

# AuCoin

## SENATE

FOR IMMEDIATE RELEASE

March 17, 1992

Contact: Rick Gureghian  
Jeanne Duncan  
503/238-1992

### AuCOIN STATEMENT

Let me explain why we are here today.

I want to update you on the result of an audit, which I requested, of my House Bank checking account. It was done by Bill Cundiff, an independent certified public accountant from Portland. Bill, Sue and I will then answer any questions you might have.

After the GAO's initial report on the House Bank in September 1991, I requested from the Sergeant-at-Arms, the official in charge of the Bank, full and complete information on my account. I was one of the first members of Congress to step forward and acknowledge my overdrafts. Here is the official letter from the Sergeant-at-Arms -- you all have copies.

Starting last week, it became increasingly clear that the so-called House Bank was in administrative shambles. The House Ethics Committee detailed an almost complete absence of reasonable accounting procedures and lax banking standards. The bank's operation was clearly unacceptable.

When I heard that, I decided there and then that the information I had received from the House Bank was simply unreliable, that the letter from the Sergeant-at-Arms was simply not good enough.

That's when I decided to have an independent, impartial Oregon accountant audit my family's account one more time. I retained Bill Cundiff and the audit was done over the last three days, after he reconstructed my records, check by check. We were aided by information -- for the first time -- explaining a marking system the Bank co-op used for checks that did not immediately clear.

When I heard Bill's findings, I was stunned. After all, as you will see, the official letter from the Sergeant-at-Arms said that for the initial 12-month period I had 7 overdrafts. Bill's analysis shows there had been 66. I didn't know that -- and, apparently, neither did the Bank. So there I was, going public in good faith with official information that was

wrong! How would you feel in such a situation? If voters feel betrayed, I understand. Because I feel betrayed by the Bank's leaders.

In fact, my monthly statements have always showed a positive balance. There was never an indication on any statement that an overdraft occurred. In 17 years, the House Bank called me 2 or 3 times, telling me that I needed to make a deposit to prevent an overdraft from occurring.

The bank was inept, but I'm responsible.

I've always believed in being straight with the people of Oregon -- I've always trusted them with the truth.

The House Bank was inept, their procedures and policies a joke, but I was human and made mistakes. I relied too heavily on the Bank; I didn't spend the time or attention I should have keeping my own books. For that, I'm sorry.

My wife and I are often on the road. Last year alone, I flew between Oregon and Washington an average of every other weekend. And in the process, I paid too little attention to my own finances. But in the end, I trust the people of Oregon to make a fair judgment -- to recognize that no rules were broken; no taxpayer money was used; that my records on this and my taxes are open for everyone to see and know the facts.

Running through all the news accounts and congressional debate is an allegation that some members relied upon the House Bank as a financial subsidy. We now know that at least two members had over 900 overdrafts. Three had over 700 overdrafts. Nine had between 500 and 700 overdrafts. But during this entire period, Sue and I wrote only a little over 1,100 checks -- in total. We never routinely and repeatedly wrote checks which created overdrafts. Our actions were not an abuse of power!

Finally, to put this into the perspective of the citizens I represent, I've had my checking account reviewed by an Oregon community bank in my own district -- the Bank of Astoria.

I asked them to analyze this as a normal account at their institution, which would be interest-bearing, to look at every check and deposit, to apply minimum balance standards, as well as overdraft assessments. Their conclusion is that this whole thing would come down to \$576.95 in overdraft assessments.

Today, I am donating that amount to the Oregon Young Writers Program, which I have been sponsoring for Oregon youngsters for three years.

Voters have enough common sense to discern between human error or honest mistakes and a systematic pattern of abuse.

The Ethics Committee report shows that during its investigation it compiled a member-by-member list showing the number of overdrafts and the face value of the overdraft checks. The face value was only used to identify accounts for which the subcommittee wanted the GAO to provide complete information.

Matthew McHugh, chairman of the subcommittee which investigated the overdrafts, said after discovering his own overdraft that the records of the bank are in such disarray that he'll never know whether it was an error on his part or on the bank's.

Jim McDermott, a member of the subcommittee, said investigating the House Bank was like walking in a swamp. It had no useful written records, no real establishing procedures, no way of doing business except by word-of-mouth. When the bank's bill collector got a member to cover an overdraft, she threw her telephone log in the trash.

-- McDermott: "At one point, I said, 'this reminds me of a theater of the absurd.' Every time you tried to put your foot down, something moved." (Washington Post, 3/14/92)

-- Also in the Post that date is a chart describing why the House Bank was not a Bank, and how its practices differed from those of a bank.

The Ethics Committee report states that in many instances members were not called when overdrafts arrived at the House Bank a day or two before the next pay day. "Undoubtedly there were other times when contact did not occur, as, for example, during a congressional recess. In such situations a member might not know that he or she had an overdraft." (Page 25)

Last fall, I felt an immediate necessity to tell the people of Oregon about the status of my account. I got an accounting from the Bank and made that public. I'm completely incapable of understanding how the Bank could have been so wrong. Once I discovered the error, I brought it to your attention at the earliest possible time, but I'll tell you this, no one in his right mind would ever want to do this twice.

I have been told that the Bank counted as overdrafts checks of mine when I had sufficient funds. I have been told that the Bank sometimes failed to post my paycheck on time. I have been told that some of my withdrawals from the Credit Union -- one block away from the House Bank -- were not credited to my account at the House Bank for two or three or four days.

The first time I heard about any of this was when the disclosures were made last fall. As Bill Cundiff will show you, Sue and I never systematically, routinely wrote checks against future pay. Since last fall, we have completely revised the handling of our personal finances so this can never happen again. Further, I've cosponsored legislation to put the operations of the House under the leadership of a professional administrator as well as the second bill to eliminate all House perks.

I want to make a final point. I trust the voters to listen to the facts and make their judgment fairly. Unfortunately, I already have seen my opponents attacking me viciously and personally on this issue. I expect that to continue, but I have one request of you in the press; today, I have disclosed more than any candidate running for the U.S. Senate has ever disclosed. In fact, to lay the facts on the table concerning the House Bank, I have set a new standard for openness and integrity. I hope you demand the same from my opponents as they attempt to point fingers.

I'd be happy to answer your questions -- but first, I'd like the accountant to walk you through the material we handed out.

### Bill Cundiff

My name is Bill Cundiff. I am a certified public accountant with over 23 years' experience in auditing. I was the managing partner of the Portland office of Arthur Young & Company, a national CPA firm, from 1983-1989.

During my tenure with Arthur Young, I specialized in serving clients in the commercial banking industry. I served on Arthur Young's national banking industry committee and I was chairman of an ad-hoc committee that established guidelines adopted by the Oregon Department of Banking for directors' examinations of state chartered banks. I am independent with respect to the financial affairs of Les and Sue AuCoin and the AuCoin for Senate Committee.

I'd like to begin by making one overall assessment about the House Bank.

I have been auditing banks for years and have seldom seen anything as sloppy and inept as the way the House Bank kept their records -- you'll see what I mean as I review the facts.

The report by the House Ethics Committee documents that this bookkeeping was done by hand. The checks were handed back and forth between clerks in the bank, were put in drawers and in a safe, and were always manually handled. The records were never computerized.

The House Bank was not a traditional bank -- it was more of a clearing house for member checks than a bank. It is a co-op that cost the taxpayers nothing. The only money that was at risk was money belonging to members of Congress. Hence, you should keep in mind that Les and Sue's account did not earn interest.

I reviewed all checks and all statements from the entire 39-month period of the GAO report -- from July 1, 1988, to October 3, 1991.

Item #1 is provided to give you a sense of what my audit entailed.

- Irregularities and errors by the House Bank.

Example one: checks that did not bounce. We found three instances in which checks were marked with the same markings as the overdraft checks when in fact Les had sufficient funds to cover these checks.

Example two: deposits of paychecks. On several occasions, paychecks were not posted on the first business day of the month, even though they should have been.

Example three: the deposit of checks from other financial institutions. In the few days we've had to work on this, we have found six occasions on which Les made withdrawals from the Wright-Patman Credit Union, which sent the checks to the House Bank, but which the House Bank did not post for a number of days. You need to understand that the House Bank is one block away from the Credit Union, and the delivery is almost always overnight. You have a letter on this from the Wright-Patman Credit Union.

In summary...the timing of entries posted by the House Bank are, at best, suspect.

Item #2 is the Jack Russ letter -- as you will see, Russ identifies 7 checks for \$451. Keep this in mind as we move ahead.

Item #3 is the key analysis. Let me walk you through it.

You will note the top three lines are the Bank errors; entries 1 through 8 are from the period prior to the Jack Russ letter.

You will see that entries 9 through 74 are from the 12-month period covered by the Russ letter, July 1, 1989, through June 30, 1990. The Bank reported 7 checks. You will see that I have determined that there are 66 checks.

The checks that the House Bank identified as overdrafts were items number 13 through 19. You will note that all of those took over 10 days to clear.

Finally, the last 6 items are from after that period.

You will note the total at the bottom -- 80 checks for a total overdraft of \$61,000.

Clearly, the bulk of Les's checks were written and covered within 4 days.

Item #4 summarizes Les's actual monthly statement balances. You will note that there was a positive balance for each month. In fact, the daily balance reflected on the statements were also always positive. In addition, we've provided a sample statement to show that there is no indication that there were overdrafts.

There have been allegations that some overdrafts were created because members were loaning the money to their campaigns. I have examined Les's account carefully and found that no checks were written by him to his campaign. The more than one thousand checks written against this account were clearly written by Les and Sue to meet normal family and household expenses.

Item #5 -- not in your handout but in binders -- is a copy of each of the checks in question for your review.