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HEADLINE: Treasury inspector general acknowledges erroneous information

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BODY:

The Treasury Department's inspector general acknowledged Thursday she gave Congress inaccurate information about two Secret Service agents who contradicted the White House in the FBI files controversy.

Valerie Lau told a Senate panel that she received bad information from her staff, and discovered it last week when a contradictory e-mail surfaced. She brought the document to the attention of the senators.

"I am not happy about that," Lau said at a hearing of the Senate Appropriations subcommittee that oversees the Treasury Department.

Republicans have been examining a decision by Lau's office, which reviews possible wrongdoing by Treasury employees, to investigate the testimony of two Secret Service agents who contradicted the White House concerning the acquisition of FBI files last year.

The White House had asserted that acquisition of hundreds of FBI files on former Republican employees was an innocent mistake resulting from the use of outdated Secret Service lists. But special agents John Libonati and Jeffrey Undercoffer said there was no way the Secret Service could have supplied outdated material.

Last December, Lau testified her office had not conducted a criminal investigation of the two agents, simply a review of how their testimony was prepared.

But a Treasury e-mail that Lau learned of last Friday showed that originally the matter was listed as a criminal investigation into whether the agents committed perjury and had been requested by a Democratic congresswoman.

Sen. Richard Shelby, R-Ala., chairman of the Appropriations subcommittee, sharply questioned Lau "about how your testimony could be so ill-informed and how you could testify so assertively to what your senior staff certainly knew to be untrue."

"The lives and professional reputation of these law enforcement officers were wrongly impugned," Shelby said.

Lau insisted she never intended to mislead the senators. "I was not informed that the statement was not true," she said. "I believed it to be true based on the information I had available to me."

"I had no reason to think otherwise," she said. "When I found out otherwise, I immediately took steps to inform you."

Lau told Shelby that agents were technically listed as being under investigation for a week - and only on paper - and that her agency's real intent was simply to review how the information that formed the basis of their testimony was prepared.

The agents were never even questioned, officials say. The investigation has since been closed.

Lau said the incident has been referred to President's Council on Integrity and Efficiency. "I believe an independent review of this matter would be very helpful," she said.

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