

# Answering the Call

## Referral process and enforcement assistance

### Western

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NASBA Regional Meetings  
June 2008

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## The Beginning . . .

- › Comments from Associated Press regarding the inability of State Boards to respond to referrals from the SEC
- › Issuance of the National Single Audit Sampling Project identifying numerous substandard audits in selected sample
  - Recommendation: *"Enter into dialogue with the AICPA and State Boards of Accountancy, through the National Association of State Boards of Accountancy, to identify ways the AICPA and State Boards can further the quality of single audits and address the due professional care issues noted in this Project, and encourage them to implement the ways identified"*

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## The Beginning . . .

- › Discussion topic at Treasury Department's Advisory Committee on the Auditing Profession (ACAP)
  - Recommendation: *Greater financial and operational independence of state boards of accountancy is needed*
- › Report on the PCAOB's 2004, 2005, and 2006 Inspections of Domestic Triennially Inspected Firms, dated October 22, 2007
- › Recent HUD proposal to register firms
- › Anecdotal evidence of perception by many Federal agencies that State Boards are ineffective, inconsistent, and not responsive to referrals

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## Governmental Agency Referral Task Force

- ▶ Charge
  - *Identify methodologies by which State Boards of Accountancy can be more effective in working with Federal and State Regulators that can or should refer substandard work and reports of licensees*
- ▶ Members
  - Ellis Dunkum (VA), chair
  - Gerald Burns (OR)
  - Dwight Hadley (NY)
  - Laurie Tish (WA)

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## The Middle . . .

- ▶ Meetings with Federal Governmental Agencies
  - Office of Management and Budget (OMB)
  - Governmental Accountability Office (GAO)
  - Internal Revenue Service (IRS)
  - President's Council on Integrity & Efficiency (PCIE)
  - Federal Audit Executive Council (FAEC)
  - Cognizant Agencies
    - Department of Labor (DOL)
    - Health and Human Services (HHS)
    - Housing and Urban Development (HUD)

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## What we heard . . .

- Several agencies believe that state boards and their investigators may not be knowledgeable about government audits
- Perception that referred CPA is not sanctioned or the case is not even adjudicated
- A referred CPA in multi jurisdictions receives inconsistent treatment, or Board 'carves off the piece' of the case that occurred only in their own state
- More feedback is needed; what are the reasons for a case being dismissed?
- Instances noted in which a CPA who is suspended or disbarred from practicing in front of a federal agency has no sanctions levied

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## What we heard – direct quotes

- *"It seems that State Boards are reluctant to take action against CPA's and firms"*
- *"We know the states in which there is no point to make a referral"*
- *"It would be fantastic if there was a national system in place to adjudicate these cases"*
- *"We are very enthusiastic about establishing a connection between our agency and a point of contact for the State Boards"*
- *"We are thrilled to have as much interaction with NASBA and State Boards as you would like"*

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## Our response . . .

### Development of Referral Process

- Draft sent to State Boards on February 15 with request for comments
- Discussion topic at ED conference in March
- Concern by some State Boards regarding confidentiality issues
- Concern by some State Boards that they have little to no resources
- Back to the drawing board

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## The End . . .

- Goal is to improve communication, the perception of effectiveness and timeliness of referral response, and relationships with Federal agencies
  - Proposed Referral Process
  - Identification of areas in which NASBA can provide support on enforcement assistance

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## Revised Proposed Referral Process

- ▶ Process
  - Quarterly electronic communication between Board/NASBA and NASBA/Federal agencies on referrals in process
    - Status only; no confidential information will be maintained or communicated
  - State Board can utilize NASBA as a resource if there are any difficulties with the referral
- ▶ Recommendation to State Boards
  - Acknowledge receipt of complaint within 30 days
  - Communicate status of complaint on a quarterly basis
  - Communicate completion/results of adjudication process within 30 days of closing

See detailed outline in your meeting materials

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## Opportunities for Enforcement Assistance

- ▶ NASBA leadership engaged Government Agency Referral Task Force to propose strategy
- ▶ Executive Summary of January 2008 Focus Questions
  - Eleven boards indicated that they did not have sufficient enforcement staff to investigate complaints
  - Reasons cited ranged from a shortage of resources to budgetary issues and policy decisions

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## Why is Assistance Needed?

- ▶ Report on National Single Audit Sampling Project was critical of audit quality of Single Audits performed by licensed CPAs
- ▶ Advisory Committee on the Auditing Profession (ACAP) subcommittee report acknowledges that *"a number of state boards . . . Lack control of financial resources . . . To carry out their mandate of public protection . . ."*

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## How NASBA Might Help

- › Provide training for personnel responsible for managing compliance
- › Provide personnel for technical assistance
- › Assist in securing adequate state appropriations

See detailed outline in your meeting materials

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## Questions?

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