

NASBA State Board *Report*

A Digest of Current Developments Affecting State Accountancy Regulation

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NASBA's BOARD OF DIRECTORS 2010-11 – Front row (left to right): Billy M. Atkinson (TX), Past Chair; Laurie J. Tish (WA), Pacific Regional Director; David A. Costello, President and CEO; Michael T. Daggett (AZ), Chair; Mark P. Harris (LA), Vice Chair; Richard C. Sweeney (WA), Executive Directors' Liaison; Karen F. Turner (CO), Mountain Regional Director; Joseph T. Cote, Executive Vice President. **Middle row (left to right):** Jefferson Chickering (NH), Northeast Regional Director; Gaylen R. Hansen (CO), Director-at-Large; Kim Tredinnick (WI), Great Lakes Regional Director; Janice L. Gray (OK), Southwest Regional Director; Telford A. Lodden (IA), Central Regional Director; Donald H. Burkett (SC), Director-at-Large; Walter C. Davenport (NC), Director-at-Large. **Back row (left to right):** Kenneth R. Odom (AL), Southeast Regional Director; Theodore W. Long, Jr. (OH), Director-at-Large; Ken L. Bishop, Senior Vice President and COO; Richard Isserman (NY), Director-at-Large; Noel L. Allen, legal counsel; Harry O. Parsons (NV), Director-at-Large; Carlos E. Johnson (OK), Director-at-Large. **Not shown:** Kathleen J. Smith (NE), Director-at-Large; E. Kent Smoll (KS), Director-at-Large.

BRP Big Topic at NASBA Annual

The AICPA/FAF/NASBA Blue Ribbon Panel (BRP) on Standard Setting for Private Companies has determined that there is a problem in U.S. GAAP being relevant and overly complex for private companies, and the Panelists have whittled down to two their possible recommended solutions to this situation. Both solutions would have standards more carefully considered from the private company perspective, but one would also create a separate standard-setting board, apart from FASB, for this purpose and the other would continue with the FASB having a permanent work stream from the private company sector, NASBA Chair Billy Atkinson told NASBA's 103rd Annual Meeting, held October 24-27 in San Antonio, TX.

"The private entity financial statement users tell us they dissect the information they get from financial statements down to cash flow measures. They are looking at cash flow and the ability to repay investments or loans. Users have evolved such measures over time and in a quiet way. Now the preparers and practitioners are looking at the consequences of having another standard-setting body," Chair Atkinson

(Continued on Page 4)

FAF Chair Brennan Sees Crossroads

We are at a crossroads in accounting standard setting, Financial Accounting Foundation Chairman John Brennan told NASBA's 103rd Annual Meeting. The public's confidence has been shaken because of what the economy has gone through during the last few years and this has affected how people think about transparency and standard setting, he explained.

"We believe the job of overseeing financial accounting has never been more important than it is today. We have a great opportunity to help restore trust in the marketplace by continuing our role in the FAF, FASB and GASB to have high quality financial reporting – which will restore trust quicker than anything else," he stated. "The ability of firms like Vanguard [the mutual fund firm where he serves as senior adviser] to put money to work in companies depends on our confidence in the information we receive.... If standard setters do their job well, they have a broad economic impact."

Mr. Brennan noted that while the FASB and IASB are converging their standards, they announced in spring 2010 that the process would take longer than originally anticipated, as neither board wants to take any shortcuts on key standards that affect so many organizations. He said the three principles on which the convergence effort is based are: independence, improvement and due process. Independence is earned through continuous outreach and interaction. Standard setters need to be in touch with capital market changes to recognize when improvements are needed. Due

process means engaging all parties. Mr. Brennan said, "We are committed to listening and hearing."

He termed the hearings of the AICPA/FAF/NASBA Blue Ribbon Panel (BRP) on Standard Setting for Private Companies a "highly constructive process." He reported, "We got the message that one size does not fit all." However, Mr. Brennan pointed out, "We have heard similar concerns about relevancy and complexity not just from private firms. We have to look at this in terms of our overall constituency...Complexity is a systemic problem."

President David Costello asked Mr. Brennan what can be done to prevent politicians from becoming involved in standard setting. He responded: "We need to have ongoing education with members of Congress. We need to educate them on why what we do every day is important. We need to take them out of the crisis mindset."

"Is there any role for government in international accounting standard setting?" NASBA Director-at-Large Gaylen Hansen asked. Mr. Brennan observed: "I think the role the SEC plays is excellent: the problem is there is no global SEC. The SEC/FASB relationship is a tremendous role model. Their interference is minimal and their support is very strong." ♦



John Brennan

Chief Accountant Finds NASBA Right

James L. Kroeker, SEC Chief Accountant, told the Annual Meeting that he thought NASBA was posing "exactly the right questions" in the Blue Ribbon Panel's discussions. The SEC is now considering International Financial Reporting Standards (IFRS) and whether, when and how they might be worked into U.S. financial reporting -- but convergence has been going on for the better part of a decade, Mr. Kroeker noted. He addressed the Annual Meeting on October 26 and said a progress report on the SEC's Work Plan would be issued soon -- and on October 29 it was (see <http://www.sec.gov/spotlight/globalaccountingstandards/workplanprogress102910.pdf> "Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers").

The vast majority of comments that the SEC has received about IFRS were in support of a single set of standards, Mr. Kroeker said. There also were what he termed "only if letters," that backed a single set of standards only if certain conditions exist. While there are two volumes of IFRS, there are four of GAAP. There is more detail in U.S. GAAP, but in some cases does it make sense to move away from such detail, Mr. Kroeker asked.

Another element in the IFRS discussion is the independence of the standard-setting body. Mr. Kroeker stated: "The funding

of the IASB [International Accounting Standards Board] is a challenge. Do you have the same level of independence if you rely on contributions?" Another question to be resolved: "Should we switch to IFRS all at once?" Mr. Kroeker said the SEC is committed to working with all impacted groups as it executes its Work Plan.

NASBA Director-at-Large Gaylen Hansen asked Mr. Kroeker about the control the oversight body has over the IASB. Mr. Kroeker responded: "We are finding more and more, in almost every country, there is some filter before a standard comes into practice in their jurisdiction. So you would have to retain the domestic standard of the FASB and then take the IASB's standards and expose them standard by standard."

Mr. Kroeker was asked by NASBA Past Chair Tom Sadler: "Do you see a compelling reason that a large issuer should have different standards than a very large private company?" Mr. Kroeker answered: "If someone is providing capital to either -- wouldn't they want the same kind of information. Differences in measurement should probably be fairly few and far between." He said there might be more pragmatic ways in which to help small companies to comply, rather than setting up a second board. "I am on the downbeat on separate boards," he stated. ♦

Chair Daggett Sets Course

NASBA Chair Michael T. Daggett set an ambitious course for NASBA's Committees for 2010-2011 as he outlined his plans in his inaugural address. He mentioned his goals for several committees including:

- *Ethics and Strategic Professional Issues Committee* – “We need to proactively communicate that we are out to protect the public. They will monitor, evaluate and communicate issues identified by State Boards, the Professional Ethics Executive Committee of the AICPA, and IFAC's ethics committee.” –Chair Gaylen Hansen (CO) and Vice Chair Rick David (MI)
- *Enforcement Resource Committee* – “Provides valuable service, especially for State Boards with limited budgets for and limited experience with investigations, large and small, usual and unusual, requiring special expertise. This committee will also be examining and assessing the impact and possible resolution of the ‘piling on’ of investigations and prosecution of multi-jurisdictional firms.” – Chair Harry Parsons (NV)
- *Compliance Assurance Committee* – “With the Enforcement Resource Committee, will consider the issue of foreign firms, which are not subject to Peer Review, but are performing attest services within a State Board's jurisdiction. The Compliance Assurance Committee will also continue to make progress in obtaining the necessary oversight of Peer Review programs.” – Chair Janice Gray (OK)
- *Regulatory Response Committee* – “This committee responds to exposure drafts of standards, rules and other technically-oriented products. They will assist Gaylen Hansen in his role on the IFAC auditing advisory group.” – Chair Rick Isserman (NY)



Michael Daggett

- *Education Committee* – “Will monitor and assess the activities of the Pathways Commission, improve communications with the American Accounting Association and develop an effective NASBA grant program for accounting research.” – Chair Karen Turner (CO)
 - *Uniform Accountancy Act Committee* – “Will continue to promote the standards that facilitate uniformity of statutes and rules, and mobility of CPA individuals and firms.” – Chair Carlos Johnson (OK)
 - *CPE Advisory Committee* – “This committee will undertake the incorporation of certain CPE interpretations and Q&As into the standards, primarily to eliminate inconsistencies.” – Chair Telford Lodden (IA).
 - *State Board Relevance Committee* – “Will assist any State Board with the education and/or testimony necessary to undertake the task of selling the concepts of this model semi-independent board act to their legislature.” – Chair Bucky Glover (NC)
 - *Global Strategies Committee* – “To establish a clear direction that will assure a long-term growth in NASBA's role in the international arena.” – Chair Laurie Tish (WA)
- A complete list of all of NASBA's 2010-11 committees and chairs is shown on page 10. ♦

Hawkins Maintains IRS is Listening

The IRS will not have a continuing education requirement for tax preparers who are CPAs, Karen L. Hawkins, Director of the Internal Revenue Service's Office of Professional Responsibility, assured the Annual Meeting audience. She congratulated whoever put ethics in the CPE requirements for CPAs, as was championed by the NASBA Ethics Committee.

Ms. Hawkins took care not to report any of the major changes in the IRS preparer registration program to be unveiled by IRS Commissioner Douglas H. Shulman on October 26, when he announced the creation of a Return Preparer Office within the IRS. On that date he stated: “We are still refining our rules for people who work in a professional firm, like an accounting firm, who prepare all, or substantially all of a return under the supervision of an accountant, enrolled agent or lawyer. While this is a tricky area, and I can't give you definitive guidance until we publish our final guidance later this year, I will tell you that I am sympathetic to the argument that the rules should be flexible for people who have met a higher professional standard. Therefore, it is highly likely that

as we implement the new rules and procedures there will be some relief for testing and continuing education requirements for people who do not sign a return and work in a professional firm under the supervision of an accountant, enrolled agent or lawyer.”

Significant revisions to Circular 230 are being proposed for Sections 10.2, 10.3, 10.34, 10.4, 10.8 and 10.9 Ms. Hawkins pointed out that she thought the State Boards would have special interest in: Section 10.8, as it gives authority to have jurisdiction; 10.9 which deals with continuing education; and 10.36 which expands a firm partner's liability.

Guidance of foreign tax return preparers, who do not have Social Security numbers, is being worked on by the IRS and should be released very soon, Ms. Hawkins said.

She also stated that she had read the NASBA State Board Relevance and Effectiveness Committee's rationale paper supporting a semi-independent State Board of Accountancy and thought it was compelling and well documented. Ms. Hawkins said, “I support the move that white paper suggests.” ♦

Goelzer Says States Can Talk to PCAOB

While the Dodd-Frank Act gives the Public Company Accounting Oversight Board (PCAOB) the ability to share information with foreign regulators, PCAOB Acting Chairman Daniel L. Goelzer explained, “Dodd-Frank does not put foreign oversight bodies on a better footing than the State Boards. They will not get any additional information.” Addressing the Annual Meeting, Chairman Goelzer advised the Boards that while he could not make a blanket statement on the information the PCAOB could share with the State Boards, he suggested Boards contact the PCAOB on an individual basis.

The PCAOB is required to inspect all auditors who file with the SEC or do work related to SEC audits, and that includes approximately 900 non-U.S. auditing firms registered with the PCAOB. Logistically this presents a major challenge for the PCAOB, in terms of having the necessary expertise and gaining admittance into these foreign jurisdictions, Chairman Goelzer said. While the PCAOB has conducted nearly 250 foreign inspections in 34 countries, it is currently unable to inspect firms in China, Switzerland and member states of the European Union. The PCAOB’s Web site now lists firms that it cannot inspect and the public company clients of those firms. In addition, on October 2 the Board announced it would no longer routinely process registration applications from firms in countries where they are unable to perform inspections. Mr. Goelzer said it has been

suggested that U.S. affiliates of these firms may need to provide more information to the PCAOB.

Noel L. Allen, NASBA legal counsel, pointed out that there are seven references to the State Boards within the Sarbanes-Oxley Act (SOX). He asked Mr. Goelzer how the investigations procedure could be enhanced between the PCAOB and the State Boards. Mr. Goelzer said the Boards are alerted when the PCAOB brings an enforcement action. “We may need to make more progress on when we think the State Boards should deal with a matter,” he said. The PCAOB is working with the SEC to hold joint regulator meetings early next year.

Since its launch eight years ago, the PCAOB has announced settlements in about 35 cases. This year six have been announced, Mr. Goelzer said. In August the SEC asked Congress to amend SOX so the public could see the PCAOB’s litigated enforcement cases (see *sbr* 9/10). Although the PCAOB’s pace of enforcement picked up in the last year, “the public cannot see the full range of what we are doing,” Mr. Goelzer stated. He reported that during the time one PCAOB case was being litigated, the firm involved filed 29 audit reports. ♦



Daniel L. Goelzer

BRP Big Topic at NASBA Annual (Continued from page 1)

told representatives from 51 Accountancy Boards. He said, NASBA, on behalf of the State Boards, has held consistently to the approach that a change at the FASB is needed in this regard, rather than creating a separate FASB-type board for private entity accounting standards’ promulgation. “We have confidence in the Financial Accounting Foundation’s ability to get GAAP more private-entity centric”.

The BRP’s final report will be discussed at its December 10, 2010 meeting in Norwalk, CT, and Mr. Atkinson expects it could contain both a majority and a minority view. Chair Atkinson encouraged the Boards to comment to the FAF on that BRP report once the final version is issued.

Chair Atkinson summarized several of NASBA’s achievements during the past year:

- The tri-party CPA Examination agreement with the AICPA and Prometric has been signed and now extends through 2024, and a two-year agreement has been signed for the pilot testing of international examination delivery;
- Mobility legislation has been enacted in 47 states with three in process;
- Committees developed papers on: a uniform ethics independence rule; a rationale and legislative template for a semi-independent State Board of Accountancy; and threats and safeguard considerations in audit engagement profitability;

- NASBA held its third international forum for accountancy regulators, this year in Madrid;
- NASBA participated in its first annual Canadian Institute of Chartered Accountants (CICA) summit meeting in Toronto;
- A review of the standards for continuing professional education was initiated;
- Numerous response letters were sent out from NASBA relative to exposure drafts with regulatory impact;
- The Examination Review Board was reorganized into a five-person board with enhanced and dedicated professional staff;
- The Selection Advisory Committee was created as a 10-person advisory group to the Executive Committee;
- Thirty-one states are now full participants in the Accountancy Licensee Database;
- Peer review programs were implemented in several states including the critical element of State Board oversight;
- An on-line enforcement manual was created to assist the State Boards; and
- The Center for the Public Trust established its first student center.

Total registration for the 103rd Annual Meeting was 459. This issue of the *State Board Report* covers several of the highlights of that meeting. To see PowerPoint presentations, outlines, text, photos and videos from the Meeting go to www.NASBA.org. ♦

Big Deals

Earlier this year, I had the privilege to address my colleagues at the Arizona CPA Society's Annual Meeting. In introducing me to the audience, the Society's President, Cindie Hubiak, was given the arduous task of not only telling the audience who I was, but also of explaining what this organization called the "National Association of State Boards of Accountancy" was and what it does for the profession. In Cindie's efforts to emphasize the significant role that NASBA plays, she was trying to impress upon the audience how important NASBA is and, consequently, how important my role and responsibility are for the profession. In referring to me, she stated that as NASBA's Vice Chair, I was a "Big Deal" in terms of the regulation of our profession. I was then given the opportunity to further explain the significance of the State Boards and their national organization. It wasn't until later that I really accepted that, in terms of our profession, clients and community, I am a **Big Deal**, as are the State Boards, their Board members and NASBA. We impact the financial fabric of society, the investors and the lenders, and our clients, both individuals and businesses, by helping to insure the creditability of the information on which so many rely.



Michael T. Daggett, CPA

Just as we have a responsibility to our family and friends, when as professionals we committed to serve as state regulators, we assumed as great a responsibility to our communities, and specifically to our clients and to the many businesses that depend on our advice and guidance. That makes us a **Big Deal**. An integral part of our responsibilities is to insure that we are enforcing statutes, rules and standards that facilitate and promote due professional care, integrity, competence and ethical behavior. In light of that, we would be shirking our responsibilities if we were to not be proactive in the development of the statutes and rules that we would be enforcing; be they local, national, or international. We cannot assume that because our distinguished professional association, the AICPA, promulgates a standard, or that our state and federal legislative bodies pass a statute, that we don't need to participate in their development. We need to lend our regulatory perspective and priorities to the process, and we must assert ourselves throughout, until the final product.

I realize that many, if not most, states have a restrictive policy with regard to lobbying by the State Board. However, that shouldn't preclude the participation of the regulator's perspective or political acumen. After all, we were appointed by the Governor of our state, along with the support of the community, not the least of which our professional colleagues. We should have enough influence, political and otherwise, to insert ourselves into the process, as an information source and critical perspective.

In the last several years, it has become increasingly apparent that the size of our playing field has grown exponentially. We are now part of the growing global profession and economy, and we are facing international standard setting. We must not only participate, but be recognized as a **Big Deal**. In the past several years, the leadership of NASBA has been introducing itself on behalf of the State Boards to the global community. We have had the likes of Charlie Calhoun (FL) as a member of the International Federation of Accountants (IFAC) International Accounting Education Standards Board's Consultative Advisory Group; John Peace (AR) on IFAC's International Public Sector Accounting Standards Board; Bill Treacy (TX), Barton Baldwin (NC) and Harris Widmer (ND) as present and past Chairs of the NASBA/AICPA International Qualifications Appraisal Board (IQAB); and, more recently, Gaylen Hansen (CO) on IFAC's Consultative Advisory Groups to the IAASB and IESBA.

Additionally, we have had a number of introductory goodwill appearances from President David Costello, IQAB Chair Treacy and Director of International Relations Linda Biek this past year, as well as NASBA participants at our three Forums for International Accountancy Regulation. During the year we also met with a delegation from the Chinese Finance Ministers, our cousins to the north - the Canadian Institute of Chartered Accountants, and will hopefully visit soon with our cousins to the south - the Instituto Mexicano de Contadores Publicos. In November, we will be meeting with more countries than I can count without a calculator at the World Congress of Accountants in Malaysia.

I realize all this activity may at first thought seem far away and afield from your own particular state, but the entire nation feels the impact of trade deficits, the declining dollar and -- more directly -- accounting and auditing services performed in our states by international representatives. So we must have heightened concern for the affected public within our state borders.

We have also, along with AICPA and Prometric representatives, negotiated and will negotiate the contracts with several countries to deliver the CPA Exam internationally. As has been reported previously, our initial efforts will begin in summer 2011 in Japan. We have established NASBA and the State Boards of Accountancy as players in the global arena. This year we will continue to establish ourselves, grow in significance and enhance the effectiveness and strength of the State Boards. We are a **Big Deal**.

- Michael T. Daggett, CPA
Chair

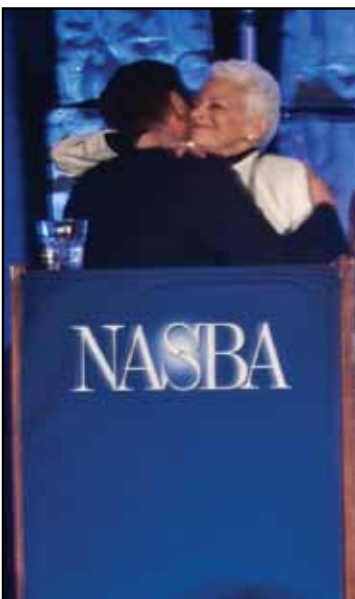
Conaway, Dustin and Birch Honored

K. Michael Conaway, CPA, NASBA Chair 2002-03 and fourth term U.S. Congressman from the 11th Congressional District of Texas, was presented the 2010 William H. Van Rensselaer Public Service Award at the Annual Meeting, by Barbara Porter, executive director of the Idaho State Board of Public Accountancy and a member of the Awards Committee. During his NASBA Chairmanship: Mr. Conaway addressed the new Public Company Accountancy Oversight Board on the implications of SOX at the state level; the accountancy licensee database project was launched; states started to recognize each other's continuing professional education requirements; and preparations were underway for the introduction of the computer-based Uniform CPA Examination. In accepting the award, Mr. Conaway stated: "Opportunities to serve only come with trust from a lot of people." He thanked his family and the many people he worked with at NASBA and told the audience, "This room is blessed with a tremendous amount of talent."

Sheila M. Birch, CPA, was awarded the 2010 NASBA Distinguished Service Award. A newly retired partner of Ciuni & Panichi, Inc., Cleveland, OH, Ms. Birch was chair of the Accountancy Board of Ohio, a NASBA Director-at-Large, and chair of many of its committees. In



2010 Award Winners from left to right: Sheila Birch, K. Michael Conaway and Daniel Dustin.



Lorraine Sachs congratulates Daniel Dustin on 2010 award.

accepting the award presented by Ms.

Porter, Ms. Birch said: "I am one of the luckiest people I know: Thanks to NASBA I have been privileged to work with some of the profession's best. In the last 15 years I have worked on three incredible boards – the Auditing Standards Board, the NASBA Board of Directors and the Examination Review Board. Thanks to all the people I have come to know over the years."

Lorraine P. Sachs, NASBA's Executive Vice President Emeritus, presented the 2010 Lorraine P. Sachs Standard of Excellence Award to Daniel J. Dustin, CPA, executive secretary of the New York State Board for Public Accountancy. A past chair of the Executive Directors Committee, the Computer-Based Testing Administration Committee and other NASBA projects, Mr. Dustin was instrumental in the passage of New York's accountancy reform legislation in 2009. Ms. Sachs congratulated him on his being able to juggle his many responsibilities and to serve as a local councilman. Mr. Dustin thanked NASBA's chairs for giving him the opportunity to serve on the various committees and projects and the New York Accountancy Board members for getting the New York Accountancy Act changed. ♦



K. Michael Conaway accepts the William H. Van Rensselaer Public Service Award.

COSO Study Raises Questions

Few major differences were found between boards of directors of companies that experienced fraud and those that had not, David Landsittel, Chairman of COSO (Committee of Sponsoring Organizations of the Treadway Commission), reported at the Annual Meeting. COSO's study of 347 companies that had experienced fraud found that in 89 percent of the cases, either the CEO or the CFO was named as the alleged perpetrator.

The most common motivations for perpetrating fraud included meeting expectations, concealing deteriorating financial condition, and preparing for debt/equity offering. The fraud techniques

usually did not involve thefts, Mr. Landsittel pointed out, but rather frauds in revenue recognition, overvaluing assets and cooking the books.

The study has shown the need for more research to understand and evaluate the control environment, he observed. More needs to be known about organizational processes and if there is any linkage between the occurrences of fraud and timing and nature of auditor changes. The study did find the rate of auditor changes surrounding the fraud period was twice the rate of change for the non-fraud companies. ♦

International Progress Continues

One of the keys to doing business in other countries is “relationship first – and business last,” University of Southern California Professor Ruben Davila explained. As part of USC’s global business program, students are required to go overseas, where they must work on consulting projects and case studies that are presented there, and he noted that many other U.S. colleges are establishing schools abroad as well. About 70 percent of USC undergraduates in business go overseas.

Professor Davila said the United States needs to be part of establishing international accounting credentials. China has a strong bias toward U.S. GAAP. The Chinese have a six-part CPA examination, with 10 bonus points being awarded for answering in English. There is competition among international credentials, with the ACCA having 140,000 members and fellows, he stated.

The Uniform CPA Examination will be administered outside the United States, NASBA Executive Vice President Ken Bishop said, announcing that the contract for the new business enterprise had been signed on October 13, 2010 to provide for pilot testing programs to be established primarily in Asia and the Middle East. He assured the State Boards that terms the NASBA Board of Directors had asked for were all included in the contract.

Reporting on NASBA’s third international forum for accounting regulators, Global Strategies Committee Chair Samuel Cotterell said there is no longer a need to explain why NASBA and the State Boards are involved in the international arena: “If you are not at the table – you are not going to be fed.” He said the



Ruben Davila explains global business programs and credentials.

conference was a tremendous opportunity to explain how the State Boards work. “It is a surprise to foreign regulators to talk about 55 jurisdictions, NASBA being an umbrella, our relationship with the PCAOB and the AICPA. They think the professional society is much more involved.”

While the two previous meetings were held in the United States, the one just held in Spain, September 29 – October 1, was more euro-centric, allowing for real dialog in a fairly intimate setting, Mr. Cotterell explained. One of the outstanding speakers was Tommaso Padoa-Schioppa, the new chairman of the IASB Trustees, who spoke about what they are trying to accomplish. Mr. Cotterell announced that next year’s international conference is being planned for July in Vancouver. ♦

Tweedie Urges Word-for-Word IFRS



Sir David Tweedie discusses the adoption of International Financial Reporting Standards.

Should the U.S. embrace International Financial Reporting Standards (IFRS)? IASB Chairman David Tweedie is emphatic in his reply: “Adoption means word for word – and that is what we have to aim for,” he told the NASBA Annual Meeting. There are monthly joint meetings of the IASB and FASB to reconcile GAAP and IFRS. “The real issue is to see where we have major outdated standards and then to tackle new joint standards together. That will be finished by June 2011,” Sir David predicted.

He observed that 29 countries now use carve outs to IFRS that were insisted upon. “Every country worried about giving up sovereignty,” he stated. “There are

fighters going on all the time.” However, he said 122 countries now either permit or require IFRS – some with carve outs.

Next year the SEC will make a decision on whether or not to use IFRS and that will “make or break international standards,” the IASB Chair said.

He maintains what is needed is principles-based accounting with no exceptions. Standards need to be simpler, easier and principles-based. “We don’t want search engine accounting; that is why the world will not adopt U.S. GAAP.”

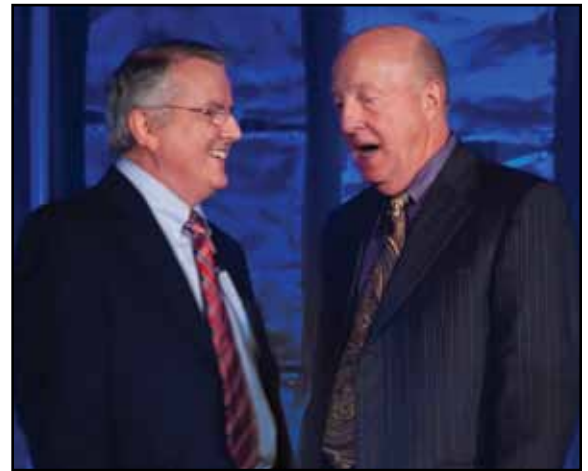
By 2012 he would like to see 150 countries using IFRS with the U.S. standards broadly converged. “You will have sovereignty issues, but we will probably have an office in New York,” Chair Tweedie stated. “We can still fail: it all depends on next year’s decision by the SEC.”

Sir David Tweedie will retire from the IASB at the end of June 2011 and will be followed by Hans Hoogervorst as chairman and Ian Mackintosh as vice chairman. Mr. Hoogervorst has been chairman of the Netherlands Authority for the Financial Markets, chairman of the Technical Committee of the IOSCO and co-chair of the Financial Crisis Advisory Group. Mr. Mackintosh has been chairman of the UK Accounting Standards Board. ♦

A Glimpse of NASBA's 103rd Annual Meeting



2009-10 Chair Billy Atkinson passes the gavel to the 2010-11 Chair Michael Daggett.



Exec Joe Cote (left) and Pres David Costello joke.



Senior Vice President Ken Bishop tells the 2010 Annual Meeting about the new contract for international administration of the CPA exam.



NASBA staff welcomes attendees to the Annual Meeting.



2009-10 Chair Atkinson thanks Leonard Sanchez (center) and Michael Weinschel.

Candidates Rush in Before CBT-e

The fourth window of 2010 has seen the highest CPA candidate volume since computer-based testing was launched in 2004, Board of Examiners Chair Douglas E. Warren told the Annual Meeting. The BOE attributes the increase to a natural growth in demand for the examination, but also changes to the content specification outline for the “CBT-e”, latest version of the examination which will be launched in January 2011. Prometric is working on making additional time available at their centers for candidates who want to take the examination this quarter, Mr. Warren assured the Boards. It is estimated that nearly 295,000 sections of the Uniform CPA Examination will be administered this year, for a 10.38 percent year-on-year growth rate.

Lower volume in the first testing window in 2011 is the natural follow-up, he observed. Mr. Warren gave three reasons for the dip in early 2011: 1- Seasonal volume trends have traditionally indicated lower volumes in the first testing window of every year. 2- Candidates are waiting to make sure that they fully comprehend the CBT-e changes, including new passing score. 3- Candidates are waiting for the review course providers to better understand CBT-e.

The CBT-e’s changes include:

- New content and skills outlines
- BEC will have written communications (adding 30 minutes to that section)
- AUD, FAR and REG will have more and shorter simulations

- AUD will be shortened by 30 minutes
- Simulations, will have greater weight in the final score.

The Board of Examiners will meet in November and then in February to set the new passing score. Mr. Warren explained the score will be equivalent to 75 percent.

While candidate satisfaction for the examination ranked 98.3, the biggest candidate complaint has involved the release of grades, he stated. The January-February 2011 scores will only be released in one wave at the end of the quarter. However, score reporting for the September-October 2011 window and beyond will be released four or more times per window, up from twice per window today. The AICPA will release scores at the same time for candidates who test at the same time, which should resolve the candidates’ complaints, Mr. Warren said.

The AICPA is planning to hold its fourth Regional CPA Exam Forum in early 2011 in the northeast. On behalf of the BOE and the AICPA, Mr. Warren offered thanks to NASBA’s retiring Executive Vice President Joseph Cote for his contribution to the success of the computer-based testing effort. ♦



Douglas Warren

CPT Student Centers Increase

Plans are underway to launch the third NASBA Center for the Public Trust (CPT) Student Center. Speaking at the Annual Meeting, CPT Board Chair Larry Bridgesmith, Esq., said the first center, launched at his school, Lipscomb University, in Nashville, TN, has been embraced with “great enthusiasm.” In October the second student center was inaugurated at Birmingham Southern College, in Birmingham, AL, and the third is set to launch in December at Baruch College – City University of New York. Mr. Bridgesmith reminded the Annual Meeting audience that the 25th anniversary of the movie “Back to the Future” was at hand. He explained that the movie “...stands for the proposition that people come to a point in their lives when they have a choice to make and the choice they make changes their lives.” That is where the student centers hope to step in to support the right ethical choice.

The student centers provide leadership opportunities for the student members. Speakers from the business community are called in to make ethics presentations and each center is encouraged to develop a community service project. Each center has a faculty adviser -- and an additional professional mentor program is under development, CPT Executive Director Lisa Axisa reports. This will bring additional business expertise to the students.

Mr. Bridgesmith showed the Annual Meeting the winning entry

The 2010 CPT Silent Auction



CPT hosted its first silent auction at the 2010 NASBA Annual Meeting with over 100 items.

in the CPT middle Tennessee student video contest for a short film on “Trust.” He predicted, “That competition will become something of national significance.”

“Trust is more than ethics. It is something our world is craving and the Center for the Public Trust exists to help promote and recognize the trustworthy,” Mr. Bridgesmith said. He thanked the Annual Meeting participants for their participation in the silent auction for the benefit of the CPT, and invited others to show their support. See www.centerforpublictrust.org for details. ♦

NASBA 2011 Meetings Calendar

16th Annual Conference for State Board Legal Counsel

March 6-8, 2011

Loews Coronado Bay San Diego, California

Rate: \$199 + 9.5% tax 888-575-6397

Reservation Deadline: Friday, February 4, 2011

29th Annual Conference for Executive Directors and State Board Staff

March 6-9, 2011

Loews Coronado Bay San Diego, California

Rate: \$199 + 9.5% tax 888-575-6397

Reservation Deadline: Friday, February 4, 2011

2011 CPE Conference

March 7-9, 2011

Loews Coronado Bay San Diego, California

Rate: \$199 + 9.5% tax 888-575-6397

Reservation Deadline: Friday, February 4, 2011

2011 Western Regional Meeting

June 8-10, 2011

Hilton Omaha Omaha, Nebraska

Rate: \$143 + 18.16% tax 402-998-3400

Reservation Deadline: Friday, May 6, 2011

2011 Eastern Regional Meeting

June 22-24, 2011

Marriott Grand Point Clear, Alabama

Rate: \$179 + 21% tax 800-544-9933

Reservation Deadline: Friday, May 6, 2011

4th Annual International Forum

July 24 - 26, 2011

Vancouver, British Columbia

104th Annual Meeting

October 23-26, 2011

Opryland Hotel Nashville, Tennessee

Rate: \$209 + 16.25% tax + \$2.50 city tax 888-777-6779

Reservation Deadline: Wednesday, September 14, 2011

NASBA Submits Amicus in AL Peer Review Case

The Alabama State Board of Public Accountancy's peer review requirement is being challenged by a CPA firm as being "arbitrary and capricious in nature, and not tied to any ascertainable standard or methodology." On November 8, NASBA submitted its amicus curiae brief in support of the Board's position in the case of *Scott A. Whisenant, CPA d/b/a Whisenant & Associates v. Alabama State Board of Public Accountancy*, in the Circuit Court of Montgomery County, AL.

In the amicus, NASBA legal counsel Noel L. Allen points out that: (1) the vast majority of states also require peer review per the Uniform Accountancy Act; (2) other states' courts and attorneys general have upheld similar peer review programs; (3) peer review is a means of public protection; and (4) if Alabama cannot enforce its peer review requirement, Alabama CPAs and CPA firms might not qualify for mobility, which would then require such licensees to register in each other state in which they offer or render attest services. The amicus references cases from South Dakota, Nebraska and Missouri in support of its arguments.

The brief states: "The peer review requirements set forth in the UAA and in the rules of numerous state boards across the United States are of critical importance to the regulation of accountancy. Specifically, peer review programs help to ensure that: 1) CPA licensees have developed appropriate procedures to maintain quality control over their work; 2) CPA licensees are following quality control procedures in practice; and 3) CPA licensees are complying with professional and ethical standards."

The amicus curiae brief can be found on NASBA's Web site www.nasba.org. ♦

2011 Yellow Book Changes Proposed

Changes have been proposed for Chapters 1-7 of GAGAS (generally accepted government auditing standards) that include a broad reorganization and emphasis on a conceptual framework combined with rules. The changes will make the government auditing standards ("the Yellow Book") easier to read and apply, Thomas Hackney, a member of the Government Accountability Office's Yellow Book Team, explained at the Annual Meeting.

The standards are moving to a conceptual framework to converge with other standards already adopted by the AICPA and IFAC, Mr. Hackney stated. The changes will harmonize quality control with AICPA standards, reference AICPA standards when applicable to remove duplication, and apply a threats and safeguards approach to determine independence.

Mr. Hackney advised questions be directed to yellowbook@gao.gov where his team will answer them. The Yellow Book is available on www.gao.gov. Comments on the proposed changes are due by November 22, with the revised GAGAS to be issued in March-April 2011 and the effective date of the changes to be determined. ♦

NASBA Reaches Out to Educators

NASBA will be awarding up to \$25,000 for accounting education research, Education Committee Chair Mark Harris announced at the Annual Meeting. He reported the grant program, which may cover a maximum of three projects, was approved by the NASBA Board of Directors at their October meeting. Details will be released soon. Mr. Harris announced the award program prior to introducing Professor Bruce Behn, chairman of the AAA/AICPA Pathways Commission, who observed that budget cuts to the schools are resulting in more challenges for educators.

Professor Behn said the first official Pathways Commission meeting had been held October 15-17 in Washington, DC. The Commission was formed in response to the U.S. Treasury Department's Advisory Committee on the Auditing Profession's recommendation that a study be done on "the possible future structure of higher education for the accounting profession." The Pathways Commission's next public meeting will be held on February 26 in Atlanta. The group has divided their work into two phases, the first, to be completed by November 2011, will identify the issues to be tackled and how they are to be approached, and the second will start in December 2011 to find funding and to implement the recommendations. There will be three "supply chains" feeding into the Pathways Commission and NASBA will be represented by Melanie Thompson (TX) on one of them. Professor Behn encouraged input to the Commission through its Web site <http://pathwayscommission.org>.

Professor Kevin D. Stocks, president of the American Accounting Association, gave the NASBA Annual Meeting an overview of the AAA's activities. Its membership is holding steady with approximately 8,300 members, of which some 25 percent are located outside of the United States. "Strategic planning to integrate with practice is essential," Professor Stocks said. Among their projects is digitizing the AAA library to make it available to the public, reviewing their Bylaws after 30 years, and working to enhance the visibility of accounting research on all levels. One



Bruce Behn, Kevin Stocks and Gabi Zolla exchange remarks during the Education Panel.

of the big issues being discussed by the educators is: "IFRS vs. U.S. GAAP = What do we teach?" Are more than the basics required? The educators are also looking at international education standards for entry into the profession that do not agree with U.S. education standards for entry. The international model is closer to apprenticeship. Educators are also questioning if they should be teaching skills or knowledge.

Professor Stocks also pointed out that the pay differential between graduates with a bachelor's degree in accounting and a master's in accounting is just \$2,000. He encouraged the State Board members to get involved with their universities, and to let the universities become involved with the Boards.

The non-traditional learner is now the norm, Gabi Zolla, the Council for Adult and Experiential Learning's (CAEL) vice president – policy and programs, told the meeting. Today 45 percent of postsecondary students are between the ages of 25 and 44, she stated. CAEL helps non-traditional students put together portfolios of their experience for accreditation. They are partnering with the American Council on Education to do military training assessment. Ms. Zolla said adult learners need guidance, a jumpstart and support in getting to their career goals. ♦

AICPA Chair Says 'Carpe Futura'

During the next year the American Institute of CPAs will be reviving its "Vision" project of ten years ago, and taking a new look at how the Institute's core purpose and values can address changes in the business world, AICPA Chairman Paul V. Stahlin told the NASBA Annual Meeting in San Antonio.

"Integrity, objectivity, independence and the ability to make sense of a complex changing world should guide us as we work to seize the future. Carpe Futura [seize the future]," Mr. Stahlin said. The AICPA's 2009 Trends report found more people graduated with bachelor's and master's degrees in accounting than any other time in history, and the AICPA Chairman said, "Ensuring that these individuals become licensed CPAs should be a priority for all of us." The AICPA has launched an interactive career planning Web site, "This Way to the CPA," to aid those interested in becoming CPAs.

Discussing the tax preparer registration program, he said: "We've raised critical questions about this proposal with the IRS, and have succeeded in exempting CPAs from unnecessary and duplicative testing and CPE requirements."

Mr. Stahlin summarized the efforts that NASBA and the AICPA have worked on and are continuing to work on together: Uniform CPA mobility legislation enactment and implementation; guidance on misleading CPA firm names; continuing professional education standards review; formation of State Board Peer Review Oversight Committees; the Blue Ribbon Panel on Standard Setting for Private Companies; and "working to make sure that the CPA remains a premier accounting credential here and around the world" through international administration of the Uniform CPA Examination. ♦

2010-2011 NASBA Committee Chairs

2010-2011 Committee Name	Chair	Phone	Email
Accountancy Licensee Database	Daniel Sweetwood	402-471-3595	dan.sweetwood@nebraska.gov
Administration and Finance	Theodore W. Long, Jr.	216-283-6863	ted.long@roadrunner.com
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Bylaws	Kathleen J. Smith	308-237-4911	smithk@unk.edu
CBT Administration	Daniel J. Dustin	518-474-3817	ddustin@mail.nysed.gov
Communications	Jefferson Chickering	603-620-1961	jeffchickering@msn.com
Compliance Assurance	Janice L. Gray	405-360-5533	janiceg@cpagray.com
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CPA Examination and Administration	Daniel J. Dustin	518-474-3817	ddustin@mail.nysed.gov
CPA Examination Review Board	Wesley P. Johnson	410-960-6773	wpjohnson@suddenlink.net
CPE Advisory	Telford A. Lodden	515-223-7300	tal@brookslodden.com
Education	Karen F. Turner	970-351-1216	karen.turner@unco.edu
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International Qualifications Appraisal Board	William Treacy	512-305-7801	executive@tsbpa.state.tx.us
Nominating	Billy M. Atkinson	713-356-8205	bill.atkinson@us.pwc.com
Past Chair Advisory Council	Billy M. Atkinson	713-356-8205	bill.atkinson@us.pwc.com
Regulatory Response	Richard Isserman	212-873-1085	nyutick@verizon.net
Relations with Member Boards	Kenneth R. Odom	334-222-4101	kodom@ro-cpa.com
State Board Relevance and Effectiveness	Miley "Bucky" W. Glover	704-283-3439	bglover@gotopotter.com
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State Board Report

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