

NASBA Board Okays Agreements

The terms of NASBA's agreements with the AICPA for extension of the computer-based Uniform CPA Examination contract and the administration of the Uniform CPA Examination outside of the United States were approved at the January Board of Directors meeting subject to final disposition of matters related to the previous agreement. Chair Billy Atkinson and President David A. Costello were authorized to sign the agreements as described to the Board once the legal issues are resolved.

The extension of the examination agreement between the AICPA and NASBA will modify and extend the existing terms to January 2024, with the present tri-party agreement, including Prometric, ending in 2014. Senior Vice President Ken Bishop explained that under the extended agreement NASBA would have greater control of the Board of Examiners, including more direct selection of State Board BOE members and rotation of the BOE Chair between the AICPA and NASBA every two years. The new agreement will also have improved escrow features.

Mr. Bishop said the International Delivery of the CPA Exam Task Force is meeting with

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Cote to Retire, Bishop COO



Joe Cote



Ken Bishop

Joseph T. Cote, CPA, will retire as NASBA's Executive Vice President and Chief Operating Officer on December 31, 2010, NASBA President David A. Costello announced at the January Board of Directors meeting. Citing the extraordinary work Mr. Cote did in building NASBA's and Professional Credential Services, Inc.'s (PCS) operations over the last decade, President Costello said Mr. Cote will be transitioning his duties to Ken L. Bishop. As of February 1, 2010, Mr. Bishop became NASBA's Chief Operating Officer, while continuing to hold the posts of NASBA Senior Vice President and President of PCS.

Mr. Cote joined NASBA in March 1996, following many years with the American Institute of Certified Public Accountants and the California Society of CPAs. Besides leading NASBA's CPA

Examination Services, he became the first President of PCS in 1998 and saw it grow to offer services to over 52 professions' regulatory boards and associations. During his career at NASBA, Mr. Cote has developed and supported NASBA's growing line of services. He recently completed his term as Chairman of the Federation of

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NY Mobility Legislation Introduced

New York Assembly Member Deborah J. Glick on January 6 introduced A9432 related to the practice of public accountancy by accountants who are not licensed in New York State. New York Senator Toby Ann Stavisky has introduced S6307 with the same provisions to allow for interstate CPA mobility. The bills state: "The Board of Regents may determine that nationally-recognized certified public accountant licensure requirements are significantly comparable to New York's requirements, such that a state determined to have licensure requirements significantly comparable to the uniform requirements, or an individual whose licensure qualifications are determined to be significantly comparable to the uniform requirements, may qualify for the practice privilege under paragraph A of this subdivision."

"Effective August 2009, with New York State's implementation of the 150 hour requirement to become a CPA, New York has virtually the same requirements for becoming a CPA in all but five states," the justification for the legislation states. "Mobility would not decrease New York's ability to enforce its laws and regulations against individuals and firms who are practicing from outside New York. Mobility would strengthen New York's disciplinary authority by establishing under Section 7406(2)(d) that a CPA would consent to jurisdiction simply by entering the state to provide the audit or other attest or compilation services."

On January 25 the New York State Society of CPAs' Board of Directors voted unanimously to support UAA Section 23 mobility legislation. NYSSCPA President David J. Moynihan said, "We will be urging the legislature to adopt it."

NASBA Senior Vice President Ken L. Bishop, who serves as the staff liaison

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PCAOB Foreign Inspections Blocked

Despite the Public Company Accounting Oversight Board's intentions to conduct inspections of registered public accounting firms in 27 non-US jurisdictions during 2009, they were unable to conduct inspections in 12 of those jurisdictions during the year. The PCAOB reported on February 3 that these inspections did not occur: "Specifically, because of asserted restrictions under non-US law or objections based on national sovereignty, access to the information necessary to conduct inspections of registered firms was, and continues to be, denied in China, Finland, France, Germany, Greece, Ireland, the Netherlands, Norway, Portugal, Sweden, Switzerland and the United Kingdom." Talks with the relevant authorities in those jurisdictions are continuing in an effort

to resolve objections to the PCAOB's inspections. The names of the uninspected firms have been posted on the PCAOB's Web site, www.pcaobus.org.

By the end of 2009 the PCAOB had conducted inspections of one or more registered firms located in the following non-US jurisdictions: Argentina, Australia, Belize, Bermuda, Bolivia, Brazil, Canada, Cayman Islands, Chile, Colombia, Greece, Hong Kong, India, Indonesia, Ireland, Israel, Japan, Kazakhstan, Republic of Korea, Mexico, New Zealand, Norway, Panama, Papua New Guinea, Peru, Philippines, Russian Federation, Singapore, South Africa, Taiwan, Ukraine, United Arab Emirates and the United Kingdom. ♦

2009 'Difficult' For Big 4

Accounting professionals were told, "2009 was a difficult year overall for the Big Four accounting firms...as their financial performance was affected by tough external conditions, slow global economic growth, cost-conscious clients and sluggish merger and acquisition activity," in a report by Big 4.com, a global social network for the alumni and professionals of the international firms.

"The 2009 Big Four Firms Performance Analysis," recognizes 2000-2008 as a period of continuous revenue growth, but in fiscal 2009 revenue decreased 5 percent for Deloitte, 7 percent for Ernst & Young and for PricewaterhouseCoopers, and 11 percent for KPMG. However, the report also points out: "Despite this, the combined revenues of the Big Four firms was an astonishing \$94 billion, with PwC retaining its leadership position as the largest accounting firm on the planet by narrowly beating out Deloitte." ♦

Students Visit NASBA

NASBA's Nashville offices played host to 45 students from Calloway County High School in Murray, KY, on January 22, as part of the Future Business Leaders of America's "A Day in the Corporate World." President David A. Costello welcomed the students and then a five-member panel of NASBA staff members discussed their careers in the organization. The students next had a tour of the company, a photo session and lunch. Footage of the event was broadcast on the local television news later in the day. ♦

NY Mobility Legislation Introduced

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the NASBA UAA Mobility Implementation Subcommittee, pointed out the battle for mobility is not yet won in New York. Senator Stavisky has also introduced S5835 which would require persons seeking licensure as a CPA in New York to receive a master's degree within five years of being licensed which could have an impact on the mobility bill. The New York State Board of Public Accountancy is reviewing the bills and has not yet taken a position on them. ♦

Call for Associates' Dues

NASBA Associates, former State Board members, have recently been reminded that once each year in order to continue their affiliation with NASBA they are asked to pay nominal dues to cover the cost of distributing this newsletter and other NASBA communications. Other benefits to Associates include invitations to all NASBA conferences, the privilege of the floor at all NASBA meetings, and eligibility for service on NASBA boards, committees and task forces.

President David A. Costello wrote: "As a former State Board member, you are among the select few who understand the vital role of State Boards and the need for cooperative action to improve the regulation of the profession. We hope, therefore, that you will elect to continue your affiliation with NASBA."

Associates are asked to send their \$50 annual fee (check made payable to NASBA) no later than February 28, 2010 to Ms. Anita Holt, NASBA, 150 Fourth Avenue North – Suite 700, Nashville, TN 37219-2417. Associates that do not send in their payment and are not currently serving on a NASBA committee will be deleted from NASBA's communications mailing list. NASBA does not sell any list with associates' information. ♦

NASBA Board Okays Agreements

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11 states that handle the majority of non-US CPA candidates to understand their concerns and ascertain their participation in the non-US testing program. The program will cover not only foreign candidates, but also candidates who are foreign-born, educated in the United States and who want to take the Uniform CPA Examination in their home country, which they will be able to do for an additional fee, Mr. Bishop told the Board. He explained the program is being developed so that it will pay for itself and sites for the examination will initially be where Prometric has a test site.

Executive Vice President Cote said pilot test sites in Bahrain, Israel, Japan, Lebanon and the United Arab Emirates are being considered. These sites were identified by Prometric as posing the least risk to intellectual property, he explained. ♦

Them Are The Bases

Ardent baseball fans know of Casey Stengel's legendary success as manager of the Yankees and his cast of greats including Mickey Mantle, Yogi Berra and Whitey Ford. But as the Yankees grew older and retired, Stengel's successes lessened and he had to find another team. It was the lowly, upstart NY Mets who came calling and gave Stengel the job.

No doubt anticipating the horrible year ahead for the team (the Mets lost 120 games), Stengel at the team's first spring training in 1962 took his players for a stroll around the diamond. "Them are the bases," he told them. And although not successful his first year, many of us remember that eight years later under Stengel's protégé, Gil Hodges, the Mets made it to the World Series, beat the Baltimore Orioles and became forever etched in the annals of baseball as the "Miracle Mets."

You know, Stengel had it right. You must start with fundamentals—you must know where the bases are.

I find it interesting that each of our 55 jurisdictions has as a foundation in its respective licensing requirements good moral character, honesty, integrity or some similar attribute. The requirements seem to scream out that if you can't be trusted, don't bother being a CPA. Get the basic element right!

Recently, in his January 27th State of the Union address, President Obama contrasted the fiscal deficit with a moral one: "We face a deficit of trust." We in the regulatory world know all too well that trust deficits are created for CPAs, for the accounting profession and for Boards of Accountancy when an Enron happens, when a Madoff is exposed -- and even at the local level when a tax client is swindled by his CPA. Just as there is a hidden tax on every transaction and communication when trust is low, so is there a huge dividend to CPAs and regulators when the trust quotient is high.

I often get asked the question, "What does NASBA's Center for the Public Trust (CPT) have to do with your mission of enhancing the effectiveness of State Boards of Accountancy?" And it's a question I love to address. The short answer is: "Them are the bases." The more detailed explanation begins with the stated mission of the Center: "To engender and foster confidence and trust in American corporations and the professions that serve them." The CPT's mission is carried out through a number of trust enriching programs including: forums for ethics education, a newsletter (*Ethics Matters*), student chapters of CPT at the university level, conferences specifically devoted to ethics and trust issues, formal conversations about the leadership roles of CPAs in the community of trust, and awards for individuals, firms or companies who demonstrate trustworthiness.

It's tempting at times to get so caught up in the compliance issues of the accounting profession, making sure that CPAs and firms do the right thing in the right way at the right time and with the right people. And, of course, that's laudable and commendable. But let's not forget that the foundation of trust must undergird all compliance issues, all the "ticking and tying" and all the reports issued. The public, through its Board of Accountancy and through the professional competency of licensed CPAs, has every right to expect compliance to rules, laws and professional standards. And the public should likewise not be concerned about a deficit of trust when it comes to CPAs. Trust is presumed as an essential requirement, a core character trait, and the basis on which all services are provided to the public.

I commend the accounting profession for its Center for Audit Quality, the Audit Effectiveness Center, the Governmental Audit Quality Center and other specialty practice centers. And, as important as these centers are to the overall mission of the AICPA, so is it that the NASBA Center for the Public Trust is integral to our mission. I invite you to survey the CPT website (www.centerforpublictrust.org) for more insight as to how the Center complements and supports the NASBA mission.

The public trust is not a commodity easily bartered or purchased. It is integral and foundational to everything we in the accountancy profession and in the regulatory world are about. Do we need a Center for the Public Trust? "Them are the bases."

Ad astra

Per aspera



David A. Costello, CPA

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

— David A. Costello, CPA

President and CEO

No Response to Race Question

Despite what demographers might prefer, an increasing number of California public school students and their parents are refusing to answer questions about their race. For example, while in 2006 there were 500 parents of students in the Elk Grove Unified School District 500 who listed their race as “multiple/no response,” by 2009 that number jumped to 6,200 (a 12-fold increase). According to a report in the January 18, 2010 *Sacramento Bee*, the statewide number of K-12 students who listed their race as “multiple/no response” went from 124,000 in 2006 to 210,000 in 2009. California community colleges had 114,000 students skipping the race question in 2005, and 164,000 in 2008.

To understand this trend in California, the *Bee’s* reporter interviewed several students. One high school senior explained: “We shouldn’t be judged by our race.” She said she prefers to check

“none of the above” because: “We’re all different, but we’re all the same too.”

Keric Ashley, the California Education Department’s Director of Data Management, told the *Sacramento Bee*: “We know and the Feds know you can’t force someone to fill out a form. So what the Feds have actually said is to more strongly encourage them to self-identify. If all those efforts fail and the parents refuse, the Feds say school officials should observe and report a race.” However, California has refused to force schools to rely on this type of observation of students who refuse to report. “We’re allowing them to report it’s intentionally left blank,” Mr. Ashley stated.

While questionnaire designers may try to redirect students back to the race question, the College Board told the *Bee* that the number of test takers checking “other” has gone up 25 percent since 1999. ♦

Cote to Retire; Bishop COO

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Associations of Regulatory Boards.

Mr. Bishop joined NASBA in January 2007, having previously served as Executive Director of the Missouri State Board of Accountancy. He had been Assistant Director of the Missouri Department of Public Safety and had a long career in law enforcement. Among his many NASBA achievements, Mr. Bishop has been actively involved in promoting the adoption of mobility legislation (UAA Section 23) in close to all states, establishing CPA testing outside of the United States, and developing the Uniform CPA Examination’s contract extension with the AICPA.

President Costello told the NASBA Board: “NASBA has been blessed with terrific operating expertise. We had Lorraine Sachs set the foundation and Joe Cote built on that. We want to be sure that

Joe’s expertise is going to be passed on to Ken Bishop. We will not miss a beat. Ken will add to NASBA’s strength as he brings his own approach to operations.” ♦



Upcoming NASBA Events

	28th Annual Conference For Executive Directors And State Board Staff – March 21-24, 2010 – Renaissance Hotel, Nashville, TN		2010 NASBA Eastern Regional Meeting – June 9-11, 2010 – Francis Marion, Charleston, SC
	15th Annual Conference For State Board Legal Counsel – March 21-23, 2010 – Renaissance Hotel, Nashville, TN		2010 NASBA Western Regional Meeting – June 23-25, 2010 – Marriott Waterfront, Seattle, WA

* For more details, please check www.nasba.org

State Board Report

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