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**NOMINATIONS OF STUART LESLIE BROWN,  
FRANK NEWMAN, AND EDWARD KNIGHT**

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Y 4. F 49: S. HRG. 103-875

Nominations of Stuart Leslie Brown,...

**HEARING**

BEFORE THE

**COMMITTEE ON FINANCE**

**UNITED STATES SENATE**

**ONE HUNDRED THIRD CONGRESS**

SECOND SESSION

ON THE

NOMINATIONS OF

STUART LESLIE BROWN, TO BE CHIEF COUNSEL, IRS, AND ASSISTANT  
GENERAL COUNSEL, TREASURY DEPARTMENT; FRANK NEWMAN, TO  
BE DEPUTY SECRETARY, TREASURY DEPARTMENT; AND EDWARD  
KNIGHT, TO BE GENERAL COUNSEL, TREASURY DEPARTMENT

SEPTEMBER 14, 1994



Printed for the use of the Committee on Finance

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**NOMINATIONS OF STUART LESLIE BROWN,  
TO BE CHIEF COUNSEL, IRS, AND ASSIST-  
ANT GENERAL COUNSEL, TREASURY DE-  
PARTMENT; FRANK NEWMAN, TO BE DEP-  
UTY SECRETARY, TREASURY DEPARTMENT;  
AND EDWARD KNIGHT, TO BE GENERAL  
COUNSEL, TREASURY DEPARTMENT**

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**WEDNESDAY, SEPTEMBER 14, 1994**

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

The hearing was convened, pursuant to notice, at 1:10 p.m., in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan, (chairman of the committee) presiding.

Present: Senators Baucus, Bradley, Rockefeller, Daschle, Breaux, Conrad, Packwood, Roth, Danforth, Durenberger, and Grassley.

Also present: Margaret Richardson, Commissioner, Internal Revenue Service.

**OPENING STATEMENT OF THE HON. DANIEL PATRICK MOY-  
NIHAN, A U.S. SENATOR FROM NEW YORK, CHAIRMAN OF  
THE COMMITTEE**

The CHAIRMAN. This committee will come to order. We have before us the happy task of considering the nomination's of Mr. Frank Newman, to be Deputy Secretary of the Treasury; Mr. Edward Knight, to be General Counsel of the Treasury; and Mr. Stuart Brown, to be Assistant General Counsel and Chief Counsel for the Internal Revenue Service.

I would like, simply, to say that I want to congratulate Mr. Newman, who is now Under Secretary of the Treasury.

Mr. NEWMAN. That's correct.

The CHAIRMAN. I want to congratulate you for the very able service you have performed in your present duties, and to the yet more exalted ranks to which you now attain, if you can survive the scrutiny of this committee.

Mr. Knight, I want to congratulate you in exactly the same terms.

Mr. Knight. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Brown, you are well and favorably known to those such as Joe Gale and others of the Joint Tax Committee, and to Lindy, Paull. Commissioner Richardson, would you like to introduce Mr. Brown to the committee?

Commissioner RICHARDSON. I would like to very much. Mr. Chairman, distinguished members of the committee, I am delighted to be able to be here today to introduce Stuart Brown, who has been nominated to be the Chief Counsel for the Internal Revenue Service.

I have had the pleasure of knowing Stuart for a long time. And, as you have mentioned, he is well and favorably known to a number of people on this committee. I think he will be a real asset in the position of Chief Counsel, and I hope that you all will move to confirm his nomination right away.

He is not only a fine lawyer, I think he is a very fine person. I have had the pleasure of working with him since I have been Commissioner, and it has been a real treat. So I highly commend him to all of you.

The CHAIRMAN. And so he will become your Chief Counsel.

Commissioner RICHARDSON. He will be my Chief Counsel, but also an Assistant General Counsel of the Treasury Department. Right.

The CHAIRMAN. That is a promising position.

Mr. Brown, do you have a statement you would like to make?

**STATEMENT OF STUART LESLIE BROWN, NOMINEE FOR THE POSITION OF CHIEF COUNSEL, INTERNAL REVENUE SERVICE, AND ASSISTANT GENERAL COUNSEL FOR THE TREASURY DEPARTMENT**

Mr. BROWN. Yes, Mr. Chairman. First of all, I want to thank you for having this hearing at this time. I know how busy you are and how difficult it is to schedule time for people to appear.

I have provided the committee with a two-page written statement that summarizes some of the things that we do in the Office of Chief Counsel and gives you a little bit of my perspective on how we ought to go about doing them. If I could ask that that be included in the record, I would just make a very brief statement here.

The CHAIRMAN. I will be happy to include that in the record.

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

Mr. BROWN. Mr. Chairman, I am honored to have been nominated as Chief Counsel of the Internal Revenue Service. If I am confirmed, I promise you that I will do my best to work in partnership with the IRS to make sure that our Nation's tax system is administered according to the law and that the Federal Government collects from its citizens just the amount of tax prescribed by the Internal Revenue Code—no more, no less.

Mr. Chairman, the only other point I would like to make is that, as you know, since leaving the Joint Committee staff I have worked in the Office of Chief Counsel in a career position there.

And, based on that experience for the last three years, and also based on having practiced tax law with a firm for the prior 12 years, I would like to express to the committee, and for the record, my sincere appreciation and admiration for the career employees of the Office of Chief Counsel and the IRS as a whole.

In my opinion, our Nation's tax system works as well as it does largely because of the integrity, the intelligence, and the dedication



of these career employees, and I think they deserve to be recognized at a time like this.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir.

Do I understand that you have some of your family present?

Mr. BROWN. Yes, sir. May I introduce my two children, Rebecca and Laura Brown. Would you stand up?

The CHAIRMAN. Well, hi, there. Stand up. Oh, nice to have you. Your mommy's in front of you?

Mr. BROWN. And my mother, Phyllis Green. And, as I said, my wife, Diane, is in China right now.

The CHAIRMAN. Is in China doing scientific work.

Mr. BROWN. Yes, she is.

The CHAIRMAN. We are very happy to have you.

I would like to make just a general statement while I have you here, sir, and the Commissioner. You all, of course, know the work of Irwin Griswald, the former Solicitor General.

He was in the Solicitor's office in the Department of Justice in 1930, and they assigned him to tax issues, tax law. Well, he did not know any tax law. They did not teach it at Harvard. He writes that he thought he would go to the Solicitor General and tell him he did not know anything about tax law, but then he thought maybe he would go to the library, instead. And, of course, out of that came the first text on these things.

I get a letter once a year, which I do not think I shared with you, and I must. Dean Griswald still fills out his own returns, every line. And this year, as I recall, it took him 92 hours. The man who wrote the book, you know, before he was done, he put 92 hours into what is not a complicated financial situation, the best I know. He is an attorney, and a practicing attorney still.

Are we not putting the system at risk when it becomes this complex?

Mr. BROWN. I think there are definitely problems that arise from complexity. There are also difficulties that you face in solving those problems. If you were to ask me for some suggestions about how we might deal with simplification issues, or the problems that you have alluded to, I would say that it is important, first of all, to understand that, for a lot of people, complexity arises more in the context of their dealings with the IRS after the fact as much as it does in their filling out of their returns.

And, while the Commissioner did not ask me to say this, I would urge you to consider how important it is to support the modernization program that the IRS has under way.

The CHAIRMAN. No, no, no, no, no. We are cutting out half your jobs to pay for the crime bill. Didn't you hear?

Commissioner RICHARDSON. No, those are other agencies.

The CHAIRMAN. Other agencies.

Mr. BROWN. I hope so, because I really think that a lot of the frustration that you hear about—

The CHAIRMAN. Is that computer, basically?

Mr. BROWN. It is called Tax Systems Modernization. I think, having seen the system work from the inside and seeing how difficult it is for us to resolve problems for taxpayers, there is really, I

would say, nothing more important that you could do than provide support for that program over the long term.

The CHAIRMAN. Well, maybe we can talk about that on an informal basis. Secretary Newman, we would like to hear your views on those things, and Mr. Knight's.

Senator Packwood?

Senator PACKWOOD. How many people now use the 1040-EZ?

Mr. BROWN. 1040-EZ?

Senator PACKWOOD. Yes. Is it 70 percent?

Mr. BROWN. I do not think it is—

Senator PACKWOOD. The 1040A and 1040-EZ.

Mr. BROWN. I am sorry. I do not know. There are about 110 million returns filed, total.

Commissioner RICHARDSON. Slightly more than 110 million returns, so I am not sure of the precise number. But quite a large number, maybe 50 percent. We can get that for you. We do know that a number of people who are eligible to file a 1040-EZ do not, and we have been trying to promote it and let them know they can.

Senator PACKWOOD. The reason I ask is, I recall when we did tax reform in 1986, maybe I thought it was then 60 percent were doing either the 1040A or 1040-EZ, and I thought we went up eight or nine percent after that, with some of the simplicity. But I never heard anybody complain about complexity if it favored them.

Commissioner RICHARDSON. I was going to respond to the Chairman's point, also. I think that we do have the vast majority of the people who are able to file a 1040-EZ, even if they do not.

The CHAIRMAN. Give us those numbers, will you not? Just for ourselves.

Commissioner RICHARDSON. I definitely will.

But I think, as you and I discussed last year before my confirmation hearing, a law that is difficult for taxpayers to comply with is a law that is difficult to administer. So we are really very anxious to do what we can to try to make it as simple as possible.

Senator PACKWOOD. But my litmus test is when I would go to any kind of an audience, and you get the normal, why can we not have a 10 percent flat tax? Other than it will not raise enough money, you say. But we spend too much money anyway. Just a 10 percent flat tax.

And you say, well, you realize, therefore, the rich will pay a lot less, proportionately, than the poor. You are going to make the widow with \$10,000 income pay \$1,000, and she does not pay anything now. So then you say, to your average Rotarian audience, all right, how many people here favor a simple tax, staple your check to the post card, send it in? Everybody raises their hand. Now, you understand that means there are no deductions for charitable contributions. Well, no, I didn't realize that. No deductions for children. Well, no, you get deductions for children. All right. No home mortgage deduction. Oh, no. No, we did not mean that either.

Pretty soon, you go down the list of what they did not mean, club dues—although that apparently is now taken care of—no, no, that is perfectly legitimate. And pretty soon they are no longer at a flat tax, or anything close to it.

But you can use that to illustrate the point that you can have a flat tax, you can have a simple tax, you can have it stapled to

the post card if you understand what the trade-offs are and that you turn the progressive code upside down so that the poor pay more.

And you might run into some slight opposition from universities and churches—slight is an understatement—and all other charities. But it is an interesting thing you can do with audiences.

The CHAIRMAN. Yes. I agree, sir.

Mr. Newman, did you want to say something, sir?

**STATEMENT OF FRANK NEWMAN, NOMINEE FOR THE POSITION OF DEPUTY SECRETARY, DEPARTMENT OF THE TREASURY**

Mr. NEWMAN. If I may, Mr. Chairman. I have a brief statement and I will just enter it for the record, if that is agreeable to you, and then make a couple of comments now.

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

Mr. NEWMAN. I would like to thank you, Mr. Chairman and Senator Packwood, for the opportunity to appear so promptly, given the circumstances. It is genuinely a privilege and a pleasure to be here, although the circumstances leading up to my nomination were unfortunate in many ways. But it is also an honor to be recommended by Secretary Bentsen and nominated by the President.

It was about a year and a half ago that I appeared before you for a nomination as Under Secretary, and I am happy to be back now.

As I mentioned then, I look forward to working cooperatively with the committee on issues of mutual concern and opportunity. I realize that there are often a number of different perspectives on matters of importance and expression and consideration of those varying views are part of the strength of our system of democracy. It is something I believe personally very strongly. I came to Washington determined to listen carefully to try to understand and appreciate the different points of view as I participate in the development of alternatives.

My primary responsibilities as Under Secretary for Domestic Finance have focused on policy and regulatory matters regarding financial institutions, the management of the federal debt, financing that has been provided by the Treasury, and the operations supporting these functions.

In addition, Secretary Bentsen has asked me to represent the Treasury in various interagency efforts, including the Working Group on Financial Markets and the President's Management Council.

If confirmed as Deputy Secretary, I hope to serve primarily in three broad areas. First, obviously, to support Secretary Bentsen in whatever way he deems most appropriate, but including major policy issues within the Treasury, and Treasury's role in key Administration initiatives, many of which will naturally deal with this committee.

Second, is to assist the Secretary in the management of the range of policy offices and bureaus within the Department of the Treasury. The scope of the department's activities are some of the

most basic of government: collecting taxes, enforcing many laws, producing coins and currency, just to name a few.

I believe that serious attention to running the government well is a vitally important function for those of us who sign on to the Executive Branch.

Third, although I will obviously have less time to spend on matters of domestic finance, I hope to continue to be active in issues regarding the financial system. The key objectives are to allow the providers of financial services to be more efficient and adaptive to modern markets, to protect the safety and soundness of the system, and to assure that the system serves fairly the financial needs of a broad range of people and businesses of the Nation.

If confirmed, I will undertake the challenge and responsibilities—and I do believe they are challenging—of the Office of Deputy Secretary with diligence, with a constant sense of financial responsibility, with an open mind, and a commitment to integrity.

Thank you, Mr. Chairman. I would be pleased to respond to any questions.

The CHAIRMAN. We thank you, sir. Your reputation is well-established in this committee. We just wanted to congratulate you for this yet higher honor.

Mr. Knight, did you want to make a statement?

#### STATEMENT OF EDWARD KNIGHT, NOMINEE FOR THE POSITION OF GENERAL COUNSEL, DEPARTMENT OF THE TREASURY

Mr. KNIGHT. Yes, Mr. Chairman. I, too, have a brief statement I would like placed in the record.

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

Mr. KNIGHT. I will summarize and be even more brief. I want to join Frank and Stuart in expressing my appreciation to the committee, and especially to you, Mr. Chairman and Senator Packwood, for scheduling this hearing in such an expeditious manner.

The CHAIRMAN. Could I just interrupt?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. I see a young lad over there who obviously would be in school if he were not here, and there is probably a reason he is here.

Mr. KNIGHT. Yes, sir. That is my son, Travis, and my wife, Amy.

The CHAIRMAN. Hello, Travis. Good afternoon, Mrs. Knight.

Mr. KNIGHT. Thank you.

As with Stuart and Frank, I am deeply honored for being nominated by the President, and I, in particular, for the job of General Counsel, am grateful that Secretary Bentsen recommended me.

As you know, the General Counsel serves as the chief legal officer of the department, and one of his critical duties is providing legal and policy advice to the Secretary and to the top executives in the Department on a wide range of issues that Frank has touched upon. It is probably the most, in my view, interesting mix of issues you find in the government.

I began my preparation for this job in this institution of the Senate many years ago on Secretary Bentsen's staff. I spent 14 years in private practice, and, of course, the last 20 months, as Executive

Secretary of the department, and Senior Advisor to Secretary Bentzen.

I think it has given me a broad exposure to these issues and, in particular, an opportunity to work with the Secretary's and the department's General Counsel's Office, which I consider one of the finest groups of attorneys I have ever come across. It is one of the best law firms you will find in this country, and I am very proud to have the opportunity to lead this group of lawyers.

We have worked extremely closely with this committee on a number of matters in the last few months and this period has been a difficult one, as Frank alluded to.

But the Secretary has kept us focused on the agenda of the department and the priorities of the department, and particularly the matters like the banking bills, in which we have had so much recent success under Frank's leadership in the last few weeks, the Uruguay Round, and, of course, the Superfund legislation with this committee, which we have worked so closely and productively, and we intend to move forward aggressively in the next few weeks on the remainder of our agenda.

Again, I want to indicate my interest and desire to have a close relationship between the Legislative and the executive branches, and to continue the close relationship the department enjoys with this committee. And I would be happy to answer any questions you might have.

The CHAIRMAN. Well, Mr. Knight, that is a very encouraging statement. You are well and favorably known to the committee.

Senator Packwood?

Senator PACKWOOD. No questions.

The CHAIRMAN. That being the case, a vote having been called and five lights being up there, this hearing is concluded.

[Whereupon, at 1:29 p.m., the hearing was concluded.]



# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED

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### PREPARED STATEMENT OF STUART LESLIE BROWN

Mr Chairman and Members of the Committee: I am honored to have been nominated to serve as Chief Counsel for the Internal Revenue Service. If I am confirmed, I pledge to you that the Office of Chief Counsel will work in partnership with the Internal Revenue Service to ensure that our nation's tax system is administered according to the law, and that the federal government collects from its citizens the amount of tax prescribed by the Internal Revenue Code—no more, no less.

Considering its organizational structure and historic mission, I see the Office of Chief Counsel contributing to this partnership primarily in three ways:

First, the Office of Chief Counsel is responsible for providing guidance as to the correct, legal interpretation of the Internal Revenue Code. Sometimes this interpretation will be reflected in regulations, rulings or other published guidance applicable to many taxpayers. Other times, the legal advice may be used to help resolve individual cases, for example, through technical advice requests or private letter rulings. In either context, however, I will expect Counsel's legal analysis to be reasonable, practical, and impartial as between taxpayers and the government. Our conclusions must always reflect our best judgment as to the proper interpretation of the Code in light of Congressional intent.

Second, the Appeals organization provides an independent forum for the administrative resolution of tax controversies. Over the years, Appeals has consistently resolved between 85 and 90 percent of the cases presented for its consideration; last fiscal year, more than 60,000 cases were resolved through this process. This record of resolving disputed cases without litigation has meant substantial savings of time and expense for taxpayers, the IRS and the courts. We must ensure that the benefits of this outstanding alternative dispute resolution process continue to be available to taxpayers in the future.

Third, when litigation is necessary, Chief Counsel attorneys represent the Commissioner in proceedings before the United States Tax Court and also provide advice and assistance to the Department of Justice in connection with tax litigation in other courts. As Chief Counsel, I would approach tax litigation with three basic principles in mind:

(a) Litigation is an expensive, time-consuming and uncertain process for both taxpayers and the government. Accordingly, litigation should be used more often as a last resort than as a first choice.

(b) The ability to litigate appropriate cases is essential to sound tax administration. In some instances, litigation may be the only practical way that disputed legal questions can be definitively resolved; in other situations, enforcement through judicial proceedings may be necessary to ensure compliance with the law.

(c) The true importance of tax litigation lies in the impact that a judicial decision can have on overall compliance beyond its application to the particular case at issue. Therefore, in pursuing cases in litigation, it is essential that the Office of Chief Counsel advocate positions that will provide appropriate rules for the tax system as a whole.

I would like to conclude with a more personal observation. As you are aware, I have been nominated to serve as Chief Counsel for the IRS while working in a career position in that office. Based on that experience, and also on my experience in private practice, I want to express to the Committee my sincere respect for the career employees of the Office of Chief Counsel and the IRS as a whole. In large meas-

ure, our nation's tax system works as well as it does because of the integrity, the intelligence and the dedication of these career employees. It has been a privilege for me to work with them in the past, and I look forward to serving as their next Chief Counsel.

Thank you.

RESPONSES OF STUART LESLIE BROWN TO QUESTIONS SUBMITTED BY  
SENATOR GRASSLEY

*Question No. 1.* Please provide the number of total staff for the IRS year-by-year since 1980 and also the number of IRS staff that conducted audits year-by-year since 1980.

*Answer.* The following chart provides that breakdown. It should be noted, however, that the number of Examination FTEs includes revenue agents, tax auditors and support staff.

INTERNAL REVENUE SERVICE ACTUAL FTE

1980 .....	87,464	28,370
1981 .....	86,156	27,402
1982 .....	82,857	28,117
1983 .....	83,603	27,638
1984 .....	87,635	28,050
1985 .....	92,259	29,009
1986 .....	95,880	34,619
1987 .....	102,189	31,399
1988 .....	114,875	34,097
1989 .....	114,758	33,484
1990 .....	111,962	30,882
1991 .....	115,628	30,334
1992 .....	116,673	30,366
1993 .....	113,460	29,665
1994 .....	<sup>1</sup> 112,825	<sup>1</sup> 27,037

<sup>1</sup> Estimated.

NOTE: The total staff numbers vary slightly from those reported in the IRS Annual Report due to the timing of the final annual reconciliation.

*Question No. 2.* Please provide the total dollar amount year-by-year since 1980 that the IRS has actually recovered from audits.

*Answer.* A major initiative of the Internal Revenue Service is the creation of an Enforcement Revenue Information System (ERIS) that tracks tax dollars recovered from all sources. ERIS moves the IRS from estimates of examination recommendations to actual dollars collected.

The system allows the IRS to go back to cases closed in FY 1992. Early in calendar year 1995, IRS will be able to look back as far as FY 1992 and report all the monies actually collected after October 1, 1991 that were the direct result of cases closed in FY 1992 or thereafter.

IRS has not tracked dollars actually recovered from audits. However, to be as responsive as possible, IRS has provided the amounts of additional tax recommended as the result of examinations for the periods requested.

Year	Additional Tax Recommended (\$ billions)
1980 .....	9.5
1981 .....	10.7
1982 .....	12.0
1983 .....	14.1
1984 .....	14.7
1985 .....	17.7
1986 .....	19.9
1987 .....	19.9
1988 .....	20.6
1989 .....	21.7
1990 .....	22.4
1991 .....	31.7



Year	Additional Tax Recommended (\$ billions)
1992 .....	26.9
1993 .....	23.1

*Question No. 3.* Please provide copies of the IRS annual report to Congress for the past 10 years.

*Answer.* The reports are attached.<sup>1</sup>

*Question No. 4.* Please provide copies of all audits of the IRS conducted under the Chief Financial Officers Act.

*Answer.* The reports are attached.<sup>1</sup>

*Question No. 5.* How many IRS employees total since Jan. 1, 1993, have been investigated or disciplined for using government computers to create fraudulent tax refunds or browse through tax records?

*Answer.* Regarding information on fraudulent tax refunds, the information requested is not readily available because the category "fraudulent tax refunds" pertains to many violations of the law and is not specifically captured in our management information systems. An analysis of the type requested requires the manual review of over 3,000 case files. However, IRS conducted such an analysis about a year ago and believes these results, which are summarized below, are responsive to your inquiry.

During the 22 month period ending July 31, 1993, IRS Inspection Service investigators substantiated allegations in 231 of 377 completed investigations that involved the improper use of the Integrated Data Retrieval System (IDRS). The 231 investigations consisted of the following:

- 88 instances of improper access to IDRS;
- 79 instances of disclosure of tax information;
- 22 instances of filing false returns or theft through tax refund schemes;
- 8 instances of intimidation and other taxpayer abuse;
- 6 instances of embezzlement;
- 5 instances of bribery; and
- 23 instances of other improper or illegal acts.

The 231 investigations involved 220 employees who either improperly accessed or used IDRS to commit or monitor these acts, and 11 individuals who conspired with the IRS employees.

While IRS has tracked investigations conducted by the Inspection Service during the period requested, only recently has it begun to track violations of rules of conduct that require management inquiry and possible disciplinary action. Incidences of improper IDRS access can be found in violations of rules of conduct as well as part of investigations into fraud or other criminal violations. Therefore, the 88 incidences of improper IDRS access do not reflect management inquiries and will be adjusted when IRS provides additional information. As relates to browsing, IRS did not collect this information prior to August 5, 1993. The data requested is available from that date through July 13, 1994 (Attachment 2). To secure it for the specified timeframe will require 2-3 weeks and this information will be forwarded to you at that time.

*Question No. 6.* Please detail what disciplinary action has been taken against these individuals, and the reason for different levels of disciplinary action. Did all individuals receive disciplinary action?

*Answer.* Attachment 2 provides a detailed listing of the discipline imposed for browsing. Also attached is a copy of the Guide for Penalty Determinations (Attachment 3) that outlines appropriate considerations in selecting discipline and provides for consistency in penalties. The controlling section of the Guide in this instance is Category 26, Computer Security and Taxpayer Privacy Violations.<sup>1</sup>

Of the 231 investigations identified in the answer to question No. 5 that involved the improper use of IDRS, 21 individuals plead guilty or entered into pre-trial diversions.

Management took the following administrative actions on the 220 employees who improperly used IDRS:

- 44 employees resigned;
- 30 employees were removed;
- 71 employees were suspended or demoted;

<sup>1</sup> Retained in committee files.

- 28 employees were reprimanded;
- 5 employees were counseled.

Three employees retired and management took no action against five employees. The remaining 34 employees have adjudicative actions pending.

*Question No. 7.* What is the IRS' estimate of the additional revenue that will be realized through computer modernization (TSM)? What is the cost of this modernization?

*Answer.* The benefits of TSM identified thus far have focused on interest savings, productivity savings and the reduction of taxpayer burden. Studies are underway to identify revenue benefits resulting from TSM and will be available as part of the FY 1996 budget submission.

Cost estimates for implementing, operating and maintaining TSM through the year 2008 will require a capital investment of \$7.8 billion above the projected \$15.5 billion cost to operate and maintain the current systems for the same period.

*Question No. 8.* Please explain the IRS "M" account which shows as of June 16, 1994 a negative balance of \$8.3 million in the Taxpayer Service and Returns Processing account.

*Answer.* The account in question relates to reimbursable agreements for orders of back copies of tax returns, knowing that IRS will be reimbursed for the costs associated with providing these copies, it can obligate funds in order to incur the activity and thus receive the budget authority to hire people. The Returns Processing organization of IRS provided copies, maintained the money in a separate account, and posted the earnings but the money was not properly recorded on the IRS accounting system as having been paid. IRS has requested formal write-off authority to the accounts receivable balances in question.

*Question No. 9.* Please provide the number of IRS agents who have left the IRS or been fired or disciplined because of bribery charges, since 1990—broken down year-by-year. Please provide copies of all investigation/reports of alleged bribery of IRS agents that the Department of Treasury/IRS has concluded, since 1990.

*Answer.* The specific data and Reports Of Investigations that have been requested are not readily available in the requested format. IRS is developing special computer applications to analyze historical data and identify individual cases. These analyses will be provided as soon as possible, within three to four weeks. In addition, any Internal Security Reports Of Investigation that are identified will require review by Disclosure staffs before they can be released to external parties.

*Question No. 10.* Please provide the number of IRS employees who have either been dismissed or have left the IRS due to violation of law or regulations, since 1990—year-by-year. What laws/regulations did these employees violate? How many were prosecuted and convicted for violation of law?

*Answer.* The specific information requested is not readily available. IRS will attempt to analyze our historical data to provide the information requested. This analysis will take three to four weeks to complete. While IRS has tracked investigations conducted by the Inspection Service during the period requested, only recently has it begun to track violations of rules of conduct that require management inquiry and possible disciplinary action.

We can provide the requested information as it relates to investigations that the IRS Inspection Service has completed since October 1, 1990. The number of employees who have either been dismissed or have left the IRS after U.S. Attorneys or management acted on Inspection Service Reports of Investigation are:

	Legal actions <sup>1</sup>	Administrative Actions <sup>2</sup>
Fiscal year 91 .....	109	195
Fiscal year 92 .....	105	208
Fiscal year 93 .....	76	128

<sup>1</sup> Employees either plead guilty or enter into pretrial diversions.

<sup>2</sup> Employees either were removed or resigned while under investigation.

NOTE: Inspection Service figures for FY 94 figures will be available at the end of October 1994.

The specific violations involved in these Inspection Service investigations are:

## FISCAL YEAR 1991

Violations	Legal actions	Administrative actions
Theft/Embezzlement .....	52	50
False Statement .....	28	55
Narcotics .....	13	15
Disclosure .....	2	6
Computer Violation .....	.....	3
Conflict of Interest .....	.....	3
Other .....	14	63
<b>Total .....</b>	<b>109</b>	<b>195</b>

## FISCAL YEAR 1992

Violations	Legal actions	Administrative actions
Theft/Embezzlement .....	45	48
False Statement .....	24	53
Narcotics .....	11	13
Disclosure .....	.....	6
Computer Violation .....	.....	15
Conflict of Interest .....	.....	6
Other .....	25	67
<b>Total .....</b>	<b>105</b>	<b>208</b>

## FISCAL YEAR 1993

Violations	Legal actions	Administrative actions
Theft/Embezzlement .....	28	11
False Statement .....	12	32
Narcotics .....	12	12
Computer Violation .....	.....	11
Conflict of Interest .....	.....	3
Other .....	24	59
<b>Total .....</b>	<b>76</b>	<b>128</b>

RESPONSE TO INFORMATION REQUESTED OF NOMINEES  
BY  
UNITED STATES SENATE  
COMMITTEE ON FINANCE

NOMINEE:           STUART LESLIE BROWN

NOMINATED FOR: CHIEF COUNSEL  
INTERNAL REVENUE SERVICE  
DEPARTMENT OF THE TREASURY

A.    BIOGRAPHICAL:

1.    Name:                               Stuart Leslie Brown
2.    Address:                           7110 Crail Drive  
Bethesda, Maryland 20817
3.    Date and place of birth:       May 12, 1950  
New York City, New York
4.    Marital status:                   Married since 1976 to Diane  
Solomon, M.D.
5.    Names and ages of children:     Rebecca Solomon Brown -- age 12  
Laura Sayetta Brown -- age 10
6.    Education:                        Yale College, New Haven, CT  
1968--1972; B.A. 1972 (History)  
Magna cum laude; Phi Beta Kappa,  
Departmental Honors in History  
  
Harvard Law School, Cambridge, MA  
1972--1975; J.D. 1975, cum laude
7.    Employment record:               See Attachment A
8.    Government experience:           See Attachment B
9.    Memberships:                      See Attachment C
10.   Political affiliations and activities:   See Attachment D
11.   Honors and Awards:                IRS Commissioner's Award (1993)  
IRS Chief Counsel's Award (1993)  
IRS SES Awards (1992, 1993)
12.   Published Writings:               See Attachment E
13.   Speeches:                          See Attachment F
14.   Qualifications:                    See Attachment G

## Attachment A

Question A(7): Employment RecordFull-Time Legal Employment

- 1991-present: Associate Chief Counsel (Domestic)  
Internal Revenue Service  
Washington, D.C.
- 1989-1991: Deputy Chief of Staff  
Joint Committee on Taxation  
United States Congress  
Washington, D.C.
- 1977-1989: Attorney  
Caplin & Drysdale, Chartered  
Washington, D.C.
- 1975-1977: Attorney Advisor  
Judge Arnold Raum  
United States Tax Court  
Washington, D.C.

Teaching, Volunteer and Other Work Experience

- 1982-1989: Adjunct Professor (part-time)  
Graduate Tax Program  
Georgetown University Law School  
Washington, D.C.
- Spring 1981: Lecturer in Law (part-time)  
Washington College of Law  
American University  
Washington, D.C.
- 1974-1975:  
(school year) Teaching Assistant (part-time)  
International Tax Program  
Harvard Law School  
Cambridge, Mass.
- 1974 & 1975  
(each spring) Volunteer Income Tax Assistance Program  
Cambridge, Mass.
- Summer 1974: Law clerk  
Cleary, Gottlieb, Steen & Hamilton  
Washington, D.C.
- Summer 1973: Messenger  
Danzansky, Dickey, Tydings, Quint & Gordon  
Washington, D.C.

## Attachment B

Question A(8): Government Experience

- 1991-present: Associate Chief Counsel (Domestic)  
Internal Revenue Service  
Washington, D.C.
- 1989-1991: Deputy Chief of Staff  
Joint Committee on Taxation  
United States Congress  
Washington, D.C.
- 1975-1977: Attorney Advisor  
Judge Arnold Raum  
United States Tax Court  
Washington, D.C.
- 1974 & 1975 (each spring) Volunteer Income Tax Assistance Program  
Cambridge, Mass.

## Attachment C

Question A(9): Memberships

I am a member of the American Bar Association; the Federal Bar Association; the DC Bar Association; Adas Israel Synagogue, Washington, DC; the Holton-Arms Parents Association, Bethesda, MD; Woodmont Country Club, Rockville, MD; Sea Villa Homeowner's Association, Bethany Beach, DE; and Sea Colony Recreation Association, Bethany Beach, DE. I do not hold office in any of these organizations.

In addition, I make contributions to various charitable and other organizations each year; some of these organizations treat the contributions as membership dues. Apart from making the contributions, I have not actively participated in any of these organizations. A list of these organizations for the last three years follows:

Adas Israel Men's Club; American Civil Liberties Union; American Jewish Congress; Common Cause; Environmental Defense Fund; Glen Echo Park Foundation; Greenpeace; Jewish Historical Society of Washington; MADD; Maryland Public Interest Research Group; Mercaz; NARAL; NARAL -- Maryland; National Aquarium in Baltimore; National Audubon Society; National Geographic Society; National Wildlife Federation; Natural Resources Defense Council; Nature Conservancy; NOW; People for the American Way Action Fund; Sierra Club; Simon Wiesenthal Center; Southern Poverty Law Center; Stanford Alumni Association; WAMU; WETA; Wilderness Society; World Jewish Congress; World Wildlife Fund; Yale Alumni Association (Class Dues); Zero Population Growth

## Attachment D

Question A(10): Political affiliations and activities

Apart from being a registered voter, I am not a member of any political party, nor have I held office in, or provided services to, any political party or election committee.

I do not have a complete record of the political contributions that I may have made over the past 10 years. The contributions that I can remember or find in my records are as follows: 1988--Dukakis/Bentsen; 1991--Wofford for Senate; 1992--Agron for President; Abrams for Senate; Boxer for Senate; Feingold for Senate; Byrne for Congress; 1994--Bauman for County Executive of Montgomery County, Maryland; date unknown--Apodaca for Attorney General of New Mexico.

## Attachment E

Question A(12): Published Writings

"Taxation of S Corporations and Their Shareholders,"  
The New Subchapter S Corporation, P-H Law and Business  
Seminar, May 1987

"Tax Bill for Banks, S&L's Is a Hard Act to Swallow,"  
Legal Times, March 24, 1986 (with Robert A. Klayman)

"Partnership Audits and Litigation Under TEFRA," 42 NYU  
Institute on Federal Taxation 3 (1984) (with Ronald B.  
Lewis)

"Will the IRS Nullify Your Loss Carryback," Bottomline,  
pp. 69-72 (September 1984) (with Jeffrey B. Lehman)

"Partnership Tax Audits and Litigation After TEFRA," 61  
TAXES 75 (1983) (with Mortimer M. Caplin); also reprinted in  
Legal Times, November 29, 1983

"Scope of Attribution Rules Broadened, But Waiver by  
Entities of Family Rules Approved," 11 Taxation for Lawyers  
210 (1983) and 29 Taxation for Accountants 336 (1982)

"IRS Mounts Double-Barreled Attack on 'Cash  
Reorganizations' With Mutual Funds," 53 Journal of Taxation  
76 (1980) (with Herbert N. Beller)

"A New United States Court of Tax Appeals: S. 678,"  
57 TAXES 360 (1979) (with Mortimer M. Caplin); also  
reprinted in Legal Times, October 29, 1979

## Attachment F

Question A(13): SpeechesSpeeches During 1991 (Starting in May)

May	ABA Section of Taxation Corporate Tax Committee Topic: Current Developments in Technical
July	Office of Chief Counsel North Atlantic Region CLE Topic: Current Technical Issues
	New York State Bar Association Tax Section Topic: Current Developments in Chief Counsel
August	ABA Section of Taxation Plenary Session Topic: Chief Counsel Reorganization
	Office of Chief Counsel Central Region CLE Topic: Chief Counsel Reorganization
Sept.	Chicago Bar Association Federal Taxation Committee Topic: Chief Counsel Reorganization

- October Washington Tax Group  
Topic: Current Developments in Domestic  
Tax Executive Institute  
Annual Conference  
Topic: Current Developments in Federal Taxation
- November Federal Bar Association  
Tax Section  
Topic: Current Developments
- National Institute on Real Estate  
Topic: Compliance 2000
- Parker Fielder Oil & Gas Conference  
Topic: Current Developments in Chief Counsel
- December Connecticut Society of CPA's  
Tax Forum  
Topic: Current Developments in Chief Counsel
- Tax Lunch Group  
Topic: Current Tax Issues

Speeches During 1992

- January New York State Bar Association  
Tax Section  
Topic: Current Tax Issues
- March Federal Bar Association  
Annual Tax Law Conference  
Topic: Current Developments in Rulings and  
Regulations
- May NYU Institute on Corporate Restructurings  
Topic: Compliance 2000 & Chief Counsel
- June AICPA  
Spring Meeting  
Topic: Hot Rulings Issues

Speeches During 1993

- February ABA Section of Taxation  
Topic: Regulatory & Legislative Changes
- Federal Bar Association  
Annual Tax Law Conference  
Topic: Recent Rulings & Regulations
- July Office of Chief Counsel  
Southeast Region CLE  
Topic: Tax Litigation Hot Topics
- Office of Chief Counsel  
North Atlantic Region CLE  
Topic: Newark Morning Ledger
- August ABA Section of Taxation  
Environmental Tax Committee & Presidential Forum  
Topic: Environmental Remediation



Speeches During 1994

January	New York State Bar Association Tax Section Annual Meeting Topic: Current Tax Issues
	ABA Section of Taxation Environmental Tax Committee Topic: Environmental Remediation
June	Office of Chief Counsel Southwest Region CLE Topic: Tax Litigation Hot Topics

I generally do not speak from a prepared text or prepare outlines for distribution; therefore, I cannot submit copies of the speeches listed above.

## Attachment G

Question A(14): Qualifications

I believe I am qualified to be Chief Counsel of the Internal Revenue Service because of my experience in the field of federal taxation. This experience includes two senior positions with the federal government, twelve years of private practice, and a Tax Court clerkship. These phases of my career are summarized below.

I have served as Associate Chief Counsel (Domestic) of the Internal Revenue Service since in May 1991. In this position, I have been directly involved in the most significant issues facing the Office of Chief Counsel -- these are, of course, many of the same issues I will be asked to address as Chief Counsel. In addition, during this period, I have managed an office with more than 625 employees, and have developed good working relationships with the many individuals who serve in senior tax policy positions in the Office of Chief Counsel, the IRS and the Treasury Department.

Prior to becoming Associate Chief Counsel (Domestic), I spent two years (April 1989 -- March 1991) as Deputy Chief of Staff of the Joint Committee on Taxation. During these two years, I participated in hearings, legislative drafting, committee mark-up sessions, and informal meetings dealing with virtually all aspects of the tax bills that were enacted in 1989 and 1990, including the 1990 Budget Summit at Andrews Air Force Base.

From 1977 through 1989, I practiced law in Washington, D.C. with Caplin & Drysdale, Chartered, a firm that is recognized for its specialty in federal tax matters. I was an associate at the firm from 1977 to 1982, and a shareholder of the firm from 1982 to 1989. My practice covered a wide range of tax matters. While in private practice, I also taught courses in corporate taxation at two law schools: one spring semester (1981) at the Washington College of Law, of the American University; and eight spring semesters (1982--1989), in the graduate tax program at Georgetown University Law Center.

I began my legal career in 1975, with a two-year clerkship for Judge Arnold Raum of the U.S. Tax Court. During this clerkship, I worked on a variety of cases and motions and had the opportunity to observe the workings of the Tax Court from the chambers of one of its most distinguished members.

## PREPARED STATEMENT OF EDWARD S. KNIGHT

Thank you, Mr. Chairman, Senator Packwood and members of the Committee for the opportunity to appear before you today. It is a great privilege to be here, and I want to express my appreciation to you for scheduling this hearing so expeditiously.

I am deeply honored to be President Clinton's nominee to be General Counsel of the Treasury Department. And I am sincerely grateful to Secretary Bentsen for recommending me to the President.

The General Counsel serves as the chief legal officer of the Treasury Department, and one of the critical duties of this position is providing advice to the Secretary and other senior Department officials. This advice is on matters ranging from government financial operations and law enforcement to domestic and international economic, monetary and financial affairs.

As you are well aware, Secretary Bentsen was once a member and chairman of this committee. My service on his Senate staff, 14 years of private law practice—and especially the past 20 months as Executive Secretary of the Department and Senior Advisor to the Secretary—have given me broad exposure to all of these areas of Treasury's legal practice. The responsibilities of the position are both substantial and challenging.

My service at the Department also has given me great respect for all of my colleagues at Treasury and, particularly, for the staff of the Office of the General Counsel. We have worked extremely closely in recent months, and I assure you there's a great deal of superior legal expertise in the office.

This has been a difficult summer for the Department. But I am proud to say we have not lost sight of the fact that we have important matters on our agenda, such as the two banking bills, and the Uruguay Round and the Superfund reauthorization legislation on which we have been working so closely and productively with this Committee. Secretary Bentsen has made it clear that he intends to move forward forcefully to achieve our goals. I intend to help him in any way I can.

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

Before I close, I want to thank the most important people in my life—my wife, Amy, and son, Travis. Without their understanding and support I wouldn't be before you today.

RESPONSE TO INFORMATION REQUESTED OF NOMINEES  
BY  
UNITED STATES SENATE  
COMMITTEE ON FINANCE

NOMINEE: EDWARD S. KNIGHT

NOMINATED FOR: GENERAL COUNSEL  
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name:

Edward S. Knight

2. Address:

32 West Irving Street  
Chevy Chase, Maryland 20815

3. Date and place of birth:

01/20/51  
Amarillo, Texas

4. Marital status:

Married to Amy Shepard Knight on  
01/04/85

5. Name(s) & age(s) of children:

Travis Cowles Knight  
DOB: 11/30/86

6. Education:

Bellaire Senior High School; Houston, Texas; 1967-1969;  
High School Degree, 1969.  
Tulane University; New Orleans, LA; 1969-1970.  
University of Texas at Austin; Austin, TX; 1970-1973;  
B.A. with honors in Latin American Studies, 1973.  
University of Texas School of Law; Austin, TX;  
1973-1976; J.D., 1976.

7. Employment record:

Department of The Treasury  
Washington, D.C.  
Executive Secretary and Senior Advisor to the Secretary  
January 1993 to Present

Akin, Gump, Strauss, Hauer & Feld, L.L.P.  
Washington, D.C.  
Partner: January 1982 to January 1993  
Associate: May 1978 to December 1981

Democratic Vice Presidential Campaign  
Executive Assistant to Vice Presidential  
Candidate, Senator Lloyd Bentsen  
July-November 1988

Office of the Honorable Lloyd Bentsen  
 United States Senate  
 Washington, D.C.  
 Legislative Assistant  
 1976-1978

Federal Energy Administration  
 Washington, D.C.  
 Law Clerk  
 Summer 1975

Frances (Sissy) Farenthold, President, National  
 Women's Political Caucus  
 Houston, Texas  
 Law Clerk  
 Summer 1974

**8. Government experience:**

Department of the Treasury  
 Washington, D.C.  
 Executive Secretary and Senior Advisor to the Secretary  
 January 1993 - Present

Office of the Honorable Lloyd Bentsen  
 United States Senate  
 Washington, D.C.  
 Legislative Assistant  
 1976-1978

Federal Energy Administration  
 Washington, D.C.  
 Law Clerk  
 1975

**9. Memberships:**

District of Columbia Bar Association  
 Texas Bar Association  
 Blessed Sacrament Catholic Church  
 National Association of Latino Elected and Appointed  
 Officials

University of Texas Alumni Association  
 Texas State Society  
 Bellaire Senior High School Alumni Association  
 Finance Committee of the March of Dimes

- 10. Political affiliations and activities:**      **List all memberships and offices held in or financial contributions and services rendered to all political parties or election committee during the last ten years**

In the two years since I was appointed Executive Secretary and Senior Advisor to the Secretary of the Treasury, I have made no political contributions to any candidates, political parties or other political committees. During that same period of time, I have held no political office.

Between July to November 1988, I served as Executive Assistant to the Democratic Vice Presidential Candidate, Senator Lloyd Bentsen. During the years 1985-1992, I supported a number of candidates for public office. A pertinent list of election and party committees is attached (Tab A).

11. **Honors and Awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievement

Attached, please find recent letters of support and recognition from the following organizations (Tab B):

- National Council of La Raza
- Southwest Voter Registration Education Project
- Congressional Hispanic Caucus

12. **Published Writings:**

E. Knight, Property Transfer Rule Based for Independents: How to Incorporate Without Losing Percentage Depletion, Petroleum Independent (Feb. 1981).

E. Knight, Congressional Action Concerning Transfers of Oil and Gas Property Under Percentage Depletion Rules, 28 Oil & Gas Tax Q. 481 (June 1980).

Case Comment, Conflicts of Law Rule of the Forum State Will be Ignored When It Dictates the Application of the Law of a Foreign Country Which Has No Interest in the Dispute: Challoner v. Day and Zimmerman, Inc., 11 Tex. Int'l L.J. 147 (Winter 1976).

Former member of Advisory Board of the University of Virginia Natural Resources Law Journal.

Former Associate Editor, Texas Int'l Law Journal.

13. **Recent Speeches:**

Border Environment Cooperation Comm'n/North American Development Bank Outreach Conference  
(sponsored by the U.S. Dep't of State/Dep't of the Treasury and the EPA.)  
(worked from notes)  
San Diego, CA  
July 18, 1994

Trade Committee of the National Association of Manufacturers  
Washington, D.C.  
July 15, 1994

Southwest Voter Registration Education Project  
(worked from notes)  
San Antonio, TX  
April 1994

Trade Committee of the National Association of Manufacturers  
Washington, D.C.  
March 25, 1994

Salomon Brothers Conference  
New York, NY  
November 30, 1993

U.S. Hispanic Chamber Leadership Conference  
Chicago, IL  
October 29, 1993

14. **Qualifications:**

Secretary Lloyd Bentsen, in recommending me to the President for the position of General Counsel, stated the following:

[Edward Knight] has been a trusted advisor over the years. His understanding of Treasury's broad responsibilities, especially in the legal field, give him the insight necessary to lead this critical area of the Department. ...

In his present position, he heads the Department's Executive Secretariat, responsible for the review and analysis of issues and preparation of briefing materials for the Secretary's office. In his capacity as Executive Secretary, Ed has worked regularly with the Office of General Counsel in the process of developing regulations and in the development of department-wide administrative guidelines. In addition, he oversees the Office of National Security and the Office of Public Liaison.

During his service at Treasury, among other things, he was strategically involved in our successful effort to win approval of the North American Free Trade Agreement, was instrumental in the creation of the North American Development Bank under the NAFTA agreement, and he has worked tirelessly on our effort to adopt the Uruguay Round. ...

(Secretary Bentsen's Complete Statement is attached at Tab C).

QUESTION NO. 10 CONTINUED

Please find below a list of my contributions made during the period from 1985-1992. Since Federal Election Commission records do not reflect contributions of less than \$200, or contributions of less than \$500 prior to 1989, it is possible that a contribution below that threshold is not listed. Nevertheless, I have researched my personal financial records thoroughly in order to ensure the listing of any and all contributions.

Candidates for Public Office

Rep. Michael Andrews	Rep. William Jefferson
Rubin Askew	Sen. Bennett Johnston
Sen. Max Baucus	Rep. Harry Johnston
Sen. Lloyd Bentsen	Sen. John Kerry
Sen. Jeff Bingaman	Alexander Kress
Rep. Don Bonker	Rep. Greg Laughlin
Sen. Carol Mosely Braun	Sen. Frank Lautenberg
Sen. John Breaux	Sen. Patrick Leahy
Rep. Jack Brooks	Rep. Mickey Leland
Sen. Richard Bryan	Richard Licht
Rep. John Bryant	Rep. Edward Markey
Sen. Quentin Burdick	Leo McCarthy
Rep. Albert Bustamante	Pat McGowan
Sen. Robert Byrd	Sen. John Melcher
Rep. Jim Chapman	Sen. Barbara Mikulski
Clinton for President	Rep. Bob Mrazek
Rep. Gary Condit	Ted Muenster
Sen. Kent Conrad	Rep. Ed Pastor
Mike Cooney	Rep. J.J. Pickle
Sen. Thomas Daschle	Sen. David Pryor
Sen. Dennis DeConcini	Gov. Ann Richards (TX)
Sen. Christopher Dodd	Rep. Bill Richardson
Michael Dukakis	Sen. Donald Riegle
Rep. Chat Edwards	Rep. Tim Roemer
Sen. Wendell Ford	Rep. Dan Rostenkowski
Sen. Wyche Fowler	Rep. Marty Russo
Rep. Martin Frost	Sen. Paul Sarbanes
Harvey Gantt	Rep. Bill Sarpalius
Rep. Pete Geren	Sen. Jim Sasser
Sen. John Glenn	Sen. Richard Shelby
Rep. Dan Glickman	Pete Snelson
Rep. Gene Green	Truman Spangrud
Lena Guerrero	Rep. Mike Synar
(TX R.R. Comm'n)	Rep. Robert Torricelli
Sen. Tom Harkin	Rep. Craig Washington
Sen. Howell Heflin	Gov. Doug Wilder
Bill Hobby (TX Lt. Gov.)	Sen. Tim Wirth
Rep. Steny Hoyer	Sen. Harris Wofford
Sen. Daniel Inouye	

Political Party Committees

Democratic National Committee  
 Democratic Senatorial Campaign Committee  
 Democratic Congressional Campaign Committee

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

August 18, 1994

The Honorable William J. Clinton  
 President  
 The White House  
 1600 Pennsylvania Avenue  
 Washington, D.C. 20500

Dear Mr. President:

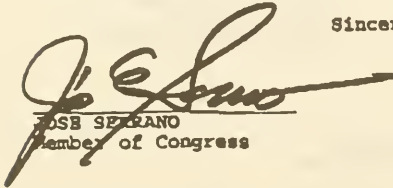
We, the undersigned members of the Congressional Hispanic Caucus, are writing to applaud Secretary Bentsen's recommendation that you nominate Edward Knight as General Counsel of the Treasury Department, and strongly encourage you to make that nomination to the Senate as quickly as possible.

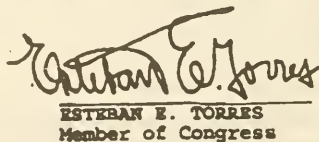
The Caucus has worked closely with Mr. Knight in his role as Secretary Bentsen's Executive Secretary and Senior Adviser. We value the assistance he provided to the passage of the North American Free Trade Agreement and the establishment of the North American Development Bank. He has a keen interest in the public policy issues that affect all Americans, and Hispanic Americans in particular. He will make an excellent General Counsel for the Treasury Department.

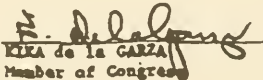
We know how much faith Secretary Bentsen places in Mr. Knight. We have that same kind of trust and respect for his talents and would urge you to send his nomination forward to the Senate.

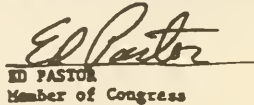
We appreciate your attention to this matter.

Sincerely,

  
 JOSE SERRANO  
 Member of Congress

  
 ESTEBAN E. TORRES  
 Member of Congress

  
 MIRA de la GARZA  
 Member of Congress

  
 ED PASTOR  
 Member of Congress



*Bill Richardson*

BILL RICHARDSON  
Member of Congress

*Frank Tejeda*

FRANK TEJEDA  
Member of Congress

*Nidia Velazquez*

NIIDIA VELAZQUEZ  
Member of Congress

*Lucille Estray Allard*

LUCILLE ESTRAY-ALLARD  
Member of Congress

*Solomon P. Ortiz*

SOLOMON P. ORTIZ  
Member of Congress

*Carlos Romero Barcelo*

CARLOS ROMERO-BARCELÓ  
Member of Congress

*Robert Menendez*

ROBERT MENENDEZ  
Member of Congress

*Xavier Becerra*

XAVIER BECERRA  
Member of Congress

*Ron de Lugo*

RON DE LUGO  
Member of Congress

*Luis Gutierrez*

LUIS GUTIERREZ  
Member of Congress

*Robert A. Underwood*

ROBERT UNDERWOOD  
Member of Congress

# NCLR

NATIONAL COUNCIL OF LA RAZA

Raul Yzaguirre, President

Regional Office  
810 First Street, N.E., Suite 303  
Washington, DC 20002-4207  
Phone: (202) 289-1380  
Fax: (202) 289-4173

August 22, 1994

The Honorable Bill Clinton  
President of the United States  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

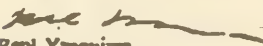
Dear Mr. President:

I write, on behalf of the National Council of La Raza (NCLR), to endorse Secretary Bentsen's recommendation that you nominate Edward Knight as General Counsel of the Department of the Treasury.

Mr. Knight's extraordinary skills, judgment, and discretion are well-known to those of us who have had the privilege of working with him. He played a key role in shaping the NAFTA implementing legislation, and in developing and nurturing the bipartisan coalition that assured NAFTA's passage. In addition, Mr. Knight is a careful, discerning lawyer capable of making the difficult decisions required of the Department's General Counsel. Perhaps most important, Mr. Knight has an impeccable reputation, and his integrity is unquestioned.

Finally, we know from personal experience that Mr. Knight is committed to the principle of equal opportunity for all Americans, and has shown particular understanding of and dedication to the rights of Americans of Hispanic descent. For these reasons, we unequivocally and enthusiastically urge the immediate nomination of Edward Knight to the position of General Counsel of the Department of the Treasury.

Sincerely,

  
Raul Yzaguirre  
President

cc: Hon. Daniel Patrick Moynihan  
Hon. Bob Packwood



Program Offices: Phoenix, Arizona • San Antonio, Texas • Los Angeles, California • Chicago, Illinois  
LA RAZA: The Hispanic People of the New World

DEPARTMENT OF THE TREASURY

TREASURY  NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE  
August 18, 1994

Contact: Joan Logue-Kinder or  
Howard Schloss 202-622-2920

## STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

I have recommended to President Clinton that he nominate my Executive Secretary and Senior Advisor, Edward S. Knight, as General Counsel of the Treasury Department.

Ed has been a trusted advisor over the years. His understanding of Treasury's broad responsibilities, especially in the legal field, give him the insight necessary to lead this critical area of the Department. He is well respected in legal and business circles, in the executive branch, and on Capitol Hill.

Ed Knight has made a serious commitment to public service. He served on my Senate staff from 1976 to 1978, and he left a senior partnership at Akin, Gump, Strauss, Hauer & Feld to join my Treasury team in January 1993.

In his present position, he heads the Department's Executive Secretariat, responsible for the review and analysis of issues and preparation of briefing materials for the Secretary's office. In his capacity as Executive Secretary, Ed has worked regularly with the Office of General Counsel in the process of developing regulations and in the development of department-wide administrative guidelines. In addition, he oversees the Office of National Security and the Office of Public Liaison.

During his service at Treasury, among other things, he was strategically involved in our successful effort to win approval of the North American Free Trade Agreement, was instrumental in the creation of the North American Development Bank under the NAFTA agreement, and he has worked tirelessly on our effort to adopt the Uruguay Round.

Born in Amarillo and raised in Houston, Texas, he earned his B.A. and J.D. degrees from the University of Texas at Austin. He is a member of the Texas and District of Columbia Bar Associations, and a member of the National Association of Latino Elected and Appointed Officials.

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LB-1028



# **SUREP** Southwest Voter Registration Education Project

**1974-1994 Commemorating Twenty Years of Political Empowerment**  
August 25, 1994

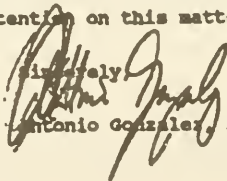
The Honorable William J. Clinton  
President  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear Mr. President,

I am writing to express my strong support for Secretary Bentsen's recommendation that you nominate Edward Knight as General Counsel of the Treasury Department, and strongly encourage you to make that nomination to the Senate as quickly as possible.

Southwest Voter Research Institute and Southwest Voter Registration Education Project have worked closely with Mr. Knight over the last ten years on issues of Latino voter participation in Texas and more recently on issues of NAFTA and the North American Development Bank. Mr. Knight played a crucial role providing assistance and insight to our efforts around NAFTA. He has our utmost confidence and trust and will serve with distinction as General Counsel for the Department of the Treasury.

I appreciate your attention on this matter.

Sincerely,  


Antonio Gonzalez, Acting President

## PREPARED STATEMENT OF FRANK N. NEWMAN

Mr. Chairman, Senator Packwood, and members of the committee, it is genuinely a privilege and a pleasure to appear before you today. While the circumstances that led to my nomination were unfortunate in many ways, it is an honor to be recommended by Secretary Bentsen and nominated by the President to be Deputy Secretary of the Treasury.

I look forward to working cooperatively with the Committee on issues of mutual concern and opportunity. I realize that there are often a number of different perspectives on matters of importance; expression and consideration of those varying views are part of the strength of our system of democracy. I came to Washington determined to listen carefully, and to try to understand and appreciate different views on issues, as I participate in the development of the balance and combination of alternatives.

My primary responsibilities as Under Secretary for Domestic Finance have focused on policy and regulatory matters regarding financial institutions, management of the federal debt, and financing provided by the Treasury, as well as the operations supporting these functions. In addition, Secretary Bentsen has asked me to represent the Treasury Department in various interagency efforts, including the Working Group on Financial Markets, and the President's Management Council.

If confirmed as Deputy Secretary, I hope to serve primarily in three broad areas. First, to support Secretary Bentsen in ways that he deems most useful, including on major programs at the Treasury Department, as well as Treasury's role in key Administration initiatives.

Second, to assist the Secretary in the management of the range of policy offices and bureaus within the Department. The scope of the Department's activities is extremely broad, and the functions it performs are some of the most basic of government—collecting taxes, enforcing many laws, and producing our coins and currency, to name a few. I believe that serious attention to running the government well is a vitally important function for those of us who sign on to the Executive Branch.

And third, although I will obviously have less time to spend on matters of Domestic Finance, I hope to continue to be active in issues regarding the financial system. The key objectives are to allow the providers of financial services to be more efficient and adaptive to modern financial markets, to protect the safety and soundness of the system, and to assure that the system serves fairly the financial needs of a broad range of people and businesses of the nation.

If confirmed, I will undertake the challenging responsibilities of the office of Deputy Secretary with diligence, with a constant sense of financial responsibility, with an open mind, and with a commitment to integrity.

RESPONSE TO INFORMATION REQUESTED OF NOMINEES  
BY  
UNITED STATES SENATE  
COMMITTEE ON FINANCE

NOMINEE: FRANK N. NEWMAN

NOMINATED FOR: DEPUTY SECRETARY  
DEPARTMENT OF THE TREASURY

A. BIOGRAPHICAL:

1. Name: Frank N. Newman
2. Address: 3030 K Street, N. W.  
Washington, D. C. 20007
3. Date and place of birth: April 20, 1942  
Quincy, Massachusetts
4. Marital status: Separated, divorce filed for  
Mo Newman
5. Names and ages of children: Daniel Newman - 24
6. Education: Harvard college 1959-1963  
AB, magna cum laude  
graduated 6/63
7. Employment record: List all positions held since  
college, including title or  
description of job, name of  
employer, location of work, and  
dates of inclusive employment

Analyst, Corporation for Economic and Industrial Research  
Inc. (CEIR), Cambridge, MA, 1963-1966

Manager, Consulting Practice, Peat Marwick Livingston and  
Co., Boston, MA, 1966-69

Vice President, Transaction Technology Inc (a subsidiary of  
Citicorp), Cambridge, MA 1969-73

Executive Vice President and Chief Financial officer, Wells  
Fargo Bank, San Francisco, CA, 6/73- 10/86

Vice Chairman of the Board and Chief Financial Officer,  
BankAmerica Corporation, San Francisco, CA 10/86-2/93

Currently Under Secretary of the Treasury for Domestic Finance

8. Government experience: List any experiences in, or  
association with, Federal, State  
or local Governments including  
any advisory, consultative,  
honorary or part-time service or  
positions

Consultant to the Secretary of the Treasury 2/93-5/93 and  
Under Secretary of the Treasury for Domestic Finance 5/93 to  
present

9. Memberships: List all memberships and offices  
held in professional, fraternal,  
scholarly, civic, charitable,  
and other organizations

Harvard Club of San Francisco, Director, 1985-1993

Japan Society of Northern California, Director, 1987-1993

San Francisco Municipal Improvement Railway Corporation,  
Director 1980-1986 (approximate dates)

10. Political affiliations and activities: List all memberships and offices held in or financial contributions and services rendered to all political parties or election committee during the last ten years

No memberships or offices

6-88	Friends of Diane Feinstein	\$1,000
4-89	Feinstein for Governor (primary)	\$1,000
10-89	Bradley for Senate	\$1,000
11-89	Feinstein for Governor (general election)	\$1,000
1989	Bank of America Federal Election Fund	\$1,710
7-90	Feinstein for Governor	\$1,000
1990	Bank of America Federal Election Fund	\$2,052
6-91	Feinstein for Senate	\$1,000
6-92	Hsieh for Supervisor	\$ 500
6-92	Kaufmann for Supervisor	\$ 500
6-92	Lazarus for Supervisor	\$ 500
6-92	Kennedy for Supervisor	\$ 500
1992	Bank of America Federal Election Fund	\$2,000
1993	Feinstein for Senate	\$1,000

11. Honors and Awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievement

Harvard College --1959-1963-Alfred P. Sloan Scholarship

12. Published Writings: List the titles, publishers and dates of books, articles, reports, or other published materials you have written

None

13. Speeches: Identify each speech which you have given during the past three years, the organization to which the speech was given, and supply two copies of each speech

No formal speech records. I gave numerous informal remarks, and testified before Congressional Committees several times.

14. Qualifications: State what, in your opinion, qualifies you to serve in the particular position to which you have been nominated

Attached is Secretary Bentsen's statement of August 17, 1994 stating my qualifications for the position of Deputy Secretary of the Treasury Department

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FOR IMMEDIATE RELEASE  
August 17, 1994

Contact: Joan Logue-Kinder  
202-622-2920

## STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

This evening I recommended to President Clinton that he nominate Treasury Under Secretary Frank Newman to become Deputy Secretary of the Treasury.

Frank Newman is a talented, knowledgeable individual, well-respected throughout the business and financial community, in government and in Congress. He has served with distinction as Under Secretary for Domestic Finance at the Treasury Department and is the right man to take over from Roger Altman. His guidance and counsel in this position will be an asset to the management of Treasury programs.

One of our most important initiatives in this administration has been encouraging economic growth and creating jobs. An integral part of that has been making it possible for small- and medium-sized businesses to have access to credit. Frank led that effort, and we are now seeing the effect throughout the economy.

He helped develop and fight for our extensive legislative agenda, including the Community Development Financial Institutions measure, the interstate banking bill, reauthorization of the Government Securities Act, and the bill making the final payment on the savings and loan cleanup.

In addition, he is a member of the President's Management Council, a key element in the effort to reinvent government. He chairs a council subgroup aimed at improving the service government provides its customers -- the taxpayers. Frank also led our program to redesign our currency to protect it against counterfeiters.

Frank has had a distinguished career in the private sector, most recently as Vice Chairman and Chief Financial Officer of BankAmerica Corp., a major international banking institution. Prior to that he was Executive Vice President of Wells Fargo & Co.

I encourage the Senate to act quickly on his nomination.

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