

Ernie Almonte

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“Thinking Differently”

Good morning. It’s a pleasure to be with you today.

As I start to make speeches around the country as the newly installed chair of the AICPA, I am struck by how different the view looks from up here on this podium. I’m much more accustomed to sitting where you are.

I’ve been thinking a lot about this shift in perspective, from audience to presenter. It’s not just a visual shift. It reflects one of my essential messages: I have an obligation to consider not just my view, but a wide range of views, and to think differently about the many challenges we face. That’s what excites me most about these few days, to have a chance to share thoughts with all of you, gaining a perspective from where you sit as regulators and guardians of this profession at the state level. That’s where I come from – a state perspective. Since 1994 I’ve been Rhode Island’s Auditor General. Prior to that, I had my own CPA firm in Smithfield,

Rhode Island for twelve years. But maybe the most important thing I can tell you about myself is that I have five sons, and four of them are studying accounting. So I'm doing my part to fill the accounting pipeline.

Although I have never been a member of a state board of accountancy, we certainly share a regulatory perspective. I also think the fact that I am the first AICPA chair to come from government is a clear sign of the profession thinking differently, and of our commitment to approaching our challenges from the broadest perspective possible.

That's what I would like to speak about today. As I stand before you today in this historic city of Boston, and as a New Englander, I can't help but reflect on how our Founding Fathers, whether at the Boston Tea Party, or putting together the Declaration of Independence and Bill of Rights, founded our nation based on their ability to think about government differently than anyone ever had before. We've certainly seen in the last few weeks how our government in Washington has had to come up with unique solutions to our country's serious financial problems. I think this kind of thinking is relevant to us here today, and I'll mention a few of the many ways the AICPA and NASBA are using this approach to help both our members, and the public

interest. And I'll describe some methods I think we can all use to train ourselves to look at things differently.

One of the remarkable aspects of organizations like the AICPA and NASBA is that we somehow balance our enormous diversity with a shared conviction in our core values. We can think differently because we listen to the many different voices and perspectives of our stakeholders.

I've been a member of many boards in my career, and I find that when you look around the room, if everyone looks like us, and acts like us, we are going to come to similar conclusions about how to solve a problem.

We all have biases based on our education and background. I know a lot of times when an issue comes up before a board that I'm on, we get a huge packet of background information ahead of time. I review the material and say to myself, I have the perfect solution to this problem. But then I go to the board meeting, and as we go around the room, someone else comes up with a better idea, or another person brings up something I never thought of. So imagine how much better an organization can be by having a diverse group of people with different thoughts and points of view.

As I look out across this room, I see leaders that are dedicated to regulating this profession. Everything we do says something about us. How we think. How we see the world. How we bring value every day to the public, the governments we serve, our clients, and our employers. All of this adds up to the powerful force we represent.

When I attended the Kennedy School of Government I had a great professor, Marty Linsky, who wrote the book Leadership on the Line. He taught us to think differently by using what he called “the balcony analogy.” He asked our class to imagine ourselves on a dance floor. I invite all of you to do this with me now.

We are on a dance floor. On it, we can see all the people dancing around us. We may be jostled a bit, or maybe if the dance floor is too crowded, our feet get stepped on. We’re swaying and moving. We are part of the action.

Now, imagine that we step to the edge of the dance floor, travel up to the balcony, lean over the railing, and observe the dance floor from this new vantage point. Suddenly, the entire scene changes. We can see how the

dancers are flowing across the floor. We see who is coming on to the dance floor, and who is leaving. We see who is moving in rhythm, and who is not. Who is standing by themselves, and who is engaged with others. We see the entire dance floor as one moving piece, and we are separated from the experience, gaining perspective.

But Professor Linsky taught us that observing is not enough. When you are on the balcony watching those on the dance floor, imagine yourself down there with them. How were you reacting to and connecting with others? Were you having a positive or a negative influence on the action? Did you contribute to the rhythm of the dance, did you disrupt the movement, or did you stand outside the action?

Professor Linsky encouraged us not to remain planted on either the dance floor or the balcony. He suggested that exercising leadership requires moving from the balcony, to the dance floor, and back again – a constant shift in perspective so that we understand not only the big picture, but also our individual role in the action and the impact of our decisions and movements on those around us.

Let me give you an example of how NASBA and the AICPA are using new thinking to address an old problem -- the difficulties faced by CPAs who want to do business outside their local communities. This has been a critical issue for many years, and we approached this issue by asking, what if we considered the CPA profession the same way the U.S. does drivers' licenses? If you can get in your car and drive across the country, why not be able to share your skills and services as well? As a result, our two organizations have been working together with state boards and state societies to advocate for a state-based system that would allow any CPA with a valid state license to obtain practice privileges in any other state, with no notification required, and with the added important element of requiring the automatic consent to jurisdiction by that CPA and their CPA firm.

Thirty-one states have now embraced what we call, "mobility" -- basically, the unfettered ability to offer services across state lines, while at the same time strengthening your ability, as state boards, to protect your citizens by having enhanced oversight over any CPA providing services in your state. Never before has a legislative initiative concerning accountancy statutes been embraced by so many states so quickly. At least another 15 states are poised to introduce legislation in 2009 and I know that by working

together, the AICPA, NASBA, state boards and state CPA societies will not rest until all jurisdictions have mobility. That's the power and the strength we have when we come together and collectively think differently.

Now we are taking this concept even further. What if clients live a continent away – or they conduct activities that involve non-US entities – or they are a subsidiary of a foreign parent? This is a very real situation for large and small companies alike ... which means large and small firms are impacted equally.

The accounting profession is in a time of great change as it moves toward internationalization. The Securities and Exchange Commission has announced a roadmap that would allow 110 of the largest U.S. companies to begin using international financial reporting standards, or IFRS, instead of GAAP as early as 2010. Full IFRS adoption could be as early as 2014. Judy O'Dell, will be speaking to you tomorrow afternoon regarding the impact of IFRS on private companies. It may be tempting to regard this as a Big Company/Big Firm issue, but even small accounting firms are likely to pick up work that larger firms cannot do for their clients.

Who knows what will happen with the IFRS roadmap in light of a change of administration and the credit crisis. Regardless, large and small firms alike are faced with these issues and the profession and state regulators need to be engaged in the transition.

The AICPA has been working closely with U.S. regulators and the international community to promote the awareness of the issues to our members and an orderly transition to international standards. As the eventuality of this becomes clear, we also want to ensure that state boards be a part of this process so that state laws and rules will allow for IFRS. Last spring we launched IFRS.com, an information-rich resource that provides members and the public with both an overview of IFRS, and the details on the differences from U.S. GAAP. It is important that the profession in the U.S. be a recognized leader in this crucial new area.

And speaking of international initiatives, at NASBA's request, the AICPA and NASBA are also working on a project that would attract financial professionals abroad to the U.S. accounting profession. This would include administering the Uniform CPA Exam overseas. In order to prevent misuse of the CPA designation by foreign individuals who pass the Exam,



the design includes requirements for initial entry that are equivalent to the UAA (the 3 E's) and requires adherence to an ethical code, discipline, and continuing professional education. Importantly, state boards would continue to oversee these candidates as they apply and take the Exam.

Another area where we as a profession are seeking new solutions is in increasing the transparency of peer review. As you know, peer review has always been intended as corrective, rather than punitive. A robust process that focuses on correcting deficiencies and improving practice rather than punishment.

But the universe of people who rely on peer reviews has exploded, and in today's world, clients, regulators, and grantors of credit all expect transparency. That's why the AICPA has created what is called, *Peer Review Facilitated State Board Access*, which many of you had the opportunity to view during yesterday's demonstration. It uses the existing peer review process to facilitate the voluntary disclosure of peer review results to state boards. The goal is to create a nationally uniform system through which CPA firms can satisfy state board or licensing body requirements and increase transparency.

There is one more issue I would like to mention, and that is the decision in many states to reduce the number of hours required to sit for the Uniform CPA Examination from 150 hours to 120 hours. I understand that some believe that moving toward 120 hours could help alleviate the CPA shortage by encouraging more candidates to sit for the exam earlier, and thereby opening up the CPA pipeline sooner.

This is something the AICPA is studying very carefully, because the ramifications could be significant. We want to be sure that making this change only has a positive impact on the pathway to licensure, entry into the profession, and the value of becoming a CPA and that it does not undermine the foundation of the 150-hour requirement for initial licensure.

The AICPA has offered comments to NASBA on this issue. We encourage you as state boards to think about the ramifications and to do the same.

All these efforts I've mentioned have one thing in common: a willingness to shift perspectives to further enhance protection of the public by our profession.

As I mentioned at the outset, we can certainly use some of this kind of thinking in Washington. When I think about what's happening in Washington, and on Wall Street, I think about my own role as a CPA in government, which is very similar to your role as regulators. I would say the most challenging part of my job is that sometimes there is a conflict between what is a good political decision, and a good financial decision. But CPAs are the objective experts of finance. Uniquely trained to analyze and synthesize complex information, we have the integrity and discipline to communicate the reality of the situation.

We of course do not know the outcome of next month's elections. But we do know that the new President is going to be faced with financial challenges, the likes of which we haven't seen in a generation.

As a profession, we need to be involved with the new administration to do everything in our power to help. We also need to make certain that the new leaders see us from both the balcony and the dance floor, and that we represent the CPA profession and provide input on policy issues whenever appropriate.

Like all of you, I can define myself in a lot of ways. I am a father and a husband. But first and foremost, I am a CPA, heart and soul. And that's why it feels really good when I walk through the airport and know that we just did something that saved our city or our state millions of dollars. That makes you feel great. It's worth more than money. I guess that's what I mean by heart and soul.

I would like to close with one final point about shifting perspectives. In Daniel Pink's book, the "Whole New Mind," he gives several exercises to use right brain-directed thinking. I want to share one with you, and that is what he calls the "coffee shop" experience. You see people in the coffee shop, drinking coffee and reading a book or a magazine. Once in a while, take a product with you. It can be anything that you use in your daily life. It could be this watch. Set the watch down on the table. As you're drinking your coffee, take out a pad and pen and jot down ways you could improve this product. Be creative. Use your imagination. Think differently. Then a month from now, instead of the watch, it might be a financial problem for your state, or your own career, or even our profession. How can we re-engineer ourselves to be better at what we do? Put that on the table and

think of creative ways to solve the problem, and you might come up with a much better idea.

I once heard someone say that there is a reason why they make the windshield larger than the rearview mirror. Learning about the past is important. But it is also important to look at the future. You can change the future.

I am so looking forward to working with NASBA and state boards of accountancy on our common issues by looking beyond ourselves, by using our imagination and our unique expertise, and by thinking differently about the tremendous challenges that lie ahead.

Thank you very much.