

ways beyond our ability to fully appreciate.

There are many tributes that have been bestowed upon our State's former dean, and many more to come, I hope, but this tribute is especially fitting. Bill Natcher labored for years to build this bridge. When finished, the Natcher Bridge will be a daily reminder to his many beloved constituents of the tremendous service he gave to his district, his State, and the people of this Nation.

Again, I want to congratulate the gentleman from Kentucky [Mr. LEWIS] for sponsoring this memorial to one of our greatest statesmen in the House and the Congress, and I urge its adoption.

Mr. RAHALL. Mr. Speaker, I yield 3 minutes to the distinguished, very capable gentleman who is the Representative of the Third District of Kentucky, Mr. WARD.

Mr. WARD. Mr. Speaker, I thank the gentleman very much for yielding me time.

Mr. Speaker, I rise in support of this resolution and am very proud to be able to do so. I am disappointed that I was not able to get to know Bill Natcher. I had the opportunity on literally just a couple of occasions to introduce myself to him and to meet him. My service in this Congress began after his passing. But I do know very, very well of his reputation, because each of us who was involved in government and politics in Kentucky knew very well of Chairman Natcher.

We knew of him as an example to aspire to, not just his voting record, but obviously that reflected his commitment and his sense of duty, but more than that, to the way he conducted himself in office.

Chairman Natcher was a fellow who had no press secretary. Chairman Natcher was a fellow who regularly turned back some of his office budget to the Treasury. Chairman Natcher, in short, was a fellow who represented his district in a time-honored fashion that maybe is no longer to be seen and will never again be seen.

Chairman Natcher prided himself on campaigning out of his sedan. He drove around the Second Congressional District of Kentucky from courthouse to courthouse, from crossroads to crossroads, and made sure that the people of his district knew who he was and what he was about, and that he in turn knew who they were and what they were about.

I am delighted to have the opportunity to support this resolution, and look forward to driving across the William Natcher Bridge.

Mr. PETRI. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. GILMAN], the chairman of the Committee on International Relations.

(Mr. GILMAN asked and was given permission to revise and extend his remarks.)

Mr. GILMAN. Mr. Speaker, I thank the distinguished gentleman for yielding me this time.

Mr. Speaker, I am pleased to rise in support of this resolution naming a bridge on behalf of our former leader, Chairman Natcher, who was a model for so many of us in the Congress. His dedication, his leadership, his devotion to public responsibilities, served as a reminder to all of us how much more we can and should be doing as we represent the people of our own districts.

I think this memorial is a befitting memorial in naming the bridge after Mr. Natcher, because he was like a sturdy bridge for all of us, between our constituents and the Congress and the Federal Government. I am pleased to rise in support of the resolution.

Mr. PETRI. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois, Mr. HENRY HYDE, the distinguished chairman of the Committee on the Judiciary.

(Mr. HYDE asked and was given permission to revise and extend his remarks.)

Mr. HYDE. Mr. Speaker, I just cannot let this opportunity pass without paying homage to one of the really great people I have been privileged to meet in a rather long life. Bill Natcher was as close to a perfect legislator as I have ever encountered, a man of impeccable rectitude. He was as straight as he stood, which was with ramrod severity. He was honorable, he was straightforward. You knew where he stood on any issue and every issue. But, most importantly, his contributions, which were many, most importantly they were not that he ran the Committee on Appropriations with an iron hand, but with compassion and a generous hand. He never turned anybody away who needed help, any cause. He was a liberal in the best sense of the term as anybody I have ever met, and yet he kept a very tight ship.

But I think his most important and lasting contribution was his defense of the unborn. It was not very popular for him, but he was pro-life, and there are literally millions of children alive today because Bill Natcher would not budge on the issue of Federal funding for abortion. He was a great man, he is a great man, and one bridge is hardly enough, but at least it is a start.

God bless you, Bill Natcher.

Mr. RAHALL. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. PETRI. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. NETHERCUTT). The question is on the motion offered by the gentleman from Wisconsin [Mr. PETRI] that the House suspend the rules and pass the bill, H.R. 3572.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed. A motion to reconsider was laid on the table.

#### GENERAL LEAVE

Mr. PETRI. Mr. Speaker, I ask unanimous consent that all Members may

have 5 legislative days within which to revise and extend their remarks on H.R. 3572.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

#### SINGLE AUDIT ACT AMENDMENTS OF 1996

Mr. HORN. Mr. Speaker, I move to suspend the rules and pass the Senate bill (S. 1579) to streamline and improve the effectiveness of chapter 75 of title 31, United States Code (commonly referred to as the "Single Audit Act").

The Clerk read as follows:

S. 1579

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE; PURPOSES.

(a) SHORT TITLE.—This Act may be cited as the "Single Audit Act Amendments of 1996".

(b) PURPOSES.—The purposes of this Act are to—

(1) promote sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities;

(2) establish uniform requirements for audits of Federal awards administered by non-Federal entities;

(3) promote the efficient and effective use of audit resources;

(4) reduce burdens on State and local governments, Indian tribes, and nonprofit organizations; and

(5) ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to chapter 75 of title 31, United States Code (as amended by this Act).

#### SEC. 2. AMENDMENT TO TITLE 31, UNITED STATES CODE.

Chapter 75 of title 31, United States Code, is amended to read as follows:

#### "CHAPTER 75—REQUIREMENTS FOR SINGLE AUDITS

"Sec.

"7501. Definitions.

"7502. Audit requirements; exemptions.

"7503. Relation to other audit requirements.

"7504. Federal agency responsibilities and relations with non-Federal entities.

"7505. Regulations.

"7506. Monitoring responsibilities of the Comptroller General.

"7507. Effective date.

#### "§ 7501. Definitions

"(a) As used in this chapter, the term—

"(1) 'Comptroller General' means the Comptroller General of the United States;

"(2) 'Director' means the Director of the Office of Management and Budget;

"(3) 'Federal agency' has the same meaning as the term 'agency' in section 551(1) of title 5;

"(4) 'Federal awards' means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities;

"(5) 'Federal financial assistance' means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance, but does not include amounts received as reimbursement for services rendered to individuals in accordance with guidance issued by the Director;

“(6) ‘Federal program’ means all Federal awards to a non-Federal entity assigned a single number in the Catalog of Federal Domestic Assistance or encompassed in a group of numbers or other category as defined by the Director;

“(7) ‘generally accepted government auditing standards’ means the government auditing standards issued by the Comptroller General;

“(8) ‘independent auditor’ means—

“(A) an external State or local government auditor who meets the independence standards included in generally accepted government auditing standards; or

“(B) a public accountant who meets such independence standards;

“(9) ‘Indian tribe’ means any Indian tribe, band, nation, or other organized group or community, including any Alaskan Native village or regional or village corporation (as defined in, or established under, the Alaskan Native Claims Settlement Act) that is recognized by the United States as eligible for the special programs and services provided by the United States to Indians because of their status as Indians;

“(10) ‘internal controls’ means a process, effected by an entity’s management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

“(A) Effectiveness and efficiency of operations.

“(B) Reliability of financial reporting.

“(C) Compliance with applicable laws and regulations;

“(11) ‘local government’ means any unit of local government within a State, including a county, borough, municipality, city, town, township, parish, local public authority, special district, school district, intrastate district, council of governments, any other instrumentality of local government and, in accordance with guidelines issued by the Director, a group of local governments;

“(12) ‘major program’ means a Federal program identified in accordance with risk-based criteria prescribed by the Director under this chapter, subject to the limitations described under subsection (b);

“(13) ‘non-Federal entity’ means a State, local government, or nonprofit organization;

“(14) ‘nonprofit organization’ means any corporation, trust, association, cooperative, or other organization that—

“(A) is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;

“(B) is not organized primarily for profit; and

“(C) uses net proceeds to maintain, improve, or expand the operations of the organization;

“(15) ‘pass-through entity’ means a non-Federal entity that provides Federal awards to a subrecipient to carry out a Federal program;

“(16) ‘program-specific audit’ means an audit of one Federal program;

“(17) ‘recipient’ means a non-Federal entity that receives awards directly from a Federal agency to carry out a Federal program;

“(18) ‘single audit’ means an audit, as described under section 7502(d), of a non-Federal entity that includes the entity’s financial statements and Federal awards;

“(19) ‘State’ means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands, any instrumentality thereof, any multi-State, regional, or interstate entity which has governmental functions, and any Indian tribe; and

“(20) ‘subrecipient’ means a non-Federal entity that receives Federal awards through another non-Federal entity to carry out a Federal program, but does not include an individual who receives financial assistance through such awards.

“(b) In prescribing risk-based program selection criteria for major programs, the Director shall not require more programs to be identified as major for a particular non-Federal entity, except as prescribed under subsection (c) or as provided under subsection (d), than would be identified if the major programs were defined as any program for which total expenditures of Federal awards by the non-Federal entity during the applicable year exceed—

“(1) the larger of \$30,000,000 or 0.15 percent of the non-Federal entity’s total Federal expenditures, in the case of a non-Federal entity for which such total expenditures for all programs exceed \$10,000,000,000;

“(2) the larger of \$3,000,000, or 0.30 percent of the non-Federal entity’s total Federal expenditures, in the case of a non-Federal entity for which such total expenditures for all programs exceed \$100,000,000 but are less than or equal to \$10,000,000,000; or

“(3) the larger of \$300,000, or 3 percent of such total Federal expenditures for all programs, in the case of a non-Federal entity for which such total expenditures for all programs equal or exceed \$300,000 but are less than or equal to \$100,000,000.

“(c) When the total expenditures of a non-Federal entity’s major programs are less than 50 percent of the non-Federal entity’s total expenditures of all Federal awards (or such lower percentage as specified by the Director), the auditor shall select and test additional programs as major programs as necessary to achieve audit coverage of at least 50 percent of Federal expenditures by the non-Federal entity (or such lower percentage as specified by the Director), in accordance with guidance issued by the Director.

“(d) Loan or loan guarantee programs, as specified by the Director, shall not be subject to the application of subsection (b).

#### “§ 7502. Audit requirements; exemptions

“(a)(1)(A) Each non-Federal entity that expends a total amount of Federal awards equal to or in excess of \$300,000 or such other amount specified by the Director under subsection (a)(3) in any fiscal year of such non-Federal entity shall have either a single audit or a program-specific audit made for such fiscal year in accordance with the requirements of this chapter.

“(B) Each such non-Federal entity that expends Federal awards under more than one Federal program shall undergo a single audit in accordance with the requirements of subsections (b) through (i) of this section and guidance issued by the Director under section 7505.

“(C) Each such non-Federal entity that expends awards under only one Federal program and is not subject to laws, regulations, or Federal award agreements that require a financial statement audit of the non-Federal entity, may elect to have a program-specific audit conducted in accordance with applicable provisions of this section and guidance issued by the Director under section 7505.

“(2)(A) Each non-Federal entity that expends a total amount of Federal awards of less than \$300,000 or such other amount specified by the Director under subsection (a)(3) in any fiscal year of such entity, shall be exempt for such fiscal year from compliance with—

“(i) the audit requirements of this chapter; and

“(ii) any applicable requirements concerning financial audits contained in Federal statutes and regulations governing programs

under which such Federal awards are provided to that non-Federal entity.

“(B) The provisions of subparagraph (A)(ii) of this paragraph shall not exempt a non-Federal entity from compliance with any provision of a Federal statute or regulation that requires such non-Federal entity to maintain records concerning Federal awards provided to such non-Federal entity or that permits a Federal agency, pass-through entity, or the Comptroller General access to such records.

“(3) Every 2 years, the Director shall review the amount for requiring audits prescribed under paragraph (1)(A) and may adjust such dollar amount consistent with the purposes of this chapter, provided the Director does not make such adjustments below \$300,000.

“(b)(1) Except as provided in paragraphs (2) and (3), audits conducted pursuant to this chapter shall be conducted annually.

“(2) A State or local government that is required by constitution or statute, in effect on January 1, 1987, to undergo its audits less frequently than annually, is permitted to undergo its audits pursuant to this chapter biennially. Audits conducted biennially under the provisions of this paragraph shall cover both years within the biennial period.

“(3) Any nonprofit organization that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995, is permitted to undergo its audits pursuant to this chapter biennially. Audits conducted biennially under the provisions of this paragraph shall cover both years within the biennial period.

“(c) Each audit conducted pursuant to subsection (a) shall be conducted by an independent auditor in accordance with generally accepted government auditing standards, except that, for the purposes of this chapter, performance audits shall not be required except as authorized by the Director.

“(d) Each single audit conducted pursuant to subsection (a) for any fiscal year shall—

“(1) cover the operations of the entire non-Federal entity; or

“(2) at the option of such non-Federal entity such audit shall include a series of audits that cover departments, agencies, and other organizational units which expended or otherwise administered Federal awards during such fiscal year provided that each such audit shall encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and organizational unit, which shall be considered to be a non-Federal entity.

“(e) The auditor shall—

“(1) determine whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles;

“(2) determine whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole;

“(3) with respect to internal controls pertaining to the compliance requirements for each major program—

“(A) obtain an understanding of such internal controls;

“(B) assess control risk; and

“(C) perform tests of controls unless the controls are deemed to be ineffective; and

“(4) determine whether the non-Federal entity has complied with the provisions of laws, regulations, and contracts or grants pertaining to Federal awards that have a direct and material effect on each major program.

“(f)(1) Each Federal agency which provides Federal awards to a recipient shall—

“(A) provide such recipient the program names (and any identifying numbers) from which such awards are derived, and the Federal requirements which govern the use of

such awards and the requirements of this chapter; and

"(B) review the audit of a recipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the recipient by the Federal agency.

"(2) Each pass-through entity shall—

"(A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter;

"(B) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means;

"(C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity; and

"(D) require each of its subrecipients of Federal awards to permit, as a condition of receiving Federal awards, the independent auditor of the pass-through entity to have such access to the subrecipient's records and financial statements as may be necessary for the pass-through entity to comply with this chapter.

"(g)(1) The auditor shall report on the results of any audit conducted pursuant to this section, in accordance with guidance issued by the Director.

"(2) When reporting on any single audit, the auditor shall include a summary of the auditor's results regarding the non-Federal entity's financial statements, internal controls, and compliance with laws and regulations.

"(h) The non-Federal entity shall transmit the reporting package, which shall include the non-Federal entity's financial statements, schedule of expenditures of Federal awards, corrective action plan defined under subsection (i), and auditor's reports developed pursuant to this section, to a Federal clearinghouse designated by the Director, and make it available for public inspection within the earlier of—

"(1) 30 days after receipt of the auditor's report; or

"(2)(A) for a transition period of at least 2 years after the effective date of the Single Audit Act Amendments of 1996, as established by the Director, 13 months after the end of the period audited; or

"(B) for fiscal years beginning after the period specified in subparagraph (A), 9 months after the end of the period audited, or within a longer timeframe authorized by the Federal agency, determined under criteria issued under section 7504, when the 9-month timeframe would place an undue burden on the non-Federal entity.

"(i) If an audit conducted pursuant to this section discloses any audit findings, as defined by the Director, including material noncompliance with individual compliance requirements for a major program by, or reportable conditions in the internal controls of, the non-Federal entity with respect to the matters described in subsection (e), the non-Federal entity shall submit to Federal officials designated by the Director, a plan for corrective action to eliminate such audit findings or reportable conditions or a statement describing the reasons that corrective action is not necessary. Such plan shall be consistent with the audit resolution standard promulgated by the Comptroller General (as part of the standards for internal controls in the Federal Government) pursuant to section 3512(c).

"(j) The Director may authorize pilot projects to test alternative methods of achieving the purposes of this chapter. Such pilot projects may begin only after consultation with the Chair and Ranking Minority Member of the Committee on Governmental Affairs of the Senate and the Chair and Ranking Minority Member of the Committee on Government Reform and Oversight of the House of Representatives.

#### **"§ 7503. Relation to other audit requirements**

"(a) An audit conducted in accordance with this chapter shall be in lieu of any financial audit of Federal awards which a non-Federal entity is required to undergo under any other Federal law or regulation. To the extent that such audit provides a Federal agency with the information it requires to carry out its responsibilities under Federal law or regulation, a Federal agency shall rely upon and use that information.

"(b) Notwithstanding subsection (a), a Federal agency may conduct or arrange for additional audits which are necessary to carry out its responsibilities under Federal law or regulation. The provisions of this chapter do not authorize any non-Federal entity (or subrecipient thereof) to constrain, in any manner, such agency from carrying out or arranging for such additional audits, except that the Federal agency shall plan such audits to not be duplicative of other audits of Federal awards.

"(c) The provisions of this chapter do not limit the authority of Federal agencies to conduct, or arrange for the conduct of, audits and evaluations of Federal awards, nor limit the authority of any Federal agency Inspector General or other Federal official.

"(d) Subsection (a) shall apply to a non-Federal entity which undergoes an audit in accordance with this chapter even though it is not required by section 7502(a) to have such an audit.

"(e) A Federal agency that provides Federal awards and conducts or arranges for audits of non-Federal entities receiving such awards that are in addition to the audits of non-Federal entities conducted pursuant to this chapter shall, consistent with other applicable law, arrange for funding the full cost of such additional audits. Any such additional audits shall be coordinated with the Federal agency determined under criteria issued under section 7504 to preclude duplication of the audits conducted pursuant to this chapter or other additional audits.

"(f) Upon request by a Federal agency or the Comptroller General, any independent auditor conducting an audit pursuant to this chapter shall make the auditor's working papers available to the Federal agency or the Comptroller General as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities consistent with the purposes of this chapter. Such access to auditor's working papers shall include the right to obtain copies.

#### **"§ 7504. Federal agency responsibilities and relations with non-Federal entities**

"(a) Each Federal agency shall, in accordance with guidance issued by the Director under section 7505, with regard to Federal awards provided by the agency—

"(1) monitor non-Federal entity use of Federal awards, and

"(2) assess the quality of audits conducted under this chapter for audits of entities for which the agency is the single Federal agency determined under subsection (b).

"(b) Each non-Federal entity shall have a single Federal agency, determined in accordance with criteria established by the Director, to provide the non-Federal entity with technical assistance and assist with implementation of this chapter.

"(c) The Director shall designate a Federal clearinghouse to—

"(1) receive copies of all reporting packages developed in accordance with this chapter;

"(2) identify recipients that expend \$300,000 or more in Federal awards or such other amount specified by the Director under section 7502(a)(3) during the recipient's fiscal year but did not undergo an audit in accordance with this chapter; and

"(3) perform analyses to assist the Director in carrying out responsibilities under this chapter.

#### **"§ 7505. Regulations**

"(a) The Director, after consultation with the Comptroller General, and appropriate officials from Federal, State, and local governments and nonprofit organizations shall prescribe guidance to implement this chapter. Each Federal agency shall promulgate such amendments to its regulations as may be necessary to conform such regulations to the requirements of this chapter and of such guidance.

"(b)(1) The guidance prescribed pursuant to subsection (a) shall include criteria for determining the appropriate charges to Federal awards for the cost of audits. Such criteria shall prohibit a non-Federal entity from charging to any Federal awards—

"(A) the cost of any audit which is—

"(i) not conducted in accordance with this chapter; or

"(ii) conducted in accordance with this chapter when expenditures of Federal awards are less than amounts cited in section 7502(a)(1)(A) or specified by the Director under section 7502(a)(3), except that the Director may allow the cost of limited scope audits to monitor subrecipients in accordance with section 7502(f)(2)(B); and

"(B) more than a reasonably proportionate share of the cost of any such audit that is conducted in accordance with this chapter.

"(2) The criteria prescribed pursuant to paragraph (1) shall not, in the absence of documentation demonstrating a higher actual cost, permit the percentage of the cost of audits performed pursuant to this chapter charged to Federal awards, to exceed the ratio of total Federal awards expended by such non-Federal entity during the applicable fiscal year or years, to such non-Federal entity's total expenditures during such fiscal year or years.

"(c) Such guidance shall include such provisions as may be necessary to ensure that small business concerns and business concerns owned and controlled by socially and economically disadvantaged individuals will have the opportunity to participate in the performance of contracts awarded to fulfill the audit requirements of this chapter.

#### **"§ 7506. Monitoring responsibilities of the Comptroller General**

"(a) The Comptroller General shall review provisions requiring financial audits of non-Federal entities that receive Federal awards that are contained in bills and resolutions reported by the committees of the Senate and the House of Representatives.

"(b) If the Comptroller General determines that a bill or resolution contains provisions that are inconsistent with the requirements of this chapter, the Comptroller General shall, at the earliest practicable date, notify in writing—

"(1) the committee that reported such bill or resolution; and

"(2)(A) the Committee on Governmental Affairs of the Senate (in the case of a bill or resolution reported by a committee of the Senate); or

"(B) the Committee on Government Reform and Oversight of the House of Representatives (in the case of a bill or resolution reported by a committee of the House of Representatives).

**"§ 7507. Effective date**

"This chapter shall apply to any non-Federal entity with respect to any of its fiscal years which begin after June 30, 1996."

**SEC. 3. TRANSITIONAL APPLICATION.**

Subject to section 7507 of title 31, United States Code (as amended by section 2 of this Act) the provisions of chapter 75 of such title (before amendment by section 2 of this Act) shall continue to apply to any State or local government with respect to any of its fiscal years beginning before July 1, 1996.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from California [Mr. HORN] and the gentlewoman from New York [Mrs. MALONEY] each will control 20 minutes.

The Chair recognizes the gentleman from California [Mr. HORN].

Mr. HORN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this legislation is identical to H.R. 3184, legislation I introduced, the purpose of which is to improve the financial management of funds provided to grantees by the Federal Government. The bill would reduce paperwork burdens on States, local governments, universities, and other nonprofit organizations that receive Federal assistance.

I am very pleased that the chairman of the Committee on Government Reform and Oversight, Representative WILLIAM CLINGER, joins me in supporting the bill, as does Representative TOM DAVIS of Virginia, Representative CAROLYN MALONEY of New York, Representative COLLIN PETERSON of Minnesota, and Representative SCOTTY BAESLER of Kentucky.

This good government measure was developed on a bipartisan basis. It will strengthen accountability by recipients for the Federal assistance they receive, while providing flexibility to Federal agencies to place oversight resources where they are most effective.

S. 1579 amends the Single Audit Act of 1984. The 1984 act replaced multiple grant-by-grant audits of Federal Assistance programs with an annual entity-wide process for State and local governments that receive Federal financial assistance.

During the early 1990's groups affected by the Single Audit Act of 1984, such as the National State auditors Association and the President's Council on Integrity and Efficiency, began a comprehensive review of the efficacy of the act and from that effort developed suggestions on how it could be improved. The bill incorporates many of their ideas for improvement and has been endorsed by those groups.

The bill provides significant changes to the 1984 act. Those changes improve its usefulness.

The measure allows Federal program managers more flexibility in achieving the legislation's purpose, and reduces the audit burden on both the managers and the recipients of funding freeing up time and resources for programs. It improves the reporting process by asking for reports on programs within a shorter time frame, with the addition of user-friendly summaries.

The legislation improves audit coverage by placing both State and local governments and nonprofit organizations under the same single audit process, and under the same rules. In accordance with current law, not-for-profits are not covered by the 1984 act, but instead by circular A-133 which is guidance created by the Office of Management and Budget. This change helps Federal auditors as well as recipients of Federal aid since there will be a single set of rules to follow affording less potential for confusion and error.

The bill reduces the burden of a fiscal audit on recipients. The threshold for requiring a single audit is raised from \$100,000 annually to \$300,000 annually. An organization receiving less than \$100,000 would not be required to have an audit; however it would remain subject to monitoring and is required to report on the use of the funds. By raising the threshold for requiring an audit the bill reduces both the audit and paperwork burden, thereby allowing more funds for use by the program.

It is important to note that this change will still allow for 95 percent of Federal funds provided to recipients to be audited ensuring accountability of the use of Federal funds. This is the same percentage targeted for coverage by the 1984 act.

It is imperative that the Federal Government better account for the expenditure of the tax dollars of the American people. The Single Audit Act helps to accomplish this objective. It does so while eliminating unnecessary audits and requiring that all Federal agencies granting money to an organization use the single audit. As a former university president, I know that Government paperwork requirements cost staff time and financial resources that could be better used to provide services and jobs. Common sense must be applied to Government requirements. This bill does just that.

The Single Audit Act of 1984 replaced a disparate approach to audits of individual State and local recipients of Federal funds. Prior to its passage a system of multiple grant-by-grant audits existed. This created a scenario where an organization receiving Federal funds from more than one Federal source could find itself spending vast amounts of time and resources providing identical information to different Federal auditors simply because the funding came from different government agencies. Often the agencies would schedule audits at the same time resulting in a situation where several Federal auditors competed for the same records. Making matters worse, there also existed a variety of overlapping, inconsistent, and, too often, duplicative Federal agency requirements for audits of individual programs. The Single Audit Act replaced that with a unified approach which my legislation continues.

As I noted, the benefits of the bill include:

The broadening of the scope of the Single Audit Act to include nonprofit

organizations, along with State and local governments that receive Federal assistance. State and local governments currently follows the guidance in OMB circular A-128; nonprofits follow the guidance in OMB circular A-133. This change will allow the Office of Management and Budget to develop one consolidated body of audit requirements for recipients of Federal assistance.

The Federal burden on many of those entities now required to have single audits will be reduced by the proposal, while retaining the same level of audit coverage that the 1984 act provided. This occurs by raising the Federal dollar threshold for requiring a single audit from \$100,000 to \$300,000. This will benefit small entities which will not longer be burdened by the existing OMB circular A-133 regulations.

In addition the bill will allow for a risk-based approach to audit testing. This will encourage the refocusing of audit resources to places where there is the greatest risk of waste, fraud or abuse. Based on guidance developed by the Office of Management and Budget, auditors will be able to exercise good professional judgment in selecting programs for testing rather than automatically auditing the same programs year after year.

Over the last few years we have made great strides in reforming Federal financial management. Much remains to be done. The Single Audit Act of 1984 started the process with States and local governments and devised great improvements in financial management by those governments. The Chief Financial Officers Act of 1990 continued the process and extended the concept of financial accountability to the executive branch. The Single Audit Act Amendments of 1996 continues the process further by allowing experimentation with performance auditing—the process of looking at the effectiveness of a program achievement of its goal—and allowing for the use of judgment, focusing on a risk-based approach to auditing rather than just mechanically following rules. S. 1579 builds on the accomplishments of the 1984 act, and will lead to additional improvement for both Federal agencies and recipients of Federal assistance. It is a good government, commonsense initiative. I urge support of this motion.

□ 1700

Mr. Speaker, I reserve the balance of my time.

Mrs. MALONEY. Mr. Speaker, I yield myself such time as I may consume.

As the ranking Democrat of the Subcommittee on Government Management, Information and Technology, I am proud to be the ranking Democratic sponsor of H.R. 3184, the companion bill to S. 1579, the Single Audit Act Amendments of 1996. I would like to thank the gentleman from California [Mr. HORN], for the bipartisan spirit with which he has approached and worked on this legislation and for his leadership on this legislation.

This legislation builds on the Single Audit Act of 1984, which replaced the inefficient, cumbersome, multiple grant-by-grant audits of Federal assistance programs with an annual entity-wide audit, greatly simplifying and improving the system.

H.R. 3184's major reforms would enhance audit coverage; reduce administrative burdens; increase effectiveness by establishing a risk-based approach for selecting programs for audit, as opposed to auditing every single program; thereby focusing resources where they are most needed; improve reporting and simplify reporting; and increase administrative flexibility.

Today, more than ever, with 20 percent of the Federal budget being passed through to the State and local governments, it is important that we have a good accounting of these funds.

In 1960 the Federal Government gave 7 percent of its funds to State and local governments, \$7 billion out of \$100 billion budget. In 1981, when Congress began discussing the single audit concept, the Federal budget had grown fivefold, but transfers to State and local governments had grown to \$95 billion, nearly a 14-fold increase. Today, nearly 20 percent of the Federal budget of \$1.5 trillion goes to State and local governments.

The Single Audit Act was designed to create a system of accountability for those dollars. Over the last 12 years it has served us well.

The Single Audit Act of 1984 addressed a serious problem of accountability. It replaced a system of multiple grant-by-grant audits with a single entitywide audit of all Federal funds.

Prior to the act, there were many overlapping, inconsistent and duplicative Federal requirements. The act eliminated this duplication and provided a set of uniform auditing requirements. At the same time, it improved accountability for billions of dollars and reduced the paperwork burden on State and local governments.

The Single Audit Act Amendments of 1996 updates the law and makes needed and necessary changes.

The threshold of \$100,000 for auditing State and local governments was carefully selected in 1984 to cover 95 percent of all transfers. Because of inflation, that threshold now covers 99 percent of all transfers. This bill raises that threshold to \$300,000, returning coverage to the 95 percent level.

To increase the administrative flexibility, this bill also gives the director of the Office of Management and Budget the authority to adjust the threshold for future inflation. Currently, institutions of higher education and other nonprofit organizations receiving Federal funds are audited under executive authority. These amendments will codify the audit requirements for those entities. It is important to note that this bill also makes the results of these audits more

useful to the officials responsible for overseeing Federal funds.

The bill calls for more timely reports, reducing the time from 13 months to 9, and reports that emphasize the auditor's conclusions, the quality of internal controls, and the continuing interest of the Federal Government.

This bill has been negotiated over the last year to address the concerns of a number of interested parties. The success of those negotiations is reflected in the wide support that the bill enjoys. In addition to bipartisan sponsorship in the House and Senate, the bill is endorsed by the National State Auditors Association and the administration.

Mr. Speaker, I thank the chairman, I urge my colleagues to support this bill, and I reserve the balance of my time.

Mr. HORN. Mr. Speaker, I thank my distinguished colleague from New York for her help and cooperation, and I likewise appreciate the help and cooperation of the gentleman from Minnesota [Mr. PETERSON], who, as an accountant, made a great contribution to the shaping of this bill.

Mr. Speaker, I yield 3 minutes to the gentleman from Virginia [Mr. DAVIS], one of the most active colleagues on our subcommittee and the full committee.

Mr. DAVIS. Mr. Speaker, I rise today in support of S. 1579, the Single Audit Act Amendments of 1996. S. 1579 is an important piece of legislation that will significantly reduce the Federal burden on State and local governments by amending the Single Audit Act of 1984. As the former head of government in Fairfax County, VA, I am keenly aware of the success of the Single Audit Act and the worthiness of these followup amendments.

The 1984 act replaced multiple grant-by-grant audits of Federal assistance programs with an annual entitywide audit process for State and local governments receiving Federal assistance.

S. 1579 will provide needed changes to the 1984 act by reducing unnecessary audit burdens on recipients of Federal assistance while at the same time ensuring that accountability for the use of Federal funds is maintained. The amendments also provide administrative flexibility to adjust statutory requirements and allow for a more efficient and cost-effective audit approach.

Several studies have been conducted that illustrate the influence of the 1984 act on the financial management practices of State and local governments receiving Federal assistance. All State and local participants of the studies have agreed that the single audit process has improved the approach to auditing Federal assistance, but that further improvements are desirable.

This bill will meet these desired changes by significantly reducing the Federal burden on State and local governments by raising the single audit threshold from \$100,000 to \$300,000 and eliminating the \$25,000 threshold for

program audits. These changes will reduce audit and paperwork burdens, while preserving audit coverage of the bulk of Federal assistance. Why spend \$30,000 auditing a \$25,000 grant?

The General Accounting Office has estimated that the \$300,000 threshold would cover 95 percent of direct Federal assistance to local governments, which is commensurate with the coverage provided at the \$100,000 threshold when the act was passed in 1984. In effect, the exempting of thousands of entities from single audits would reduce audit and paperwork burdens, but would not significantly diminish the percentage of Federal assistance covered by single audits.

Those entities that would fall below the \$300,000 threshold would be exempt from federally mandated audit coverage but would still have to comply with the Federal requirements to maintain records or permit access to records. The elimination of the \$25,000 threshold, which requires entities to have a program audit of each Federal program they administer, would further simplify the act by having only one single audit threshold.

This bill, Mr. Speaker, is a common-sense package of amendments that will serve to further enhance the effectiveness of the Single Audit Act by reducing the Federal burden on State and local governments. Therefore, I thank the gentleman from California [Mr. HORN], the gentleman from Pennsylvania [Mr. CLINGER], and the gentlewoman from New York [Mrs. MALONEY] for their leadership on this issue, and I urge support of the bill.

Mrs. MALONEY. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Illinois [Mrs. COLLINS], the distinguished ranking member of the Committee on Government Reform and Oversight.

Mrs. COLLINS of Illinois. Mr. Speaker, I rise in support of this bill, and commend Ranking Minority Member MALONEY and Chairman HORN for their hard efforts on behalf of this legislation.

The Single Audit Act of 1984 addressed a serious problem of accountability. It is more important today than ever.

The interaction between the Federal Government and State and local governments is far more complex than it was 35 years ago. In 1960, out of a total Federal budget of about \$100 billion, the Federal Government gave \$7 billion to State and local governments. In 1981, when Congress began discussing the single audit concept, the Federal budget had grown five-fold, but transfers to State and local governments had grown to \$95 billion—nearly a 14-fold increase.

Today, nearly 20 percent of the Federal budget of \$1.5 trillion, or 20 percent of the taxes collected by the IRS, goes to State and local governments. The Single Audit Act was designed to create a system of accountability for those dollars. Over the last 12 years it has served us well.

The experience of the last 12 years has also shown a number of places where the legislation can be improved. The Single Audit Act Amendments of 1996 incorporates those changes.

The threshold of \$100,000 for auditing State and local governments was carefully selected in 1984 to cover 95 percent of all transfers. Because of inflation, that threshold now covers 99 percent of all transfers. This bill raises the threshold to \$300,000, and returns coverage to the 95 percent level. This bill also give the Director of the Office of Management and Budget the authority to adjust the threshold for future inflation.

Among other changes to the Single Audit Act, this bill makes the results of these audits more useful to the administration officials responsible for overseeing these funds, by requiring more timely reports—reducing the time from 13 months to 9—and requiring that reports emphasize the auditors' conclusions, the quality of internal controls, and the continuing interests of the Federal Government.

This bill has been negotiated over the last year to address the concerns of a number of interested parties. The success of those negotiations is reflected in the wide support this bill enjoys. In addition to bipartisan sponsorship in the House and Senate, the bill is endorsed by the National State Auditors Association, and the administration.

Mr. Speaker, I again commend the ranking member and the chairman of the subcommittee for this fine piece of work, and urge all of my colleagues to support this good piece of legislation.

Mrs. MALONEY. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. HORN. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. NETHERCUTT). The question is on the motion offered by the gentleman from California [Mr. HORN] that the House suspend the rules and pass the Senate bill, S. 1579.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the Senate bill was passed.

A motion to reconsider was laid on the table.

□ 1715

#### IRAN AND LIBYA SANCTIONS ACT OF 1996

Mr. GILMAN. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3107) to impose sanctions on persons exporting certain goods or technology that would enhance Iran's ability to explore for, extract, refine, or transport by pipeline petroleum resources, and for other purposes, as amended.

The Clerk read as follows:

H.R. 3107

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Iran and Libya Sanctions Act of 1996".

#### SEC. 2. FINDINGS.

The Congress makes the following findings:

(1) The efforts of the Government of Iran to acquire weapons of mass destruction and the means to deliver them and its support of acts of international terrorism endanger the national security and foreign policy interests of the United States and those countries with which the United States shares common strategic and foreign policy objectives.

(2) The objective of preventing the proliferation of weapons of mass destruction and acts of international terrorism through existing multilateral and bilateral initiatives requires additional efforts to deny Iran the financial means to sustain its nuclear, chemical, biological, and missile weapons programs.

(3) The Government of Iran uses its diplomatic facilities and quasi-governmental institutions outside of Iran to promote acts of international terrorism and assist its nuclear, chemical, biological, and missile weapons programs.

(4) The failure of the Government of Libya to comply with Resolutions 731, 748, and 883 of the Security Council of the United Nations, its support of international terrorism, and its efforts to acquire weapons of mass destruction constitute a threat to international peace and security that endangers the national security and foreign policy interests of the United States and those countries with which it shares common strategic and foreign policy objectives.

#### SEC. 3. DECLARATION OF POLICY.

(a) POLICY WITH RESPECT TO IRAN.—The Congress declares that it is the policy of the United States to deny Iran the ability to support acts of international terrorism and to fund the development and acquisition of weapons of mass destruction and the means to deliver them by limiting the development of Iran's ability to explore for, extract, refine, or transport by pipeline petroleum resources of Iran.

(b) POLICY WITH RESPECT TO LIBYA.—The Congress further declares that it is the policy of the United States to seek full compliance by Libya with its obligations under Resolutions 731, 748, and 883 of the Security Council of the United Nations, including ending all support for acts of international terrorism and efforts to develop or acquire weapons of mass destruction.

#### SEC. 4. MULTILATERAL REGIME.

(a) MULTILATERAL NEGOTIATIONS.—In order to further the objectives of section 3, the Congress urges the President to commence immediately diplomatic efforts, both in appropriate international fora such as the United Nations, and bilaterally with allies of the United States, to establish a multilateral sanctions regime against Iran, including provisions limiting the development of petroleum resources, that will inhibit Iran's efforts to carry out activities described in section 2.

(b) REPORTS TO CONGRESS.—The President shall report to the appropriate congressional committees, not later than 1 year after the date of the enactment of this Act, and periodically thereafter, on the extent that diplomatic efforts described in subsection (a) have been successful. Each report shall include—

(1) the countries that have agreed to undertake measures to further the objectives of section 3 with respect to Iran, and a description of those measures; and

(2) the countries that have not agreed to measures described in paragraph (1), and, with respect to those countries, other measures (in addition to that provided in subsection (d)) the President recommends that

the United States take to further the objectives of section 3 with respect to Iran.

(c) WAIVER.—The President may waive the application of section 5(a) with respect to nationals of a country if—

(1) that country has agreed to undertake substantial measures, including economic sanctions, that will inhibit Iran's efforts to carry out activities described in section 2 and information required by subsection (b)(1) has been included in a report submitted under subsection (b); and

(2) the President, at least 30 days before the waiver takes effect, notifies the appropriate congressional committees of his intention to exercise the waiver.

#### (d) ENHANCED SANCTION.—

(1) SANCTION.—With respect to nationals of countries except those with respect to which the President has exercised the waiver authority of subsection (c), at any time after the first report is required to be submitted under subsection (b), section 5(a) shall be applied by substituting "\$20,000,000" for "\$40,000,000" each place it appears, and by substituting "\$5,000,000" for "\$10,000,000".

(2) REPORT TO CONGRESS.—The President shall report to the appropriate congressional committees any country with respect to which paragraph (1) applies.

(e) INTERIM REPORT ON MULTILATERAL SANCTIONS; MONITORING.—The President, not later than 90 days after the date of the enactment of this Act, shall report to the appropriate congressional committees on—

(1) whether the member states of the European Union, the Republic of Korea, Australia, Israel, or Japan have legislative or administrative standards providing for the imposition of trade sanctions on persons or their affiliates doing business or having investments in Iran or Libya;

(2) the extent and duration of each instance of the application of such sanctions; and

(3) the disposition of any decision with respect to such sanctions by the World Trade Organization or its predecessor organization.

#### SEC. 5. IMPOSITION OF SANCTIONS.

(a) SANCTIONS WITH RESPECT TO IRAN.—Except as provided in subsection (f), the President shall impose 2 or more of the sanctions described in paragraphs (1) through (6) of section 6 if the President determines that a person has, with actual knowledge, on or after the date of the enactment of this Act, made an investment of \$40,000,000 or more (or any combination of investments of at least \$10,000,000 each, which in the aggregate equals or exceeds \$40,000,000 in any 12-month period), that directly and significantly contributed to the enhancement of Iran's ability to develop petroleum resources of Iran.

#### (b) SANCTIONS WITH RESPECT TO LIBYA.—

(1) TRIGGER OF MANDATORY SANCTIONS.—Except as provided in subsection (f), the President shall impose 2 or more of the sanctions described in paragraphs (1) through (6) of section 6 if the President determines that a person has, with actual knowledge, on or after the date of the enactment of this Act, exported, transferred, or otherwise provided to Libya any goods, services, technology, or other items the provision of which is prohibited under paragraph 4(b) or 5 of Resolution 748 of the Security Council of the United Nations, adopted March 31, 1992, or under paragraph 5 or 6 of Resolution 883 of the Security Council of the United Nations, adopted November 11, 1993, if the provision of such items significantly and materially—

(A) contributed to Libya's ability to acquire chemical, biological, or nuclear weapons or destabilizing numbers and types of advanced conventional weapons or enhanced Libya's military or paramilitary capabilities;