any business venture, you go out and talk to somebody in the private sector today and say you can pay a venture off in 5 years, you are doing well. A lot of people do. They get a 20 percent return on equity, American business. That is what they are trying to do, pay it off in 5 years. So I need to get \$1 billion of the benefit government-wide in order to pay it off.

Social Security is going to pay out, what, over the next 5 years, on average, \$350 to \$400 billion, right?

Mr. HUSE. Easily. \$420 billion this year.

Senator KERREY. INS spends—help me out here, Linda. Do you know what they spend? We spend a big number on law enforcement.

Mr. HUSE. Absolutely.

Senator KERREY. Unsuccessfully. They have 25,000 workers in the meat packing plants, and none of them are on Vanguard, just to alert you. We are on Vanguard, now. Twenty-five thousand people in the meat packing plants in Nebraska. Ten years ago, they were all Eastern Europeans, now they are Latin, with 10 percent

Asian thrown in. Big immigration problem. Who is there legally, who is there not legally?

Mr. HUSE. Yes, sir.

Senator KERREY. That is what Vanguard does. Vanguard wants to screen them out and try to find them, so they come and get the documents. There is no real good document. The documents are not very reliable, so they set up a computer program for the companies to use, and so forth.

The thing that just killed us was, we needed to check it against Social Security records. We selected, and that worked, but when we wanted to screen them all, you said, for privacy reasons—or not you, but somebody; maybe it was you—we cannot do it. So we start this beautiful thing in Nebraska, we harass the hell out of everybody, I support it, crawl out on the INS limb to support this thing, and then it gets sawed off, plunk, down I go. An unpleasant experience, as you no doubt can appreciate, right? I have said, this is going to work, it is going to be great, then we ran into the problem with privacy. I am sympathetic to that.

But let me just ask you, would you be willing, is it possible just to do it here today, and we are going to have one of these omnibus bills, Senator Moynihan, at the end of the year.

I was late getting over here because I was meeting with my university and there was a provision stuck in the 1999 omnibus bill having to do with FOIA requests on basic research that is going to torment the heck out of all of our researchers. So maybe we can stick this in the omnibus bill and hide it from everybody and get it done. I do not know.

Mr. HUSE. There is the possibility of a legislative fix.

Senator KERREY. Well, there is no question in my mind that we would get a \$1 billion a year payoff. I do not need you, Mr. Huse, to spend any money doing a feasibility study on this one.

I mean, \$1 billion payoff, easily, would come to the government of the United States of America if the citizens of this country had a card, because we all get them, we all get our Social Security numbers, if we had a Social Security card that was smart and verifiable, that you couldn't cheat on. You did the vetting, and so forth. Yes?

Senator MOYNIHAN. Could my friend from Nebraska let me share an anecdote in this regard?

Senator KERREY. Anecdote, anything.

Senator MOYNIHAN. I began thinking about this in 1977. I was on the Subcommittee for Social Security. The problem is in the culture of the organization. It does not want to do this.

In the 1930's, the charge was made that President Roosevelt, like Chancellor Hitler, was issuing an identity card. The Social Security card, the one I got when I first went to work, said, "Not to be used for purposes of identification." That stayed in the culture of the organization.

An immigration bill came along around 1979 and, just for the purposes you are talking about, I said, you have got to produce a tamper-proof card so that men can say, here I am, my name is Ramirez, and I am an American citizen, and this is the evidence of it.

They took it. A year went by, and then they sent me the result. I opened it, and there was the same damn pasteboard card, with invisible red and blue fibers instantly identifiable in an FBI lab, that made it tamper-proof. Not that anybody in the ordinary world could tell the difference between the ones that are just printed over in Monterey. They would not do it. We created an independent Social Security Administration, thinking that would get the energy to do it. Sir, you are up against an institutional culture.

Senator KERREY. Senator, the red light is on. I think perhaps we should pursue trying to sneak this into the omnibus bill that is going to happen this year. That is what we can do.

Senator MOYNIHAN. Try it again, but do not be surprised if the pasteboard returns.

Senator KERREY. I mean, I do not need to pursue a line of questioning with Mr. Wolin. I know, from the IRS Restructuring Commission, that the Social Security Administration is a great resource for determining whether or not we are paying out the right amount for EITC. It would be an enormously efficient way to reduce the costs of doing lots of transactions that government has to do, and I would tell you, I would be very surprised, Senator Moynihan, if a \$5 billion annual cost, if we put in \$5 billion worth of effort, it would probably take two or 3 years to get it all done.

If you put a \$5 billion effort into this, I would be shocked if you did not have at least \$1 billion a year in savings—at least \$1 billion a year in savings—which would justify the expenditure.

My guess is, it would be more like \$2 billion, \$3 billion, \$4 billion a year in savings from IRS, from INS, from Social Security Administration, right on down the line. So, I think it is extremely important to come to Mr. Huse and try to get this done.

The CHAIRMAN. Well, thank you, Senator Kerrey.

I recall discussions of this in the Government Affairs Committee. Let me tell you, it is very controversial with some people.

Senator MOYNIHAN. Yes.

Senator KERREY. Mr. Chairman, the law is very powerful. I am serious as death. I think we should stick it in the omnibus bill this year and save the taxpayers a bunch of money. The Social Security Administration would be happy to obey the law, I presume. Yes?

Mr. HUSE. Absolutely, Senator.

The CHAIRMAN. Well, gentlemen, this ends the oral questioning. There will be some questions submitted to you. We would appreciate their being answered promptly, because I do intend to move quickly, hopefully, next week on your nominations.

Again, let me thank you for being here, congratulating you for the high honor. It is a pleasure to have not only you, but your families here as well.

The committee is in recess.

Mr. HUSE. Thank you, Mr. Chairman.

Mr. WOLIN. Thank you, Mr. Chairman.

[Whereupon, at 10:57 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. CHARLES E. GRASSLEY

Thank you, Mr. Chairman for convening this hearing. I am glad to have the opportunity to examine Mr. Huse, who has been nominated for the position of Inspector General of the Social Security Administration. In my opinion this is one of the most vital Inspector General positions in any government agency.

The Social Security program affects the life of every American. Ensuring that the Social Security Administration operates within the confines of the law, is responsive to its customers—current and future beneficiaries, and addresses problems within the agency in a timely manner is a responsibility of the highest magnitude.

Mr. Huse, I want to impress upon you the importance of the position for which you have been nominated. 44 million Americans receive benefits from Social Security. Approximately 150 million Americans pay FICA taxes which support the Social Security system. Both of these groups must be able to trust that their money is being accounted for properly by the SSA. I know that you, in your capacity as Acting Inspector General, and Commissioner Apfel have taken a strong "zero tolerance" stand against fraud and abuse in the Social Security program. I want to commend you for this and encourage you to continue with this "zero tolerance" policy.

I also want to stress that communication with Congress is an Inspector General's duty. The Inspector General must take a pro-active stance to alert Congress if there are problems within the agency. The Inspector General must also work with Congress to address problems by offering constructive solutions.

I look forward to hearing more about Mr. Huse today.

PREPARED STATEMENT OF JAMES G. HUSE, JR.

Good morning, Mr. Chairman, Senator Moynihan, and members of the Committee. It's an honor for me to be the Presidential nominee for the position of Inspector General (IG) of Social Security. I consider today's hearing to be the high-point of my 34-year Federal career. I appreciate the opportunity to appear before this distinguished panel to discuss my vision for ensuring the integrity of SSA's programs should I be confirmed.

Let me briefly summarize my experience and qualifications. I first arrived at Social Security in February 1996. An independent Office of the Inspector General had just been created. As the first Assistant Inspector General for Investigations, my main task was to construct a robust investigative unit to attack program fraud. I hired over 200 new criminal investigators and deployed them in strategic locations throughout the country.

In November 1997, I was promoted to Deputy Inspector General, and in June 1998, became the Acting Inspector General. These positions provided me with the opportunity to help shape the entire OIG organization. My first act as the Acting IG, was to establish an Office of External Affairs to focus on quality assurance and congressional liaison. I consider these vitally important functions. Our audits and investigations must be conducted with strict adherence to legal and professional standards. I also recognized the need for a focal point for contact with Congress and established the congressional liaison office and a Quick Response team to address issues requiring immediate attention.

I believe that SSA's OIG has become a strong organization in the fight against fraud in SSA's programs. Both the Congress and SSA have invested significant resources to create a first-rate OIG. This investment allowed us to establish one of

the largest Anti-Fraud Hotlines in government, by increasing our Hotline staffing from 2 positions to 54 positions. Our investigators also amassed about 1,500 convictions, and over 55 million dollars in fines, court-ordered restitution and savings for the first half of this fiscal year.

I have also established a number of law enforcement initiatives to make efficient use of our resources. Several of these initiatives actually prevent fraud on the front-end of SSA's business processes. These include our Cooperative Disability Investigative Teams that focus on front-end disability fraud and our Identity Theft Task Forces. If confirmed, I will expand these efforts.

Our Office of Audit, which has increased in size by almost one-third since 1995, is also making significant contributions. In the first half of this fiscal year, our auditors reported about \$140 million in questioned costs and funds that could be put to better use. We also issued a key report on the Use of Social Security Numbers to Commit Fraud, which has launched an SSA-wide dialogue focusing on Social Security Number misuse and Identity Theft. Also, with the help of Congress, I increased the number of resources dedicated to monitoring SSA's implementation of the Government Performance and Results Act.

In 1994, the Congress provided the Commissioner of Social Security with new enforcement tools to fight misleading advertising and program fraud. Using these tools, our OIG Counsel's office has imposed civil monetary penalties and made substantial progress in combating deceptive advertising. In April 1999, we stopped the Federal Record Service Corporation from targeting millions of Americans with misleading SSA-related advertisements. If confirmed, I plan to further expand our civil monetary penalty program to protect SSA's Trust Funds and its customers.

I believe my 34 years of experience have prepared me for the responsibilities of the Inspector General position. My early service as an Army officer, where I served two tours of duty in Vietnam, provided valuable lessons in leadership. These skills were further refined during my 25 years with the Secret Service, where I served in increasingly more responsible law enforcement management positions.

If confirmed, I am committed to building on our current progress. I will concentrate heavily on program integrity issues facing the high-risk Supplemental Security Income program, as well as the disability program. I will also aggressively pursue Social Security number misuse and Identity Theft issues. Finally, since we have more than doubled our size since 1995, I would ensure that a strong and diverse management team leads an independent OIG into the next millennium.

Because Social Security plays such an important role in the lives of Americans, I would consider it an honor to serve as the next Inspector General for Social Security. Thank you for this opportunity, and I would be pleased to answer any questions you might have.

The White House,

JUL 28 1999

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*To the**Senate of the United States.**I nominate*

James G. Huse, Jr., of Maryland, to

be Inspector General, Social Security Administration, vice

David C. Williams, resigned.

WILLIAM J. CLINTON

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

July 28, 1999

**PRESIDENT CLINTON NAMES JAMES G. HUSE, JR. AS INSPECTOR GENERAL OF
THE SOCIAL SECURITY ADMINISTRATION**

The President today announced his intent to nominate James G. Huse, Jr. to serve as Inspector General at the Social Security Administration (SSA).

Mr. James G. Huse, Jr., of Annapolis, Maryland, has had a distinguished career in law enforcement and criminal investigations. Mr. Huse spent twenty-five years with the U.S. Secret Service and held several important management positions, including Special Agent in Charge in Michigan from 1986-1994 and Assistant Director, Office of Inspection, in Washington, DC, from 1994-1996. In 1996, Mr. Huse joined the Social Security Administration as an Assistant Inspector General for Investigations. He is currently the Deputy Inspector General, and is also the Acting Inspector General.

Mr. Huse is a graduate of Boston College. He served in the U.S. Army and is a decorated Vietnam combat veteran.

The Social Security Administration (SSA) became an independent agency in March 1995. The Social Security Administration administers the Old Age, Survivors and Disability Insurance programs under Title II of the Social Security Act as well as the Supplemental Security Income Program under Title XVI.

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. **Name: (Include any former names used.)** James Gerard Huse, Jr.
2. **Position to which nominated:** Inspector General of Social Security
3. **Date of nomination:** July 28, 1999
4. **Address: (List current residence, office, and mailing addresses.)**

 (Home) 2759 Gingerview Lane
 Annapolis, Maryland 21401

 Phone: 410.571.1567

 (Work) Office of the Inspector General
 Social Security Administration
 Suite 300, Altmeyer Building
 6401 Security Boulevard
 Baltimore, Maryland 21235

 Phone: 410.966.8385
5. **Date and place of birth:**

 I was born in Medford, Massachusetts, on February 27, 1944.
6. **Marital status: (Include maiden name of wife or husband's name.)**

 I am not married. I am divorced (since July 18, 1989).
7. **Names and ages of children:**

 I have two sons: James G. Huse, a United States Secret Service Agent, age 28, of New

York City, New York, and Thomas F. Huse, an attorney, age 27 of Annapolis, Maryland.

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

I attended Matignon High School in Cambridge, Massachusetts and graduated in 1961.

I attended Boston College, Chestnut Hill, Massachusetts, and graduated with a degree in English in 1965.

I attended the U. S. Army Infantry Officer's Basic Course from July through September 1965.

I attended the U. S. Army Intelligence School's Counterintelligence Officer's Basic Course from September 1967 through February 1968.

I attended the Treasury Law Enforcement Officer's training Course from January through March 1971.

I attended the U. S. Secret Service Special Agent's Training Course from May through July 1971.

I attended Northern Virginia Community College from September 1980 through May 1981 for courses in Basic Accounting and Economics.

I attended the Center for Creative Leadership in Greensboro, North Carolina in September 1985 for Executive Development Training.

I attended the Office of Personnel Management, Western Executive Training Center in October 1990 for Executive Development Training and in January 1991 for Federal Budget Process Training.

I attended the Federal Executive Institute, Charlottesville, Virginia in January 1992 for Executive Development.

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

Commissioned Officer, United States Army

I served on duty posts in the Continental United States and in combat in the former Republic of South Vietnam, during the period June 1965 through November 1970.

Special Agent, United States Secret Service

I was a Secret Service Agent from November 1970 through January 1996. I served at duty posts in Rhode Island, New York, Michigan and Washington, D.C. During this 25 year period I held the titles of Special Agent, Inspector, Special-Agent-in-Charge, and Assistant Director.

Office of the Inspector General, Social Security Administration

I have served successively as the Assistant Inspector General for Investigations, Deputy Inspector General, and Acting Inspector General at Social Security Administration Headquarters in Baltimore, Maryland, from February 1996 to the present time.

10. **Government experience:** (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

My employment history since college is solely as a United States Government Employee.

11. **Business relationships:** (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

I have never been an officer of a corporation, partnership, or trust. I have never been a partner, agent, representative, or consultant of any corporation, company firm, partnership or other business enterprise, or educational or other institution.

12. **Memberships:** (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

I am a member of the International Association of Chiefs of Police.

13. **Political affiliations and activities:**

- a. **List all public offices for which you have been a candidate.**

I have never been a candidate for public office.

- b. **List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.**

I was listed as a paid member of the Democrat Party in 1992 as the result of several small campaign contributions to National Democrat Party Congressional Campaign Fund Drives and similarly small (under \$100) contributions to the

Clinton/Gore Campaign in 1992. I have never held any office in any political party nor performed any service other than making the aforementioned campaign contributions.

- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

As I responded to the preceding question, I did make several small contributions to the Clinton/Gore Campaign and the National Democratic Party in 1992, as I also stated above in toto these were not more than several hundred dollars paid in small increments as the result of responding to mail appeals from these entities. In other words, to the best of my recollection, these contributions were usually between \$25 to \$50 levels, but not more than \$400 in all.

13. **Honors and Awards:** (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognition's for outstanding service or achievement.)

MILITARY SERVICE AWARDS:

Bronze Star Medal, two awards, Vietnam, 7/67 and Vietnam, 12/69

Air Medal for Valor, Vietnam, 2/67

Army Commendation Medal, two awards, Vietnam, 7/67, and Washington, DC, 12/68

Joint Service Commendation Medal, Vietnam, 12/69

Combat Infantryman's Badge, Vietnam, 7/66

CIVILIAN FEDERAL SERVICE AWARDS

Secretary of the Treasury Special Award for the White House Security Review, 1995
Treasury Department Senior Executive Service Bonus Awards, 1991 through 1995
Treasury Department Performance Achievement Awards, 1987 - 1990

14. **Published writings:** (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

I wrote an article for the Spring 1992 edition of the New England Journal of History entitled: "Sarajevo, 1914: A Security Perspective".

15. **Speeches:** (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

Since June 22, 1998, I have served as the Acting Inspector General of Social Security.

During that time I have testified before both Houses of Congress on issues bearing on the Office of the Inspector General. In July 1998 I testified before the House Ways and Means Subcommittee on Social Security on the subject of the "Use of Official Time by Government Union Officials at Social Security Administration." In September 1998, I testified before the Senate Committee on Government Affairs on the subject of "Information Systems Security at Social Security Administration." In May 1999, I testified before the House Appropriations Subcommittee on Health, Education, and Labor concerning my Office of the Inspector General FY 2000 Budget Request. In each of these instances I delivered a formal written statements which are attached.

17. **Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)**

I am an experienced and committed U. S. Government Senior Executive with a rich and rewarding career in Federal law enforcement and Office of the Inspector General, operations and activities. I have successfully served as the Acting Inspector General of Social Security for the past year. I am a former Assistant Director of the U. S. Secret Service. Throughout my government service career I have received consistent laudatory recognition for my leadership and executive performance. I am skilled in managing the planning, policy and program development functions of a national agency with a complex multi-faceted audit, criminal investigative, and evaluative mission. I can successfully interact with senior government officials from the Congress as well as the Executive Branch to fulfill my responsibilities and the mission of the Office of the Inspector General. My 34 years of government experience have well prepared me for this challenge.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. **Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.**

This question does not pertain to my situation. If I am confirmed I will continue performing the same duties and responsibilities I fulfill at the present time.

2. **Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.**
I have no plans to pursue outside employment during my term of government service.

3. **Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.**

No one has made any such commitment to me.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

At present, there are no term limits on Inspectors General, although there is pending legislation that may limit Inspectors General to nine year terms. In any case, I hope to serve beyond the next Presidential election.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships, which could involve potential conflicts of interest in the position to which you have been nominated.

I do not have any investments, obligations, liabilities or other relationships, which could involve a possible conflict of interest for me as the Inspector General of Social Security.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

I have had no business relationship nor dealing, nor financial transaction during the past ten years, whether for myself or on behalf of anyone, or even acting as an agent, that could anyway constitute or result in a possible conflict of interest to the position of Inspector General of Social Security.

2. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

The only activity I have had, in the past 10 years, or before, where I have been engaged in directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law and public policy are several small (\$25) contributions I made to the organization established by Sarah Brady (wife of the wounded Presidential aide James Brady) and her Handgun Control campaign that was a part of activity surrounding the passage of the so called Brady Bill several years ago.

3. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

This question is not applicable based on my responses to the above items.

5. **Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.**

It is my understanding that these statements have been provided to the Committee by the designated ethics officer for the Social Security Administration and the Office of Government Ethics.

6. **The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:**

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. **Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.**

I have never been the subject of a complaint or been investigated, disciplined or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group.

2. **Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.**

I have never been investigated, arrested, charged or held by any Federal, State, or local law enforcement authority for a violation of any Federal, State, county, or municipal law, regulation, or ordinance.

3. **Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.**

I have been the named agency official in a Social Security Administration, Equal Employment Opportunity Act administrative complaint and proceeding. An individual

filed a complaint that he was discriminated against in an employment decision. As the reviewing official for this decision I was named in this complaint. In this matter the complainant's issues were heard by an Administrative Law Judge and not sustained. The Agency's actions were upheld.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

I have never been charged with, nor convicted of, any criminal violation.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

I have no other information to offer the Committee in this regard.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

I am willing to appear when called on to do so.

3. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

I am willing to provide such information.



SOCIAL SECURITY
Office of the Inspector General

OCT - 1, 1999

The Honorable William V. Roth, Jr.
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am providing you with the follow-up information you requested on September 28, 1999. I have also provided you with a disk in WORD format. During my confirmation hearing on September 15, 1999, you inquired about the number of agreements the Social Security Administration (SSA) has in place with prisoner facilities and whether the incentive payment program created by the Welfare Reform Act is successful.

Since the inception of the incentive program in March 1997 to September 1999, SSA has paid \$20.5 million in incentive payments. SSA has agreements in place with 5,597 prison facilities. SSA estimates that its suspension of benefits to prisoners is saving the Old-Age, Survivors, and Disability Insurance and the Supplemental Security Insurance programs about \$500 million annually (\$250 million of which can be attributed to an Office of the Inspector General audit).

If you have any further questions or would like any additional information, please call me at 410-966-8385.

Sincerely,

A handwritten signature in black ink, appearing to read "James G. Huse, Jr.", written over a horizontal line.

James G. Huse, Jr.
Acting Inspector General

Enclosure

RESPONSES TO QUESTIONS SUBMITTED BY SENATOR ROTH

Question: Mr. Huse, the Social Security IG's office is relatively new—the first full year of operation was in 1996. How would you describe progress to date in establishing this office, and what are the three top issues facing your agency at this time?

Answer: We have had excellent progress in establishing this office. We have more than doubled the number of investigators that focus solely on SSA-related program fraud and have established one of the largest Anti-fraud Hotlines in Government. We have also implemented several aggressive projects, some with participation from SSA and other law enforcement entities, to maximize our effectiveness in combating fraud in SSA's programs.

My research shows that the three top issues for the Social Security Administration:

1. Human Capital—Ensuring that a nationwide workforce that is downsizing can continue to provide service to an increasing population and respond to potential programmatic changes that may result from the current long-term solvency discussions.

2. Systems issues—Ensuring that SSA's systems and its data are secure, modernized, and provide the agency with the ability to provide service to its customers.

3. Fraud—Ensuring that SSA's programs, especially the SSI program, are protected from fraud, waste, and abuse.

Question: Mr. Huse, a bill now before Congress, S. 870, the "Inspector General Act Amendments of 1999," contains several provisions that would affect your agency. What are your views on this bill?

Answer: I fully support this legislation. In particular, I believe that the provisions to prohibit cash bonuses to IGs further strengthens IG independence within their respective agencies. I also support the provisions for term limits and external reviews of IG operations.

Question: Mr. Huse, independence is a critical issue for any effective Inspector General. I understand you routinely attend top management meetings of the Commissioner. Do you think that such attendance in any way impairs your independence?

Answer: No, I do not. I attend the general executive staff meetings of the agency. At these meetings, SSA Senior Executives give an overall update as to the issues facing SSA. This provides our office with critical information about the issues facing SSA. I do not attend SSA top management meetings that involve policymaking.

Question: The Social Security Administration is very dependent on computers and information technology to manage its program. What do you believe are the three most urgent issues facing Social Security in this regard, and what role is your office playing? How serious is unauthorized access to Social Security records?

Aside from the Year 2000 readiness, SSA has to address the following issues:

1. Critical Infrastructure—This issue involves protecting information and ensuring the continuity of operations.

2. Modernization of Software—This issue involves updating about 35 million lines of computer code, most of which is in COBOL.

3. Acquisition of Technology—This issue involves acquiring the right technologies to support future workloads and technological demands.

Internal access does not appear to be significant based on our current audit and investigative information. Even so, we immediately act on all allegations against unauthorized access. Our audit process has focused on the integrity and the security of the systems and facilities with respect to unauthorized external access. These audits recommended that SSA strengthen system security and continue to keep SSA focused on the prevention of any external breaches.

Question: Mr. Huse, in 1997, and each year since, the General Accounting Office has designated the Supplemental Security Income (SSI) program "high-risk" for fraud, waste, abuse, and insufficient management of the program. Please describe for the Committee what the problems are; what your office is doing to address these problems; and what progress has been made?

The SSI program is vulnerable because of factors such as SSA's reliance on self-reporting of income, living, arrangements, and medical improvement; abusive practices by unethical doctors, lawyers, and interpreters; malingering to obtain benefits; and unenforceable residence requirements. OIG is addressing SSI fraud in investigative projects such as the Fugitive Felon Project and by using our Cooperative Disability Investigations teams. Our auditors also have several audits underway as well as a team that focuses specifically on SSI payment accuracy issues. The Commissioner directed that an SSI management plan be prepared last year to focus on

the issues that put the SSI program on GAO's high-risk list. The OIG is responsible for a portion of the items that have been included in SSA's management action plan.

Question: Mr. Huse, when Social Security receives a report of wages and the individual's name and Social Security number do not match, that individual's wages are held in a so-called "suspense file." Since 1990, this file has grown on average by 5 million wage reports and \$17 billion annually. Is Social Security doing enough to reduce the suspense file? What else should Social Security do?

Answer: We have done a considerable amount of work in this area this past year which will culminate in the issuance of final reports before the end of the Fiscal Year that address various aspects of the suspense file. Some of the issues that surround the growth of the suspense file involve laborers who use false SSNs or SSNs belonging to other individuals to work and individuals who work under other SSNs to evade child support, obtain government benefits, or commit identity theft. We also determined that certain industry groups are more apt to have reported errors than others are. We are committed to remaining focused in this area and making recommendations to help SSA resolve these issues. We would be pleased to brief you on the details of our audits.

Question: Mr. Huse, according to your statement, in the first half of this fiscal year the IG's office reported \$140 million in questioned costs and funds that could be implemented. How many of these recommendations have actually been implemented, and with what actual savings?

The \$140 million dollars resulted from four recommendations. Approximately \$5 million related to question cost audits, where SSA has reported to us that it collected or offset the entire amount. We also reported an additional \$135 million in funds that could be put to better use. The majority of these savings resulted from SSA's implementation of one recommendation to suspend payments to prisoners.

To ensure that we maintain accountability for our recommendations, we conduct regular follow-up with SSA to determine the status of our recommendations and their implementation. Our Office of Audit also conducts follow-up reviews on significant prior audits to determine what action SSA has taken to implement our recommendations.

Question: Timeliness and accuracy should be hallmarks of Social Security's disability adjudication process, from initial determinations of eligibility through the various levels of appeals. Do you plan to review the disability adjudication process, and if so, what aspects? Will this include evaluating Social Security's "disability redesign" effort and the Office of Hearings and Appeals?

Answer: Yes, we have several ongoing and planned studies of the SSA's disability adjudication process, as well as Government Performance and Results Act reviews and administrative cost reviews of Disability Determination Services offices. Our studies include a variety of aspects of the disability application and processing including issues around "disability redesign" and the Office of Hearings and Appeals. Some examples include reviews of:

- The medical evidence of record collection process at State Disability Determination Services
- Fees paid by State DDSs to purchase consultative examinations
- Adequacy of controls to effectuate decisions rendered by Administrative Law Judges
- Impact of redetermination elimination on OHA workload

Question: Mr. Huse, are you committed to maintaining effective communications between Congress and your office? Specifically, what will you do to ensure that Congress, particularly Committees of jurisdiction like this one, are kept informed about the activities of the IG?

Answer: I am very committed to maintaining effective communications with the Congress. To ensure that our office maintains these communications, I established the Office of External Affairs whose primary mission is to ensure that our congressional customers' needs are met. This office is tasked with responding to all congressional inquiries and ensuring that information is provided to Congress on OIG activities. In addition the Office of Audit put together a "quick response" team to provide timely information for our stakeholders urgent requests.

Question: Mr. Huse, about two-thirds of your staff are investigators. Would you quantify for the Committee the dollar amount of fraud and abuse in Social Security, and how this relates to the number of investigators you employ?

Answer: Because of the nature of SSA's programs, SSA primary exposure to fraud is external. With the focus of fraud being generated externally, it requires that two-thirds of our staff be focused on the investigative mission. Right now our office can only speak to the dollar amount of fraud that we uncover as part of our investigative work. So far this year we have identified about \$66 million had been paid to

individuals that we investigated. We are currently working on a methodology that will allow us to assess the dollar universe of fraud that SSA is exposed to.

PREPARED STATEMENT OF NEAL S. WOLIN

Thank you, Chairman Roth, Senator Moynihan and members of this Committee, for the opportunity to appear before you today in connection with my nomination to be General Counsel of the Department of the Treasury. I am deeply honored to be President Clinton's nominee for this position, and I am sincerely grateful to Secretary Summers and former Secretary Rubin for recommending me to the President. I also very much appreciate the strong support I have received from Deputy Secretary Eizenstat.

Mr. Chairman, as you know, the General Counsel serves as the chief legal officer of the Treasury Department, and one of the critical duties of this position is to provide legal advice to the Secretary, the Deputy Secretary and other senior Department officials. This advice is on matters ranging from the government's fiscal operations to law enforcement to domestic and international economic affairs.

I have spent the past four and a half years serving as the Deputy General Counsel at the Treasury. In that capacity I have gained a strong foundation in the activities of the Department's Legal Division and have provided advice and counsel to its senior officials on a wide range of issues. My service has given me great respect for my colleagues at Treasury and, in particular, the extraordinary talent and experience of Treasury's career legal staff.

I look forward to working closely with the Congress, especially with you, Mr. Chairman, and the other members of this Committee. I have enormous respect for this institution, and I am deeply committed to maintaining a close working relationship between the executive and legislative branches of our government.

Mr. Chairman, I am grateful to you for bringing me before this Committee, and I would be pleased to respond to any questions that you or members of this Committee may have.

The White House,

AUG - 2 1999

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To the
Senate of the United States.

I nominate

Neal S. Wolin, of Illinois, to be

General Counsel for the Department of the Treasury, vice

Edward S. Knight, resigned.

William J. Clinton

DRAFT

DRAFT

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

August 2, 1999

**PRESIDENT CLINTON NAMES NEAL S. WOLIN AS GENERAL COUNSEL AT
THE DEPARTMENT OF TREASURY**

The President today announced his intent to nominate Neal S. Wolin to serve as General Counsel at the Department of the Treasury.

Mr. Neal S. Wolin, of Chicago, Illinois, has served since April 1995 as Deputy General Counsel of the Department of the Treasury. In that role, he supervises the day-to-day activities of the Department's Legal Division including counsel at Main Treasury and its 12 operating bureaus, and provides legal advice and counsel to the Secretary, Deputy Secretary and other senior officials of the Department. In 1999, the President appointed Mr. Wolin to be a Member of the President's Advisory Committee on Holocaust Assets in the United States. Prior to joining the Treasury Department, Mr. Wolin served in the White House as the Executive Assistant to National Security Advisor Anthony Lake and the Deputy National Security Advisor Samuel R. Berger.

Mr. Wolin received a B.A. degree in history summa cum laude from Yale College where he was elected to Phi Beta Kappa. After college, he studied at Balliol College at the University of Oxford as a Charles and Julia Henry Fellow, earning a Master of Science degree in Development Economics. He received a J.D. degree from Yale Law School, where he was a Coker Teaching Fellow in Constitutional Law.

The General Counsel is the senior legal and policy advisor to the Secretary and other senior departmental officials. The responsibilities of the General Counsel include consideration of legal problems related to broad policy aspects of management of the public debt, administration of the Internal Revenue Service and tariff laws, international cooperation in the monetary and financial fields, law enforcement affairs and all policy issues before the Department.

-30-30-30-

**SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE**

A. BIOGRAPHICAL INFORMATION

1. **Name: (Include any former names used.)**
Neal Steven Wolin
2. **Position to which nominated:**
General Counsel, U.S. Department of the Treasury
3. **Date of nomination:**
August 2, 1999
4. **Address: (List current residence, office, and mailing addresses.)**
Home: 4601 Connecticut Avenue, N.W., Apt 318
Washington, D.C. 20008

Office: U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220
5. **Date and place of birth:**
December 9, 1961; Chicago, Illinois
6. **Marital status: (Include maiden name of wife or husband's name.)**
Single.
7. **Names and ages of children:**
Not Applicable.
8. **Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)**

Yale Law School, New Haven, CT; 1985-1988; J.D., 1988
Balliol College, University of Oxford; Oxford, England; 1983-1985; M.Sc. in
Development Economics, 1985
Yale College; New Haven, CT; 1979-1983; B.A. , summa cum laude, in History
1983
Leo Baeck School; Haifa, Israel; September-December 1977
Evanston Township High School, Evanston, IL; 1975-1979; Diploma, 1979

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

Acting General Counsel, U.S. Department of the Treasury; Washington, D.C.;
1999 - Present

Deputy General Counsel, U.S. Department of the Treasury; Washington, D.C.;
1995 - 1999

Executive Assistant to National Security Advisor Anthony K. Lake and Deputy
National Security Advisor Samuel R. Berger, The White House,
Washington, D.C.; 1994 - 1995

Deputy Legal Adviser, National Security Council, The White House, Washington,
D.C.; 1993 - 1994

Special Assistant to Directors of Central Intelligence William H. Webster, Robert M.
Gates and R. James Woolsey; Washington, D.C.; 1991 - 1993

Associate, Wilmer, Cutler & Pickering, Washington, DC; 1989 - 1990

Law Clerk, U.S. District Judge Eugene H. Nickerson, Eastern District of New York,
Brooklyn, NY; 1989 - 90

Adjunct Assistant Professor of Law, Brooklyn Law School, Brooklyn, NY;
International Commercial Arbitration; 1989

Summer Associate; Paul, Weiss, Rifkind, Wharton & Garrison; New York, NY;
Summer 1988

Coker Teaching Fellow; Prof. Burke Marshall; Constitutional Law I; Yale Law
School; New Haven, CT; 1987-88

Summer Associate; Williams & Connolly; Washington, DC; Summer 1987

Summer Associate; Wilmer, Cutler & Pickering; Washington, DC; Summer 1987

Research Assistant; Prof. W. Michael Reisman, Yale Law School; New Haven, CT;
1987

Research Assistant; Prof. Geoffrey C. Hazard, Jr.; Yale Law School; New Haven,
CT; 1986-87

Summer Associate; Sidley & Austin; Chicago, IL and Washington, DC; Summer
1986

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

None, other than positions listed above.

11. Business relationships: (List all positions held [for the past 10 years] as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Trustee, Karen A. Wolin Insurance Trust (trust contains term life insurance policy of
my sister; beneficiaries are my twin nephews); July 1998 - present

Partner, 1748 - 66 E. 71st Place Partnership; Chicago, IL; 3 1/3% interest;
December 31, 1985 - present

Partner, Cornelia Associates Partnership (622-630 ½ Cornelia Bldg., Chicago, IL);
0.8888% interest; December 31, 1985 - Present

- 12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)**

Council on Foreign Relations (term member 1993-1998, member 1998 - present)
 U.S. Supreme Court bar (1996 - present)
 American Bar Association (1989 - present)
 District of Columbia bar (1989 - present)
 Illinois bar (1989 - present)

- 13. Political affiliations and activities:**

- a. List all public offices for which you have been a candidate.**

None.

- b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.**

None.

- c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.**

Dan Williams for Congress, \$100.00, 1998

- 14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)**

Phi Beta Kappa, 1982 - present
 Charles and Julia Henry Fellowship; Oxford, England; 1983 - 84

- 15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)**

None.

- 16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)**

None.

- 17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)**

I have served for the past four years as Deputy General Counsel of the Department of the Treasury. In that position, I have been involved in virtually all of the activities of the Department's Legal Division and have provided advice and counsel to all of its senior officials.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

Not Applicable.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

No.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

None.

4. Explain how you will resolve any potential conflict of interest, including any

that may be disclosed by your responses to the above items. (Provide the Committee with two copies of any trust or other agreements.)

I do not foresee any potential conflict of interest. Should any potential conflict issue arise, I will consult promptly with Treasury ethics officials.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

While performing my duties as a Freshman Resident Counselor in college, I was mistakenly arrested during an attempt to ensure that a group of freshmen under my charge did not get into any mischief while performing a prank. With the full support of my college dean, the prosecutor decided to drop all charges against me and, accordingly, all charges were dismissed.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

No.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be, reasonably requested to do so?

Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes.



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