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7 December 1978

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EMPLOYEE FINANCIAL REPORTS

1. This notice alerts senior level employees to the far-reaching changes in financial reporting requirements established by the Ethics in Government Act of 1978, signed by the President in late October. Several special aspects concerning intelligence officers also are noted. Additional guidance from the Civil Service Commission is anticipated and will be disseminated at a future date.

2. The new act provides that all officers and employees whose positions are classified at GS-16 or above (and their equivalents) must file with the Agency a detailed report of their financial interests. Apparently, the reporting requirement is based on the grade of the position rather than that of the employee. These reports are to be filed by 15 May of each year to include information concerning the preceding year.

3. The Agency is required to make the reports available to the public. However, the act authorizes the President to exempt certain employees of CIA and other intelligence agencies from the public disclosure requirements upon his finding that "due to the nature of the office or position occupied by such individual, public disclosure of such report would, by revealing the identity of the individual or other sensitive information, compromise the national interest of the United States." A review of Agency positions is under way to determine what positions should be recommended to the President as appropriate for exemption from the public disclosure provisions. The act also provides that individuals exempted from the public disclosure requirements "may be authorized . . . to file such additional reports as are necessary to protect their identity from public disclosure if the President first finds that such filing is necessary in the national interest." This provision was included to permit compliance with the reporting requirements by intelligence personnel and also to maintain cover. Recommendations in this area will be proposed to the Director at an early date.

4. The financial interests to be reported must be made in much greater detail and specificity than has been required in the past under existing Executive orders and regulations. For example (in general terms), the following must be reported:

a. The source and type of dividends, rents, interest, and capital gains and an indication of the amount in terms of any of seven specified ranges; i.e., "not more than \$1000" to "greater than \$100,000."

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b. The source, type, and amount of all other income (except Government salaries).

c. The source and a description of gifts and entertainment above a specified amount.

d. The identity and value of any interest in property held for trade or business or for investment or the production of income.

e. The identity and value of liabilities in excess of \$10,000, other than personal residence mortgages, and loans for motor vehicles or household effects.

f. A description, the date and value of any purchase, sale, or exchange of real property (other than personal residence), stocks, bonds, commodity futures, and other forms of securities.

g. The identity of positions held in any business enterprise, nonprofit organization, labor organization, or educational institution.

h. The identity of the source (other than the United States Government) of any compensation in excess of \$5,000 and a description of the duties or services for which it was paid.

i. Extensive information on any trusts or other financial arrangements in which the employee has a beneficial interest.

j. Certain financial interests of the employee's spouse and dependent children also must be reported.

5. At this point it remains uncertain whether the reporting requirements of the act will apply in the case of supergrade employees whose Government employment ceases between the effective date of the act, 1 January 1979, and the first specified filing date, 15 May 1979. The provisions of the act are ambiguous in this regard and it may take several weeks before a definitive interpretation emerges, but those supergrade employees planning to retire on or after 1 January 1979 and before 15 May 1979 should be aware of the possibility that reports may be required.

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6. It should be understood that there is no way to know when the President will act to exempt at least some CIA employees from the public disclosure provisions, but it seems almost certain that this will not be done by the first few weeks of 1979. Thus, financial reports filed by those employees who terminate in early 1979 would be subject to public disclosure, at least until the President orders otherwise.

7. Agency heads must report to the Attorney General "the name of any individual he has reasonable cause to believe has willfully failed to file a report or has willfully falsified" a report. The Attorney General may bring a civil action against such individual, in which event the court may assess a civil penalty against the individual not to exceed \$5,000.

8. Reporting forms will be developed by the Civil Service Commission and will be available at an early date. Employees who file before such forms are available may do so by written submission.

9. The current Executive order requiring financial interests reports and CIA regulations thereunder apply also to some employees at less than GS-16 grades. Consideration of whether modification or rescission of those Agency regulations would be appropriate in view of the new statute is now being undertaken.

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Deputy Director
for
Administration

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