greatest success one can have is within the walls of their own home. I congratulate her on the completion of her term as Utah's 1996 Mother of the Year. I know that to her family however, she will always be the Mother of the Year.●

AUDITOR RESPONSIBILITIES UNDER THE 1995 PRIVATE SECURITIES LITIGATION REFORM ACT

● Mr. WYDEN. Mr. President, when a certified public accountant provides an opinion on a company's financial statements, investors and consumers rely on that statement. This role is vital to the efficient workings of our capital markets, which are the envy of the world. To keep our markets the best, investors must have confidence in them. That is why I have worked over the years for stronger rules to protect investors from corporate fraud.

In recent years, corporate fraud has been perpetrated in the health care arena, military contracting and in the savings and loan fiasco, costing taxpayers billions of dollars. As a Member of the House and as a new Senator, I have worked to put in place clear procedures for early detection of fraud and illegal acts so as to protect the public from huge losses of their hard-earned tax dollars.

To strengthen the fight against fraud, I worked as part of a bipartisan coalition that was successful in adding a new Section 10A to the Securities Exchange Act of 1934. I wish to take a moment today to update my colleagues on the status of that section's implementation.

Since the enactment of this law in December 1995, I have been interested in how the Securities and Exchange Commission (SEC) and the accounting industry would respond to the new requirements and the spirit of the law. I am pleased that both the industry and the Securities and Exchange Commission have taken positive steps to assure that both the letter and the spirit of the law are fully adhered to. Within the industry, I would note that the American Institute of Certified Public Accountants (AICPA) last year issued a revised statement of Auditing Standards (SAS) Number 82 ''Consideration of Fraud in a Financial Statement Audit.'' The new SAS supersedes Statement of Auditing Standards (SAS) Number 53 relating to ''The Auditor's Responsibility to Detect and Report Errors and Irregularities.'' The previous AICPA Statement of Auditing Standards Number 53 required auditors to report errors and irregularities. The new SAS takes an important step forward by making clear for the first time an auditor's responsibility to detect material fraud in financial statements and by offering various fraud risk factors to be considered in planning and performing all audits. The new revised SAS, read in conjunction with the AICPA's SAS Number 54 relating to an auditor's responsibility to detect illegal acts, is not only consistent with Section 10A but also promotes the intent of that provision to put procedures in place to help detect fraud early.

To date, the SEC has only limited experience with Section 10A because it becomes effective in two stages. For companies that file selected quarterly financial data with the SEC, Section 10A applies to annual reports for fiscal years beginning on or after January 1, 1996. For companies that do not file these reports, the provision applies to annual reports for fiscal years beginning on or after January 1, 1997. Many financial reports are filed at the end of the calendar year, meaning that most company audits for the 1996 fiscal year have not yet been completed. The SEC has assured me that it will evaluate and report on its experience with implementation of Section 10A in a timely manner.

In addition, I wrote SEC Chairman Arthur Levitt seeking his views on whether the AICPA's new SAS Number 82 and existing SAS 54 relating to illegal acts are consistent with the purpose and intent of Section 10A. In his reply, Chairman Levitt states: ''We believe that both these standards improve the ability of auditors to detect management fraud and are consistent with the purposes of Section 10A.''

Mr. President, the vast majority of accountants are honest, capable professionals. The number of audit failures is actually quite low compared to the amount of work they do. The AICPA's new revised SAS No. 82 and section 10A are added protection for investors and corporations against such failures.

I am pleased with both the work of the AICPA in clarifying the role of auditors in detecting fraudulent acts and with Chairman Levitt's reply assuring us that the SEC and AICPA procedures should work well together to promote the early detection of corporate fraud.

I submit for the RECORD my letter to SEC Chairman Levitt and his reply of January 31, 1997, and ask that they be printed.

The material follows:

U.S. SENATE,
Washington, DC, January 10, 1997.

Hon. ARTHUR LEVITT, Jr.,
Chairman, Securities and Exchange Commission, Washington, DC.0

DEAR MR. CHAIRMAN: I am writing to seek your views as Chairman of the Securities and Exchange Commission on the status of implementation of Section 10A of the Private Securities Litigation Reform Act of 1995 and particularly the relationship between Section 10A and the American Institute of Certified public Accountants' (AICPA) revised Statement of Auditing Standards (SAS) Number 53 relating to fraud.

As the sponsor of Section 10A of the legislation, my goal was to clarify the auditor's role in detecting fraud in financial statements and to put in place clear procedures for early detection of fraud and illegal acts so as to avoid the need for strike suits in the first place. I would appreciate your views on whether the AICPA's revised SAS 53 and existing SAS 54 relating to illegal acts are consistent with the purpose and intent of Section 10A in seeking early detection of illegal acts that are material to the financial statements being audited. I would also appreciate knowing whether you have encountered any problems in implementing and enforcing the requirements of new Section 10A.

I look forward to your prompt response to this request.

Sincerely,

RON WYDEN,
U.S. Senator.

SECURITIES AND EXCHANGE COMMISSION,
Washington, DC, January 31, 1997.

Hon. RON WYDEN,
U.S. Senate,
Washington, DC.

DEAR SENATOR WYDEN: Thank you for your letter seeking information on the implementation of section 10A of the Securities Exchange Act of 1934, which was adopted as Title III of the Private Securities Litigation Reform Act of 1995.

In connection with this legislation, the American Institute of Certified Public Accountants (AICPA) revised SAS No. 53, entitled ''The Auditor's Responsibility to Detect and Report Errors and Irregularities.'' To implement the reporting provisions of section 10A(b), the Commission issued proposed rules, a copy of which are enclosed. Final action is expected soon.

The AICPA's revised standard clearly requires auditors to assess the risk of material misstatements in financial statements due to fraud. In discharging this duty, auditors must consider various fraud risk factors in planning and performing the audit. It also requires that working papers document both the auditor's assessment of those risk factors and any responsive action taken.

Additional guidance for auditors discharging their responsibilities under section 10A(a) is found in existing SAS No. 54, since this standard is not limited to fraudulent conduct. SAS No. 54, as you know, served as a template in drafting certain provisions of section 10A. We believe that both these standards improve the ability of auditors to detect management fraud and are consistent with the purposes of section 10A.

The Commission's experiences under section 10A have been limited due to the provision's relatively recent effectiveness.[1] Section 10A becomes effective in two stages, depending on whether a company files selected quarterly financial data with the SEC. For those companies who file this information, the provision applies to annual reports for fiscal years beginning on or after January 1, 1996. For companies who do not file these reports, the provision applies to annual reports for fiscal years beginning on or after January 1, 1997. Since most companies file at calendar year-end, the audit for the 1996 fiscal year for most companies has not yet been completed.

After we have had time to evaluate our experiences for this period, we would be pleased to furnish you with additional information. Thank you again for your continuing interest in these important issues.

Sincerely,

ARTHUR LEVITT.●

ROGERS H. CLARK

Mr. FAIRCLOTH. Mr. President, I rise today to congratulate Mr. Rogers H. Clark, the president of Sampson-Bladen Oil Co., Inc., on his recent election as president of the Petroleum Marketers Association of

[1] During an enforcement investigation, however, an accounting firm provided certain information and requested that it be deemed to be submitted under section 10A.

America [PMAA]. Rogers is a true leader who will bring decades of experience and insight to this important position, all to the benefit of our Nation's independent petroleum marketers, whose interests the PMAA represent.

Rogers graduated from East Carolina University with a degree in business education. He joined the U.S. Army National Guard, contributing his spare time to our community and State until he retired. He was a Sunday schoolteacher and was a chairman of the Board of Deacons in the First Baptist Church. He is also a past president of the Clinton [NC] Rotary Club, and a recipient of the Silver Beaver Award from the Boy Scouts of America. He served on the advisory boards of several local financial institutions, and he presently serves on the board of trustees for Meredith College in Raleigh.

In addition to running the Sampson-Bladen Oil Co. in Clinton, Rogers is the president and CEO of Waccamaw Transport, which brings petroleum products to the people of Virginia and the Carolinas.

Rogers is not new to PMAA. He has just completed a term as the association's senior vice president. He also served as president of the North Carolina Petroleum Marketers Association and received that group's esteemed Will Parker Memorial Award.

I am pleased to offer this tribute to my friend and fellow citizen of Clinton. I am sure that his family is very proud of this latest of so many accomplishments.

ENHANCING THE COMPETITIVENESS OF CHICAGO FUTURES EXCHANGES: IMPORTANT FOR ILLINOIS AND AMERICA

• Ms. MOSELEY-BRAUN. Mr. President, the Monday, February 10, 1997, Chicago Tribune contained an editorial entitled: ''Nurturing Chicago's Exchanges.'' The editorial, talking about the Chicago Board of Trade, the Chicago Mercantile Exchange, and the Chicago Board of Options Exchange, made the point that:

> the Chicago exchanges' global market share in future and options plunged from 60 percent in 1987 to 31 percent in 1995. The business is going overseas, where regulatory costs are lower, and off exchanges, where banks and other companies can engineer innovative contracts in a day or two without government approval.

The Tribune had it exactly right. As in so many other areas of financial policy, the law has not kept up with economic reality. The world has changed. There is a revolution underway in finance, and, if the United States sits back and ignores the new realities of the marketplace, the result will be to seriously damage American financial marketplaces vis-a-vis their global competition, and to increasingly warp and distort the competition between and among various American financial markets.

We must respond; we must respond vigorously; and we must respond now. Chicago's future and option exchanges are an American treasure; their innovations literally created this industry and are in no small part responsible for American leadership in finance. And the creativity of the Chicago exchanges has had a huge pay off for the Chicago area. As the Tribune editorial pointed out:

> the commodities and securities businesses have been strong job machines here, accounting for 50,000 direct jobs and total employment of 151,500, up 31 percent from a decade ago. The industry also keeps about $35 billion in Chicago banks.

It is imperative, therefore, that we act quickly to reauthorize the Commodity Futures Trading Act as quickly as possible, and that we do so in a way that enhances the ability of the American futures and options industry to meet both their less regulated competition here in the United States, and their evermore formidable competition abroad. I intend to work for quick enactment of the legislation put forward by the distinguished chairman of the Senate Agriculture Committee, Senator LUGAR. I urge my colleagues to join me, and to ensure that a procompetitive, commonsense approach that allows the futures exchanges to meet and compete with all comers passes this body before the snow melts in Illinois.

Mr. President, I ask that the full text of the Tribune editorial be printed in the RECORD.

The editorial follows:

[From the Chicago Tribune Feb. 10, 1997]

NURTURING CHICAGO'S EXCHANGES

The Chicago Board of Trade will soon inaugurate a new $182 million trading floor, which will triple its space and seemingly prepare the nation's oldest futures exchange for continued growth into the 21st Century.

Instead of celebrating, however, Board of Trade honchos are bemoaning their inability to compete against foreign exchanges and bankers who sell customized financial products in largely unregulated, off-exchange markets.

Indeed, unless the CBOT can create innovative products and lower costs to attract new customers, and unless it can get fair regulatory treatment from Washington, the new floor may turn out to be a monument to the past, not a springboard to the future.

CBOT leaders are confident they can invent new contracts and a joint committee of the Board of Trade and the Chicago Mercantile Exchange is working on cutting costs. (That group should push for consolidation of the two exchanges' clearing operations.)

But Congress also needs to update the Commodity Exchange Act to reflect the realities of today's financial markets. If it doesn't, Chicago will quickly lose its place as the world's center for managing financial risk.

That would be a severe blow to the city. According to a recent study the commodities and securities businesses have been strong job machines here, accounting for 50,000 direct jobs and total employment of 151,500 up 38 percent from a decade ago. The industry also keeps about $35 billion in Chicago banks.

Despite all that, the Chicago exchanges' global market share in futures and options plunged from 60 percent in 1987 to 31 percent in 1995. The business is going overseas, where regulatory costs are lower, and off exchanges, where banks and other companies can engineer innovative contracts in a day or two without government approval. The Board of Trade must wait six months to get a new contract approved.

That and other rules were enacted years ago, when most customers of the exchanges were farmers using futures to hedge against swings in crop prices. Today 95 percent of the trades are between large financial institutions and professional investors, who are interested in efficiency, not government protection.

Senate Agriculture Committee Chairman Richard Lugar of Indiana has introduced a bill to speed approval of new contracts and require regulators to do cost-benefit analyses before imposing new rules. It also would continue to deny commodity regulators authority to oversee off-exchange trades—a step the Treasury Department strongly supports.

But Lugar's bill would give the Chicago exchanges a chance to compete on an equal footing in the ''professional'' markets by allowing unregulated products for institutional customers to be developed while still insisting on protection for small retail customers.

It carefully balances the need to safeguard individual investors with the need to free the exchanges to compete in global markets. A similar House bill has been proposed by Rep. Tom Ewing (R-Ill.). Congress must debate these measures, reconcile and then pass them if Chicago is to have the chance to preserve its global leadership in financial risk management.•

LOCKWOOD GREENE DONATES RARE ARCHITECTURAL DRAWINGS TO THE SMITHSONIAN

• Mr. HOLLINGS. Mr. President, today I recognize Lockwood Greene, and its chairman, Donald R. Lugar, for the company's donation of 5,000 original engineering drawings to the Smithsonian's National Museum of American History.

The Lockwood Greene Collection dates to the mid-1800's and is the largest single holding of early American engineering and architectural drawings. The drawings offer a window into the U.S. industrial history and the changes that occurred with the harnessing of electricity and the invention of the automobile.

The donated drawings, mostly on linen using India ink and still in mint condition, reveal the skills and talent of 19th and early 20th century draftsmen. They document information unrecorded elsewhere such as: The first application of electric drive to an 1893 manufacturing operation in Columbia, SC; modifications providing for the transition from horse and buggy to automobile to the important east west route, the Lincoln Highway in Lake County, IN; designs for WWII era radio stations; and drawings of the Androscoggin textile mill in Lewiston, ME, from the 1890's depicting power transmission through the factory prior to the introduction of electricity.

The official ceremony for the donation will take place at the Smithsonian's Ceremonial Court Hall