

Nominating Committee Names Harris



Mark Harris

Mark Phillips Harris, CPA, was selected by NASBA's Nominating Committee on March 8, as their candidate for NASBA Vice Chair 2010-2011, a position from which he would automatically accede to Chair in 2011-2012. For 13 years Mr. Harris has been a member of the State Board of Certified Public Accountants of Louisiana and currently is in his fourth year as a NASBA Director-at-Large, having previously served three years as the Southwest Regional Director. Mr. Harris is chair of NASBA's Education Committee and former chair of the Compliance Assurance Committee and the Communications Committee. He has also served on the NASBA/AICPA International Qualifications Appraisal Board, NASBA's International Regulators Committee and the AICPA's Professional Ethics Executive Committee, Board of Examiners, Peer Review Board and Board of Examiners' Scale Score Committee. Mr. Harris has his own accounting and consulting firm in Lafayette, LA.

Elections for NASBA officers will be held at the Annual Business Meeting on October 26, 2010 in San Antonio, TX.

NASBA Nominating Committee Chair Thomas J. Sadler has asked that all State Boards submit to him their recommendations for NASBA Regional Directors and Directors-at-Large for the 2010-2011 NASBA Board of Directors by May 14, 2010. At the Annual Business Meeting, eight Regional Directors shall be elected for one-year terms and may serve a maximum of three terms. The Board's nine Directors-at-Large have staggered three-year terms, with a maximum of two terms per Director, and this year three Directors-at-Large will be elected for 2010-2013. Recommendations to the Nominating Committee should be addressed to Thomas J. Sadler, CPA, National Association of State Boards of Accountancy, 150 Fourth Avenue North, Suite 700, Nashville, TN 37219-2417, or e-mailed to aholt@nasba.org.

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 Billy M. Atkinson 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. ♦

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Tel/615.880.4200 Fax/615.880.4290
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EDs and Legals Meet in Nashville

Participants in the 28th Annual Conference for Executive Directors and State Board Staff and the 15th Annual Conference of State Board Legal Counsel were welcomed to NASBA's Nashville headquarter offices on March 22 to meet the Association's staff and learn about their activities. Besides providing up-to-date information on the services NASBA provides, the office tour was an opportunity for the NASBA employees to showcase their creative abilities as departments took on the roles of cheerleaders, emergency room personnel and even gangsters to humorously depict their work. State budget restrictions on travel were evident this year, as the conferences had decreased attendance, with only 34 states represented at the executive directors' conference and 18 at the legal counsel conference. Dan Sweetwood, executive director of the Nebraska Board and chair of the NASBA Executive Directors Committee, observed: "Many states are facing difficult times, including restrictions on travel to meetings even with the offer of a NASBA scholarship. I believe it is even more important that we come together now to work with other regulators and the AICPA. We must prevent the crazy ideas that are being thrown around the halls of government in this environment from becoming reality."

NASBA President David A. Costello told the Boards' executive directors and legal counsel: "The key element is for State Boards to remain relevant. When we stay relevant, the public looks to us and puts trust in us. Boards want to be operationally independent and not to have their funds swept out. Once our committee decides

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Blue Ribbon Panel to Meet April 12

The initial meeting of the AICPA/FAF/NASBA Blue Ribbon Panel on Private Company Financial Reporting (BRP) will be held on April 12 at the AICPA's offices in New York City, with the public portion of the meeting being webcast from 10:30 a.m. until 4:30 p.m. Eastern Time on the AICPA and FASB websites (www.aicpa.org and www.fasb.org). Following the meeting the webcast will be archived and available on those sites. The Financial Accounting Foundation will host the second BRP meeting, on May 14, at their headquarters in Norwalk, CT (see *sbr* 3/10).

NASBA Chair Billy M. Atkinson is a member of the BRP. Speaking at the Executive Directors Conference in March, he stated: "My responsibility is to represent the State Boards on this panel. At this point, this appears to be an open and objective process to address how accounting standards can best meet the needs of users of private company financial statements. Recommendations are to be made to the FAF trustees in about a year." Mr. Atkinson is conferring with NASBA's Regulatory Response and Ethics & Strategic Professional Issues Committees to jointly provide him with their views on the various BRP agenda issues prior to each meeting.

Matters to be addressed by the BRP at a strategic level include:

- Who are the actual users of private company financial statements and how do they use GAAP financial statements in their decision making?
- What is the key, decision-useful information that the various users need from GAAP financial statements?
- Are current GAAP financial statements meeting those needs? Why or why not?
- Are the benefits of GAAP financial statements outweighing the costs of preparing those statements for private companies?

- How does standard setting for private companies in the U.S. compare to standard setting in other countries, both those that have adopted IFRS for Small and Medium Size Entities and those that have not?
- To the extent that current GAAP is not meeting user needs in a cost-beneficial manner, what are some possible alternatives for private company standards (e.g., separate, stand-alone standards; base-level standards for all entities with additional disclosure requirements for public companies) and what are the implications for standard-setting structure and or/processes? ♦

Lights! Camera! CPT!

NASBA's Center for the Public Trust (CPT) has launched its first student video competition for middle Tennessee college and university students. Video entries are to be no longer than three minutes and to convey the contest theme of "Ethics in Action." The deadline for submissions is April 9, 2010, with the winners to be announced on April 21.

This follows last year's inauguration of the first Student Center for the Public Trust chapter at Lipscomb University, in Nashville. President Costello characterized the Student Center as "a significant milestone on our path toward providing and supporting an ethical foundation for our future leaders." Planning is underway for the addition this year of more student chapters across the country.

For more information about the CPT and its programs, see www.centerforpublictrust.org. ♦

Call for NASBA Award Nominees

State Board members, associates, executive directors and NASBA staff are invited to submit their nominations for the 2010 NASBA Awards, to be presented at the Annual Business Meeting on October 26. Awards Committee Chair Kathleen J. Smith asked that nominations be sent to NASBA Communications Director Cassandra Gray, cgray@nasba.org, by June 7, 2010. There are three awards, the William H. Van Rensselaer Award, the NASBA Distinguished Service Award, and the Lorraine P. Sachs Standard of Excellence Award.

Specifically, the *William H. Van Rensselaer Award* was established in 1988 in memory of NASBA's first full-time executive director, William H. Van Rensselaer, and recognizes an individual who has contributed to the development of a new program, improvement of a current program for the Boards of Accountancy, or who has

influenced passage of rules or statutes to strengthen accountancy regulations. The *NASBA Distinguished Service Award* was established in 1999 to honor a volunteer for unswerving commitment and dedication to enhancing the mission of NASBA. Created in 2008, the *Lorraine P. Sachs Standard of Excellence Award* recognizes a State Board executive or administrator who has shown outstanding service to improving the effectiveness of accounting regulation on the local and national fronts.

The 2009 winners were: *William H. Van Rensselaer Award* – Barton W. Baldwin (NC); *NASBA Distinguished Service Award* – Ellis M. Dunkum (VA), and *Lorraine P. Sachs Standard of Excellence Award* – William Treacy (TX).

Questions about the awards should be directed to Ms. Gray at (615)564-2172. ♦

Don't Sell That Cow!

The wise old Mother Superior from County Tipperary was dying. The nuns gathered around her bed trying to make her comfortable. They gave her some warm milk to drink, but she refused it. Then one nun took the glass back to the kitchen. Remembering a bottle of Irish whiskey they had received as a gift the previous Christmas, she opened and poured a generous amount into the warm milk. When she walked back to Mother Superior's bed, she held the glass to her lips. Mother drank a little, then a little more. Before they knew it, she had drunk the whole glass down to the last drop.

"Mother," the nuns asked with earnest, "please give us some wisdom before you die."

She raised herself up in bed with a pious look on her face and said, "Don't sell that cow."

You've heard it in my public remarks, you're read it here and elsewhere: The best deal state government has and, hence the public, is the efficient and effective work and service of State Boards of Accountancy. Find me another government entity which, in the face of increasing major scandals and more demands from the public, is pressured by its legislature and governor to do more with less people, less money and, yes, even less support. You'd think that no one in the higher offices of state government had ever heard of Madoff, Enron, AIG, big bank leveraging lapses or Lehman Bros.

And what are State Boards and NASBA doing about our situation? First let me tell you we're not wringing our hands and throwing in the towel. Far from it.

In the short term we're simply finding ways to get the job done until we can convince a few key souls of the value of their State Board of Accountancy. Within the past few months we have worked closely with some of you to provide legal assistance in the form of analysis and research, amicus briefs supporting your positions, opinion letters and advisory services. We are working with some on filling in gaps in investigations, providing both written and oral testimony on your behalves, providing advisory service on legislative matters and yes, where permitted, helping to fund much needed public service. When a Board needs service and is not able to staff for such, we can provide that service to you whether it's examination, licensing, investigative or other.

But it's critical that Boards remain relevant for the longer term and much of our activities are focused on the longer term. I'll mention one: The State Board Relevance and Effectiveness Committee (SBREC).

The SBREC takes the recommendation of the Advisory Committee on the Auditing Profession (ACAP) very seriously. You may recall that the U.S. Treasury Department addressed the critical needs of State Boards of Accountancy when they recommended that Boards be structured in such a way as to ensure their operational and financial independence. The SBREC is studying the current status of Boards, what should be and might be done, and what is achievable to substantively meet the ACAP's charge. ACAP recognized and our SBREC affirms that State Boards must not be subject to the whims of political forces and must not simply be seen as a taxing authority. State Boards must be viewed and must operate as the public's protector of record in accounting and financial reporting matters.

ACAP realized after only a few sessions what some state legislatures and governors haven't learned in over 100 years: "Don't sell that cow." State Boards of Accountancy, authorized under the U.S. Constitution's 10th Amendment, is the bedrock of state sovereignty in protecting the public and must not be diminished even in times of financial challenge.

*Ad astra
Per aspera*



David A. Costello, CPA

A handwritten signature in black ink, which appears to read "David A. Costello". The signature is written in a cursive style.

— David A. Costello, CPA
President and CEO

IRS Hawkins Addresses EDs

Proposed regulations for the Internal Revenue Service's new registration program of tax return preparers (amending Section 6109 of the IRS Code) were detailed at the Executive Directors Conference by Karen Hawkins, director of the IRS Office of Professional Responsibility (OPR). She said the IRS would be releasing proposed regulations on March 25, 2010 that define "tax return preparer." The regulations would exclude those providing incidental services, but would not make a distinction between form signers and non-signers as to who will need to obtain a Preparer Tax Identification Number (PTIN). However, Ms. Hawkins pointed out, a slight distinction would be made to avoid registering those only giving tax advice.

"Our goal is to have a database in three years," Ms. Hawkins stated and explained the IRS is now determining what information should be put in it. It will definitely include information on those who have been disciplined by the OPR, she assured the executive directors. All tax preparers will be encouraged to apply for a new PTIN in September 2010, as any identification number issued by the IRS prior to the effective date of the new regulation will expire on December 31, 2010.

"The decision has been made to get everyone into the system quickly and efficiently," Ms. Hawkins said. "After handing out the PTINs we will ask if you are currently compliant with all your federal tax liabilities and have you been convicted of a felony." There will be competency testing for preparers who are not active and in good standing as a CPA, attorney or enrolled agent (EA). The competency test has not yet been devised, but the IRS will be putting out a request for proposal in the next few weeks. Ms. Hawkins reported the IRS will do the drafting and selection of questions, as it does currently for the EA examination.

William Treacy, executive director of the Texas Board, asked Ms. Hawkins if there would be a liaison established between the

State Boards and OPR. Ms. Hawkins replied, "Having sat in with the AICPA and State Boards, I have told the Commissioner he is shortchanging himself in not hearing more from the State Boards."



IRS OPR Director Karen Hawkins

Mr. Treacy then underscored the Boards' need to know if someone is disciplined by the OPR. "My people are sending that information out to the Boards on a regular basis," Ms. Hawkins responded.

The OPR checks all of the states' databases when something comes to them involving a CPA. Ms. Hawkins commented, "We share our database with most of your states' Accountancy Boards and the bar. The thought of your creating a database [ALD] is very attractive to us if you share it with us and we could share it with others."

There will be a continuing professional education requirement for preparers, but not for attorneys, CPAs or EAs. However, she said, the IRS will be looking that over.

Considering the new IRS program, Larry Gray, former president of the Missouri State Board of Accountancy and a member of the IRS Commissioner's Advisory Group, recently commented: "I believe it is important, both at the NASBA and the State Board level, that we revisit our CPE standards to see if there needs to be modifications or any bars raised because we want the State Boards, from the compliance side, to be the model and for the NASBA CPE requirements to be the standard. Let's not allow federal regulation to outdate us." ♦

UK Regulator Questions E&Y

Following the March 11, 2010 report on Lehman Brothers for the U.S. Bankruptcy Court, the United Kingdom's Financial Reporting Council (FRC) announced it "is ascertaining the facts" on how Ernst & Young, LLP, the auditor for Lehman Brothers Holdings, Inc., accounted for and audited the investment bank's off-balance sheet transactions ("Repo" transactions). The FRC is the UK's independent regulator responsible for promoting confidence in corporate accounting and governance.

E&Y's spokesman has told the press that the firm will cooperate fully with all relevant parties and that the report to the Bankruptcy Court "made no findings that Lehman's assets or liabilities were improperly valued or accounted for incorrectly in Lehman's November 30, 2007 financial statements." ♦

FASB and IASB Release Reporting Entity ED

A public comment deadline of July 16, 2010 has been set for a joint exposure draft (ED) entitled "Conceptual Framework for Financial Reporting: The Reporting Entity," issued by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). The draft discusses what constitutes a reporting entity, which in different situations could be a group of entities, a single entity or only a portion of an entity. The draft is part of a joint project by the FASB and IASB to devise a common and improved conceptual framework that would provide a sound foundation for developing future accounting standards. The draft can be found on www.fasb.org and www.iasb.org. One question in the ED is if this should wait until the IASB and FASB agree on standards on consolidation. ♦

EDs and Legals Meet in Nashville

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what a model Board should look like, we will push that model and enlist the state societies and AICPA to get together and push it with us.”

Many of the states’ highlight reports presented at the Executive Directors’ conference noted the financial problems states are experiencing: The Arizona Board is looking at a budget sweep of \$500,000 with pay being reduced 5 percent. The Nebraska Accountancy Board had \$100,000 in cash funds transferred to the state’s general fund and also had a 7.5 percent reduction of state appropriations to its budget for the two-year budget cycle. The Minnesota Board has experienced a 3 percent budget cut. On a more positive note: The Wyoming Board reported it was not required to cut its budget. While having to curtail its spending, the Missouri Board feels it is in a strong defensive position to ward off having its money swept into the general fund. For the upcoming fiscal year, the Idaho Board will receive a lump sum appropriation which will give it more control of its personnel costs, operating expenses and capital outlay.

Running with a staff of two full-timers plus one part-time employee, technology is “viewed as another staff person,” the Nevada Board’s Executive Director Viki Windfeldt told the conference. She explained that the Board began improving their

information technology when they started to look into disaster recovery. As a result of the systems put in place, “I can see all of my documents wherever I am and I can run my office without being physically present,” Ms. Windfeldt stated. As of January 2008, the Nevada Board has only electronic files, and had scanned its paper documents going back to 1913. The Board does on-line renewals, e-mail blast renewal reminders, sends out notice of selection for CPE audit, only prepares an on-line newsletter, and receives all peer review documents through its Web site. There are about 200 licensees without electronic access, and for them the Board sends out paper renewal forms, but promptly scans those forms once they are submitted.

The only communication the Board regularly mails to CPA candidates is their Uniform CPA Examination grades. Already a participant in NASBA’s Accountancy Licensee Database, the Board’s next project is to get more of its enforcement information on-line, Ms. Windfeldt said.

NASBA Chief Technology Officer Ed Barnicott told the conference that NASBA has brought all its Microsoft Sharepoint services hosting in-house. He told the conference attendees that he would be communicating with the Boards on how they can gain access to the NASBA Sharepoint installation to support their Boards’ work. ♦



EDs and attorneys visit NASBA office.



Executive Directors enjoy listening to roll call of states presentation.



Edith Steele and Dan Sweetwood.

Candidates Ask About Exam Outside US

NASBA has been receiving questions from CPA candidates about when they will be able to take the Uniform CPA Examination outside of the United States. Patricia Hartman, Director of the NASBA National Candidate Database & CPAES Examination Operations, reported the following response is being given:

“The AICPA and NASBA are currently considering making the U.S. CPA Examination available at test sites overseas through

our current computerized test site vendor Prometric. The decision to do so and the location of test centers are expected to be made in 2010. When the date is set to begin testing at international test centers, it will be announced on the Exams website at www.cpa-exam.org well ahead of the implementation date. Until then, the exam is available at test centers in the U.S., Guam, Puerto Rico, and the U.S. Virgin Islands as indicated here: <http://www.prometric.com/CPA/default.htm>.” ♦

NZICA Supports Government Standard-Setting

The New Zealand Institute of Chartered Accountants has announced their support for transferring the development of accounting and assurance standards from the Institute to New Zealand's reconstructed Accounting Standards Review Board (an independent Crown entity to be called the "External Reporting Board," or XRB). The Institute says the proposed overhaul of their current financial reporting would bring their requirements closer to those in place internationally, particularly those in Australia, and would affect hundreds of thousands of entities in New Zealand. Legislation to establish the XRB is expected to be enacted by mid-2011, the NZICA reports.

Many entities are expected to have reduced reporting obligations, the NZICA says. They state: "The overarching principle underpinning NZICA's comments to the proposals is that the benefits derived from information for external users must

exceed the costs of providing it."

Looking at what they term "for profit entities," as opposed to "public" or "not-for-profit" entities, the NZICA states: "Two views have been identified in applying the economic significance indicators to for-profit entities. One view points to the fact that there is no evidence that there are external users who have a need for financial information simply because an entity is large. An alternate view is that larger entities are more likely than smaller entities to have external uses of their financial information and should be required to report.

NZICA notes that there is insufficient empirical evidence to clearly determine the more correct view unambiguously...NZICA therefore strongly advocates maintenance of the status quo until this research work is undertaken and the relative costs and benefits become clearer." ♦

PCAOB Sets 2010 Small Business Forums

The first 2010 Public Company Accounting Oversight Board (PCAOB) "Forum on Auditing in the Small Business Environment" is scheduled for April 29 in Charlotte, NC. The following forums will be held: May 10 - San Francisco, July 29 - New York City, July 30 - Jersey City, September 30 - Irvine, CA, November 2 - Dallas, and December 1 - Miami, FL. Since the forums' inauguration in 2004, more than 3,700 representatives of smaller PCAOB registered accounting firms from throughout the country have attended. Topics to be covered in this year's forums include: current economic issues and trends; Auditing Standard No. 7, Engagement Quality Review; proposed standards on risk assessment; auditing

international control over financial reporting (ISFR) for non-accelerated filers; information technology issues; future standard-setting priorities; and recent implementation of annual and special reporting rules.

These forums provide feedback to the PCAOB to assist them in understanding the needs of the small business community related to the PCAOB's inspection and standard-setting processes. More information about the forums can be found on the PCAOB's website www.pcaobus.org.

Questions should be directed to Margaret Hopkins (202)207-9081 or forum@pcaobus.org. ♦

State Board Report

National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700
Nashville, TN 37219-2417