

those nominees, particularly for the President's administration. It is his administration. Surely Assistant Secretary, Solicitor's General, Inspector's General, Ambassadors should be confirmed. And the judges, I'm not going to go through the litany here.

The fact is we've got a lot of people who are not being treated fairly. I don't understand why Miguel Estrada has not been moved. He's an immigrant from Honduras. He's well educated and is an outstanding attorney but hasn't even had a hearing. We ought to move not only the district judges but the circuit judges. Let's move judicial nominees if there are not problems. Let's pick up the speed. I know the President would appreciate that. The President deserves that. We can do better.

There will be those we want to fight over. We'll have a vote on them. We'll have a debate on them, but let's at least do it. My impression is we have about 50 on the calendar and about a hundred in committees—150 judges and administration officials. I think we need to go back and take a deep breath and get that job done.

From my discussions with this President, I can tell you: He is as determined to pull this country out of this economic recession as he has been to put an end to the terrorist threat.

It was 100 years ago that President Teddy Roosevelt uttered that quip we all remember: "Speak softly and carry a big stick."

One thing I have found out about President Bush is that he does speak softly, but he carries a heavy agenda because the needs of our country are great and the expectations of the American people are great. But our opportunities for accomplishment are great, too. And frankly, our chances as a government institution are great at showing the American people how men and women of good will can meet halfway and then when they disagree, take a fair vote to see whose argument will prevail, complete their work on that matter, and move on to the next priority. That's all we on the Republican side of the aisle can ask.

Let's begin today. Let's get some agreements on how we'll proceed on these to important bills. Let's continue next week when we hear the President's State of the Union Address. Let's see how much we can do in the next 3 months. I believe that American people want that. And I know they would appreciate it. Thank you, Mr. President. I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Connecticut.

#### ELECTION REFORM

Mr. DODD. Mr. President, I commend both leaders for their comments about the proposed agenda. While I certainly am not in a position to comment on the merits or demerits of the various proposals that have been suggested, there is one item in which the distin-

guished Senator from Kentucky and I are particularly interested. We are grateful to the majority leader and the Republican leader for making specific reference to the election reform proposal the Senator from Kentucky, Mr. MCCONNELL, Senator BOND, Senator SCHUMER, Senator TORRICELLI, Senator DURBIN, and others have worked on to bring legislation to the point where we think we have a good product to present to our colleagues, to the Congress as a whole, ultimately to the President for his signature, and, more importantly, to the American people in response to a situation that did not merely occur in one State, in one election, but as we all know now for a number of years a slow deteriorating process of our election system to such a degree that it was crying out reform.

While we have not solved every single problem, we think we have set up a mechanism for the first time to deal with election issues for the foreseeable future, under a proposal offered by my colleague from Kentucky, a permanent commission, which I think is an excellent suggestion. We deal with some fraud issues that Senator BOND thinks are very important if we are going to have an election reform issue. While we may not have dealt with every issue, we think we have taken a major step in addressing some of the concerns he has raised.

For those of us who are interested in the disabled in this country, those who were denied an opportunity to vote who had a right to vote—many studies indicate that happened in far more cases than any of us would like to admit—we think we have put together a pretty good package for which we are very proud. That is not to suggest we have dotted every "i" and crossed every "t" and thought about every possible reform or improvement, but we think we have about as good a product as could be presented to a body such as this for their consideration.

I do not know what the agenda will be of the leadership, but I think, for myself and Senator MCCONNELL, we are prepared to go forward when they would like us to go. Whenever that is appropriate, we are ready to present a proposal we think will enjoy very broad-based support, not only in this Chamber but throughout the country, including the National Association of Secretaries of State and others who have worked with us, and various other organizations around the country that are deeply interested in the election process.

I see my friend from Kentucky, to whom I would be happy to yield, but I say first when the bell rings and the leadership decides it is appropriate, these two Members and others who joined us and are prepared to present a proposal that we hope will enjoy the kind of support for which we think it is deserving.

I yield to my friend from Kentucky. The PRESIDING OFFICER. The Senator from Kentucky.

Mr. MCCONNELL. Mr. President, I echo the remarks of my good friend from Connecticut. Election reform had the potential of being an intensely partisan issue. While we know that may still develop, let me say we have had all of those discussions over the last 6 months in our negotiating process, and we have now come together with the hope we will be able to go forward in a totally bipartisan way to improve the election system in this country.

As the Senator from Connecticut, who has provided outstanding leadership on this issue, has indicated, we have dealt with the fraud issue, which is important to a lot of people on this side of the aisle. No one has been a more forceful advocate for removing barriers for the disabled to exercise the franchise. Senator DODD carried that ball very effectively in our negotiations.

I thought we needed a permanent repository for this kind of expertise, so we set up a commission with Presidential appointees equally divided between Republicans and Democrats. It would be the one place in America that States and localities could go for objective advice, not somebody knocking on the door trying to sell them a particular system but objective advice about the best way to meet their particular election needs.

We did not wipe out any particular election system in America. We did not mandate the use of any particular election system. We did provide some real money that would be dispensed on a matching fund basis by this Presidential commission to those who were interested in upgrading their system.

I think we have come forward with a good bill, and I thank my friend from Connecticut for his leadership on this subject. I have been happy to join with him on it. If and when we do go to this—and we think it will be early in the session—we would encourage people to offer amendments that are related to the subject. We think this is a bill that needs to move along, not be bogged down in extraneous matters unrelated to the subject.

Again, I thank the Senator from Connecticut. I look forward to working with him. We are ready to go whenever the leaders decide this is the subject matter before us.

I yield the floor.

The PRESIDING OFFICER. The Senator from Connecticut.

#### THE INVESTOR CONFIDENCE PROTECTION ACT OF 2002

Mr. DODD. Mr. President, I anticipate the arrival of my colleague from New Jersey, Senator CORZINE, at any moment because we would like to at least put our colleagues on notice today of our intention to introduce legislation to strengthen the independence and objectivity of corporate audits in this country.

I have the fortunate job of being the chairman of the Securities Subcommittee of the Banking Committee

of the Senate. I have held that position for a number of years, both as chairman and as the ranking Democrat during Republican majorities in this Chamber, and have worked very closely with a number of my colleagues on a variety of issues affecting the securities industry, the confidence in our markets.

Obviously, the events we have heard about over the last number of days involving the Enron Corporation and Arthur Andersen's accounting firm and other questions have raised some issues that Senator CORZINE and I think need addressing. They have been discussed in the past. We have never codified some of these issues, but they have been the subject of extensive debate and discussion as how best to proceed.

We do not have the specific bill yet to put before the Senate today. We will in the coming few days, possibly as early as next week or the week after. We will lay out what we think is a framework for how, at least from the perspective of investor confidence, the accounting industry particularly needs to deal with the issue of consultive services and auditing services that they provide.

Our financial markets are the most vibrant in the world. That is stated over and over again. It cannot be stated often enough because it is true. There is a very simple reason for that continued success and that is because investors have confidence when they take their hard-earned money and in America they invest it in the public companies of this Nation. The world comes to the United States to invest because they know they will receive, very simply, a fair and honest deal. It is that simple.

There may be other factors and certainly we know that around the world there may be potentially a better return on one's investment in Asian markets and European markets or elsewhere, but the world comes to the United States because they know, while there may not be the opportunity to maybe make as much on their investment as may be offered elsewhere, that in this country if one comes here, our system is fair. Our system is fair and just, and that is one of the great attractions to domestic investors as well as foreign investors.

We can point to the depth of liquidity in this country, the degree of efficiencies in our markets, but ultimately the investing public, both internationally and domestically, invests in our markets and our companies because they believe the public information about these companies is true and it is accurate.

The accounting profession has played an incredibly important role in attaining and ensuring this investor confidence, and they deserve great credit, in my view, for the tremendous job they have done historically. The seal of approval that our accounting firms provide is a franchise of which we should be immensely proud in this country, and I think most of us are.

However, that franchise is in danger of losing the investing public's trust. Once lost, that trust would be difficult, if not impossible, to recover, at least in the short term.

In recent years, there have been a series of very high-profile accounting failures. The Enron failure may be the most prominent case, but it is certainly not an isolated incident. Indeed, it is only the latest, perhaps the most publicized, incident in a troubling series of incidents calling into question the integrity of corporate audits. More financial restatements on corporate earnings have been filed in the past 3 years than in the previous 10 years combined. These restatements have in most instances dramatically downgraded the financial health of the companies in question.

The collapse of Enron, specifically the seemingly massive failure of auditors to recognize and act on the myriad of financial reporting irregularities, focuses our attention on a central question: Are reforms needed to preserve and strengthen the integrity of the audit process? I have come to the conclusion that they are.

The accounting profession is undergoing tremendous change. Accounting firms no longer simply provide audit services. In response to our dynamic economy, they have adapted to become full-service financial consulting companies. I strongly support the diversification that is occurring in the accounting industry. In many cases, this development of expanding their services has allowed them to provide far better audits than they did in the past. However, these changes must not come, in my view, at the expense of these accounting firms' Federal mandate to provide objective and independent financial reporting. Conflict of interest, even the perception of conflict, undermines the confidence of the investing public.

I do not believe the Enron collapse was caused solely by the lack of auditor independence. That would be a terribly naive conclusion to draw. Many facts are yet to be uncovered. However, it is well known that the company's auditor received greater compensation for the nonaudit services it provided to Enron than for the audit services it provided. No one could fail to be troubled by the simple fact that there was compensation of \$27 million for consulting services and \$25 million for auditing services. No one can say it does not raise questions about the objectivity of the audit process.

No one, I believe, can seriously argue that when all the questions have been raised, we should not do everything possible to strengthen the independence and objectivity of financial audits. That is what we rely on.

There is an inherent conflict. The auditor's compensation is paid for by the very company being audited. We cannot change that. The only way I suppose would be to establish some Government agency or huge division

within the Securities and Exchange Commission that would conduct the Government audits of public companies. I don't know that anyone suggests that. I am not suggesting we ought to change the present system of having these accounting firms conduct these audits.

The problem is, if that same company is not only providing the audit but also providing a variety of other services, there is the perception, at the least, of a problem. I use the analogy of hiring a construction firm to build your house while the contractor is also the building inspector. One may end up with a great house, but there are some inherent concerns for the homeowner about whether or not the construction would be done as well, as soundly, and met all the requirements.

I do not believe the fact that the Enron Corporation hired Arthur Andersen to be its consultant and auditor necessarily caused this entire problem, but the fact is when a firm is doing both those functions for the same company, the investor confidence so critical to the success of our markets comes in question.

For those reasons, Senator CORZINE of New Jersey and I plan to introduce legislation in the coming days to implement four critical reforms to the auditing process.

First, it restricts auditors from offering nonaudit service to audit clients. Accounting firms could continue to provide audit and nonaudit services to clients, but they could not offer both services to the same client. I don't think that is an outrageous suggestion. I am not suggesting they ought not provide consulting services. It strengthens the audit process. If one client is providing those two services to the same client, there is at least a perception of a serious problem. I suggest that Enron's problem is not an isolated case; it is more widespread.

Again, accounting firms continue to provide audit and nonaudit services. They cannot offer both. This restriction builds upon the important work in this area performed by former SEC Chairman Arthur Levitt and former SEC chief accountant Lynn Turner, who should be commended for their tireless efforts. The SEC's current auditor independence rule has helped but, in my view, is inadequate to ensure full auditor independence.

Second, we propose a prohibition on any accounting firm providing an audit for a company whose comptroller or chief financial officer has worked for such accounting firm in the previous 2 years. This will help reduce the potential for conflict of interest that may arise when accountants become senior executives at companies they audited.

Third, we strengthen the independence of the standard-setting body for the accounting profession, the Financial Accounting Standards Board. The FASB is acknowledged around the world as the best accounting standard setter. But the FASB often comes

under tremendous pressure from a variety of sources to adopt standards that could cloud rather than clarify a company's health from the point of view of investors.

A few years ago a suggestion was made that Congress would legislate certain accounting practices that the FASB would have to sanction. I did not necessarily disagree with some who were raising the issue about various accounting procedures or practices. The idea that Congress would get in the business of legislating, by margins of 51-to-49 votes in this body, is a frightening prospect—that we would so politicize the Financial Accounting Standards Board. I can only thank those who may have agreed as I did, or at least partially agreed with some who made the suggestion, that we did not allow that to happen. Certainly FASB needs to remain independent and not subjected to the kind of political pressures suggested some time ago.

Our legislation also improves the independence and effectiveness of FASB by securing a steady funding source and encouraging greater timeliness of actions. One problem is they are very slow. They cannot keep up with what is going on in the real economy. FASB needs to act expeditiously in response to issues.

Lastly, our legislation improves the ability of the SEC to improve audit quality by doubling the size of the SEC accounting staff. Presently, the accounting staff is 20 to 25 people, the size of a congressional office, for oversight over all of the accounting firms and the audits that occur in the country. I am not suggesting just more personnel will necessarily solve the problem, but by increasing the size of that staff, and then having more random audits of the audits done, the prospect has its own obvious benefit to this potential problem. SEC accountants would help the agency do a better job of ensuring that audits meet the high standards of independence and objectivity that have been a hallmark of the American accounting profession.

In closing, I have spoken about the reforms with a number of knowledgeable people over the last several days, including those in the accounting profession. They have said privately these reforms go a long way to strengthening audits and the confidence of the American public. I look forward to working with Chairman SARBANES, who has already announced good hearings on the broader issue we are dealing with, and with the former SEC Commissioners, and has invited the chief accountants of the SEC to talk to our committee in a formal hearing setting. That will be tremendously helpful in examining what may be the best way to proceed. What we want to do after we lay down a bill is invite these people to respond before the committees conducting hearings on the subject matter.

I see my friend and colleague from New Jersey who brings a wealth of experience to this subject matter. In his

previous life he worked for many years in the financial services sector. He is recognized in this Chamber and elsewhere for the tremendous amount of knowledge he acquired over the years in this area. I am pleased to be joining with him in this piece of legislation.

Before I turn to my friend from New Jersey, my friend from Missouri is here. He is a knowledge builder as to this subject matter as well. As on most subjects, he has very strong feelings. I will not lure him into that at this particular moment because I want to hear his comments, if I may indulge my friend from New Jersey for a moment. Senator BOND and Senator MCCONNELL and I have worked, for almost a year, putting together an election reform bill. Senator MCCONNELL was here a few minutes ago talking about where things are and our willingness to come to the floor for our leadership, who asked us to do so. I again say publicly how much I appreciate the tremendous effort of my friend from Missouri. He is a great debater and tough negotiator, but when he gives his hand and shakes, it is a done deal.

I ask unanimous consent to yield to my friend from Missouri.

The PRESIDING OFFICER (Mr. NELSON of Florida). The time of the Senator from Connecticut has expired; he cannot yield. However, the Chair recognizes the Senator from Missouri.

#### ELECTION REFORM

Mr. BOND. Mr. President, I thank my colleague from Connecticut for attempting to be a floor manager, and I apologize to my colleague from New Jersey.

I make a brief statement joining with my good friend from Connecticut and my friend from Kentucky in commending to this body the election reform bill. It was not just hours but weeks, and perhaps months, we worked on this. His dedication to getting a good election reform bill through means we will have something good with which to work. There should be a lot of interest in this body because every single Member got here through the process of politics. This measure, that will be brought up, we hope very shortly, should ensure that everybody in America is treated fairly in the election process. And that has no greater champion than my friend from Connecticut.

As he indicated, I was interested in assuring that we prevent fraud. For those who may not have read it, I commend to them an article by George Will in the Washington Post today headlined, "A Long Election Day in Missouri." He outlines the case far better than I would on the floor. I just ask my colleagues to read it and see why part of the election reform proposal goes to combating fraud.

As Mr. Will points out, our Secretary of State, Matt Blunt, reviewed a small sample of ballots.

. . . among 1,384 ballots illegally cast [in St. Louis] were 62 by felons, 79 by people reg-

istered at vacant lots, 68 by people who voted twice and 14 [votes] cast in the name of dead people.

The only thing we missed out on in that go-around was in the past we have had dogs registered in St. Louis. As far as we could tell, no dogs voted in the last election.

I had an opportunity to address a leadership group in St. Louis—a very large group of people—during the recess. I told them the purpose of the Dodd-McConnell bill was to make sure that every American citizen, and, frankly, for Missourians, every Missouri citizen, who was a human adult American citizen entitled to vote had an opportunity to vote—once. I think everybody in St. Louis understands that. I think everybody around the country will.

We are going to have a very interesting discussion when we get onto this bill. We have spent a lot of time crafting it. I do not doubt that people will have new ideas they will bring to the floor. It should be a very interesting debate, but it is something that goes to the heart, the very heart of our form of government.

Everybody who is a U.S. citizen who is duly registered and entitled to vote in his or her State ought to have the opportunity to vote, but only to vote once. If we can pass this bill and combine it with the bill the House has passed, I hope we will see a much improved voting system in the United States for the 2002 election.

I thank my colleague from Connecticut. I look forward to working with him and I, again with my apologies to my friend from New Jersey, yield the floor. We look forward to getting on with it, to pursue the vitally needed election reform.

The PRESIDING OFFICER. The Senator from New Jersey.

#### ACCOUNTING REFORM

Mr. CORZINE. Mr. President, I very much appreciate the opportunity to work with Senator DODD on something that I think is vital to the American public, vital to the functioning of our financial markets and the health of the economy generally. Just as electoral reform is important, and I congratulate yourself and the Senator from Missouri and others who are leading us in that fight, I hope we can get the same kind of bipartisan focus on something that I think will make a difference to the functioning of our economy and our financial markets and the protection of investors that we are suggesting in the bill we are introducing today.

It is also unique on this side of the table to work with Senator DODD. I remember, as a former businessperson, testifying in Congress. Senator DODD always asked the toughest, meanest questions of folks with ideas they wanted to suggest. He was always spot-on with regard to their strengths and weaknesses. It is a great honor to work