

# NASBA State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

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## ICAEW Reps Address Board

Getting reacquainted with NASBA, the Institute of Chartered Accountants of England and Wales (ICAEW) Head of International Affairs Jean Etteridge and its Executive Director for Learning and Professional Development Mark Protherough addressed the July NASBA Board meeting. Ms. Etteridge recalled: "ICAEW had a good relationship with NASBA and we were in talks about reciprocity – and then everything went quiet. We realized last year that we had been remiss in letting that relationship slip."

Mr. Protherough, who has been designing qualifications for 25 years, for the last five with the ICAEW and previously with ACCA, observed: "The world is shrinking and the big firms are talking about off-shoring much of their audit work. Then which qualification do they want their people to study for in India, Bangladesh, etc.? I would love to be talking to you." The ICAEW has reciprocal membership agreements with designations in Australia, Canada, Hong Kong, Ireland, New Zealand, Scotland and South Africa.

ICAEW has been talking to the Public Company Accounting Oversight Board and the Securities and Exchange Commission about the adoption of International Financial Reporting Standards in the United States. Ms. Etteridge said:

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## BRP Constructing Models

We want to avoid differential standards, NASBA Chair Billy Atkinson told the Blue Ribbon Panel (BRP) on Standard Setting for Private Companies at their third meeting on July 19, 2010, held in Chicago. Having discussed with the NASBA Ethics and Strategic Professional Issues Committee, Regulatory Response Committee and other concerned State Board members the materials distributed by the BRP, Chair Atkinson said the Boards' representatives support the Financial Accounting Standards Board, but, "Based upon output trends, we see little evidence of consistent private entity, or 'main street' input or consideration in accounting standard development. The Private Company Financial Reporting Committee's work streams and recommendations have apparently had little influence in standard development or FASB agenda setting."

At the meeting's start, BRP Chair Rick Anderson recast his previous statements on the part users of financial information should play in this debate: "A comment I made early on was that this whole process, of evaluating whether or not there should be a different process, needs to be user-driven. As we listened in the first two meetings, the users were not in love with the standards in use today. They adjusted to what they were given, and they said they could adjust to future changes. Users are open to different standards as long as they make sense and there are legitimate reasons for change. Maybe what I should have said was that any process for change has to be fully acceptable to the users....It is not the users who are asking for change – because the cost is being borne by the preparers and the profession."

NASBA Chair Atkinson stated: "The FASB should be structured with greater private entity representation. This could take the form of additional FASB board members and/or programmed expectations by the Financial Accounting Foundation (FAF) on behalf of the public and all constituents. There may be various ways to get this done effectively, but we believe the appropriate manner in accomplishing this is within the original commissioning of the FAF."

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## Search for NASBA CEO in Progress

The Selection Advisory Committee (SAC) is collecting applicants' resumes for the post of NASBA President and Chief Executive Officer, following the announced resignation of David A. Costello to take effect on January 1, 2012. SAC Chair John B. Peace (AR) reported to the NASBA Board of Directors that ads for the position have run in the *Wall Street Journal*, *Journal of Accountancy*, *NASBA State Board Report* and on-line on the American Society of Association Executives' Web site.

Chair Peace reported a substantial number of applications have been received and the Committee will next meet on September 2, 2010 to review them and to start to prioritize the finalists. Resumes should be sent to [nasba\\_select@ymail.com](mailto:nasba_select@ymail.com).

"We thank the Boards for their input and recommendations," Chair Peace said. "Our Committee is dedicated to finding a leader for NASBA who will meet the criteria put forth at the Regional Meetings." The other members of SAC include: Jimmy Burkes (MS), Charles Clark (ID), Andrew DuBoff (NJ), Ellis Dunkum (VA), Theodore Long (OH), Diane Rubin (CA), Kent Smoll (KS), Laurie Tish (WA) and Bill Treacy (TX). ♦

# NASBA

## PRESIDENT & CEO

National Association  
of State Boards of Accountancy

The National Association of State Boards of Accountancy is seeking an individual to lead the organization as President & CEO. The successful candidate should possess the following qualifications:

- Visionary
- Good communicator
- Strong management and business skills
- CPA and regulatory experience preferred
- Proven leadership performance

Salary and benefits commensurate with qualifications and experience.

Please send resume to  
nasba\_select@ymail.com

## ICAEW Reps Address Board (Continued from page 1)

“From the UK position, we would love to see it adopted. When making your decisions in the U.S., you are affecting the rest of the world.”

NASBA/AICPA International Qualifications Appraisal Board (IQAB) Chair William Treacy (TX) had met with Mr. Protherough and Ms. Etteridge in DC and in New York during the past year. He reported to the NASBA Board on the status of the mutual recognition agreement applications currently under review by IQAB. He also noted that, in May, he travelled to China with President David Costello and Director of International Relationships Linda Biek and made six business presentations in five days. As a consequence of that trip, in September a Chinese delegation will be meeting with Mr. Treacy and other NASBA representatives in New York. He commented, “We made an impression in China. I believe our efforts are working.” ♦

## BRP Constructing Models (Continued from page 1)

AICPA and several other BRP members have voiced support for a separate FASB-type entity to promulgate differential accounting standards specifically for private entities.

The BRP staff has been charged with fleshing out two or three possible models for change, as well as adding focus to its background statement on the need for change, and constructing a survey document to gain public input, that has now been posted on [www.fasb.org](http://www.fasb.org). Responses will be posted on the Web site. Chair Atkinson has encouraged all Boards to respond. The next meeting of the BRP is scheduled for October 8, 2010 in New York City at the AICPA's office. ♦

## Outstanding 2010 Annual Meeting Speakers

NASBA's 103rd Annual Meeting, to be held October 24-27, 2010 in San Antonio, TX, will hear from leaders of NASBA, AICPA and AAA, plus Financial Accounting Foundation Chair John Brennan, IRS Office of Professional Responsibility Director Karen Hawkins, Public Company Accounting Oversight Board Acting Chair Daniel Goelzer, COSO Chairman David Landsittel, and others. “Momentum” will be the meeting's theme, giving participants an overview of the power of NASBA and the member Boards. Meeting details can be found on [www.nasba.org](http://www.nasba.org).

## Board Continues to Debate IFRS on Exam

The inclusion of questions about International Financial Reporting Standards on the Uniform CPA Examination beginning in January 2011 continued to draw criticism at the NASBA Board of Directors meeting held July 23 in Grand Teton, WY. The New York Board is adamantly opposed to such test questions being on the exam at this time, NASBA Director-at-Large Richard Isserman, who chairs the NY Board, stated. Colorado sent a letter to the Board of Examiners several months ago protesting the questions' launch in January, and other similar remarks were heard at NASBA's June Regional meetings. President David Costello told the Board he would bring their concerns to AICPA leadership.

NASBA Treasurer Leonard Sanchez reported to the Board that NASBA expected to end FY 2009-2010 very close to budget in operating income and substantially in excess of budget for investment income. In addition, the Board approved the FY 2010-2011 operating and capital budgets for NASBA as presented by Chief Financial Officer Michael Bryant.

Contract talks on the international administration of the Uniform CPA Examination are moving forward, Chief Operating Officer Ken Bishop reported. Two agreements are being worked on, one with NASBA and the AICPA to run through 2024, and the other abbreviated contract for the two-year pilot with NASBA, AICPA and Prometric. Mr. Bishop said they will cover the terms on which the NASBA Board had previously agreed.

The restructuring of the CPA Examination Review Board was formally approved at the NASBA Board's July meeting. As of August 1, 2010, the ERB will include five volunteers serving a minimum of two years plus three full-time staff: Wesley Johnson (MD) will serve on the Board for two years, Sandara Wilson (AK) for three years, Charles, Talbert, III, (SC) for two years, Nicholas Mastracchio, Jr., (NY) for three years, and David Vaudt (IA) of two years. Toerien DeWit will be Director of ERB Operations.

Communications Committee Chair Sally Flowers (CA), encouraged NASBA to continue to use social media to reach out to students. Although some State Boards have started to use social media, more need to become involved with using what Ms. Flowers termed a “generational” media. ♦

AICPA/FAF/NASBA Private Company “Blue-Ribbon Panel” Seeks Written Input from Constituents.

Go to [www.FASB](http://www.FASB) to complete questionnaire.

## It's Time To Get Motivated!

August 26 marks the 90th anniversary of women's suffrage—the right to vote. It was a slow slog of 70 years for women to finally find their long sought voice in the passage of the 19th Amendment to the Constitution. The Amendment was first proposed by Congress on June 14, 1919, but could not become law without the ratification of a minimum of 36 of the then 48 states. By the summer of 1920, 35 states had ratified the Amendment when Tennessee called a special legislative voting session in August 1920.

As it turned out, a 24-year-old Republican legislator from McMinn County, Harry T. Burn, held the deciding and critical vote after much debate and argument in the Tennessee House resulted in a 48-48 tie. Burn, who had planned to vote “Nay” on the Amendment, changed his mind and voted “Aye,” which ushered in the right of women to vote. Speaking to the House Chamber the next day, Burn explained why he'd changed his vote. He had received a letter from his mother, which in part read: “Don't forget to be a good boy and help Mrs. Catt [leading suffragist of the day].” In Burn's words: “A good boy always does what his mother asks him to do.”

Motivation comes from many sources and I'm sure one of the more persuasive ones is a mother. Her advice, encouragement and, yes, even her strong suggestion makes an impression.

In recent years we have seen too often State Boards of Accountancy be diminished, starved of funding, stripped of necessary resources, and diluted of authority by the state government authorities who have the principal responsibility of public welfare. It's just plain incomprehensible to me that in the most challenging of times as relates to accounting scandals, audit and ethical failures, business corruption, and significant loss of trust in government oversight, that Boards of Accountancy are targets of budget cuts, fund-sweeping, and diluted operational and financial management. Well, it's time to get motivated!

The State Board Relevance and Effectiveness Committee has studied the assault on State Boards and has developed a position paper on “Semi-Independent State Boards of Accountancy.” The paper will be distributed to all Boards, to key legislators throughout the country and to all other relevant parties to move us to get something done. It's time to get motivated!

Accountancy Boards are charged with public protection in licensing, oversight of CPAs, and proper and timely enforcement of regulation. The public demands and expects protection -- yet we are seeing more frequently some of the following nonsensical activities:

- Accountancy Boards reporting to and having their authority usurped by umbrella agencies that can include numerous regulatory boards as diverse as barbers, wrestlers, morticians, contractors, realtors, engineers, and others.
- Boards with no authority to make personnel decisions consistent with state personnel policies and the needs of the Board.
- Accountancy Boards' funds annually swept into the states' general funds, rather than being used for the specific purposes for which the funds were accumulated.
- Boards lacking the authority for financial and operational management such as setting fees, determining expenditures needed for successful operations and other such decisions.

Even the U.S. Treasury Department's Advisory Committee on the Audit Profession (ACAP) recognized the need for independent Boards of Accountancy and said so in its report.

It's time to get motivated!

We're asking others to join our efforts to stop the nonsense of attempts to strip Boards of Accountancy of their funds and authority and to establish semi-independent Boards of Accountancy. If the threats and pressures haven't been felt yet in your state, congratulations -- but don't get complacent.

Harry Burn was motivated to act by the words of his mother. I trust we will be motivated to act courageously in our efforts to establish all Boards of Accountancy as semi-independent simply because it is the right approach to better meet our public responsibility. Let's get motivated!

*Ad astra, Per aspera*



David A. Costello, CPA

A handwritten signature in black ink that reads "David A. Costello". The signature is written in a cursive, flowing style.

— David A. Costello, CPA  
President and CEO

## California Tackles 'Hollow 30'

The California Board of Accountancy has established an Accounting Education Committee (AEC) to discuss a framework for the additional 20 hours of accounting study beyond the baccalaureate degree necessary for California licensure after January 1, 2014 as required by the passage of Senate Bill 819. Another 10 hours of ethics education are required by the legislation. AEC Chairman Ruben A. Davila, clinical professor of accounting at the University of Southern California, explained: "We should develop a workable definition and a model that is responsive to the needs of relevant stakeholders while maintaining public protection as our primary objective."

To assist the AEC's deliberations, the California Board's staff outlined the education requirements for each state broken out by the total education requirement, accounting-related hours, business-related hours and additional requirements, and items of note. Their chart can be found on the California Board's Web site as AEC June 23, 2010 Meeting Agenda Item V. They reported to the AEC:

- "Eight states (AL, ID, IL, IA, NJ, RI, WI and WY) accept a graduate degree in accounting in place of completing the specific accounting and business courses required for applicants with a baccalaureate degree.
- Three states (LA, NC, WY) place a limitation on the number of internship hours that may be applied toward the 150-hour requirement.
- Two states (NM and TX) require a minimum number of hours to be completed by physically attending courses on campus.
- Five states (AL, LA, NV, VT and WV) require a certain number of hours to be completed in specific courses to fulfill the accounting or business related requirement."

The AEC is scheduled to submit rulemaking materials to the Department of Consumer Affairs no later than November 2011. ♦

## 30 States on ALD

Ohio is the latest state to join the U.S. Accountancy Licensee Database - bringing the total to over 551,000 licensees' information contained on-line. Four states are working toward participation. ♦

## FIAR Set for Madrid in September

The third Forum of International Accountancy Regulators will be sponsored by NASBA on September 29-October 1, 2010 in the Westin Palace in Madrid, Spain. International cooperation and audit quality will be the focal points of the conference, Linda Biek, NASBA Director of International Relationships told the Board.

Chair of the IASC Foundation Trustees, Tommaso Padoa-Schioppa will open the program with a discussion about the future of international standards and the governance of those standard-setting bodies. The program will also cover: the evolving role of the profession in enhancing transparency and instilling confidence; sustainable international standard setters; what is audit quality; regulatory convergence – why it is important and what is being done; regulatory viewpoints; cross border cooperation of supervising audit firms; and regulatory roundtable. There will be status updates from the International Auditing and Assurance Standards Board, International Forum of Independent Audit Regulators and the International Ethics Standards Board for Accountants.

Registration is complimentary for attendees (\$100 for guests to attend receptions) and can be completed via the NASBA Web site [www.nasba.org](http://www.nasba.org). A special VIP Reception hosted by NASBA and the International Federation of Accountants' Public Interest Oversight Board (PIOB) will be held on Wednesday, September 29 in the PIOB's gardens in Madrid. Hotel information and other meeting details can be found on the NASBA Web site.

Ms. Biek said the NASBA Global Strategies Committee, which planned this event, can be the State Boards' ears and voice in the international arena. She underscored the importance of NASBA being involved in international meetings as she advised the NASBA Board: "You don't know what you don't know." ♦

# State Board Report

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