

## National News

# Bush's stock sale history weakens his reform stance

By Gregg Fields  
Knight Ridder Newspapers  
(KRT)

MIAMI — As the Bush administration struggles to secure the moral high ground in corporate corruption reforms, its position is being undermined politically by the alleged abusive practices of top White House officials themselves.

There is the president's extremely fortunate timing with a stock sale in a company where he was an insider. Regulators are investigating the accounting practices of Vice President Dick Cheney's former company.

And Secretary of the Army Thomas White, a former Enron executive, sold millions of dollars in shares as that Texas energy giant hurtled toward a financial cataclysm.

All have denied wrongdoing. But critics are pounding the drum, saying this administration isn't up to reining in corporate abuses.

"We think they are wrong for the job simply because Bush and Cheney were clearly involved in the same corporate shenanigans and accounting practices they're now criticizing," said Mike Lux, president of the Washington-based American Family Voices organization, which is often at odds with Republicans. "Secondly, virtually everybody

they've appointed to regulatory positions is close to the industry they're in charge of overseeing."

AFV begins airing television ads in New York and Washington today. They begin: "Remember the saying about foxes guarding the hen house? Well guess what's happening in Washington?"

Nevertheless, in a speech set to be delivered on Wall Street Tuesday morning, the president asserts that he will raise the bar of business ethics and forcefully punish violators.

"We will vigorously pursue people who break the law," Bush said at a news conference late Monday. "I think that will help restore confidence to the American people."

Among other things, he will endorse beefing up the Securities and Exchange Commission. The president is also expected to give some support to increased oversight of auditing firms, which often are blamed for inaccurate corporate financial statements.

Congressional Democrats — no strangers to corporate money themselves — have nonetheless attacked the White House's credentials for the job.

Monday, Richard Gephardt, the House Democratic leader, unveiled his party's plan for toughening penalties on white-collar crime.

"The enclosed agenda makes it clear that Democrats are leading the charge to impose tough new criminal penalties on corrupt corporate executives," Gephardt said.

Bush blamed politics for the continuing interest in the saga.

"The way I view it is, it's old-style politics, and I guess that's the way it's going to be," he said. "There's no 'there' there."

That brought a response late Monday from Democratic National Committee Chairman Terry McAuliffe.

"Today, President Bush offered his third and latest explanation over his role in Harken Energy's questionable business practices," McAuliffe said.

"President Bush should stop refusing to release his SEC files and let the American people, and not his lawyers, decide what is relevant."

Nevertheless, Charles Harper, former head of the SEC's Miami office, now with the forensic accounting firm of Lewis B. Freeman and Associates, said he believes the SEC acted appropriately.

"That was looked into, and people found there was nothing wrong," he said.

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## News briefs

### Drug company inflates its reported revenue

When consumers pay a co-payment to their pharmacy for a prescription drug, who gets the money?

The retail pharmacy keeps the entire amount, which typically ranges from \$5 to \$25, depending on the insurance plan.

"The pharmacy is like a doctor's office under managed care," said Robert Field, director of the graduate health policy program at the University of the Sciences in Philadelphia, the nation's oldest pharmacy school. "Under most insurance plans, you will pay a co-pay. The doctor gets the insurance payment, plus the co-pay."

"That's the same for your pharmacy. Pharmacies keep the co-pays," Field said.

Who gets patients' drug co-payments gained new visibility Friday when Merck & Co. Inc. disclosed to the Securities and Exchange Commission that it had recorded about \$14 billion as revenue from its pharmacy-benefits Medco unit the last three years and the first quarter of 2002. Merck never actually collected that money.

By including retail pharmacy co-payments, Merck inflated its overall reported revenue by about 10 percent since 1999.

The Whitehouse Station, N.J.-based drug maker has said its accounting procedure was proper because the same amount recorded as revenue was also subtracted as an expense and had no effect on profits. The SEC has not said including co-payments in revenues is inappropriate.

The National Association of Chain Drug Stores in Alexandria, Va. objected Monday to Merck's accounting practice. "They are claiming our revenue to inflate their stock value," said Crystal Wright, spokeswoman for the trade group, whose members

include CVS, Rite Aid, Walgreen and Wal-mart.

— Linda Loyd, *The Philadelphia Inquirer* (KRT)

### FBI investigates immigrant-run jewelry stores

A nationwide sweep of immigrant-run jewelry stores launched two weeks ago by federal investigators appears to be aimed at determining whether these commonplace stores are linked to international terrorism.

In the opening hours of the sweep, witnesses say FBI and INS agents raided a jewelry kiosk in a Philadelphia mall on June 26, taking a Pakistani man into custody and questioning his coworkers about illicit cash, suspicious travel, and the al-Qaida terror network.

Within 48 hours, agents reportedly swept through more than 65 jewelry stores in Pennsylvania, Florida, California, Alabama, Georgia and North Carolina — most belonging to a chain of mall kiosks operating as Intrigue Jewelers.

Federal officials confirm only that the Immigration & Naturalization Service did carry out an "enforcement operation" that day as part of an ongoing investigation with the FBI.

"I cannot give out any names of any arrests or anything," said INS spokeswoman Nicole Edwards.

But interviews with law-enforcement sources, attorneys, and detainees suggest that federal officials are investigating Intrigue Jewelers to see whether it plays a role in a vast money-laundering operation, possibly funneling money to terrorists abroad, with or without employees' knowledge.

"I've talked to the INS agents," said Neil St. John Rambana, a Florida immigration attorney who is representing three Pakistani men and a Nepalese woman arrested June 26 in a raid at the Governor's Square mall in Tallahassee, Fla. "I've seen their paperwork. It's a fishing expedition. It's 'Let's see what we come up with.'"

Across the country, media reports

suggest that at least 32 foreign nationals have been detained: 19 in Atlanta, five in North Carolina, seven in Florida, and one in Pittsburgh.

— Matthew P. Blanchard, *The Philadelphia Inquirer* (KRT)

### Officials examine Florida's death penalty

The Florida Supreme Court halted executions Monday while it considers whether the state's death penalty is unconstitutional — just six hours and 15 minutes before Linroy Bottoson was set to die for killing Eatonville, Fla.'s postmistress in 1979.

The move puts capital trials across the state into a legal limbo and potentially could result in sentences being overturned for 371 inmates on death row at Florida State Prison in Starke.

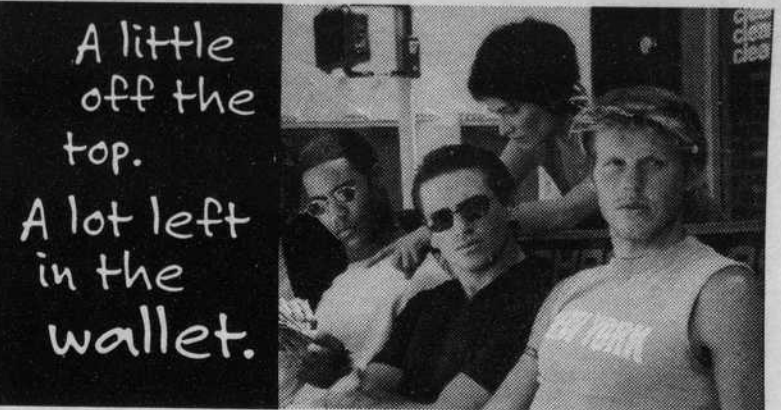
"It's quite a momentous thing," said Robert A. Harper of the Florida Association of Criminal Defense Lawyers. "The Florida Supreme Court has to take a long, hard look and answer some tough questions."

The state court's surprise 6-1 decision to indefinitely halt the executions of Bottoson, 63, and of Amos King, 47, who was scheduled to die on Wednesday, comes as the criminal justice community tries to figure out the effect of a landmark death-penalty decision the U.S. Supreme Court handed down last month in an Arizona case.

In that case, the nation's high court said that juries, not judges, should decide whether a convicted murder's crime merits putting him to death. In Arizona, judges determined the punishment; in Florida, juries make recommendations on whether a criminal should live or die, but the final decision is left to the judge.

At the heart of the debate is whether that distinction in Florida is enough to meet the U.S. Supreme Court's new mandate for sentencing a criminal to death. The Florida Supreme Court set a hearing for Aug. 21.

— Susan Clary, *The Orlando Sentinel* (KRT)



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