

Firm Mobility Comments Due

The comment deadline for the Uniform Accountancy Act exposure draft on firm mobility language is January 31, 2014. The draft can be found on nasba.org.

“Seventeen Boards have adopted firm mobility in some shape or fashion. UNIFORMITY is the desired goal. Therefore, it is the position of the joint UAA Committee and the NASBA and AICPA Boards, the UAA should provide language that will provide uniformity among statutes. Please comment on the language suggested by the NASBA/AICPA UAA Committee, not on the concept,” NASBA Chair Carlos Johnson requested. ♦

Call for NASBA Vice Chair Nominations

Nominating Committee Chair Gaylen R. Hansen has requested State Boards submit to NASBA their nominations for NASBA Vice President 2014-2015 by March 17, 2014. Under NASBA's Bylaws, to be eligible to serve as Vice President an individual must have served as a Director-at-Large or Regional Director for at least a year, but need not be a current member of the NASBA Board of Directors at the time of his or her election. The candidate who is elected to serve as NASBA's Vice Chair 2014-2015 at the 2014 Annual Meeting will accede to Chair 2015-2016.

State Boards are asked to send their recommendations with bios or resumes to Gaylen Hansen, CPA, Nominating Committee Chair, NASBA, 150 Fourth Avenue North – Suite 700, Nashville, TN 37219-2417 or e-mail aholt@nasba.org or fax (615)880-4921. Questions about the nomination process can be directed to Anita Holt at (615)880-4202. ♦

Illegal Immigrant Gets CA Law License



Thanks to a California law which went into effect on January 1, 2014, Sergio Garcia, an illegal immigrant, was granted a law license by the California Supreme Court on January 2. The Court unanimously ruled that, “There is no state law or state public policy that would justify precluding undocumented immigrants, as a class, from obtaining a law license in California.”

Mr. Garcia, 36, was born in Mexico, brought into the United States as a 17 month-old, taken back to Mexico between the ages of nine and 17, and then returned to California in 1994, graduating from Cal Northern School of Law in 2009 and passing the state bar examination that year. Similarly, illegal immigrants in Florida (Jose Manuel Godinez-Samperio) and New York (Cesar Vargas) also have cases working through the courts to allow them to become lawyers.

Former Manhattan District Attorney Robert M. Morgenthau explained in an opinion piece in the December 23, 2013 *Wall Street Journal*, as part of the 1966 federal Personal Responsibility and Opportunity Act, states participating in the program are required to withhold state professional and occupational licenses from undocumented immigrants. “But the law also provided a way to get around the prohibition,” Mr. Morgenthau writes. “If a state legislature passed a law specifically authorizing licensing of undocumented immigrants, then the federal prohibition would have no effect.”

Although in 2012 the U.S. Justice Department opposed Mr. Garcia's being licensed, the Department “conceded that the California legislature could overrule the prohibition by enacting a single statute,” Mr. Morgenthau points out. The Justice Department had argued that because the court's entire budget comes from the public treasury, it would be a violation of the federal mandate to spend public money to

grant licenses to those in the U.S. illegally.

Mr. Morgenthau recommends: “The New York legislature should pass, and the governor should sign, a law allowing qualified immigrants to be admitted to the professions of their choice.”

“While Washington waffles on immigration, California's forging ahead,” Governor Edmund G. Brown, Jr., said when he signed the immigration legislation in October. “I'm not waiting,” he stated. California's AB 0124 applies specifically to applicants to be admitted as attorneys at law, no other professions.

Mr. Garcia can now hang out a shingle to practice law in California, but whether or not he can appear in federal court or in another state's court is not clear. The Associated Press reports that federal law makes it illegal for law firms to hire him. ♦

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NY Starts Registering Tax Preparers

Unlicensed paid tax return preparers in New York State now need to be registered prior to filing any tax returns in calendar year 2014 to avoid penalties. This does not include CPAs, enrolled agents, attorneys, employees of CPA or law firms who prepare tax returns under the direct supervision of a CPA or lawyer of that firm, employees of a business who prepare that business's return, clerical employees or volunteer tax preparers. Anyone else who was paid to prepare 10 or more New York State tax returns or reports in the last calendar year and who will be paid to prepare at least one NYS return in 2014, or who prepared fewer than 10 last year but expect to prepare 10 or more this year needs to register. California, Oregon and Maryland also register preparers.

New York State's rules for tax preparers became effective December 11, 2013. The program falls within the New York Department of Taxation and Finance. It calls for annual registration of \$100. (For details see "20 NYCRR Part 2600 Tax Return Preparer Requirements" at <http://www.tax.ny.gov/tp/reg/regulations.htm>.) Once someone registers they can print out a certificate and must provide their NYTPRIN and signature as requested on tax returns and reports. The department is going to identify accredited CPE courses,

providers and/or software or other media acceptable for satisfying the four hours of CPE coursework to be completed each year by tax preparers with three or more years' experience and for the 16 hours required for those with less experience. Looking ahead, the regulations state that to register with New York State a commercial tax return preparer will also need to pass the IRS tax return preparer's competency examination should one be required for federal tax purposes and a New York State competency examination "the third calendar year following the date on which an exam has been made available by the department."

Immediately after his swearing in as Internal Revenue Service Commissioner on January 6, 2014, John Koskinen was asked by reporters about the IRS's attempt to require testing and continuing professional education for unlicensed tax preparers (see *sbr* 6/13). He suggested that if an educational training program could not be required, then perhaps the IRS could offer a certificate that would tell the public the individual has completed the IRS preparer course. He thought this voluntary approach could provide taxpayers with the knowledge that they are dealing with someone who has met minimum standards. ♦

Hong Kong Reviewing Self-Regulation

Hong Kong's Financial Reporting Commission (FRC) is set to begin market consultation to reform the city's system of audit oversight. The effort stems back to a decision of the International Forum of Independent Audit Regulators (IFIAR) not to accept Hong Kong as a member and the findings of a Deloitte study released in October that identified areas where Hong Kong's self-regulating system of oversight needed to be brought into compliance with IFIAR standards. Presently the Hong Kong Institute of Certified Public Accountants (HKICPA) is authorized under the Professional Accountants Ordinance as the regulatory body over the accounting profession. That gives the HKICPA the powers of registration, inspection, enforcement, standard setting and conducting continuing professional education. Deloitte's report found this level of self-regulation a major reason for its rejection by IFIAR. FRC Chairman John Poon said when the report was released in October: "The proposed reform is not to snatch the regulatory power from the hands of the HKICPA. It is to fine-tune our regulatory

approach to fulfill the international requirements."

When interviewed by the *South China Morning Post* in late December, HKICPA President Clement Chan Kam-Wing said: "We agree to reform our audit regulatory regime in a bid to match international practice. But we will not agree to extreme reforms that go as far as those in the United States where the accountancy body abandoned all its regulatory functions." He stated: "We think the British or German model would be more ideal....The key is to allow independent oversight on how the HKICPA carries out these regulatory functions."

The FRC was established in December 2006, under the Financial Reporting Council Ordinance, to investigate audit failures of listed companies. IFIAR standards call for an independent regulator that is self-funded. The HKICPA's funding comes mainly from its members and accounting students. According to the Deloitte report there were about 60 firms in Hong Kong that were auditing listed companies and 4,200 practicing certificate holders. ♦

NASBA Writes to MT Governor

Why should NASBA hold an Annual Meeting in an attractive location? The Montana Board was criticized in the press for attending the 2013 Annual Meeting in Hawaii. In response, NASBA President Ken L. Bishop and Vice President – State Board Relations Daniel J. Dustin wrote to Montana Governor Steve Bullock and Department of Labor and Industry Commissioner Pam Bucy. The entire letter can be viewed on www.nasba.org. It stated in part:

"These discussions provided meeting attendees with updates on current activities from federal accounting regulators, professional accounting standard setting bodies and the national membership association. Boards of Accountancy are responsible for protecting

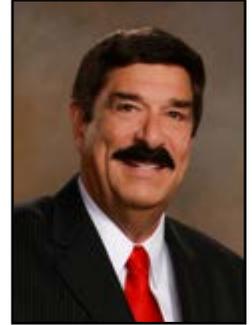
the public and enhancing the integrity of the profession. Interactions with federal and state regulatory bodies in a forum designed to learn about contemporary regulatory issues and share common experiences related to the regulation of the accounting profession are not only critical to Boards achieving their public protection mandate, but to also build strong relationships with others throughout the country to collaborate in order to achieve that goal."

The letter was sent at the request of Mountain Regional Director Richard N. Reisig, who is a member of the Montana Board. Vice President Dustin encourages all Boards to contact him (ddustin@nasba.org) for support in working with their public. ♦

PRESIDENT'S MEMO

What Have You Done For Me Lately?

On January 3 *The Tennessean's* headline read: "Munchak Set to Return." For those who are unfamiliar with Nashville's professional football team, the Tennessee Titans, "Munchak" is Mike Munchak, the Titan's head coach. For the last five years (three of which Munchak coached), the Titans' winning record was somewhat dismal, certainly not the worst in the league, but mediocre at best. The ironic part of this story is that other NFL coaches with superior winning records have been fired while Munchak has been kept on. A closer look at some of those changes reveals that the fired coaches had experienced a couple of bad years -- right after some great years. Those teams and their fans had an expectation of success, while others may have grown accustomed to poorer results. *



Ken L. Bishop
President & CEO

Now what does this have to do with NASBA? At our Annual Meeting and in recent articles, NASBA has been doing a bit of chest thumping about the tremendous year we had in 2013. We reveled in the fact that it was our best financial year on record, that we provided the most direct support to Boards of Accountancy in our history, and that we topped it all off with tremendous business success and great evaluations of our 2013 conferences and meetings. Problem is: That was last year and we are now in 2014 (both calendar and fiscal years), and what are we going to do this year?

I can tell you unequivocally that NASBA's leadership and staff will never be satisfied with mediocrity. We are constantly evaluating and measuring performance, working to improve our quality, service and value to Boards of Accountancy and, most importantly, continuing to ramp up our efforts and resources to fulfill our mission of enhancing the effectiveness and advancing the common interests of the Boards of Accountancy. NASBA Chair Carlos Johnson's stated goal of enhancing NASBA's brand and name recognition by national and international bodies and organizations is a key focus for the year, as is his mandate to insure that Boards of Accountancy have a better understanding and increased participation and influence in the area of accounting education. Those policy efforts are already well underway.

As Dr. Johnson stressed in his inaugural address, the importance of NASBA and Boards of Accountancy branding and name recognition is paramount to the continued growth of relevance of the State Boards. Every State Board and State Board member can play a role in that effort. Do your state legislators know what the Board of Accountancy does? Do they know what NASBA does? NASBA has invested significant time and resources to educate relevant stakeholders about the importance of the role of State Boards, but a grassroots effort by our member Boards can only amplify that effort. In 2014 we would like to see a dedicated commitment to improve our "branding." NASBA can and will provide State Boards with resources to enhance that effort. Newsletters, annual reports to legislators and governors and public educational videos can be extremely successful in promoting the recognition and importance of Boards of Accountancy.

Neither State Boards nor NASBA have traditionally had a major role in the creation of guidelines for accounting education. As a key component of the prerequisites of licensure as a certified public accountant, we believe that there is a strong argument that Boards of Accountancy should have an impact on this area. NASBA, through its CPA Examination Services (CPAES) and NASBA International Evaluation Services (NIES), is responsible for the evaluation of education for determination of examination eligibility (and ultimately licensure) of thousands of candidates. In that role, and as the central repository for many related records, NASBA is in a good place to monitor changes in education methodologies and acceptable courses and degrees, including some alternative pathways that may be of concern to State Boards. Dr. Johnson's assertion that NASBA and Boards of Accountancy should be at the table when there are discussions about education is well founded as has been our expectation of strong participation in the development, delivery and determination of pass rates for the Uniform CPA Examination.

2104 is going to be an important and busy year for NASBA. In addition to the above mentioned issues and opportunities, we are expecting legislative challenges and successes in several of our states and territories this year. Through our Legislative Support office, we are already deeply involved in helping to draft, communicate and pass legislation around the country. We continue to monitor any and all legislation countrywide that might impact Boards of Accountancy. We will contact any State Board that is impacted to make sure you are aware of the legislative activity, but most importantly to offer our support and resources -- if needed.

So, when considering, "What have you (NASBA) done for me (Boards of Accountancy) lately?" I am pleased to respond: "A lot -- and we intend to do more." We want 2014 to be another winning season. It is my wish that each and every NASBA member board has a happy, prosperous and safe new year. NASBA will never accept mediocrity and we are here for you!

Semper ad meliora (Always toward better things).


Ken L. Bishop
President and CEO

* POSTSCRIPT: On January 5, after this Memo was written, the Titans reversed their decision and fired Coach Munchak. Maybe they too elected not to accept mediocrity.

IFAC Decries Diverse Applications

The International Federation of Accountants reports that jurisdictions appear to be moving apart rather than converging in their regulatory arrangements for auditing and auditor independence requirements. While proposed legislation would mandate the use of clarified International Standards on Auditing (ISAs) for statutory audits within the European Union, "some jurisdictions unnecessarily modify standards, choose not to adopt the full set of standards, or introduce revisions to national standards before the International Auditing and Assurance Standards Board has finalized revisions to the relevant ISAs," IFAC states in a January 7 press release. They report 90 jurisdictions either use or are in the process of adopting or incorporating clarified ISAs.

"IFAC is concerned by the growing divergence and regulatory fragmentation that is occurring and the uncertainty that it creates," stated IFAC CEO Fayezul Choudhury. "We call on international coordinating organizations and forums – the G-20, IFIAR, IOSCO, FSB – to fully commit to promoting and enacting global regulatory consistency and evidence-based regulatory reform."

IFAC reports that major jurisdictions are clearly divided in their views on auditor independence. This is evidenced in differing prohibitions on non-audit services as well as requirements for audit firm rotation. IFAC notes for mandatory firm rotation: "Certain jurisdictions with major capital markets activity (e.g., the U.S. and Canada) have considered it, and have clearly rejected it. In contrast, last month the European Parliament announced a series of legislative reforms to

auditing, including mandatory audit firm rotation – with the possibility that the rotation period will differ among member states – creating even more divergence. Still other countries have adopted, or are proposing to adopt, some form of mandatory audit firm rotation for a particular segment of the economy –i.e., banks and financial institutions." ♦

ED and Legal Conferences in March

The NASBA Annual Conference for Executive Directors and Board Staff and the NASBA State Board Legal Counsel Conference will be held in Savannah, GA, March 3-6, 2014. Besides covering the latest issues of importance to those who administer accounting regulation, these conferences provide a unique opportunity for networking that can benefit State Boards throughout the year. Topics such as administration of the Uniform CPA Examination, investigator training, outreach to the Federal agencies and legislative initiatives will be covered. Meeting details can be found on www.nasba.org. State Board members are asked to encourage their Board staff's attendance. Scholarships are available to enable all Boards to be represented. For scholarship information contact Thomas Kenny (tkenny@nasba.org). ♦

State Board Report

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