

## Tom Sadler Nominated for VP

Thomas J. Sadler, CPA, was selected by NASBA's Nominating Committee on March 19 to be their candidate for NASBA Vice President 2007-2008, and to then accede to NASBA Chair 2008-2009. Mr. Sadler, who currently serves as NASBA Director-at-Large and Secretary to the Board of Directors, also is chair of NASBA's Compliance Assurance Committee and the Compliance Assurance Review Task Force. He previously served as Pacific Regional Director, and Chair of NASBA's Ethics Committee and Litigation and Response Committee, as well as Chair of the Washington State Board of Accountancy. Mr. Sadler is a partner in the firm of Brink & Sadler, CPAs, located in Lakewood, WA.

Elections for NASBA officers will be held at the Annual Business Meeting on October 30,

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## 300 Attend NASBA's March Conferences

NASBA's three conferences held during the second week of March in Las Vegas brought more than 300 attendees to discuss topics of importance to state board executives and legal counsel and to continuing professional education providers. The 25th Annual Conference for Executive Directors and State Board Staff had 70 attendees from 36 boards; the 12th Annual State Board Legal Counsel Conference had 33 attendees from 28 boards; and the NASBA Continuing Professional Education Conference had 191 attendees.

Executive Directors Committee Chair Linda Biek (TN) began their conference on March 11 by welcoming new executive directors from three states: Veloria Kelly (FL), Heidi Patterson (IA) and Tom DeGroot (MO). She also welcomed state board staff members who were attending their first NASBA conference: Beverly Carey (MN), Katherine Idrissi (VA) and Jennifer Sciba (WA).

In their "roll call of states," many of the executive directors reported on the success they have had in converting to online license registration. Several states reported a change in governor had resulted in issues being revisited, including: the 150-hour education requirement in Colorado; budget cutting in Idaho; and a "turn around" program in Ohio. Some of the developments reported by the Executive

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## Johnson and Costello Update Execs

When it comes to the Uniform CPA Examination, the buck does stop with the boards of accountancy, NASBA Chair Wesley Johnson told the executive directors and the legal counsel attending the March meetings. He reported the Committee on National Examination Preparedness, with Diane Rubin as chair, has been charged with increasing the influence of the state boards of accountancy and NASBA in the CPA examination process, and they will be holding a special examination conference early in 2008. They are considering how to deliver an examination in the event something goes wrong with the current delivery system and how the boards should proceed after the current examination contract concludes.

In addition, the Committee on Internationalization of the CPA Examination is looking to offer the Uniform CPA Examination in other countries. That committee, with John B. Peace as chair, will be talking to Prometric and the AICPA about how best to protect US candidates if the examination is offered abroad, NASBA President David Costello stated. "We should continue to try to make the CPA examination the world standard," President Costello said. "We should not let someone take the world space from us."

Chair Johnson said some professional examinations are being offered in other countries. However, he noted that issues of security need to be addressed before NASBA can move forward with its plan for the CPA Examination.

NASBA will also be bringing together a panel at the end of April to discuss the framework for education rules, Mr. Johnson reminded the executive directors. There

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## 300 Attend NASBA's March Conferences

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Directors were: New York is considering changing its education requirements; North Carolina has introduced legislation upgrading unlawfully calling oneself a "CPA" from a Class 3 to a Class 1 misdemeanor; California is requiring response to at least 75 percent of the monitoring events during a webcast for a participant to receive CPE credit for the program; and Georgia is allowing its board attorneys to attend the accountancy board's meetings via video conference.

During breakfast "table talk" sessions, the executive directors were able to exchange views on education, use of technology, compliance assurance, international issues and licensee status. Discussion leaders at these informal sessions included: Ms Biek, Viki A. Windfelt (NV), Valerie Elliott (AZ), Daniel Sweetwood (NE), and William Treacy (TX). In addition, throughout the conference, the executive directors were sharing their thoughts about the changes being proposed to Section 23 of the Uniform Accountancy Act. Ken Bishop, recently appointed president of NASBA's Professional Credential Services, Inc., and formerly executive director of the Missouri State Board of Accountancy, described the differences in the Section 23 changes released for comment in December 2006 and the additional ones released in March 2007.

"There were conflicting interpretations of the December exposure draft," Mr. Bishop explained. "The March changes do apply significantly to firms. The new language says that out-of-state firms must follow the laws of the visited state. They have to agree to be under your jurisdiction," he told the boards' executive directors.

The NASBA Mobility Task Force, which Mr. Bishop chairs, is creating a national database that surveys all the state boards and tracks the progress of Section 23 legislation in the states. "We are trying to identify where the support and resistance are and provide information. We are not trying to force anything down anyone's throat; we are trying to find out what you don't like and we are trying to move forward," Mr. Bishop said.

Seven states have either introduced or indicated their intent to introduce legislation in the first available legislative session using this new Section 23 approach. Such legislation would not require CPAs to notify another state's board they were coming in to perform a professional engagement but this cross-border practice would automatically place the CPA under the authority of the

At the "Education" table topics session, attendees discuss the 150-hour requirement versus the 120-hour requirement.



Attendees at the 25th Annual Conference for Executive Directors and Staff listen to roll call of states.

visited state's accountancy board. Seventeen other states have taken significant steps to support such legislation, he reported. "We are listening and trying to address your concerns. We will help boards with bill writing or other support," he said.

Asked about what would trigger a state board's authority over a CPA coming in from another state, NASBA Legal Counsel Noel Allen replied, "Once they use the title electronically or they are physically in the state, they have fallen under that state's authority... The trigger is consenting to jurisdiction when you go into that state." He said similar models have worked for the securities industry and the insurance industry.

Mr. Bishop noted that a small number of states have voiced fear of the economic consequences if a no-notification system is adopted. That would depend on the number of out-of-state people coming into a state, he pointed out. If a significant loss in revenues did occur, that could result in a slightly higher cost for a state's license; however, it would be a more valuable license, he observed.

Other speakers at the Executive Directors conference were: Robert N. Brooks (NC), Kelly Brown (OK), Mark H. Crocker (TN), Daniel J. Dustin (NY), and J. Lamar Harris (AL). ♦

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2007 in Maui, HI. Nominating Committee Chair Diane M. Rubin asked that all boards submit their recommendations for NASBA Regional Directors and Directors-at-Large by May 25, 2007. Recommendations should be approved by the state board and sent to Ms. Rubin at NASBA, 150 Fourth Avenue North, Suite 700, Nashville, TN 37219-2417. In October, eight Regional Directors will be elected for 2007-2008, each eligible to serve a maximum of three terms, and three Directors-at-Large will be elected for 2007-2010, with a maximum eligibility of two terms.

Nominations for any elected position, including the office of Vice Chair, may also be made by at least five member boards if filed with NASBA Chair Wesley Johnson at least 10 days prior to the Annual Meeting, as stated in Article VI Section 9 of NASBA's Bylaws. No nominations from the floor of the Annual Business Meeting will be recognized. ♦

## Attorneys Consider Enforcement Agreement

“We meet with the idea that there are common grounds where we all have to work together, for we all see the need for regulation,” Rebecca A. Connors, Colorado Assistant Attorney General and chair of NASBA’s Legal State Board Legal Counsel Conference, said at the meeting in Las Vegas. “It is a good feeling to know you are not alone with the issues you have to deal with,” she told the boards’ attorneys and executive directors.

Topics covered at this year’s Legal Counsel Conference included: the revised Uniform Accountancy Act, investigative techniques, and the inter-state enforcement compact and confidentiality issues. This year’s program saw an increase in the number of sessions shared with the executive directors. However, sessions designed specifically for the attorneys were conducted by Ms. Connors, Michael Granen, Noel Allen, Maria-Lisa Caldwell, Mark Crocker and Kathleen Smith.

Ms. Smith, chair of the NASBA Legal Affairs Committee, reported a state accountancy regulation enforcement agreement, is being promoted to strengthen cooperative enforcement among the states. The Committee continues to focus on confidentiality problems that would prevent some states from participating in this type of agreement. In addition, the Committee is working on compiling sample sanctions that boards have successfully used for disciplining licensees.

The progress of NASBA’s Accountancy Licensee Database and Accountancy Licensing Library, both accessed through the NASBAtools.com Web site, was summarized by Ms. Caldwell. She underscored the information that the legal counsel will find useful on the site. NASBA is making these tools available to the boards’ staff, including board attorneys, at no charge. Legal counsel may contact Ms. Caldwell at [mcaldwell@nasba.org](mailto:mcaldwell@nasba.org). ♦

## Case Against PCAOB Dismissed

The Free Enterprise Fund’s challenge to the constitutionality of the creation and empowerment of the Public Company Accounting Oversight Board was dismissed by US District Judge James Robertson on March 21, 2007 (see *sbr 3/06*). The non-profit Fund and plaintiff Beckstead & Watts, LLP, a Nevada accounting firm, alleged that the PCAOB had violated the US Constitution’s separation-of-powers principles, the appointments clause and the non-delegation doctrine.

Judge Robertson concluded: “The plaintiffs have brought a facial challenge to the PCAOB, presenting nothing but an hypothetical scenario of an over-zealous or rogue PCAOB investigator. They have not responded to defendants’ argument that, if such a scenario became real, the SEC could change the rules to prevent improper investigations or to remove PCAOB members for ‘good cause.’”

Writing in the *Wall Street Journal* on March 22, David Reilly noted: “Because portions of the Sarbanes-Oxley law aren’t severable, a successful challenge to the part of the act that created the PCAOB could have resulted in the entire law being declared unconstitutional.”

Beckstead & Watts was inspected by the PCAOB in 2004 and is the subject of an ongoing disciplinary investigation. A report on the firm was placed on the PCAOB’s Web site on September 28, 2005. Besides seeking a judgment declaring that the provisions of the Sarbanes-Oxley Act of 2002, which created the PCAOB, are unconstitutional, the plaintiffs also sought to enjoin the PCAOB from taking any further action against the firm. B&W claimed that the PCAOB’s inspection report had damaged its professional reputation, and that the PCAOB’s auditing standards injured the firm because they substantially increased the time and expense of its public company audits and reduced both its client capacity and its overall profits.

James Terry, executive director of the Free Enterprise Fund, told the court that because his organization takes unpopular stands, it does not disclose the identity of its members. However, the Fund asserted that its members had been harmed by the PCAOB’s regulations.

A partner with the law firm of Jones Day, which represented the plaintiffs, said his clients intend to appeal. ♦

## Biometric Capability for Test Centers

Prometric is moving toward a biometric capability in all its domestic test centers, William Burnham, Prometric’s vice president – financial services market, told the executive directors. A plan for using a fingerprinting process is moving ahead and will be in place starting next year. The biometric process assures the same person takes all four sections of the Uniform CPA Examination and provides a tight security system, Mr. Burnham said.

Candidates will need to be informed of the new security procedures before they come to take the examination. Prometric

will be sending the state boards information for them to post on their Web sites to make sure the candidates are aware of the new procedures.

A total of about 207,000 individuals were tested this past year, Mr. Burnham said. The most popular test center was Guam, with 11,178 tested in 2006, followed by the New York City testing center at Penn Plaza, with 7,102 tested. Prometric had 299 testing locations in the US in 2006, and they expect to expand in 39 US markets in the first half of 2007. ♦



## SEC and PCAOB Reps Speak

The ways in which the Securities and Exchange Commission and the Public Company Accounting Oversight Board exercise their regulatory roles relative to CPAs were described by Jerry Decker, PCAOB Deputy Director - Chief Trial Counsel, Bert W. Mehrer, SEC Associate Chief Accountant – Office of the Chief Accountant, and Lawrence E. Soper, SEC Staff Accountant – Office of the Chief Accountant, during a panel session on March 12 moderated by Ronald Rotaru, Accountancy Board of Ohio Executive Director. The session was attended by participants in both the Executive Directors and State Board Legal Counsel Conferences.

Mr. Mehrer explained that the SEC has to make a judgment call on which cases they will move through into a formal investigation phase. Factors they take into consideration include: the egregiousness of the conduct; the amount of damages suffered by investors; and the degree to which publicity about the case will keep others from pursuing similar conduct. He reported that in 2006 the SEC had 914 investigations and 218 civil cases. For that year, 99 percent of the SEC's cases were successfully resolved, meaning they resulted in either a favorable judgment for the SEC, a settlement, or the issuance of a default judgment, Mr. Mehrer stated.

Mr. Soper explained that, under special circumstances where a CPA is involved, the SEC's Ethics Officer may make a referral to the appropriate state board of accountancy. In ordinary circumstances, when the SEC completes its handling of a matter

involving a CPA, a complete package of materials will be sent to the state board for review, including a form requesting access to the SEC's files and the name of the contact person in the SEC's field office or home office. As state regulators, the boards can receive transcripts and related exhibits from the SEC, and can use the contact person to delve deeper into the SEC's files if necessary, Mr. Soper told the meeting.

Mr. Decker pointed out that, unlike the SEC, only 7-8 percent of the PCAOB's staff members are in enforcement. The PCAOB has the authority to bring discipline where there is a violation of professional standards or federal standards imposing duties. A supervisory method of regulation is practiced by the PCAOB, with their inspectors pointing out deficiencies to the reviewed firms and then giving those firms an opportunity to correct them. If the firm refuses to correct the deficiencies, or the deficiencies reach a high enough level of severity, then the PCAOB's enforcement people will become involved. Problems are brought to the PCAOB's attention through the SEC as well as the PCAOB's inspectors.

Efforts by NASBA's Legal Affairs Committee and Regulatory Structures and Issues Committee to develop a protocol with the PCAOB for sharing information where deficiencies are uncovered were acknowledged by Mr. Decker. "We know you [the state boards] are there and we want to get you information where it is appropriate for you to act on it," the PCAOB attorney told the NASBA audience. ♦

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## BOE's Conrad Reports to Executives

Colleen K. Conrad, the first AICPA Board of Examiners' chair in recent years to have a state board background, reported to the Executive Directors Conference, "We are committed to transparency and openness; committed to communication; committed to doing the right thing." She told the meeting that nine of the 16 current members of the BOE have state board experience, and nominations are now being solicited for the three BOE positions that will be vacated this year as well as for BOE committee members.

The BOE has appointed a Practice Analysis Oversight Group, with eight of the 11 members representing the state boards' perspective, Ms. Conrad said. The survey to be used for the practice analysis, on which the Uniform CPA Examination will be based, is currently going through the approval process and will be administered May-June 2007, with the final report from the Oversight Group anticipated in December 2007.

Among the priorities for the BOE this year that Ms. Conrad detailed were: continuing the practice analysis, development of

task-based simulations, and shortening the time to develop questions and new versions of authoritative literature. She also stressed the need to "revisit and improve the detailed examination instructions – on the exam and on Web sites – uniformity is the key."

Wyoming Board Executive Director Peggy Morgando, a member of NASBA's CPA Licensing Examinations Committee, assured the executive directors that the Committee is working to ensure the state boards get the best examination possible. The Committee has made recommendations to NASBA's leadership on revised grade reporting policies. In addition, the Committee has requested that the AICPA review its quality control procedures and submit a written report on measures it will be taking both long-term and short-term.

The Committee is encouraging the state boards to submit names of CPAs to participate in the BOE's practice analysis, Ms. Morgando reported. Previous practice analysis survey participants had been chosen from AICPA members. ♦

## NASBA Interprets CPE Standards

Yordanos Dumez, NASBA's Director of Compliance Services, and her staff presented the information-packed 2007 CPE Conference on March 12 -14 in Las Vegas, a meeting aimed at helping continuing professional education sponsors and developers understand the specific CPE requirements CPAs must meet for their state boards. Topics ranged from: adult learning styles, to what podcasting means to CPE, to overcoming CPE attention deficit disorder, to complying with standards.

At the last NASBA CPE Conference, held in 2005, NASBA's CPE Advisory Committee held a meeting with CPE sponsors to find out how the CPE Sponsor Registry could be enhanced. Ms. Dumez reported at the 2007 meeting that the NASBA staff has been working to achieve the suggestions made in 2005. That included: added training of the staff on course review procedures to provide CPE course sponsors with a single contact at NASBA and consistent answers from all NASBA personnel; establishment of a help center; released responses to "frequently asked questions" (FAQs) posed by members of the CPE Advisory Committee; getting more states to accept registration with the Registry in lieu of their own registration, most recently the Nebraska Board; and moving information about the NASBA CPE Sponsor Registry to a prominent place on the NASBATools.com Web site.

"We want to hear from you to take the program to the next level," Ms. Dumez told the sponsors. Work continues on determining the best procedures for self-study pilot testing, moving more of the Registry's application and renewal process online, and standardizing the process for reviews.

A panel including CPE Advisory Committee Chair Michael Skinner (GA) and Committee Members Telford Lodden (IA) and John Rogers (IL) answered questions raised by the meeting's participants. Chair Skinner encouraged the sponsors to organize a group to interact regularly with the NASBA staff.

Carla Blake, NASBA compliance manager – sponsor services,

explained how the seven broad fields of CPE study were redistributed into the 23 subject areas into which CPE courses have been divided, beginning with programs developed after March 1, 2006. She gave four reasons for this change: to promote organization of a course based on subject area (content specific) rather than general field of study; to achieve greater consistency in the language that is used to describe continuing education courses; to accommodate states that have varying fields of study; and to allow sponsors to have greater flexibility in assigning fields of study.

The 23 subject areas are: Accounting, Accounting (Governmental), Administrative Practice, Auditing, Auditing (Governmental), Behavioral Ethics, Business Law, Business Management & Organization, Communications, Computer Science, Economics, Finance, Management Advisory Services, Marketing, Mathematics, Personal Development, Personnel/HR, Production, Regulatory Ethics, Social Environment of Business, Specialized Knowledge and Applications, Statistics and Tax.

In response to a question if subject areas would undergo further review, CPE Advisory Committee Chair Skinner said: "As we know, with technology, things are continually changing. We can't predict when there will be a need to change. As you have suggestions for different subject areas, let us know."

Mr. Lodden explained that FAQs are being posted on the Web site and the CPE Advisory Committee is open to feedback on them. When asked how hard and fast the rules governing the wording of review and final examination questions were, Mr. Lodden said the recently released FAQ 20, which is nine pages long, is meant to provide guidance on developing course test questions that measure the attainment of learning objectives. The course provider needs to select what is best.

There is an exposure draft on the use of true/false questions, which is out for comment until June 30, 2007, Mr. Rogers said. Questions about that guidance, or how it should be applied, should be directed to Ms. Dumez, he said. ♦



J. Coalter Baker, chair of the NASBA Ethics Committee's Directory Task Force addresses the conference attendees.



Attendees at the 2007 CPE Conference on March 12 -14 in Las Vegas.

## Ethics CPE Directory Forming

The NASBA Ethics CPE Directory project was unveiled to course providers on March 14 at the CPE Conference by J. Coalter Baker, chair of the NASBA Ethics Committee's Directory Task Force. The new NASBA service will be a stand-alone assurance program for continuing professional education courses that qualify to be included in the "ethics, professional conduct and regulation" category.

Mr. Baker explained the two desired outcomes for his task force's work are: (1) Increase the number of state boards of accountancy that believe licensees will benefit from courses in ethics, professional conduct and regulation. (2) Enhance mobility for cross-border practice by having the state boards accept courses registered with the new Directory as satisfying their ethics CPE requirement. NASBA will be working with CPE sponsors in developing the guidelines for the new program, he stated.

For a course to be eligible for the new Directory, Mr. Baker explained, it must: (1) Have been developed by qualified individuals; (2) Be offered by an organization that has an identifiable continuing education or training unit; (3) Include course material that is specifically designed for instructional use and geared primarily towards the CPA; and (4) Have an effective procedure for course development including pilot testing.

CPE providers will be instructed in the goals, objectives and desired outcomes of the courses that fall within the Directory's

scope. Courses that meet the Directory's eligibility standards will be subject to audit by NASBA Directory's staff, and monitored for course content, instructional design and administrative infractions, Mr. Baker stated.

"This is a great opportunity," Mr. Baker said. "We hope that states will begin accepting the NASBA Directory courses across the board, instead of having each jurisdiction evaluating them." Individual specific state statutes and rules will not be covered by these courses, Mr. Baker said, but the approved courses would fill in the rest of a state's ethics CPE requirement.

Yordanos Dumez, director of NASBA's Compliance Services Division, reported her staff had found only small differences when they compared the ethics codes adopted in the states that require state specific statutes and rules be covered in ethics CPE. Ms. Dumez thought such differences might justify a one-hour online module, but not a three-credit course. Consequently, the Directory would be looking at courses that would fill in the other three hours of ethics for NASBA's proposed UAA Model Rule's four-hour ethics CPE requirement.

As NASBA historian Dale Flesher reports, the NASBA Committee of Past Presidents in 1961 concluded: "There is little excuse for not having ethics on a uniform national basis rather than on state levels." Professor Flesher's history of NASBA is being prepared for distribution at the 100th Annual Meeting. ♦

### AICPA VP Says Align CPE with Planning

Firms that implement competency-based training programs and talent-management systems will become the employers of choice, John Toman, AICPA vice president – conference and sales, told the NASBA CPE Conference. While knowledge of regulations is the first competency that continuing professional education needs to instill, firms should look to aligning CPE with their strategic plan, he explained. "It is not changing what we do, but adding to what we do, in encouraging competency and leadership to keep the industry strong as we go forward," he said.

Mr. Toman said he had sent out a questionnaire to 1,000 AICPA members in industry and 1,000 members in firms. He found that while 85 percent of those in industry had "performance measurement" as part of their established goals for training, only 25 percent of the members in firms did. The firms relied more heavily on judging performance by results. When asked about "training challenges," about 50 percent in industry listed "time," but only 25 percent in accounting firms did. ♦

### CPetracking Continues to Grow

NASBA's CPetracking, a system developed by NASBA to enable CPAs to easily manage their continuing professional education compliance, now has two international accounting firms as clients (KPMG and Deloitte & Touche, its original client), plus three smaller firms and individual users. The system allows individuals to record and maintain continuing professional education credits and compare them with each state board of accountancy's requirements, as well as requirements of regulatory agencies such as the Government Accountability Office and requirements of professional organizations such as the American Institute of CPAs.

During NASBA's Executive Directors Conference, on March 11, NASBA hosted a CPetracking Board Tool focus group with representatives from eight state boards of accountancy. Staff members gathered input from the boards on how they can work with the CPetracking system. Three boards have expressed interest in investigating the use of CPetracking to enable their licensees to report their CPE electronically.

Firms interested in establishing the program to assist their staff members can contact [cpetracking@nasba.org](mailto:cpetracking@nasba.org) or call 1-866-627-2286 for additional information. ♦

## What's That Supposed To Mean?

I like Sally Brown, Charlie's little sister in Charles Shultz's *Peanuts* comic strip. In one of her more memorable appearances, Sally, rather pensively, is talking to a disinterested, lounging Charlie Brown.

"My new philosophy is: 'What's that supposed to mean?'" Sally tells her brother. "Whenever someone says something to me, I just say: 'What's that supposed to mean?'"

Charlie replies, "I'm glad you told me. Now I won't say anything to you."

"What's that supposed to mean?" she responds.

I've been testing Sally's philosophy lately, challenging various statements, proposals, position papers and presentations with: "What's that supposed to mean?" Since I've been in beta mode with my new-found philosophy, I've kept my challenges as an internal mental exercise to this point. But recent developments in international standards discussions are prompting me - and hopefully others - to begin asking Sally's question more publicly.

The largest accounting regulatory body in the world is composed of the US state boards of accountancy, NASBA's member boards, regulating over 646,000 accountants. So you will understand why I get a bit concerned when international and national professional accountancy bodies meet, deliberate and even recommend through exposure drafts, seminars and conferences, accounting and auditing standards without the largest accounting regulatory body being a part of the discussions. "What's that supposed to mean?"

We hear about convergence of standards and that notion has merit, warrants serious study, and should certainly involve the world's largest regulatory body. Let's presume that professional bodies throughout the world agree on accounting and auditing standards, and the SEC and FASB concur with the professional bodies. Then are state legislatures, through their boards of accountancy, expected to accept what international professional bodies determined are appropriate standards for US jurisdictions? "What's that supposed to mean?"

In recent years, particularly with the advent of Sarbanes-Oxley (Sarbox) and the PCAOB, we've come face-to-face with "trickle down" and "cascading" effects of federal legislation and national standard setting and enforcement. State boards and NASBA, to some extent, have been a part of the national processes which have an impact at the state level. The same cannot be said for the international arena. Will the proposed accounting, auditing and ethics standards of the International Federation of Accountants (IFAC) have more influence with the SEC and the FASB than NASBA and the state boards of accountancy? If so, "What's that supposed to mean?"

And now for my favorite debate: principles-based versus rules-based standards. This is a major discussion going on nationally and internationally. Again state boards and NASBA have largely been left out of the discussion. We're being told that principles-based standards are the way to go. That this novel approach will encourage auditor judgment, but rules-based standards will discourage judgment. (Unfortunately I can think of a few cases since the late '90's where we needed less auditor judgment.)

State boards know something about the public interest; it is their principal purpose for being. So, pardon me when I assert that before the discussion is over, or a consensus is reached nationwide, or internationally, state boards and NASBA, whose principal reason for being is the public interest, must be significant participants in the dialogue and deliberations. Leaving us out only raises Sally's question: "What's that supposed to mean?"

State boards of accountancy are more relevant to, and more necessary for, the public interest than anytime in their history. But we must continue to exercise our responsibility to the public by ensuring that the state boards do not abdicate their authority, their public mandate, and the public's expectations to any body -- national or international. When confronted with puzzling developments that seem to threaten or challenge the state boards' regulatory authority (including standard setting and approval), just ask the question: "What's that supposed to mean?"

We must seek answers to pivotal questions. Questions can be put-offs, cause us to hesitate, to ponder and, sometimes, to completely rethink our positions. All who've reared children remember their incessant "why" questions. But we also know our children learned by asking those questions. The adult version of the child's "why" is Sally Brown's, "What's that supposed to mean?" Try it for the next month...you might be surprised what you'll learn.

*Ad astra,  
Per aspera.*



David A. Costello, CPA

A handwritten signature in dark ink that reads "David A. Costello". The signature is written in a cursive, flowing style.

David A. Costello, CPA  
President and CEO



## PCAOB and EU Auditor Talk

Public Company Accounting Oversight Board Chairman Mark Olson and European Union Commissioner in charge of Internal Market Services Charlie McGreevy have agreed to launch discussions aimed at enabling the PCAOB to have full reliance on the EU auditor regulators that have independent and rigorous oversight systems by 2009. A progress review will be made in October 2007.

There are over 760 non-US firms from 83 countries registered with the PCAOB, and approximately 265 of those firms are located in the EU. Non-US firms registered with the PCAOB are subject to the inspection requirements of the Sarbanes-Oxley Act if they meet certain criteria. The EU's new Directive on Statutory Auditors similarly requires certain non-European audit firms to be inspected by European regulators unless their home country's firm inspection system requirements are equivalent to those described in the Directive.

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## Johnson and Costello Update Execs

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will be a cross section of representatives from the American Accounting Association, the professional associations and the firms to discuss new model education rules for the Uniform Accountancy Act. While the last set of proposed rules resulted in many adverse comments, Mr. Johnson said the positive aspect of that exposure draft was that it brought together many people to focus on the rules.

This may be NASBA's best year financially, President Costello told the executive directors. "The boards are the ultimate stakeholders in all of this," he said. "We are building the net fund balance to take advantage of it. Thank you all: you are the backbone for everything we do." ♦

Chairman Olson stated: "As more countries around the world take steps to protect the integrity of their own capital markets by strengthening auditor oversight, regulators must find ways to rely reasonably on each other in accomplishing our shared objective." The PCAOB plans to consult with key jurisdictions worldwide, including the European Commission and the EU member states, to develop policy guidance to enable such reliance. ♦

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## Communications Committee Offers Tips

NASBA's Communications Committee is focused on several projects this year, Committee Chair Mark Harris (LA) told the executive directors, including: building a public awareness campaign for boards to use; encouraging boards to name communications officers; and reviewing NASBA's Web sites.

A media guide and a 21-item tool kit, including business cards, candidate chronicles and other helpful materials, are being prepared by the Communications Committee's members. The goal is to let the public know the accountancy boards are there to assist them. Mr. Harris said New Mexico and Florida have already started this type of program.

The Communications Committee is asking that each jurisdiction designate a board member as its "communications officer," who will have regular contact with the NASBA Committee and be asked to accomplish assignments such as: make a public appearance before a non-licensee group; meet with an elected official; or report on what your board has done to implement a disaster recovery plan.

Mr. Harris asked that recommendations for other Communications Committee initiatives be sent to staff liaison Thomas Kenny at [tkenny@nasba.org](mailto:tkenny@nasba.org). ♦

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# State Board Report

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