

NASBA DRIVEN

This issue of the *State Board Report* covers some of the highlights of NASBA's 106th Annual Meeting, held October 28-30. Additional coverage of the event, including handout materials and videos, can be found on www.nasba.org. In attendance at the conference were 273 Board representatives and interested parties plus 245 guests.

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Editor-in-Chief: Louise Dratler Haberman
Editor: Ken L. Bishop
Production Editor: Anthony E. Cox
Editorial Assistant: Ann Bell

Tel/615.880.4200 Fax/615.880.4290
www.nasba.org

BOD Elects Smoll and Odom

NASBA's 2013-14 Board of Directors held their initial meeting on October 29, 2013 and re-elected Director-at-Large E. Kent Smoll (KS) as Board Treasurer and Director-at-Large Kenneth R. Odom (AL) as Board Secretary. They will serve on NASBA's Executive Committee, which also includes Board Chair Carlos E. Johnson (OK), Vice Chair Walter C. Davenport (NC), Past Chair Gaylen R. Hansen (CO) and non-voting member President Ken L. Bishop. Mr. Smoll also chairs the Administration and Finance Committee and Mr. Odom chairs the Uniform Accountancy Act Committee.

At the October 25, 2013 meeting of the NASBA Board, Treasurer E. Kent Smoll (KS) announced that NASBA had its best year ever in operating income, investment income and net income with a net increase in net assets of \$4.8 million versus the prior year's \$1.4 million. NASBA also devoted more resources toward mission-related activities and services that directly benefit the Boards of Accountancy than in any prior year.

The Board authorized President and CEO Ken L. Bishop to handle the determination of the reconfiguration of NASBA's headquarters in Nashville, TN, to increase the rental space's efficiency. Mr. Bishop explained that the staff had been working with architects to plan for more open space that would enhance collaboration, whether in the present building or another location. He thanked the Board for giving him the ability to make a timely move in the Nashville real estate market.

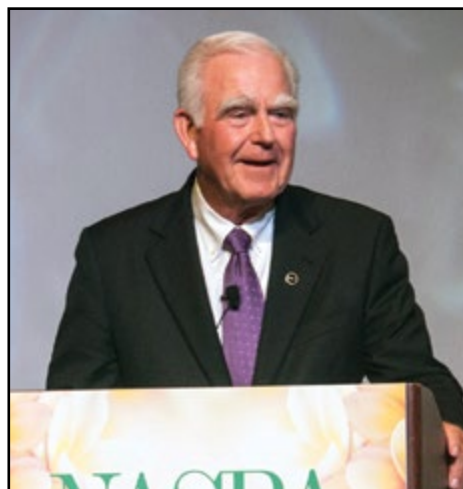
Recommendations from the Global Strategies Committee and the Diversity Task Force were also presented to NASBA Chair Gaylen R. Hansen (CO). ♦



Ken Odom

Kent Smoll

2013 Inaugural Ceremony



Pictures from left to right: 1. Carlos Johnson gives his inaugural speech. 2. Mark Harris congratulates Past Chair Gaylen Hansen. 3. Gaylen Hansen and Mark Harris thank Kim Tredinnick on his service on the NASBA Board of Directors.

FASB Golden Addresses Annual

Representatives from 45 Boards of Accountancy heard Financial Accounting Standards Board Chairman Russell G. Golden discuss the challenges faced by the FASB in exercising their responsibility to both preserve and evolve Generally Accepted Accounting Principles (GAAP). “Even as we stay committed to global convergence, we must address the pressing needs of users in our individual capital markets,” Mr. Golden told the NASBA Annual Meeting attendees on October 28, in Maui. He explained that since the 2002 agreement with the International Accounting Standards Board (IASB), the two groups had worked together to more closely converge GAAP with International Financial Reporting Standards (IFRS), and through next year the FASB’s top priority will be to complete major convergence projects. These include issuing final standards in 2014 on two financial instruments projects (impairment, and classification and measurement), a final standard on leasing by late 2014, and decisions on insurance after that. Mr. Golden stated the FASB should advance the development of IFRS through active participation in the IASB’s Accounting Standards Advisory Forum, which held its first meeting in April. “In all instances, the FASB’s objective will be to promote the improvement and convergence of GAAP and IFRS,” he said.

Chairman Golden called for “a new, decentralized, multi-lateral model of international standard setting that is consistent with the goal of promoting greater convergence in global financial accounting standards.” While being committed to global convergence, he underscored the need to address “the pressing needs of users in our individual capital markets.”

Domestically, the Financial Accounting Foundation created the Private Company Council in May 2012. Six months ago the FASB and the PCC jointly issued an invitation to comment on an



FASB Chairman Russell Goldman addresses the attendees at the 2013 NASBA Annual Meeting.

updated private company decision making framework. Mr. Golden announced that the FASB expects to issue a final document in the coming weeks. He explained: “Our effort is to develop a common body of standards under GAAP – not ‘big GAAP’ and ‘little GAAP’; not ‘private GAAP.’ It is the same principle that is guiding our efforts to contribute to the development of a common – but not necessarily identical – body of global accounting standards.”

A licensed CPA in Connecticut and Washington, Mr. Golden told the NASBA Meeting: “I am particularly honored to have been asked to join you today because I consider our 55 State Boards of Accountancy to be the linchpin of the accounting profession in the United States. In setting a high bar for admission to our profession, our State Boards are dedicated advocates for the public interest. They promote ethics and integrity. And they provide strong leadership on critical issues facing the accounting community. In my more than 20 years in the profession, I have been impressed repeatedly with how well our State Boards do their very important jobs.” ♦

Bishop Reports on Banner Year

The theme of NASBA’s 2013 Annual Meeting was “Driven.” President and CEO Ken L. Bishop explained the theme was selected because, “Every employee supports NASBA’s mission: they are driven. Under Gaylen Hansen’s leadership, resolve, unwavering support for NASBA, which was always tempered with a sense of fair play, NASBA has been driven.” The future of NASBA looks bright as the Uniform CPA Examination pipeline is full, he told the Annual Business Meeting attendees. In two years there has been a 29 percent increase in NASBA’s mission direct spending to the states, and still the association is close to having one year’s operational costs in reserve, President Bishop remarked.

“We need to have trusting relationships, which do not happen overnight,” Mr. Bishop stated. He thanked Chair Gaylen Hansen and Executive Vice President Colleen Conrad for their efforts in relationship building for NASBA. Recently NASBA leaders met with representatives of the Instituto Mexicano de Contadores Publicos. A trusting relationship has also been developed with the Canadian profession. “We have to look at what the world will be like in ten years. We have to think about the North American accountant,” he told the State Boards.

Considering the two recent UAA exposure drafts, President



NASBA President Ken Bishop provides the NASBA Report.

Bishop said that NASBA is very supportive of the revised definition of “attest” because it is a matter of public protection: If the AICPA’s language is being used, then that report should be issued by a CPA. Firm mobility has been talked about since 2004, he recalled, but back then not as many states required peer review. “NASBA is not going to go around and try to convince states to adopt firm mobility. As AICPA President Barry Melancon said, ‘We are going to approach firm mobility surgically.’ If your state wants us, we will be there to help you pass firm mobility.” ♦

Branding

Why do we attend NASBA meetings? To increase our skill sets as regulators to protect the public. Those at the Annual Meeting made a choice to be better regulators by being at that meeting and I commend them and thank them. By strengthening NASBA's relevance and the brand of our Boards of Accountancy, we will enhance our ultimate mission: public protection.

This can be accomplished through: 1- proactive outreach; 2- building relationships; and 3- attracting the best and the brightest into the profession we regulate.

To achieve proactive outreach we need to be more than just regulators. Each and every one of us is part of the community we regulate and there is great opportunity to bring your untold resources to the community. By being proactive and involved in the community, you will enhance the brand of your Board of Accountancy. Be the positive force in the community -- get involved as a Board of Accountancy member, not only as a CPA.

Let's change the perception of Boards of Accountancy! There are a number of ways you as Board members can be change agents. And many of you are promoting change.

On behalf of your Board, increase your outreach by speaking to local civic groups and universities. You will do wonders for increasing the relevance and the perception of your Board of Accountancy. You will reinforce the mission of public protection by becoming more visible in the community.

Another way to enhance the brand is to schedule your Board meetings at local colleges and universities. This brings knowledge of the Board to two entirely different groups — students and academicians.

Lastly, I urge you to take advantage of the free services provided by NASBA's Communications Department. Professional newsletters, brochures, videos and annual reports can be specifically tailored for your Board. Many Boards this past year have taken advantage of this free service and they are very happy. Pam Ivey, Executive Director of the Wyoming Board, and Lisa Zolman from the Washington Board staff recently praised the work of the Communications Department. So, let the public in your jurisdiction know who you are through a professional publication by taking advantage of this service.

Relationships are a key component to all we do in our professional lives, personal lives and as regulators. As regulators, how can we build our relationships and with whom?

First of all, take the time (as a Board) to meet with your State Senators, House Members, Governor's staff and members of the Congressional Delegation. Let them know you are a member of the Board of Public Accountancy and are serving to protect the public that put them in office. If you do not reach out to them, they will not know who you are. You might even avoid consolidation.

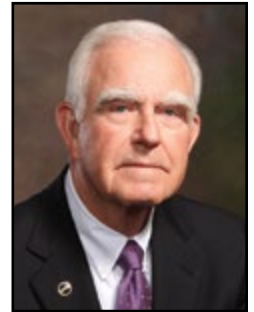
Governors appoint individuals they know. They do not necessarily look at the skill sets needed to enhance the effectiveness of your Board. I ask you and your Board to reach out to the Governor and his/her staff to create a new relationship or enhance a current relationship. This may affect the final appointments to the Board.

Building a strong relationship with your state CPA society can enhance your effectiveness as a Board of Accountancy. Reach out to your society CEO and chair and schedule a lunch meeting to start those conversations. Perhaps even hold an annual summit meeting of both boards. Today, the Boards that have great relationships with their society do a better job of letting the public, CPA Examination candidates and CPAs know the difference between the two bodies. Many Boards that do not publish a newsletter instead write a column in the society's newsletter or magazine.

You are among the best and the brightest. Who better than you to brand your Board and continue to grow a profession of the best and brightest? I am a strong believer that a "strong profession leads to enhanced public protection." There are 500 AACSB schools of which 169 belong to the Federation of Schools of Accountancy that provides 75 percent of the candidates for the Uniform CPA Examination. NASBA has stepped up its involvement in the American Accounting Association by having its leadership and senior staff become AAA members, hosting an eight-person booth at their Annual Meeting, and raising the awareness of faculty by discussing NASBA, our Accounting Education Research Grant Program, the Accountancy Licensing Library, the Center for the Public Trust and the NASBA candidate statistics products.

Work to develop a program reaching out to secondary education students by offering to be a mentor, speaking at various programs or just going to have lunch with a group of faculty and/or students. Ask to speak or to present a seminar on ethics. Be the "go to" person for a university or college and help to shape the perception of what it means to be an accountant.

I have asked a lot of you as regulators. So, let me outline some of the initiatives planned for NASBA this upcoming year: NASBA Past Chair Mark Harris created the NASBA Diversity Task Force and it is doing great, high priority work. NASBA leadership will reach out and enhance existing relationships with the National Association of Black Accountants, the Educational Foundation for Women in Accounting, the Native American Finance Officers Association and the Association of Latino Professionals in Finance and Accounting. President Ken Bishop just attended the National Asian American Coalition Conference, where the Chair of the PCAOB, the U.S. Comptroller of the Currency, the Director of the Treasury and the Federal Reserve Governor were in attendance. We will reach out to these and other accounting



Carlos E. Johnson

Franzel Summarizes PCAOB's Work

Describing the addition of critical audit matters (CAM) to the auditor's report as "a drastic change to a very standard report that has been unchanged for about 70 years," Public Company Accounting Oversight Board Member Jeanette M. Franzel, CPA, called the Annual Meeting audience's attention to the provisions of the PCAOB's August 13, 2013 exposure draft. The proposed reporting standard is intended to increase the informational value of the auditor's report to promote the usefulness of the audit. The comment period will end on December 11, 2013 and the proposal is being reviewed by the NASBA Regulatory Response Committee. The CAM would be those matters that pose the most difficult, subjective or complex auditor judgments and would be documented in the material given to the audit committee. Results of informal field testing of the proposed audit standard are being accepted until the end of the comment period; consequently, Ms. Franzel believes this issue will be re-opened by the PCAOB.

The PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation, released in August 2011, did not find sufficient justification for a blanket audit firm rotation requirement, Ms. Franzel reported, so that requirement was dropped. However, it remains the responsibility of the audit committee to consider when audit firm rotation is appropriate, Ms. Franzel reported.

Each State Board receives correspondence from the PCAOB when it discovers violations of professional standards by registered public accounting firms or their associated persons. Common types of PCAOB investigations include: independence violations, failure to cooperate with an inspection or investigation and violations of professional standards either through audit failures or failure of the firm's quality control procedure to operate effectively. As of the Annual Meeting, the PCAOB had settled or completed adjudication of over 40 disciplinary orders, Ms. Franzel stated.

Audit quality is one of the PCAOB's big projects, she noted when she told the State Board members: "We all have mutual goals to maintain a trusted, valuable CPA profession. It points to the need to work across the organizations for a strong profession."

Comparing the results of the PCAOB's firm inspections in 2007 and in 2010, Ms. Franzel pointed out that significant audit performance deficiencies were found in 61 percent of the domestic small firms in 2007, but that went down to 44 percent in 2010. For the Big Four Firms, the percentage of firms inspected and found to have Part I deficiencies went from 36 percent in 2011 to 37 percent in 2012. "The approach is to remediate," Ms. Franzel commented. "It does not take many large-scale risky failures for the markets to react."

The PCAOB's near-term priorities include:

- Improving the timeliness, content and readability of inspection reports;
- Improving the timeliness of remediation determinations and providing additional information about the PCAOB's remediation process;
- Initiating a project to identify audit quality measures, tracking such measures, and reporting collective measures over time;



From left to right: Gaylen Hansen, Jeanette Franzel, Ken Bishop and Carlos Johnson.

- Enhancing the PCAOB's outreach to and interaction with audit committees.

NASBA Enforcement Resource Committee Chair Harry O. Parsons (NV) asked Ms. Franzel: "As a regulator, you talk about serious audit deficiencies and fraud. If we found that in smaller firms, the State Boards would discipline them. Is there some way we can connect more?"

Ms. Franzel responded: "I share the same concern." She explained that the PCAOB sends the State Boards notification of its enforcement actions, but the timing and extent of information sent depends on whether or not the state has signed a confidentiality agreement with the PCAOB. Some states only want to deal with a case once the findings become public. "If a State Board doesn't take on our case, the CPA can go on and audit private companies. I would encourage the Boards to take them on, don't just bar them from SEC practice," she stated. ♦

Johnson Dramatizes Ethics Codification

In an unlikely to be repeated performance, NASBA Ethics Committee Chair Raymond N. Johnson (OR) brought to life what could happen once the new AICPA codification of the Code of Professional Conduct moves into place. Assisting Dr. Johnson in this skit were: NASBA Legal Counsel Noel L. Allen, NASBA Chief Financial Officer and Senior Vice President Michael R. Bryant, John F. Dailey, Jr. (NJ), Janice L. Gray (OK), Mark P. Harris (LA) and Nicole Kasin (SD). The message was that the conceptual framework is applied when matters are not specifically addressed in the Code of Conduct. Dr. Johnson said the AICPA Professional Ethics Executive Committee has received comment letters on its exposure draft and a revised codification is anticipated to be out in the spring.

Mr. Allen advised the State Boards, "As the AICPA codification is released next year, how are you going to incorporate the threats and safeguards approach into your state's rules? I think there is real work to be done as we look at the AICPA approach." ♦

AAA's Pincus Foretells MOOCs

Massive Open Online Courses (MOOCs) are coming into accounting education, Professor Karen V. Pincus, Immediate Past President of the American Accounting Association, explained to the NASBA Annual Meeting. For the first time in September 2013 people could sign up to take “An Introduction to Financial Accounting,” presented by a University of Pennsylvania Wharton School Professor, Brian J. Bushee. The completely on-line course meets once every 10 weeks and can be listened to without charge, or for \$149 Coursera will send the participant a certificate of accomplishment.



Karen Pincus

These courses come at a time when the schools of higher education are looking for new ways to cope with financial problems. While accounting students are able to find jobs upon graduation, overall college graduates are not doing as well and this is reflected in students not paying back their loans, Dr. Pincus said. Universities have operated on the same economic model for 150 years, but the states don't have the money anymore to support them. “The accounting departments are healthy, but in a sick city,” she reflected, noting that total student loan debt now exceeds credit card debt at over \$1 trillion.

“The internet is the students' source of information – not books or newspapers,” Dr. Pincus said. The preferred learning

style for the current advanced technology generation of students is 5-7 minute chunks. MOOCs were first offered about two years ago by Stanford University. While at first they were available for free, universities have revenue sharing agreements worked out for the future, she reported. New this year are SMOCs (synchronous massive online courses), which have everyone getting on at the same time. The University of Texas is running an introduction to psychology as a SMOC this year, with 1,000 students on campus participating in the pilot project. The students are charged \$450 to take the course (instead of the usual \$900 fee for in-state students and \$3,000 for out-of-state students). This kind of course “makes the university more sound and significantly reduces the cost for students,” Dr. Pincus said.

Course providers “are hiring armies of people with masters' degrees to be available 24 hours a day for discussion groups with students,” she said. For the accounting profession: “We could separate out the technical courses and then have the students come to the campuses for some courses. It would mean less time on campus than now.” Although she said she had no problem in having a MOOC for the “Introduction to Financial Accounting,” Dr. Pincus said that she would not like to see the “Auditing” course delivered that way. “We have to be vigilant,” she told the NASBA audience. ♦

NASBA Committees Report

In addition to the committee activity summaries included in NASBA's 2013 Annual Report, a few of NASBA's many committees were asked to present reports at the Annual Meeting. One of the newest, the State Society Relations Committee, had only met once, but expects to meet multiple times in the year ahead. The Committee's Chair, Rich Jones, CEO of the Washington Society of CPAs, underscored the need for trust between the State Society and the State Board. “Weak State Boards hurt the State Societies, licensees and the public,” he said. His committee's charge is to: “Provide State Societies a mutual platform to inform Boards of Accountancy and NASBA about issues of importance to the regulation of the profession, and enhancing Board relations with State Societies.” The Committee's members include the executive directors of the Colorado, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas and Washington State Societies, with NASBA Director of Legislative and Governmental Affairs John Johnson serving as their staff liaison.

Similarly, the Standards Setting Group had held only one meeting, reported Raymond N. Johnson (OR), but expects to be tackling such essential issues as what are and what are not “authoritative standards.”

The Board Effectiveness and Legislative Support Committee has been in existence for several years, but has recently been focused on monitoring legislation and regulation impacting Boards



Donald Brukett discusses the Board Effectiveness and Legislative Support Committee as Rich Jones and Carlos Johnson listen.

of Accountancy with the assistance of a bill-tracking program that covers legislation introduced in the 50 states, Puerto Rico, the District of Columbia and the U.S. Congress. Committee Chair Donald H. Burkett (SC) described how the Committee is promoting the development of a legislative affairs network.

Uniform Accountancy Act Committee Chair Kenneth R. Odom (AL) reported there had been very few comments on the revised “attest” definition exposure draft by the end of the comment period on October 17, 2013. The comment period for the firm mobility exposure draft concludes on January 31, 2014, he reminded the NASBA audience. The exposure draft can be viewed on www.nasba.org. Comments should be sent to lhaberman@nasba.org. ♦

DuBoff, Rubin and Sweeney Honored

At the Annual Business Meeting, held on October 29, NASBA Past Chair Michael T. Daggett (AZ) and Executive Vice President Emerita Lorraine P. Sachs presented the following NASBA 2013 Awards:

NASBA Distinguished Service Award to Andrew L. DuBoff, CPA (NJ) – Recognized for his outstanding guidance for the Uniform Accountancy Act Committee’s negotiations, as well as his more than 14 years of service on the New Jersey State Board of Accountancy and active membership on the NASBA Board. On accepting the award, Mr. DuBoff urged the meeting’s attendees to become involved in NASBA: “You are sitting with people from all over the country, academia, industry, large firms, small firms. This experience has to help each and every one of us to become broadened -- to have more ideas than we otherwise would have.”

William H. Van Rensselaer Public Service Award to Diane M. Rubin, CPA (CA) – Celebrated for her term as NASBA Chair 2005-2006, appointment to the Private Company Council, leadership of the California State Board of Accountancy, and involvement in NASBA activities ranging from the International Qualifications Appraisal Board to the Auditing Standards Board to the Strategic Initiatives Committee. Ms. Rubin told the Annual Meeting audience: “Find a job you



Andrew DuBoff



Diane Rubin



Richard Sweeney

love and you will never have to work a day in your life: that summarizes my time with NASBA, the ASB, the Board of Accountancy and every busy season as an auditor.”

Lorraine P. Sachs Standard of Excellence Award to Richard C. Sweeney, CPA (WA) – Named for successfully building the Washington State Board of Accountancy into a model agency and consistently sharing the results of his research with other State Boards and NASBA. A past chairman of the Executive Directors Committee, he has continued to be a key participant in the work of the State Board Relevance and Effectiveness Committee. Mr. Sweeney commented: “Life is just a journey: I have been knocked down eight times and got up nine. You can’t fail if you don’t try.” ♦

PCC, IFAC and AICPA Panelists Address Standards

The importance of vetting, objective experts and responsiveness to the needs of financial information users was stressed by the participants in a panel on standard setting that brought together Public Company Council Chairman Billy Atkinson, American Institute of Certified Public Accountants Vice President Charles E. Landes and International Federation of Accountants Executive Director James M. Sylph. Moderated by NASBA Director-at-Large Laurie J. Tish (WA), the panelists agreed to disagree on several major points at the Annual Meeting.

“Any State Board going through sunset review might want to look at what the basis of accounting should be,” Mr. Atkinson, a NASBA Past Chair and Past Chair of the Texas State Board of Accountancy, advised the NASBA Annual Meeting. “My concern is about auditors. The CPA has been given the responsibility to be the authority on the attest function. To the extent that we let others in [to that area], the public is losing confidence. We have to be mindful of that responsibility and take the higher road.”

Standard setting falls into two big buckets, according to Mr. Landes: one is for verification where the CPAs have the monopoly, and the other is the “preparers’ bucket.” He said, “I believe we need to keep the two buckets separate.” There has not been as much convergence among standards in the preparation bucket as there has been in the verification bucket, he observed. He pointed out: “There are literally thousands of contracts that prescribe

certain presentation of accounting information. If you are a State Board and beginning to think about special purpose frameworks, know they are not new and there is a heck of a lot bigger universe than you might think.”

Moderator Laurie Tish told the panelists: “There is a proliferation of bodies claiming standard setting. What is the future of these standard setters?” Mr. Sylph replied, “There are others trying to set accounting functions and trying to create their niche, but I think that will be short term. I think integrated reporting will happen. The reporting in the future will be a single report that will combine all this information and the auditor will be challenged to do this. We will be looking at different models.”

If the Public Company Accounting Oversight Board’s proposed auditor’s report is approved, that will result in a long form auditor’s report that is more than three paragraphs, Mr. Sylph noted. “The challenge for everyone in the accounting industry will be how will those reports be received. I think we have a challenge when two banks report two different key things. How will that be received by the general public?” He predicted there will be increased complaints against audit firms because they didn’t look at the same key things. “State regulators will have to wrestle with more than on/off determinations and there will be more complaints from a broader group of stakeholders,” he said. ♦

Conrad and Mills Focus on Practice Analysis

The Board of Examiners has commenced working on its periodic practice analysis to culminate in a new version of the Uniform CPA Examination in 2017, explained NASBA Executive Vice President Colleen Conrad and AICPA Vice President Craig Mills at the Annual Meeting. Though the analysis will help the Board of Examiners understand the full scope of entry-level CPA work, only those elements of that work that are important for the protection of the public will be included in the Uniform CPA Examination.

Ms. Conrad said the Board of Examiners' (BOE) two most important responsibilities are conducting the practice analysis and setting the passing score. State Boards are being asked to encourage eligible licensees to participate in the BOE's practice analysis survey. The Boards' representatives will also be asked to participate in focus groups during the 2014 Executive Directors Conference (to

be held March 3-5 in Savannah, GA) and at the NASBA Regional Meetings (to be held June 4-6 in Louisville and June 11-13 in St. Louis). In addition, the Boards will be asked to respond to Invitations to Comment and Exposure Drafts from the BOE, as well as to approve the use of the Accountancy Licensee Database to ensure a representative survey sample for the practice analysis, Ms. Conrad said.

Dr. Mills reported the AICPA is researching new question types, including those that test accessing authoritative literature, listening comprehension and editing written communication and content. While novel question formats may sound exciting, they need to be "fit for the purpose" of determining entry-level competence in line with public protection, he advised. ♦

Treacy Says IQAB Seeks New Paths

When the NASBA/AICPA International Qualifications Board (IQAB) evaluates partners for mutual recognition agreements (MRAs), those evaluations are tied to the education, experience and examination requirements for CPA licensure as stated in the Uniform Accountancy Act, IQAB Chair Emeritus William Treacy told the Annual Meeting. Currently IQAB is considering agreements with the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Scotland, and the South African Institute of Chartered Accountants. "If we were to complete the agreements with those three accountancy bodies, plus the six we already have in place, we would probably have reached the point where we have exhausted the model calling for substantial equivalence to the U.S. model. Consequently, we are looking to see if there are other pathways to international mobility," he told the Boards.

"You might ask why State Boards should care. The fact of the matter is that we are affected by globalization. There are many

networks, consisting of hundreds of firms, all having international interests. The Association of Chartered Accountants in the United States has 9,000 members, many very seasoned accountants. They are here and would like to be recognized," Mr. Treacy stated. "We are tied to the three Es and that is not what is happening in the rest of the world, where the emphasis is on experience. Their emphasis is on learning outcomes, apprenticeship and mentorship. We have the lowest amount of required experience, with one year. We are having trouble matching up our qualifications with those of the profession outside the U.S."

Many state laws authorize the granting of a certificate provided the standards of the non-U.S. body are as high as the state's and that there is the ability to have a quid pro quo granting of practice rights in the partner organization's home country. Mr. Treacy noted, India, for example, has good qualifications, but it has not signed off on any trade agreement to permit reciprocal audit rights. "We want to build on the MRAs," he said. ♦

Balhoff Says AICPA Committed to PCC

Both the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities and the Financial Accounting Standards Board's Public Company Council have the same goals of improving the relevance of financial reporting for private companies, but the AICPA is committed to the success of the PCC, AICPA Chairman William Balhoff told the NASBA Annual Meeting. "While we may have differed initially on the application of the Framework, we have been able to work through the issues, together, and affirm the process of open dialogue. We appreciate NASBA's input on the decision-making tool that assists entities with determining whether use of the FRF for SMEs is suitable or not. This tool will ensure that the marketplace is not confused about the different purposes of each of these projects," he stated.

Mr. Balhoff also praised the changes jointly proposed for the Uniform Accountancy Act, which revise the definition of "attest" and provide for firm mobility. "Amending the definition of attest

is an issue of public protection. There is genuine risk to the public interest associated with non-CPAs issuing reports using AICPA standards," he noted. While he believes firm mobility is the next logical step for creating the regulatory environment for CPA firms of the future, Mr. Balhoff stated: "The AICPA hopes all states will move on passing firm mobility; however, we understand that there are political and financial considerations that mean that different states will move at different times."

He pointed out that the AICPA Trends report for 2011-12 recorded the most accounting graduates ever, with more than 82,000, and that in 2012 the public accounting firms reported hiring more than 43,000. "Amazingly, 89 percent of firms responding to the survey said they expect at least the same level of hiring next year – all this during a period of high unemployment," Mr. Balhoff said. ♦

2013-2014 NASBA COMMITTEE and TASK FORCE CHAIRS

2013-2014 Committee/Task Force Name	Chair	Phone	Email
Accountancy Licensee Database/CPAverify	Laurie J. Tish	206-302-6466	laurie.tish@mossadams.com
Administration and Finance	E. Kent Smoll	620-225-6100	esmolli@smollbanning.com
Audit	Richard Isserman	212-873-1085	nyutick@verizon.net
Awards	Mark P. Harris	337-235-2002	mark@robideauxcompany.com
Bylaws	Jimmy E. Burkes	601-326-7118	jburkes@hrbccpa.com
CBT Administration	Richard N. Reisig	406-727-0888	rreisig@azworld.com
Communications	Donald F. Aubrey	206-938-2906	don@rebarcpa.com
Compliance Assurance	Janice L. Gray	405-360-5533	janiceg@cpagray.com
CPA Examination Review Board	Ronald E. Nielsen	515-222-4400	ron.nielsen@claconnect.com
Continuing Professional Education	John F. Dailey, Jr.	856-782-2883	jdailey@bowmanllp.com
Diversity Task Force	Tyrone E. Dickerson	804-272-1250	t5dcpa@verizon.net
Education	Thomas R. Weirich	989-774-3314	weiri1tr@cmich.edu
Enforcement Resource	Harry O. Parsons	775-328-1040	hparsons@pangborncpa.com
Ethics and Strategic Issues	Raymond N. Johnson	503-913-5182	johnsonr@pdx.edu
Executive Directors	Mark H. Crocker	615-532-7397	mark.h.crocker@tn.gov
Global Strategies	A. Carlos Barrera	956-546-1655	cbarrera@longchilton.com
International Qualifications Appraisal Board	Telford A. Lodden	515-223-7300	tal@brookslodden.com
Leadership Development Group	Carlos E. Johnson	405-642-6235	johnson@okccpa.com
Legislative Support Committee	Donald H. Burkett	803-794-3712	donnyb@burkettcpas.com
Nominating	Gaylen R. Hansen	303-846-1258	ghansen@eksh.com
Past Chair Advisory Council	Gaylen R. Hansen	303-846-1258	ghansen@eksh.com
Regulatory Response	W. Michael Fritz	614-229-4806	wfritz@deloitte.com
Relations with Member Boards	Douglas W. Skiles	308-345-5100	dskiles@msl-cpa.com
State Society Relations	Richard E. Jones	425-586-1124	rjones@wscpa.org
Standards Study Group	Gaylen R. Hansen	303-846-1258	ghansen@eksh.com
Uniform Accountancy Act	Kenneth R. Odom	334-222-4101	kodom@ro-cpa.com

Chair Memo Continued

and minority groups.

We will continue the State Society Relations Committee, recently started by Past Chair Gaylen Hansen. As I stated earlier, it is important to build relationships with your state society, and NASBA will work closely with the CPA Society Executives Association this year.

Also, we will be appointing a Leadership Development Group to create a process for identifying potential leaders. We will meet with them to discuss their interests, create a tool kit to enhance their skill sets, and then showcase them to other groups with whom we interact. We plan to enhance our relationships with the FAF, FASB, GASB, PCAOB, Canadian accounting leadership, the Instituto Mexicano de Contadores Publicos, AICPA and various federal agencies.

As we enter this year together, I am asking you to reach down deep to do more as leaders. And NASBA will assist you when asked.

So this year: Be pro-active; Be involved; Be heard; Be aggressive; Be smart; Don't be afraid.

Rubberstampum finem seculi!

— *Carlos E. Johnson CPA, Ed.D.*
Chair