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UNITED STATES GENERAL ACCOUNTING OFFICE
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STATEMENT OF
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ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
OF THE
HOUSE COMMITTEE ON ENERGY AND COMMERCE
ON THE
FEDERAL ROLE IN SETTING AND ENFORCING
ACCOUNTING AND AUDITING STANDARDS WHICH
AFFECT THE PRIVATE SECTOR

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the information which we have obtained at your request on federal entities which set accounting and auditing standards affecting publicly held companies. This is the first part of a two-part request made by your Subcommittee. I will also address our planned work on the second part of the request which relates to business practices in certain foreign countries.

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Before discussing that work, however, I would like to talk briefly about GAO's perception of the overall role of the accounting and auditing profession in this country.

The Role of Accounting and Auditing

The United States has a vigorous system of public security and capital markets and private enterprise which is one of the backbones of our economy and is second to none in the world. These capital markets are based, to a very large degree, on the concept of full and fair disclosure as the best mechanism for investor protection.

This concept of full and fair disclosure has three primary components:

- 1) a set of generally accepted accounting and disclosure principles which, if properly applied, should result in a full and fair view of an organization's financial position and the results of operations,
- 2) the concept that it is management's responsibility to provide the full and fair disclosure, and
- 3) independent audits by professional auditors to ensure that the financial disclosures by management do, in fact, provide a fair picture of the company.

A comprehensive set of accounting and disclosure standards is necessary in order to ensure that companies follow the same rules and concepts in preparing financial reports and disclosures. Standards need to be consistently applied so that similar transactions or events will be reported in the same way by every organization.

Independent audits, by professional auditors, of the financial statements and disclosures are equally important to assure the credibility of those statements and disclosures to the public. These audits must follow a generally accepted set of auditing standards and must be properly performed by competent professionals applying their professional judgment in the circumstances involved in the specific audit.

Auditors play an extensive role in today's society. In connection with the public securities markets alone, auditors conduct thousands of audits and other reviews of public companies annually. In addition, to cite a few other examples, auditors are relied upon to provide an opinion on:

- the financial statements of virtually all large pension plans,
- financial statements of thousands of state and local government entities,
- regulatory filings with federal agencies or organizations, and
- innumerable special reports to governmental agencies.

We believe that the auditors' role in conducting their examinations is a crucial part of the public market system in the United States, and is highly important to help ensure the proper reporting and disclosure in a myriad of other financial arenas. Recent events have raised questions regarding how well, in fact, auditors are carrying out this important role.

Like you, we wish to see this important function strengthened. We believe periodic comprehensive public oversight of a profession with the impact of the accounting profession is necessary to explore all relevant issues and to assemble pertinent public views on these issues. A candid, full and frank exchange of views on the issues both by the profession and those impacted by or relying on the profession is essential to the success of these hearings. We applaud the Subcommittee for these hearings and hope we can contribute to your efforts in this area.

GAO's Role and Current Work

As you are aware, GAO itself has no direct oversight over the accounting profession's private sector work. That role is left predominantly to the regulatory agencies. However, in our reviews, we do sometimes rely on and evaluate the work of the profession.

Over the past year we have been requested by your Subcommittee and by a number of others in Congress to perform work, and we also have initiated certain work, that we believe might be useful to you.

In addition to your request GAO is, at the request of Chairman Brooks of the House Committee on Government Operations, undertaking a comprehensive review of the quality of audits of federal grants to state and local governments and non-profit organizations. While this review focuses predominantly on audit work performed on state and local governments, we believe many

of the issues related to quality control, peer review and other matters will also be relevant to work in the private sector.

Further, we have reviews in process of the Securities and Exchange Commission's enforcement activities and its oversight of self-regulatory organizations in the securities industry. We also are performing work in the areas of financial institutions, regulatory institutions, and practices in selected aspects of the defense contracting industry.

Who Sets Auditing and Accounting Standards?

Several different organizations have been involved in establishing accounting and auditing standards and principles. Prior to 1973, the Accounting Principles Board of the American Institute of Certified Public Accountants (AICPA) provided much of the leadership in developing standards for financial accounting and reporting. In 1973 the seven member Financial Accounting Standards Board (FASB) was created to replace the Accounting Principles Board and to give a new impetus to the further development of generally accepted accounting principles (GAAP). Its members include representatives from the accounting profession, an accounting educator, a corporate financial executive and an official from the federal government.

In July 1984, the Governmental Accounting Standards Board began operations. It was created to establish nationwide standards for financial accounting and reporting by state, county and municipal governments.

To help ensure consistency in the scope and quality of audit work and preparation of professional and meaningful

reports, both the AICPA and GAO have issued standards that auditors must follow.

Over the years, the AICPA, through committees and, since October 1978 through the Auditing Standards Board, has set auditing standards. The Auditing Standards Board interprets generally accepted auditing standards through "Statements on Auditing Standards." These standards apply to audits performed to express opinions on the fairness with which an organization's financial statements present the financial position, results of operations and changes in financial position. The AICPA also issues Industry Audit Guides and other material to assist auditors in the performance of their work and which further codify auditing standards in certain specific industries.

Auditing standards issued by GAO are published in the document "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." Auditors must follow these generally accepted government auditing standards on audits of federal organizations and activities and federal funds received by contractors, non-profit organizations, and other external organizations. These standards are broader in scope than those set by the AICPA and cover economy and efficiency and program results work, as well as financial statement audits. In the area of financial statement audits, these standards have one significant difference from the AICPA's standards in regard to reporting requirements. GAO's standards require, in addition to

an opinion on financial statements, a report on internal controls and a report on compliance with laws and regulations.

Auditing standards, whether issued by GAO or the AICPA, are general in nature and do not provide specific audit techniques or methodologies. Auditor judgment, knowledge of the audited organization and the industry or environment in which it operates, and other factors form the basis upon which auditors develop specific audit procedures and steps. Basic to the development of these audit standards, however, is the concept that financial statement audits are not specifically planned and conducted to identify fraud, or illegal acts but rather to reach an opinion on the overall financial statements of the entity. Although the auditor is responsible for being alert to fraud, compliance with generally accepted auditing standards does not guarantee the discovery of fraud, or illegal acts that might have occurred, since an audit does not include a detailed examination of all transactions.

Likewise, an audit may be competently performed and meet all standards, even though a business later fails. Business is risky by nature and accountants and auditors cannot change that. The reader of financial statements will always have to exercise judgment when using financial data. On the other hand, ensuring timely recognition and disclosure of the financial impact of changing business conditions or changes in the condition of the entity being audited is a crucial role of the auditor.

Your Committee's Request

Let me now turn to your request for information on federal entities which set accounting and auditing standards affecting publicly held companies.

SEC Role

The most important single federal entity which is involved in setting accounting and auditing requirements affecting publicly held companies is, of course, the Securities and Exchange Commission (SEC). It has the predominant role in the oversight of financial reporting and public markets and investor protection. Many of the companies that report to the other federal organizations we identified as being involved in standard setting also report to the SEC. SEC officials will be testifying next week in these hearings and, therefore, I will not discuss their role today except in one specific matter.

As I indicated, the SEC sets rules for public reporting and requires audits of virtually all public companies in accordance with certain standards. The accounting rules which the SEC has adopted are, almost without exception, those accounting rules promulgated by the Financial Accounting Standards Board. In the auditing sphere, the SEC has adopted virtually all rules promulgated by the AICPA as the standards for audits conducted to meet its requirements. With the support of the SEC, generally accepted accounting principles, as promulgated by the Financial Accounting Standards Board and generally accepted auditing standards, as promulgated by the AICPA, have become the

benchmark standards for public reporting and disclosure in the securities markets.

Other Federal Entities

Many federal entities require information from publicly held companies. However, we identified only 19 that obtain information on the total operation of the company or specify accounting and auditing standards which must be followed by the company. We included federal entities with jurisdiction over publicly held companies, savings and loans, credit unions, and cooperatives. The agencies identified by us are predominantly in three fields--banking, transportation, and energy. Appendix I summarizes the accounting and auditing requirements for each of the 19 agencies and Appendix II summarizes the enforcement and oversight activities of each.

Accounting Standards

Our review indicates that the federal agency standards and requirements for transportation, energy and other industries conform closely to or specify compliance with generally accepted accounting principles and generally accepted auditing standards. In those instances where there are differences between GAAP and agency requirements, the differences exist either because an industry has a specific type of accounting issue not fully covered by GAAP or the agency specifies either a specific GAAP alternative or non-GAAP treatment to obtain more consistent or comparable financial information for rate-making, oversight, or other purposes. Furthermore, although there are some

differences with GAAP, public reporting is not affected for industries reporting to SEC, since the SEC follows GAAP reporting.

The federal agencies involved in the banking and financial institutions areas, on the other hand, have a much more pervasive impact on the financial reporting to the public markets for those institutions in three important areas.

First, several of their accounting and reporting requirements significantly differ from GAAP.

Second, each banking institution performs examinations of financial institutions and develops opinions on, among other things, the loan portfolio, the largest single asset and the most important single item in a financial institution's financial statements. In the past, the results of these examinations were not always made available to or requested by the public accounting firms. To the extent, however, that the auditors and management either obtain information from these reports or rely on work performed by those examining agencies, this information or results of work can have a very important impact on both the bank's financial reporting and the auditor's evaluation of that financial reporting.

Finally, the federal entities regulating banks have taken positions concerning certain loan situations (both domestic and foreign) that banks have followed in their financial reports and auditors have accepted in their evaluation of financial statements.

Another standard setting body--the Cost Accounting Standards Board, which ceased operations in 1980--was directed specifically to write cost accounting standards to be used in most negotiated defense prime contracts and subcontracts. That Board promulgated standards designed to achieve conformity and consistency in the cost principles followed by defense contractors. These standards are generally recognized as being authoritative pronouncements on contract cost accounting and have been adopted in the Federal Procurement Regulations. The primary guidance for financial reporting to investors by defense contractors is that guidance provided by the SEC and the Financial Accounting Standards Board. One aspect of their public reporting, however, is directly affected by cost accounting standards. That is in the area of accounts and claims receivable from the federal government and how they are reflected in the contractor's financial statements. To the extent that cost accounting standards are not followed in calculating the amounts to be recorded as an account receivable in the financial statements, the financial statements may be misleading.

Auditing Standards

All 19 of the federal organizations we identified took some actions to help ensure that accounting requirements were met by the entities that report to them. These actions include requiring independent audits of company financial statements, performing bank examinations or similar reviews, or a combination of the two. Not all of the 19 agencies required independent audits

of company financial statements. However, with one exception, those that do require such audits, require that the audit be made in accordance with the auditing standards promulgated by either the AICPA or GAO.

In addition, as we have already indicated, the federal government requires special reports on a myriad of business dealings and activities. To ensure that the information provided is correct and reliable, the federal government makes extensive use of independent audits of this information. Those audits, almost universally, require compliance with either the standards issued by the AICPA or GAO to help ensure a high degree of quality to those reviews.

Foreign Country Standards

The second part of your request to GAO asked us to review the legal framework and certain business practices of selected foreign countries as they relate to auditors. We have just begun our work on this part of your request.

We plan to obtain information on the United Kingdom, Germany, Italy, Canada, Japan and Australia. Our work will generally cover:

- regulation and oversight of the profession,
- accounting and reporting,
- auditing,
- change in auditors,
- legal liability,
- regulation of stock markets, and
- certain business issues.

Based on our limited preliminary work, we believe we will find a number of differences among the practices followed in those countries and our country and that a knowledge of those differences and their effects will be useful in your comprehensive look at auditing practices in the United States.

* * *

In conclusion, let me emphasize once more our strong support for the role of the independent auditor and our wish to see this important function strengthened. Likewise, we support comprehensive oversight hearings as a vehicle to strengthen the auditing profession in carrying out its role and would be pleased to assist you in any way in them.

This concludes my statement. Should you have any questions, I would be happy to address them.

FEDERAL AGENCY ACCOUNTING AND AUDITING REQUIREMENTS ON PUBLIC CORPORATIONS

AUDITING STANDARDS

ACCOUNTING STANDARDS

Entity Units Setting Standards (NOTE 3)	Industry	Number of Industry Units Reporting	Financial Statement Form and Content	Special Reports	Uniform Accounts	Prescribe		GAAP Required or GAGAS (NOTE 4)	GAAS or GAGAS	Auditor	Audit Frequency	DO ENTITIES ALSO FILE REPORTS WITH SEC (NOTE 5)
						Records	Systems					

BANKING (NOTE 1), (NOTE 2)

Board of Governors of the Federal Reserve System	State-chartered commercial banks	1089	YES	YES	NO	YES	NO	GENERALLY	NO	CPA	ANNUAL	YES
	Bank holding cos	5371										YES
	Edge and Agreement corporations	124										NO

Comptroller of the Currency	National banks	4700	YES	YES	NO	NO	NO	GENERALLY	N/A	N/A	N/A	NO
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Farm Credit Administration	Farm credit banks Farm credit assns	37 801	YES	YES	YES	NO	NO	GENERALLY	N/A	N/A	N/A	NO
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Federal Deposit Insurance Corp	State insured nonmember com mercant banks Registered banks	8900 250 (NOTE 6)	YES	YES	NO	NO	NO	GENERALLY	N/A	N/A	N/A	NO
	State chartered savings banks	273										NO

Federal Home Loan Bank Board	Federal Savings and Loan Assns State Savings and Loan Assns	1650 (est) 1650 (est)	YES	YES	NO	NO	NO	GENERALLY	GAAS	Internal auditor or CPA	ANNUAL	NO
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National Credit Union Administration	Federal Credit Unions Fed Insured State Chartered Credit Unions	10962 4928	YES	NO	NO	NO	NO	YES	NO	Supervisory Committee or CPA	ANNUAL	NO
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FEDERAL AGENCY ACCOUNTING AND AUDITING REQUIREMENTS ON PUBLIC CORPORATIONS

Federal Entity	Industry	Entity Units Setting Standards (NOTE 3)	Number of Industry Units Reporting	Financial Statement Form and Content	Special Reports	ACCOUNTING STANDARDS			AUDITING STANDARDS				DO ENTITIES ALSO FILE REPORTS WITH SEC (NOTE 3)
						Prescribe	GAAP Required (NOTE 4)	GAAS or GAGAS	Auditor	Audit Frequency			
						Uniform Accounts	Records	Acctg Systems					
TRANSPORTATION													
Civil Aeronautics Board (NOTE 7)	Civil air transport industry	1	80 (NOTE 8)	YES	YES	YES	YES	YES	GENERALLY	N/A	N/A	N/A	YES
Federal Maritime Commission	Shipping	1	45	YES	YES	YES	NO	NO	YES	N/A	N/A	N/A	YES
Interstate Commerce Commission	Railroads, Trucks Buses, Ships	2	2869	YES	YES	YES	YES	YES	YES	N/A	N/A	N/A	YES
Maritime Administration	Shipping	1	350	YES	YES	YES	YES	NO	YES	GAGAS GAAS	DIG CPA	PERIODIC ANNUAL	YES
Railroad Accounting Principles Board	The Board is just getting organized												
Urban Mass Transportation Administration	Transportation	2	500	YES	YES	YES	YES	NO	YES	GAGAS GAGAS	UMTA CPA	QUARTERLY ANNUAL	NO
ENERGY AND OTHER													
Commodity Futures Trading Commission	Futures Com Merchants (FCMs)	1	400 FCMs	YES	YES	NO	YES	NO	YES	GAAS	CPA and In-House	ANNUAL PERIODIC	NO
	Introducing Brokers (IBs)												NO
	Commodity Pool Operators (CPOs)		1,170 CPOs										NO
	Leverage Transaction Merchants Futures Exchanges		10										

FEDERAL AGENCY ACCOUNTING AND AUDITING REQUIREMENTS ON PUBLIC CORPORATIONS

Federal Entity	Industry	Entity Units Setting Standards (NOTE 3)	Number of Industry Units Reporting	Financial Statement Form and Content	ACCOUNTING STANDARDS				AUDITING STANDARDS				DO ENTITIES ALSO FILE REPORTS WITH SEC (NOTE 5)
					Special Reports	Prescribe Uniform Accounts	Records	Acctg Systems	GAAP Required (NOTE 4)	GAAS or GAGAS	Auditor	Audit Frequency	
Cost Accounting Standards Board			Defunct entity but standards still are used										
Federal Communications Commission	Telephone carriers	1	67	YES	YES	YES	YES	YES	GENERALLY	GAAS	FCC	AS NEEDED	YES
	Domestic telegraph carrier (Western Union)		1						(NOTE 9)				YES
	International record carriers		6										YES
	International Satellite (COMSAT)		1										YES
Federal Energy Regulatory Commission	Electric Utilities	2	483	YES	NO	YES	YES	YES	GENERALLY	GAAS	IN-HOUSE LPA	CYCLICAL ANNUAL	YES
	Hydroelectric Licensees												YES
	Natural Gas Pipeline Companies Oil Pipeline Companies												YES
Office of Pension and Welfare Benefit Programs (Labor)	Various	1	830000	YES	YES	NO	NO	NO	YES	GAAS	CPA	SOME ANNUAL SOME EVERY 1-3 YRS	NO
Rural Electrification Administration	Telephone cos	1	900	YES	YES	YES	YES	NO	GENERALLY	GAAS	CPA	ANNUAL	NO
	Telephone coops					(NOTE 10)							NO
	Electric coops		1000										NO
Tennessee Valley Authority	Electric coops	1	50	YES	YES	YES	NO	NO	GENERALLY	GAAS	CPA	ANNUAL	NO

NOTES TO SCHEDULE OF FEDERAL ACCOUNTING
AND AUDITING REQUIREMENTS ON PUBLIC CORPORATIONS

NOTE 1

On March 10, 1979, pursuant to Public Law 95-630, the Federal Financial Institutions Examination Council (Council) began operations. The Council promotes consistency in federal examinations of financial institutions and ensures progressive and vigilant supervision over these organizations. It is empowered to:

- prescribe uniform principles, standards, and report forms for federal examination of financial institutions regulated by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, National Credit Union Administration, and Office of the Comptroller of the Currency,
- promote uniformity in the supervision of financial institutions,
- develop uniform reporting systems for federally supervised financial institutions, their holding companies, and the nonfinancial institution subsidiaries of these organizations and holding companies, and
- conduct schools for examiners employed by the five Council agencies and make such schools available to employees of state financial institutions supervisory agencies.

The Council has five members:

- the Comptroller of the Currency,
- the Chairman of the Federal Deposit Insurance Corporation,
- a Member of the Board of Governors of the Federal Reserve System appointed by the Chairman of the Board,
- the Chairman of the Federal Home Loan Bank Board, and
- the Chairman of the National Credit Union Administration Board.

NOTE 2

The figures in the "Entity Units Setting Standards" column for Council member organizations represent the number of internal agency units that establish accounting/auditing standards. They coordinate their efforts with the Council.

NOTE 3

The units within each federal organization or agency that set accounting and auditing standards follow.

BANKING

Federal Deposit Insurance Corporation

- Division of Bank Supervision
 - Planning and Programs Development Branch
 - Registration and Disclosure Unit

Federal Home Loan Bank Board

- Office of Examinations and Supervision

National Credit Union Administration

- Office of Programs

Board of Governors of the Federal Reserve System

- Division of Banking Supervision and Regulation

Office of the Comptroller of the Currency

- Division of Bank Accounting

Farm Credit Administration

- Finance and Operations Division

TRANSPORATION

Civil Aeronautics Board

- Bureau of Carrier Accounts and Audits

Interstate Commerce Commission

- Bureau of Accounts
 - Accounting and reporting section
 - Audit section

Federal Maritime Commission

- Office of Financial Analysis

Maritime Administration

- Office of Financial Approvals

Railroad Accounting Principles Board

- The Board is just getting organized.

Urban Mass Transportation Administration

- Division of Financial Management
- Program offices in UMTA

ENERGY AND OTHER

Commodity Futures Trading Commission

- Division of Trading and Markets

Cost Accounting Standards Board

- The Board ceased operations on September 30, 1980.

Federal Communications Commission

- Accounting and Audits Division

Federal Energy Regulatory Commission

- Office of Chief Accountant
 - Accounting Systems Division
 - Audit Division

Office of Pension and Welfare Benefit Programs

- Accounting Division

Rural Electrification Administration

- Borrowing Accounting and Servicing Division

Tennessee Valley Authority

- Division of Energy Use and Distributor Relations, Office of Power

NOTE 4

The "GAAP Required" column reflects requirements that exist by statute, regulation, contract, or by virtue of using CPAs. Several agencies prescribe accounting requirements and treatment of transactions that differ from Generally Accepted Accounting Principles. A listing, by organization or agency, of accounts or areas of difference follows.

BANKING

Federal Deposit Insurance Corporation

- Intangible assets
- Net worth certificates
- Sale of receivables with recourse

Federal Home Loan Bank Board

- Appraised equity capital
- Net worth certificates
- Extinguishment of debt
- Subordinated debt

Board of Governors of the Federal Reserve System

- Intangible assets
- Reporting of past due loans (disclosure requirements)

Office of the Comptroller of the Currency

- Goodwill
- Sale of receivables with recourse
- In-substance defeasance

Farm Credit Administration

- Allowance for loan losses

TRANSPORTATION

Civil Aeronautics Board

- Depreciation

ENERGY AND OTHER

Federal Communications Commission

- Capitalized leases
- Accounting for income taxes
- Compensated absences

Federal Energy Regulatory Commission

- Accounting for contingencies

Rural Electrification Administration

- Electric utilities follow FERC standards
- Telephone companies follow FCC standards

Tennessee Valley Authority

- Adjustments to prior period earnings
- Recognition of gains and losses on disposition of utility plants
- Accounting for unbilled revenue and power costs

NOTE 5

The Securities Act of 1933 requires issuers of securities making public offerings of securities in interstate commerce or through the mails, directly or by others on their behalf, to file with the SEC registration statements containing financial and other pertinent data about the issuer and the securities being offered. The Securities Exchange Act also requires certain companies to file registration applications and annual and other reports with national securities exchanges and the SEC (companies whose securities are listed on the exchanges, companies which have assets of \$3 million or more and 500 or more shareholders of record, and companies which distributed securities pursuant to a registration statement declared effective by the SEC under the Securities Act of 1933).

NOTE 6

The 250 Registered banks are also included in the 9,173 state insured nonmember banks and state chartered savings banks that report to the FDIC.

NOTE 7

On December 31, 1984, the Civil Aeronautics Board was abolished and its functions transferred to the Department of Transportation.

NOTE 8

The Civil Aeronautics Board regulated 613 entities. Although all supply some data, only the 80 major airlines had to supply detailed financial information.

NOTE 9

The Federal Communications Commission does not prescribe an accounting system for COMSAT, but it does require COMSAT to follow the other accounting standards established for telephone carriers.

NOTE 10

Telephone companies and cooperatives use the uniform system of accounts prescribed by the Federal Communications Commission. Electric cooperatives use the uniform system of accounts prescribed by the Federal Energy Regulatory Commission.

FEDERAL AGENCY ENFORCEMENT/OVERSIGHT ACTIVITIES

ENFORCEMENT OR OVERSIGHT

Federal Entity	Industry	Entity Units Setting Standards	Number of Industry Units Reporting	Number of Compliance Reviews #/CAR#	Enforcement Authority	Number of Adverse Actions Taken	Type of Action Available
BANKING	State-chartered commercial banks Bank holding cos Edge and Agreement Corporations	1	1089	2989 #1983*	Admin Legal	78 #1983*	Cease and Desist Orders Civil Money Penalty Written Agreement Memorandum of Understanding (NOTE 1)
			5371 124				
Comptroller of the Currency	National banks	1	4700	4211 #1983*	Admin Legal	401 #1983*	Cease and Desist Orders Civil Money Penalty Administrative Agreements Memorandum of Understanding (NOTE 1)
Farm Credit Administration	Farm credit banks State credit banks	1	37 801	637 #1984* (est)	Admin only	Info Not Avail	Request Bank/Assn Action Modify or Amend Bank/Assn Charter Include Deficiencies in Examination Report to Board
Federal Deposit Insurance Corp	State insured nonmember commercial banks Registered banks State chartered savings banks	2	8900	12977 #1983*	Admin Legal	272 #1983*	Cease and Desist Order Civil Money Penalty Stop Insurance Remove Officer Late filing penalty (NOTE 1)
				250 (NOTE 2) 273			

FEDERAL AGENCY ENFORCEMENT/OVERSIGHT ACTIVITIES

ENFORCEMENT OR OVERSIGHT

Federal Entity	Industry	Entity Units Setting Standards	Number of Industry Units Reporting	Number of Compliance Reviews #YEARS	Enforcement Authority	Number of Adverse Actions Taken	Type of Action Available
Federal Home Loan Bank Board	Federal Savings and Loan Assns	1	1650	2524 #YEARS	Admin	38	Lease and Desist Order
	State Savings and Loan Assns		1650	1134#	Legal	#1983*	Civil Suit against Officer/Director Suspend/Sue CPA Letter
National Credit Union Administration	Federal Credit Unions	1	10962	16628 #1984*	Admin	50	Require reports
	Fed Insured State Chartered Credit Unions		4928	#1984*	Legal	(est) #1984*	Cancel charter (NOTE 1)
TRANSPORTATION							
Civil Aeronautics Board	Civil air transport industry	1	80	8 #1984*	Admin Legal	1	NONE
Federal Maritime Commission	Shipping	1	45	45 #1984*	Admin Legal	3	N/A
						(est) #1984*	Letters Fines
							Reject tariff revisions
Interstate Commerce Commission	Railroads, Trucks Buses, Ships	2	2869	45 #1984*	Admin Legal	NONE	NONE
Maritime Administration	Shipping	1	350	350 #1984*	Admin only	NONE	NONE
							Deny subsidies Raise loan guarantee fee Drop fire from program

(NOTE 1)

(NOTE 1)

Statutory penalties

Revisions

Negotiation Fines

Deny subsidies Raise loan guarantee fee Drop fire from program

FEDERAL AGENCY ENFORCEMENT/OVERSIGHT ACTIVITIES

ENFORCEMENT OR OVERSIGHT

Federal Entity	Industry	Entity Units Setting Standards	Number of Industry Units Reporting	Number of Compliance Reviews *YEAR*	Enforcement Authority	Number of Adverse Actions Taken	Type of Action Available
Railroad Accounting Principles Board	Railroads		The Board is not yet operational				
Urban Mass Transportation Administration	Transportation	2	500	420 *1984*	Admin Legal	NONE	Negotiation Cut funds Admonishing letter

ENERGY AND OTHERS

Commodity Futures Trading Commission	Futures Com Merchants (FCMs) Introducing Brokers (IBs) Commodity Pops Operators (CPUs) Leverage Trans- action Merchants Futures Exchanges	1	400 FCMs 1,170 CPUs	3170 *1983* (NOTE 3)	Admin Legal	74 *1983* (NOTE 4)	Permanent injunction Preliminary injunctions funds in receiver- ship Lease and desist orders Civil money penalty suspend, revoke or deny regis- tration Deny contract marketing privileges
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Lost Accounting Standards Board

Defunct entity but standards still are used

Federal Communications Commission	Telephone Carriers Domestic telegraph carrier (Western Union) International record carriers International Satellite (COMSAT)	1	67	21 *1984*	Admin	146 *1984* (NOTE 5)	Warnings Hearings Fines Cease and Desist Orders
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FEDERAL AGENCY ENFORCEMENT/OVERSIGHT ACTIVITIES

ENFORCEMENT OR OVERSIGHT

Federal Entity	Industry	Entity Units Setting Standards	Number of Industry Units Reporting	Number of Compliance Reviews *YEAR*	Enforcement Authority	Number of Adverse Actions Taken		Type of Action Available
						Company	Auditor	
Federal Energy Regulatory Commission	Electric Utilities Hydroelectric Licensees Natural Gas Pipe- line Companies Oil Pipeline Com- panies	2	483	87 *1983* (NOTE 6)	Admin Legal	506 *1983* (NOTE 7)		Penalty for non- compliance Refund to customer
Office of Pension and Welfare Benefit Programs (Labor)	Various	1	830000	706 *1984*	Admin Legal	384 *1984*		Negotiation Litigation Criminal actions
Rural Electrification Administration	Telephone cos Telephone coops Electric coops	1	900 1000	1505 *1984*	Admin	NONE		Negotiate CPA termination
Tennessee Valley Authority	Electric coops	1	50		Admin Legal	NONE		Legal recourse Assess penalties

NOTES TO SCHEDULE OF FEDERAL
ENFORCEMENT/OVERSIGHT ACTIVITIES

NOTE 1

The types and numbers of actions taken by each Federal entity follows. The statistics are for the most recent one-year period for which the information was readily available.

<u>Federal Entity</u>	<u>Year</u>	<u>Type and Number of Actions Taken</u>
Federal Reserve	1983	Cease and Desist Order-40 Civil Money Penalty-5 Written Agreement-33
Comptroller of the Currency	1983	Cease and Desist Order and Administrative Agreements-274 Civil Money Penalty-127
FDIC	1983	Cease and Desist Order-223 Civil Money Penalty-14 Stop Insurance-26 Remove Officer-9
FHLBB	1983	Removal or Probation of Individuals-21 Cease and Desist Order-17
NCUA	1984	Cancel Charter-50 (estimate)

NOTE 2

The 250 Registered banks are also included in the 9,173 state insured nonmember commercial banks and state chartered savings banks that report the to FDIC.

NOTE 3

The Commodity Futures Trading Commission conducted 179 audits during 1983 involving 82 FCMS, 90 CPOs, and 7 self-regulatory organizations (exchanges). It also reviewed 2,991 financial reports.

NOTE 4

The types and numbers of actions taken by the CFTC in fiscal year 1983 follows:

Administrative actions (63 total actions, some of which resulted in administrative actions against more than one company or individual)

- Suspension, revocation or denial of registration - 36
- Denial of contract marketing privileges - 42
- Cease and desist orders - 71
- Civil money penalties - \$3,421,000 (49 individuals or firms)

Court actions (11 total actions, some of which resulted in legal actions against more than one company or individual)

- Permanent injunctions - 33
- Preliminary injunctions - 46
- Funds in receivership - \$4.5 million (11 equity receivers)

NOTE 5

In fiscal year 1984, FCC resolved 146 formal complaints which were filed by customers and consumers.

NOTE 6

Of the 87 compliance reviews conducted, 49 were of Electric Utilities, 29 were of Natural Gas Pipeline Companies, and 9 were of Oil Pipeline Companies. Approximately 99% of the Hydroelectric licensees are electric utilities. There is no separate audit of these licensees.

NOTE 7

In fiscal year 1983, FERC processed 136 gas pipeline refund plans and reports covering \$878 million. In the oil pipeline area nine settlements representing approximately 370 tariffs were completed, thus avoiding litigation.