

legal use of grant funds distributed to States and local governments. Furthermore, the General Accounting Office as part of its "spot" audit to ascertain the effectiveness of agency audits of Federal expenditures, also audits grant-in-aid expenditures at the State and local levels.

Adequate fiscal and program controls are an essential part of any assistance program. The government providing the assistance must be able to assure itself that funds are being legally spent for the purposes intended. Auditing procedures and financial reporting requirements are essential for this purpose. However, while meeting the necessities of adequate reporting and review, every effort should be made to avoid placing undue and time-consuming burdens on State and local program administrators. Surveys indicate that this latter goal is frequently not achieved.

A recent study by the State budget officers (NASBO) of Federal grant-in-aid requirements which impede State administration showed considerable dissatisfaction with the detailed, burdensome, and slow auditing and reporting procedures required by Federal grant programs. The variation between Federal and State requirements and among Federal requirements regarding frequency, classification systems, and methods of accounting were cited as creating particular problems. The excessively detailed reports on subprograms were mentioned by one State official who indicated that 54 individual fiscal reports must be prepared and filed regarding expenditures of funds under the Vocational Education Act at both State and local levels, taking weeks of staff time. Another official complained that the breakdowns requested are almost endless.

In the earlier survey of *The Federal System as Seen by State and Local Officials*, your Subcommittee, Mr. Chairman, found that half of the respondents indicated that variations among the Federal agencies reporting and accounting requirements and differences between Federal and State requirements had caused difficulties in administering grants-in-aid. As one Governor stated it:

"Many Federal agencies ignore the States' basic accounting system and the controls therein, making it necessary for State operating agencies to keep double sets of books for Federal audit purposes. Some Federal agencies go to the extent of almost complete voucher-by-voucher audit and at times demand that accounting be done by a "Federal" standard which in essence is not Federal as such but peculiar to the needs of the specific agency concerned. Overall, an overwhelming number of the State and local officials indicated that legislation was needed to achieve more uniform accounting and auditing procedures among Federal grant programs."

On the other hand in the subsequent Subcommittee report entitled *The Federal System as Seen by Federal Aid Officials*, it was reported that a majority of Federal program administrators responding felt that the variations in auditing requirements cause no difficulties in the State and local administration of their respective programs. A sizeable majority rejected the proposal that the post-audit of aid programs might be dispensed with where a State's post-audit system met standards the Comptroller General set down. In addition a comparable proportion disputed the need for more uniform auditing and accounting procedures for all grant-in-aid programs.

Although the difference in Federal program objectives, magnitude, and administrative arrangements can hardly be expected to yield completely to uniform reporting and accounting requirements, there remains the question of whether existing requirements are reasonable in their demands. Most State and local officials feel they are not and at least some Federal aid administrators agree.

In its recent report on *Fiscal Balance in the American Federal System* the Advisory Commission adopted a three-pronged recommendation urging enactment of general legislation by the Congress applicable to grants-in-aid to the States whereby: (1) the Comptroller General would study and review the accounting and auditing systems of State governments receiving Federal grants-in-aid and ascertain their general adequacy and integrity; (2) for those States meeting certified standards, the results of State audits of the expenditure of Federal grant funds would be accepted by Federal administrators in lieu of their own fiscal audits as long as the State accounting and auditing system continued to meet the prescribed standards; and (3) this authorization would be extended at the discretion of the Comptroller General to units of local government receiving sizeable grants directly from Federal agencies.

The proposed new title includes provisions designed to facilitate the simplification and standardization of financial auditing and reporting requirements in Federal grant-in-aid programs. Its second section provides the President with sufficient authority to achieve greater consistency, simplicity and order in an