

## Call for Nominations

NASBA Nominating Committee Chair Wesley P. Johnson has requested all state boards submit their recommendations for NASBA Vice Chair 2008-2009 no later than March 17, 2008. Under Article IV, Section 3 of NASBA's Bylaws, to be eligible to serve as Vice Chair, an individual must have served as a Director-at-Large or Regional Director for at least a year, but need not be a current member of the NASBA Board at the time of his or her election.

State accountancy boards are asked to send their recommendations, along with a current resume for each individual nominated, to Mr. Johnson at NASBA, 150 Fourth Avenue North – Suite 700, Nashville, TN 37219-2417. Nominations can be faxed to (615)880-4291 or e-mailed to [aholt@nasba.org](mailto:aholt@nasba.org). Questions should be directed to Anita Holt at (615)880-4202 ♦

## 12 PR Boards Go With PCS

Professional Credential Services, NASBA's wholly-owned subsidiary, has been awarded a contract for examination administration for 12 boards in Puerto Rico. ♦

## Contents

Call for Nominations .....	1
Time to Get IFRS on the Exam .....	1
12 Puerto Rico Boards Go With PCS .....	1
PCAOB Disciplines Deloitte .....	2
SBA Recognizes Six Agencies .....	2
Calhoun Reappointed to IFAC Committee .....	2
President's Memo .....	3
ICAEW Training in the Gulf .....	4
ALD Update .....	4

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## Time to Get IFRS on the Exam

The "train has left the station on IFRS" [International Financial Reporting Standards as published by the International Auditing and Assurance Standards Board], Walton Conn, KPMG national office partner, told the conference jointly sponsored by Baruch College and the NASBA Center for the Public Trust on December 6 in New York City. He reported that the largest accounting firms have already invested in training their staffs in IFRS. Waiting for the SEC to make a determination on whether US companies can use IFRS in place of GAAP (see story about SEC's concept release *sbr* 8/07) may be too late for beginning consideration of incorporating IFRS into the Uniform CPA Examination, Mr. Conn observed.

Fellow panelist Larry Shapiro, associate director of assurance for BDO Seidman, commented that clients as well as their auditors will need to come up to speed on IFRS. PricewaterhouseCoopers believes the conversion to IFRS is an eventuality, remarked Jorge Milo, national auditing services leader for PWC; however, he added that for those businesses without operations outside the United States there will not be the same incentives.

"We're going to globalization," said John Fogarty, past chairman of the AICPA's Auditing Standards Board and present member of the IAASB. A huge number of auditing standards are under revision, he explained, and the strides to convergence of international and US standards over the last five years have been tremendous. There is "intense interest" globally on the application of these standards to small and medium-size companies, he told the conference. Mr. Fogarty commented, "Some say because I am small this should not apply to me: That degrades the system." He reported the standard-setters are trying to address this problem by having guidance on how standards should be applied to small entities.

Thomas Ray, PCAOB's chief auditor and director of professional standards, outlined the guidance for smaller companies that the PCAOB had out for comment until December 17, 2007. It addresses scaling the audit for smaller, less complex environments, as well as sufficient evidence when there is less formal documentation and auditing smaller companies with pervasive deficiencies. Two of the PCAOB's current projects outlined by Mr. Ray, one on risk assessment and the other on reviewing interim standards, will be related to international standards.

SEC Deputy Chief Accountant-Professional Practice Zoe-Vonna Palmrose reported 110 private issuers currently registered with the SEC use IFRS. In response to the SEC's concept release about giving US domestic issuers the same option that foreign private issuers now have, to use either IFRS or US GAAP in their SEC Filings, 78 comments were received, she reported. More public feedback was to be collected during the December 13 and 15 roundtables the SEC sponsored. The Commission is particularly interested in feedback on training in IFRS, Ms. Palmrose told the conference.

There is a large volume of technical material that auditors need to know to do their jobs effectively, but not necessarily for entry into the profession, KPMG Partner Craig Crawford told the conference. The firms want people who can apply

(Continued on Page 2)

## PCAOB Disciplines Deloitte

On December 10, 2007, the Public Company Accounting Oversight Board instituted disciplinary proceedings against Deloitte & Touche, LLP, and its former audit partner, James L. Fazio, for violating its interim auditing standards in connection with their 2003 audit of Ligand Pharmaceuticals Incorporated. The PCAOB censured the firm, imposed a \$1-million civil penalty, and required the firm to undertake certain actions including the documentation of practices related to additional quality control policies and procedures. Mr. Fazio was barred from being an associated person of a public accounting firm that is registered with the PCAOB. Deloitte neither admitted nor denied the Board's findings, but consented to its order, as did Mr. Fazio.

According to the PCAOB, before Deloitte issued its audit report of Ligand, it was aware of facts and circumstances that raised questions about Mr. Fazio's ability to lead public company audit engagements, but the firm did not take meaningful steps to assure the quality of the audit work prior to issuing its report. More than a year after Ligand's 2003 audit, the company announced it would restate its financial statements for 2003 and other periods because its recognition of revenue from product sales upon shipment was not in accordance with GAAP. Ligand's restatement recognized approximately \$59-million less in revenues from product sales than it had originally reported (which amounted to a decrease of approximately 52 percent) and a net loss of more than 2.5 times the net loss originally recognized in that year.

"When concerns about an auditor's competency arise, a firm must act with dispatch to protect audit quality," PCAOB Director of the Division of Enforcement and Investigations Claudius B. Modesti stated. "The firm failed to meet the Board's auditing standards in the audit led by Mr. Fazio."

The Securities and Exchange Commission's Los Angeles Regional Office assisted the PCAOB in this case. ♦

## Calhoun Reappointed to IFAC Committee

Charles H. Calhoun, III, a past chair of the Florida Board of Accountancy, former NASBA Board of Directors member and chair of the CPA Examination Review Board, and current member of the NASBA/AICPA International Qualifications Appraisal Board, has been reappointed to a second three-year term as NASBA's representative on the International Federation of Accountants' International Accounting Education Standards Board Consultative Advisory Group. His new term commenced this month. ♦



Charles H. Calhoun, III

## SBA Recognizes Six Agencies

The U.S. Small Business Administration's Office of the National Ombudsman recognized six federal agencies for their service and responsiveness to small businesses facing regulatory enforcement issues.

An Annual Report issued by the National Ombudsman to Congress rates federal agencies on their responsiveness to small business concerns. Those selected included:

- (1) Department of Transportation,
- (2) Environmental Protection Agency,
- (3) Department of Labor's Occupational Safety and Health Administration,
- (4) Department of Homeland Security's Customs and Border Protection Agency,
- (5) Department of Health and Human Services' Centers of Medicare and Medicaid Services, and
- (6) Department of Commerce.

All six of these agencies were judged by the SBA to have a strong commitment to regulatory fairness and to continue to support the interests of small businesses by providing them with tools necessary for success. Federal agencies and the SBA's National Ombudsman work together to review and resolve questions and concerns of regulatory fairness a small business may have.

The SBA has also announced a partnership with the AICPA to start, maintain and expand small businesses. To accomplish these goals, the SBA will train the owners of small accounting firms on its services and products. The two-year alliance, which is the first of its kind for the SBA and AICPA, began on November 1, 2007. During the partnership years, SBA will provide AICPA with speakers for their events, invitations to SBA events, information on SBA programs, services and partners and establish a link on their Web site to the AICPA Web site. In return, AICPA will provide SBA with information pertaining to its programs and services, inform its members of SBA news and information, provide speakers for SBA events and provide a link on their Web site to the SBA Web site. ♦

## Time to Get IFRS on the Exam

(Continued From Page 1)

the technical aspects of the profession, but it is part of the firms' responsibility to teach them how to approach problems, he observed.

Trust in the US financial system relies on auditors, Larry Bridgesmith, Center for the Public Trust Board member, said in summarizing the conference. "Culture is what we tolerate as professionals," he observed. "We can make a difference by being a difference." ♦

# President's Memo

## Where's My Postum?

It's been around since 1895. C.W. Post, founder of the cereal company that bore his name, invented this first caffeine-free substitute for coffee. It was my first addiction: Postum! Sadly for many, a recent news release reported the discontinuance of Postum. Rene Zahery, a spokeswoman for Kraft, which now owns the Post brand name, said the demand for Postum had dwindled to the point where manufacturing it no longer made sense, *The Salt Lake Tribune* reported.

Postum was once so popular that coffee tables were referred to as "Postum tables." That was before the advent of Starbucks, Seattle's Best, Dunn Bros. and dozens of other heavily marketed coffees with attendant computer and social parlors.

So, what's wrong with Postum, the Edsel, the comptometer, the crank adding machine, 14-column worksheets, leisure suits, Nehru jackets, and scores of other similar examples? It is now 2008! It is not 1895, 1958, 1960 or even 1990. It's 2008 and the world has changed dramatically in the past five, 10, 25 and 100 years. And changes, fueled by a combination of global, economic and marketing factors, are coming at us faster than ever.

Peter Drucker, famed management adviser and author, summarized it this way: "There is no law that says you can't go out of business." I believe the management guru had it right. But the corollary of Drucker's statement is equally true: There is no law that says you must go out of business. The issue is, and has always been, whether existing companies, governments, boards of accountancy, professional societies, NASBA, AICPA and all entities will adjust and adapt to market and economic factors and reality.

The October 4, 2007 issue of *Financial Times FT.com* in announcing the formation of the U.S. Treasury's Advisory Committee on the Auditing Profession (ACAP), noted that the Treasury used the word "vibrant" twice in charging the 21-member group. "What can best be done to sustain a vibrant auditing profession" was the main thrust of the charge to ACAP. Has the word "vibrant" ever been used before to describe accountants and auditors?

"Vibrant" is defined as: oscillating or pulsating rapidly; pulsating with life, vigor, or activity. Within the context of the referenced article above, vibrant seems to be a code word for significant change, not just a warming up of yesterday's deliberations. But we should not fear the forces and factors of change; we, like all entities, must adapt and adjust to, and help bring about, the changes that will maintain the vibrancy that the public sees about them in all other market activities. The message of this month's Iowa caucus: the public wants change.

At our 100th anniversary celebration this past October, we focused on the theme: "Respecting the past and anticipating the future." In keeping with our focus on the future, and realizing that the accounting profession and regulators are not exempt from the same market forces that made Postum passé and irrelevant, what are some of the issues on the horizon which we should anticipate and address before other forces dictate the changes?

NASBA's Strategic Initiatives Committee, chaired by Gaylen Hansen, has been keeping us aware of the forces that our boards are facing. Other NASBA committees have also been bringing us recommendations for keeping our association and the member boards apace with surrounding change. But I am eager to hear what issues others see approaching. I welcome your suggestions on what we should anticipate and should address ([dcostello@nasba.org](mailto:dcostello@nasba.org)) and I plan to focus on some of those issues in future articles.

*Ad astra,  
Per aspera.*



David A. Costello, CPA

A handwritten signature in dark ink, reading "David A. Costello". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

David A. Costello, CPA  
President and CEO

## ICAEW Training in the Gulf

The Institute of Chartered Accountants in England and Wales (ICAEW) has launched training for its Associate Chartered Accountant (ACA) qualification in the Gulf. Approximately 500 accountants already hold the ACA in the Gulf Region, but now there will be local training for the qualification. The program, which will be offered in Dubai and Bahrain, has two stages: the “Professional Stage,” which consists of introductory sections on the core concepts of accounting and the application of those concepts, and the “Advanced Stage,” that includes a rigorous case study and two technical papers.

“As the Gulf becomes a world leading financial center, there is an increasing demand from businesses for highly skilled accountancy professionals who are fully conversed with international practices...the ICAEW believes it can meet this need...there is no qualification like the ACA,” ICAEW President Richard Dyson stated at the launch in Dubai.

The ICAEW has also teamed up with the Chinese Institute of Certified Public Accountants (CICPA) and with the Institute of Chartered Accountants of Pakistan (ICAP) for professional education.

The ICAEW and the CICPA have agreed to cooperate in a joint project which conducts research and investigations regarding the ACA and the Chinese CPA qualifications. Ultimately, both institutions hope to achieve mutual credits for prior learning. “It demonstrates another positive step from CICPA towards implementing its international strategy and enhancing Chinese accountants’ standing and influence in the world,” remarked Dr. Chen Yugui, the Secretary General of the CICPA.

The ICAEW and the Institute of Chartered Accountants of Pakistan (ICAP) have signed a memorandum of understanding

whereby ICAP members are allowed to participate in a “top-up” program that will enable them to become members of the ICAEW with tuition assistance. Best practice exchanges are encouraged in this agreement.

“We want to be recognized as a major presence in both emerging and developed markets -- not only as a provider of financial qualifications that are second to none, but as an organization with a reputation for championing best practice in partnership with both governments and individual institutions such as ICAP,” ICAEW President Dyson stated while visiting Pakistan. ♦

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## ALD Update

In an effort to provide a source of accurate and current information on individual and firm licensees from across the country, NASBA has been developing the US Accountancy Licensee Database (ALD). The ALD aims to make licensure, regulation and practice more efficient. It eases communication among boards, aids in the state boards’ enforcement efforts and facilitates substantial equivalency. The ALD helps the public find licensees and firms that are in good standing as well as provides access to disciplinary action. To ensure the safety of licensee data, ALD has four levels of security, including data encryption, which recombines Social Security numbers into coded IDs for log-in.

**States active on the ALD:** Alaska, Arkansas, Idaho, Indiana, Louisiana, Missouri, Nevada, New Mexico, Oklahoma, Puerto Rico, Tennessee, Texas, West Virginia and Wyoming.

**States coming soon to the ALD:** Colorado, Iowa, Massachusetts, Ohio, South Carolina, South Dakota and Washington. ♦

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## State Board Report

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