Bylaws Revisions Released

Proposed changes to NASBA’s Bylaws are being sent to the member Boards for their consideration. The NASBA Board of Directors at their meeting on July 26 approved for exposure the changes proposed by the Bylaws Committee as presented by Bylaws Committee Chair Jim Burkes (MS).

Among the changes being proposed are:

- Adding the Secretary of the Board as a member of the Executive Committee and the President as an ex-officio member;
- Establishing the Executive Directors Committee as a standing committee;
- Aligning NASBA’s Bylaws with Delaware law on indemnification, as NASBA is a Delaware corporation;
- Authorizing the appointment of the Vice Chair to more committees;
- Reorganizing the Bylaws’ subsections.;
- Enabling Boards’ Executive Directors to apply for appointment to all committees.

The Bylaws will be voted on at the Annual Business Meeting on October 29, 2013 in Maui, Hawaii. For Annual Meeting details, including scholarship information, see www.nasba.org.

Chair Hansen Applauds PCC

As promised by NASBA leadership, they are monitoring the progress of the Private Company Council to bring about financial reporting standards that are responsive to the needs of private companies, and they have judged it to be good, according to Chair Gaylen R. Hansen (CO). He reported to the NASBA Board at their July 26 meeting that the fourth meeting of the PCC, held earlier that month, resulted in another initiative, a total of four to date changes being proposed by the PCC. The members of the Financial Accounting Standards Board have been in full attendance at the PCC’s meetings and Mr. Hansen believes the FASB will not oppose the changes being recommended.

He also reported that NASBA representatives have been meeting with AICPA representatives and believes that their concerns about the AICPAs Financial Reporting Framework for Small and Medium-Size Entities will be addressed. Mr. Hansen told the Board, “We have vested trust in the AICPA that they will do things in the right way. In the long-term we believe FRF will fade into the background as an OCBOA, and small and medium-size entities will be using GAAP thanks to the PCC’s work.”

Also at the July Board meeting, President Ken L. Bishop noted his pleasure with having 48 Boards participate in the June 2013 Regional Meetings. He thanked the Regional Directors and meeting speakers for presenting valuable conferences and credited the wide participation to the work of Vice President – Board Relations Daniel J. Dustin, who has gone out to many Boards to prove NASBA is listening to them and ready to assist when called upon. At the Eastern Regional Meeting, 42 student leaders participated in a concurrent conference sponsored by the NASBA Center for the Public Trust. President Bishop maintained that the 17 student chapters of the CPT, located throughout the U.S., are making a difference in the lives of students and are an initiative in which NASBA can take pride in establishing and continuing to support.

Executive Vice President and Chief Executive Officer Colleen Conrad Clark detailed for the Board the points under negotiation in the ongoing examination contract discussions with the AICPA, Prometric and NASBA. The Board voted to authorize President Bishop and Chair Hansen to approve these contracts as generally described.

NASBA Standards Setting Group Meets

The initial meeting of the Standards Setting Study Group, created by Chair Gaylen R. Hansen, was held on July 25, 2013 in Park City, UT. Its charge is to: “Provide recommendations for setting professional practice standards for all entities other than those that are publicly traded. Also, address various options Boards of Accountancy have as to the breadth and depth of their involvement in establishing standards.”

Members of the Study Group include Mr. Hansen, Donald H. Burkett (SC), Walter C. Davenport (NC), Raymond N. Johnson (OR), Harry O. Parsons (NV) and Laurie J. Tish (WA), plus President Ken L. Bishop, Executive Vice President Colleen Conrad Clark and Legal Counsel Noel L. Allen.
NASBA and AICPA Discuss FRF
Meetings between NASBA and AICPA leaders and staff have resulted in a joint commitment to ensuring private businesses and the users of their financial statements are not confused about when those businesses should be using Generally Accepted Accounting Principles and when the use of the AICPA’s Financial Reporting Framework for Small and Medium-Size Entities might suit their needs. On July 15 it was announced that the AICPA, with NASBA’s input, will develop a decision-making tool to assist entities with determining whether use of the FRF for SMEs is suitable or not. The AICPA will also develop illustrative financial statements and disclosures to distinguish FRF for SMEs-based financial statements from GAAP-prepared statements.

NASBA Vice President – State Relations Daniel J. Dustin took the lead in working with the AICPA’s representatives to address the concerns NASBA raised about the non-authoritative FRF framework (see sbr 7/13). Both NASBA and the AICPA have stated they are committed to the Private Company Council’s eventual success in developing a GAAP-based financial reporting model for all private companies.

The July 15 joint statement from NASBA and the AICPA concluded: “CPAs who report on financial statements prepared in accordance with GAAP, or a special purpose framework, such as the FRF for SMEs, will be held to the highest standards of professional practice by U.S. Boards of Accountancy.”

President Ken L. Bishop wrote to State Board members: “NASBA’s Chair Gaylen Hansen recently said, ‘There is no middle ground when it comes to the public interest,’ and he is right. In this effort, we have compromised on both implementation and some objective differences, but we have, together with AICPA, made the public interest mandate the bedrock of our agreement to work together. At the upcoming AICPA/NASBA Summit meeting [August 9], I hope to discuss how to develop strategies to avoid these types of escalated disagreements in the future.”

31 States Represented at PROC Summit
The NASBA Peer Review Oversight Committee Summit (PROC), held July 10 in Nashville, drew 66 attendees representing 31 states. With only 23 states currently having an active or planned PROC, the Summit’s attendance indicated to NASBA’s Compliance Assurance Committee (CAC) that more State Boards are interested in establishing PROCs. One of the CAC’s goals is to have a PROC for every State Board, and to have those programs operated with some consistency, CAC Chair Janice Wilson (OK) stated.

The CAC has worked with NASBA staff to create a Web page on www.nasba.org that includes two educational training videos with which Boards can launch a PROC (“First Steps” and “PROC Organization”), with three more (“Recruiting and Selecting Members,” “Managing the Process” and “Documentation & Reporting”) scheduled to be completed and on the site by late fall. The site also has a repository of Annual PROC Reports to State Boards, as well as model checklists, report templates, a sample confidentiality agreement for PROC members, a sample PROC application, and a sample oversight agreement between Boards and peer review administering agencies.

The Summit’s keynote speaker was AICPA Vice President of Ethics and Practice Quality James Brackens, who provided an overview of the AICPA’s peer review program, stressing the importance of uniformity and transparency in the administration and oversight of the program. Breakout sessions on “Starting from Scratch” and “Lessons Learned” allowed the meeting’s participants to exchange information on how peer review programs operate and are monitored in their states. Two topics that drew considerable discussion were the cross-referencing of State Board records with those of administering entities, to ensure no firm that is required to be peer reviewed is falling through the cracks, and how State Boards should handle firms with failed peer review reports. The CAC expects to be developing best practices for both these situations.

Attest Exposure Draft Out for Comment
State Boards, societies and all interested parties are being invited to comment on the Uniform Accountancy Act Committee’s July 17 exposure draft of revisions to the UAA related to the redefinition of “attest.” The proposed changes developed by the joint NASBA and AICPA committee include adding to the definition of “Attest” in UAA Section 3(b) the following services: “any examination, review, or agreed upon procedures engagement to be performed in accordance with SSAE.” The redefinition also impacts the definition of “Report” and parts of Sections 7 and 14. Comments are due in by October 17, 2013. The exposure draft can be found on both www.nasba.org and www.aicpa.org.

Audit Firm Rotation Rejected by House
The Audit Integrity and Job Protection Act (H.R. 1564) passed 321 to 62 on July 8. This bill would prevent the Public Company Accounting Oversight Board from requiring public companies to use specific auditors or require the rotating of auditors.

The United Kingdom’s Competition Commission on July 22 released a provisional decision recommending that companies put their auditing work out for bid every five years, but did not propose mandatory switching of auditors, which had been under consideration. UK Audit Market Investigation Group Chairman Laura Carstensen commented: “We do not see a competition problem with audit firms retaining business if they do a good job – but they will have to demonstrate that on a regular basis.”

Janice Gray

Laura Carstensen commented: “We do not see a competition problem with audit firms retaining business if they do a good job – but they will have to demonstrate that on a regular basis.”
Looking Back…Looking Forward

On July 31 the year ended for NASBA - the fiscal year that is. It was a remarkable year for NASBA, and an important one for me as my first complete fiscal year as your President and CEO. We scored many positive accomplishments:

• FY 2013 was the best financial year in NASBA’s history;
• State Boards received a record amount of direct support and assistance from NASBA;
• Three former NASBA chairs were appointed to important national positions and many other NASBA delegates, associates and leaders were tapped for key appointments;
• New important relationships were forged and existing ones enhanced;
• Challenging issues were successfully worked through;
• An unprecedented deep-dive assessment of NASBAs internal operations and systems was completed and, as a result, implementation of changes and improvements started;
• Positive steps were taken to increase diversity within NASBA;
• And, most importantly, ties with State Boards have been strengthened, resulting in increased participation in NASBA’s meetings and committees.

Looking back, I think we can do a little “chest thumping” as we should all be proud of the past year’s accomplishments, a few of which I just cited. As a volunteer governed and driven organization, even the unity and collaboration that made these successes happen is a positive and significant feat. However, after amply congratulating ourselves, it is time to begin looking forward to the new year.

It is interesting that when we use the word “year” at NASBA it can mean several things. I just described our fiscal year (8/1 to 7/31). There is the Chair/Board/Committee (the Chair’s) year that runs between Annual Meetings and ends, this year, on October 29, 2013. Of course there is also the calendar year, which often links to the “legislative” year calendar that is of critical importance to NASBA and State Boards. All have relevance and importance to NASBA and all create both challenges and opportunities.

As we close the books on NASBA’s past fiscal year, we begin operating in the new fiscal year’s budget. NASBA staff is taking on formidable tasks and goals in FY-2014 which include developing the next generation IT infrastructure for NASBA, which encompasses the CPA Examination Gateway system that supports the administration of the Uniform CPA Examination worldwide and 24/7.

As we enter the final quarter of the Chair’s year, we have begun the important discussion about the appropriate role of Boards of Accountancy in standards setting. Our Chair, Gaylen Hansen, has appointed a Standard Setting Study Group (see story page 1) to explore the Boards’ current and historical role and level of participation in the standards setting processes. More importantly, the Study Group will consider where we should strive to be in the future.

Looking forward to the next Chair’s year, and the expressed goal of incoming Chair Carlos Johnson to enhance our relationships and relevance in the sphere of accounting education, NASBA is participating in an unprecedented way with the education community. That process launches with NASBA’s ramped up involvement in this year’s American Accounting Association (AAA) annual meeting.

Looking forward to the new calendar/legislative year, our Legislative and Governmental Affairs Office is already monitoring hundreds of proposals and bills, countrywide, that might impact our members as we prepare to provide support where needed. Our Human Resources and Finance Departments are looking to next year and closely monitoring the impact of federally-mandated health insurance that is already driving up NASBA’s benefits costs.

As we are looking back at the accomplishments of the fiscal year, it is important that we don’t rest on our laurels, and that we continue to strive to develop new strategies and ways to support our member Boards. I am looking forward to seeing the results of our CPE Auditing tool’s pilot project, our enhanced legislative capability, our improved CPA Examination Services and our new Center for the Public Trust Student Chapters, as well as the ramped up relevance of Boards of Accountancy.

Most importantly, as I am looking back, I am also looking forward to working with you in all of our new “years”! Together we can believe the best is yet to be.

Semper ad meliora (Always toward better things).

— Ken L. Bishop

President and CEO
NASBA Research Grants Announced
Educators from Bryant University, Mississippi State University and the University of Notre Dame have been named recipients of NASBA’s Accounting Education Research Grant. Dr. Karen Turner, Chair of the NASBA Education Committee, announced the following projects have been granted funding by NASBA:

• “A Comparison of CPA Exam Performance by Candidates from For-Profit and Not-For-Profit Institutions” – Conducted by Dr. H. Fred Mittelstaedt and Dr. Michael H. Morris of the University of Notre Dame.
• “Developing a Model Accounting Curriculum: Which Attributes of Accounting Degree Programs Predict CPA Exam Success?” – Conducted by Dr. Dennis Line, Dr. Stephen Perreault and Dr. Xiachuan Zheng of Bryant University.
• “The Influence of Gender on CPA Exam Pass Rates” – Conducted by Dr. Brad S. Trinkle and Dr. Jim Scheiner of Mississippi State University.

NASBA’s Accounting Education Research Grants Program, established in 2011, aims to advance research on educational issues impacting the regulation of the public accounting profession. The program is open to faculty and post-doctoral researchers at U.S. academic institutions.

SEC Unveils 3 Enforcement Initiatives
Three initiatives to build on the Securities and Exchange Commission’s Division of Enforcement’s efforts to concentrate resources on areas of high risk were announced early in July: the Financial Reporting and Audit Task Force, the Microcap Fraud Task Force and the Center for Risk and Quantitative Analytics.

The Financial Reporting and Audit Task Force will be expanding the Enforcement Division’s efforts to identify securities law violations related to the preparation of financial statements, issuer reporting and disclosure, and audit failures. Its goals will be fraud detection and increased prosecution of violations involving false or misleading financial statements and disclosures. The Task Force’s Chairman is David Woodcock, Director of the SEC’s Fort Worth Regional Office and its Vice Chair is Margaret McGuire, Senior Counsel to the Directors. Enforcement attorneys and accountants from across the country will be participating in the Task Force.

In announcing the new group, the SEC explained: “The Task Force will focus on identifying and exploring areas susceptible to fraudulent financial reporting, including on-going review of financial statement restatements and revisions, analysis of performance trends by industry, and use of technology-based tools such as the Accounting Quality Model.”