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Grassley Questions Rossotti's Ties to AMS - Charles E. Grassley questions Internal Revenue Service appointments - American Management Systems Inc - Brief Article

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Prompted by Insight's stories about potential conflicts of interest, Senate Finance Committee Chairman Charles Grassley of Iowa is asking IRS Commissioner Charles Rossotti if his picks for the IRS' top-paying positions have any ties to the company Rossotti used to head and in which he still holds tens of millions of dollars in stock.

In an April 19 letter to Rossotti, Grassley asked him whether any of the employees hired for the "critical-pay" positions created by Congress for the agency to attract outside talent "had any relationship with AMS," or American Management Systems, the Fairfax, Va., information-technology consulting firm Rossotti cofounded.

Unlike President George W. Bush's Cabinet heads and many other top officials who came from the corporate world, Rossotti, appointed by former president Bill Clinton, refuses to divest his shares in his former company. He and his wife have between \$16 million and \$80 million in stock in the company, according to his latest financial-disclosure forms.

Grassley was pointedly specific in his inquiry about just who filled the positions that Congress created in 1998 to attract outside experts.

The law gave Rossotti the power to hire as many as 40 employees, with the ceiling for pay equal to the vice president's salary, which now is \$186,300. Grassley stated that examples of ties these employees might have to AMS included being a "former employee" or a "customer."

As Insight previously reported, the IRS has hired at least two in the latter category: heads of state tax agencies that contracted with AMS to overhaul their state tax systems (see "A Taxing Dilemma," April 23).

One of them, John LaFaver, the former Kansas secretary of revenue -- who Rossotti hired as deputy commissioner for modernization in 1998 -- now is a vice president at AMS (see "IRS Boss Snagged Clinton Waiver," May 7). While he was a deputy commissioner, AMS noted his IRS status and the fact that he had been an AMS customer in a marketing brochure for state officials.

Grassley also asked Rossotti for the employees' resumes, salary histories and "any and all paperwork or other material associated with the decision to hire the individual as well as the justification for hiring them."

A Senate Finance Committee staffer tells news alert! that, while Grassley was not accusing Rossotti of doing anything inappropriate, "his ties and continued relationship [to AMS] make us a little more keen on understanding what is going on there."

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