

NASBA State Board *Report*

A Digest of Current Developments Affecting State Accountancy Regulation

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Building Expert Database

Individuals who have state board experience plus technical expertise are valued additions to many government and professional groups. To assist NASBA's leaders in making recommendations for NASBA representatives to serve on advisory boards, special task forces, committees, etc., a database is being assembled. Questionnaires will be on NASBA's Web site to collect background information. All board members, past and present, are encouraged to fill out and submit the forms as soon as possible.

"We have talented, informed individuals who serve on the state boards, and they should be part of the processes that design the regulatory landscape," President Costello stated. NASBA representatives now serve on advisory groups to the Public Company Accounting Oversight Board, the Treasury Department, the International Federation of Accountants, the Public Company Accounting Oversight Board, the American Institute of CPAs, and other organizations. ♦

NASBA's Hansen Picked for Treasury's ACAP



Gaylen Hansen

NASBA Mountain Regional Director Gaylen Hansen (CO) has been appointed to Treasury Secretary Henry Paulson's Advisory Committee on the Auditing Profession (ACAP), which will hold its initial meeting on October 15, 2007. The purpose of the new group is to study and make recommendations on the overall structure, liability limitations, competition and regulation of the US public accounting profession, relating primarily to the attest/audit function. The ACAP is expected to meet approximately eight times before culminating its work with recommendations presented in the summer of 2008.

Mr. Hansen explained that there will be will be three subcommittees:

- ❑ **Human Capital** – Covering the supply side of the profession, education, curricula in general, qualification to practice, etc.;
- ❑ **Audit Firm Structure** – Considering legal organization, capital requirements, legal liability and limitations, and licensing and regulation;
- ❑ **Competition** – Focusing on interface with clients and how firms are retained, forces that impact or constrain firms, consequences of the loss of another major accounting firm including possible impact on capital markets, structure of the profession, etc.

The Treasury Department's press release indicated Mr. Hansen would be representing "the states" in the 21-member advisory group. He anticipates that he will be called upon during ACAP deliberations to explain the importance of the state

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IQAB Says 'Yes' to Hong Kong MRA

Drafting of a mutual recognition agreement (MRA) with the Hong Kong Institute of CPAs (HKICPA) was approved at the October 5, 2007 meeting of the NASBA/AICPA International Qualifications Appraisal Board, as was the renewal of the MRA with the Instituto Mexicano de Contadores Publicos. Once drafted, the Hong Kong agreement will still require approval by the boards of directors of NASBA, the AICPA and the HKICPA, but the fact that the drafting has finally begun marks the conclusion of a multi-year process that persuaded IQAB to reconsider its evaluation criteria and processes. Recognizing the high quality of professional training in Hong Kong, IQAB's evaluating task force had to rethink their method of scoring applications and interpreting required education.

Professor Kay Carnes, who has participated in the HKICPA and other evaluations mused: "We have become increasingly frustrated in trying to match the quantitative versions of our three E's to the alternative models in place in other countries. On almost every task force I have served, we have informally agreed that the other country's certification process turned out excellent professionals – then we spent months and years trying to back their methodology into some kind of

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NASBA Staff Reorganization

With NASBA's staff having grown to approximately 200 members to handle developing and ongoing projects, NASBA President David A. Costello has added three new executive positions to the organization: Alfonzo Alexander has been named Chief Relationship Officer; Ed Barnicott (formerly enterprise project manager for the Computer-Based-Testing Steering Group) has been hired as Chief Technology Officer; and Linda Biek (formerly executive director of the Tennessee State Board of Accountancy) has joined the NASBA staff as Director – Governmental, International and Professional Relationships.

Addressing the NASBA staff directors on September 27, President Costello explained the staff reorganization reflects two steps to enhance the Association's services: a shift in the information systems area to facilitate building technology for new applications; and focusing NASBA's many relationship services into one coordinated area.

President Costello said the new executive posts will assist NASBA in more rapidly achieving its vision: "To be and to be known as the clear and trusted voice of state boards of accountancy by being the leading source of comprehensive and accurate information and services that enhance the efficiency of the regulatory process."

NASBA staff directors also heard from Larry W. Bridgesmith, Esq., executive director of Lipscomb University's Institute for Conflict Management, on "Creating a Conflict Competent Collaborative Culture." He counseled the directors to be prepared to accept conflict and to find the tools to deal with it in a constructive way.

Johnson & Johnson had a slogan, "We welcome conflict," Mr. Bridgesmith reported, because a sense of dissatisfaction is needed to foster improvements. Mr. Bridgesmith will speak at the Annual Meeting on dealing with conflict in an international setting. ♦

IQAB Approves Hong Kong MRA

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conformance with that of the US.

"The inability to tie competency based education systems to the 150-semester credit seat hours or a series of open book exams to a psychometric standard has caused innumerable problems in the past. There are such differences in how countries choose to train and regulate their professions that I believe the process will always come down to judgement."

IQAB Chair William Treacy has charged the Board members with developing new ideas for keeping the state boards aware of IQAB's efforts on their behalf. Despite the care that goes into the evaluation process, some boards have not enacted the MRAs developed by IQAB and others still require non-US professionals covered by the MRAs to complete lengthy licensure steps.

While the Uniform Accountancy Act Committee determines what "substantial equivalency" means domestically, IQAB is tackling the same issue when looking at non-US professionals, who

frequently come through rigorous high school programs, three-year baccalaureates, topped off with professional training and mentored multi-year experience requirements. IQAB is developing a formal definition of "substantial equivalency" that can be used to provide guidance when comparing the 150-hour education and one-year experience requirements with non-US programs.

Charles Calhoun, who serves as IQAB's liaison to the International Federation of Accountants, suggested state boards review a recent article in *New Accountant* magazine, "IQEX: An Expanding Opportunity for International Reciprocity," by Murray State University Professors Robert A. Seay and Holly R. Rudolph (http://www.newaccountantusa.com/New_Accountant_Magazine_Issue_721.pdf). *New Accountant* is a magazine distributed to accounting students.

One IQAB member looked at the article and said: "The word is getting out to the students. Now we just need to get it to the boards." ♦

IN Establishes Investigative Fund

An Accountant Investigative Fund, established by the Indiana Professional Licensing Agency, went into effect July 1, 2007. The Fund investigates and prosecutes licensees and firms in violation of the accountancy statutes and laws.

If the Board finds that its rules have been violated, then it may impose a civil penalty of up to \$25,000 for each violation. All fines obtained will be allocated back to the Accountant Investigative Fund.

The Board, in order to maintain the existence of the fund, established a fee of \$10 per year for any person who holds a certificate as an accountant, CPA or PA, in addition to fees associated with issuing or renewing a certificate or permit. ♦

NJ Requires Ethics CPE for All

New Jersey has expanded its ethics CPE requirement to include new licensees. Signed into law in April 2007, this four-hour requirement, currently in effect, must be filled by licensees renewing and, now by new CPAs within the first six months after initial licensure, as part of the 120 hours of CPE that NJ CPAs must complete within three years.

The course, which focuses on laws and ethics specific to the state of New Jersey, is offered at various pre-approved institutions. The New Jersey Society of Certified Public Accountants (NJSCPA) joined with ECI Conference Call Services, a privately held conferencing company, to turn the course format from a live, in-person course to a live, virtual course taught in real time. ♦

President's Memo

Gorillas in the Backseat

Tennessee has a law that bans shooting game, *other than whales*, from moving vehicles. I've lived in Tennessee most of my life and have yet to see a whale in any of its rivers or lakes. I'm sure, however, that at some time in the past there was a reason to have the legislature approve what we now consider to be an absurd, useless and inapplicable law. The Department of Motor Vehicles (DMV) reports other arcane driving laws on the books of many states. Consider the following:

- ☐ In Alabama, it is illegal for a driver to be blindfolded while operating a vehicle.
- ☐ California prohibits driving by any woman wearing a housecoat.
- ☐ Florida requires that money must be deposited in a parking meter by the owner or attendant for an elephant tethered to the meter.
- ☐ It is considered unlawful in Kentucky to transport an ice cream cone in your back pocket.
- ☐ In Michigan, when your car breaks down, it is illegal to sit in the street reading a newspaper.
- ☐ Minnesota forbids anyone to cross state lines, whether driving or walking, with a duck on his or her head.
- ☐ In Nevada, it is illegal to ride a camel on any highway.
- ☐ In New Jersey, if found driving while intoxicated, you lose your privilege of obtaining a vanity license plate.
- ☐ It is illegal in Oklahoma to read a comic book while driving.

Aristotle once penned, "Even when the laws have been written down, they ought not always remain unchanged."

Our Uniform Accountancy Act (UAA) and rules recognize the Aristotelian principle that laws and regulations are not permanent and must relate to current and foreseeable future conditions. You will read in this *Report* the latest proposed changes to the model education rules of the UAA based on study, research and much deliberation.

NASBA's collaborative efforts with state boards, state societies, the AICPA, the Accountants Coalition, legislative groups and interested citizens on the mobility of CPAs ("no notice, no fee, no escape") address head-on the necessity of matching state laws and regulations with the commerce and public interest conditions existing today.

The recently announced formation of Treasury Secretary Henry Paulson's Advisory Committee on the Auditing Profession (ACAP) further illustrates the point that the public will not tolerate out-of-date, out-of-touch laws. Note the purpose of the new group: "To study and make recommendations on the overall structure, liability limitations, competition and regulation of the US public accounting profession, relating primarily to the attest/audit function." Does that read like we'll accept the status quo?

Will ACAP have any impact or influence on state accountancy laws? I think we all know the answer to that question. The more relevant question is why do states and their accountancy boards defer making the bold moves (e.g. mobility) initially and forestall having to answer to the SEC, PCAOB, GAO, and what will soon be the ACAP's recommendations? I still maintain that the most significant challenge to the state boards is to remain a meaningful force in today's regulatory environment. While I appreciate the national moves to both protect the public and to assure better access to quality professional services, I do regret that we, as state boards and NASBA, have not historically led the charge. We have opportunities to show a trusting public that we are not only the largest accountancy regulatory body in the world, but also the most relevant. We must not yield to the temptation of the status quo, protecting the turf, yesterday's arguments, and a host of other impediments that subject the state accountancy regulatory system to the charge of being anachronistic — outdated, archaic, irrelevant.

It is against the law in Massachusetts for you to drive on any road with a gorilla in the backseat of your car. That law, if ever needed, should have been eliminated years ago. And we should be eliminating the "gorilla" accountancy laws and regulations in every state and jurisdiction which, under the guise of protecting the public, actually do just the opposite.

*Ad astra,
Per aspera.*



David A. Costello, CPA

A handwritten signature in dark ink, appearing to read "David A. Costello".

David A. Costello, CPA
President and CEO

Model Education Rules to Board

The new proposed Uniform Accountancy Act Model Education Rules will be brought to the October NASBA Board of Directors meeting for their approval to distribute as an exposure draft. On October 11, the NASBA UAA Committee reviewed the proposal and recommended that the Board distribute the Rules for comment. Discussion of the Model Education Rules is on the agenda for the October 26, 2007 Board of Directors meeting.

The proposed changes differ from the Model Rules currently in Article 5 in the following areas, as Education Committee Chair Bill Atkinson explained to the Board of Directors at their last meeting:

- ❑ Add text for college/university, integration, independent study, internships and ethics.
- ❑ Minor changes in text related to schools with no accreditation.
- ❑ Add section on intent of the education requirements.
- ❑ All candidates, regardless of degree conferred or accreditation level, will need the same number of accounting hours. Minimum subject coverage changed to the subjects contained in the Board of Examiners' "Content Specifications Outline."
- ❑ Add a minimum of two hours in research and analysis in accounting (either a discrete course or integrated)
- ❑ Change subject coverage of 24-hour business component
- ❑ Add a minimum of two hours in communications in business or accounting (either a discrete course or integrated)

- ❑ Add a minimum of three hours in ethics in business or accounting (either a discrete or integrated)
- ❑ Change "six hours for internships or life experience" to "six hours for internships and independent study."

Not included in the proposed changes are any revisions to the total hourly requirement of 150 hours of education, per Section 5 c(2) of the Uniform Accountancy Act. In response to questions raised by state boards, NASBA staff members are collecting data on the impact of allowing candidates to take the examination before completing the 150-hour requirement. A report on their findings is expected soon. ♦

NASBA's Hansen Picked for ACAP

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accountancy boards' role in regulation.

ACAP Co-Chairs are Arthur Levitt, former chairman of the Securities and Exchange Commission, and Donald Nicolaisen, former chief accountant of the SEC. Other well known members of the group include: Paul Volcker, former chairman of the Federal Reserve; Timothy Flynn, KPMG, LLP, chairman and CEO; Barry Melancon, AICPA president; and Anne Mulcahy, Xerox Corp. chairman and CEO.

Mr. Hansen has also represented NASBA on the Public Company Accounting Oversight Board's Standing Advisory Group and the AICPA's Professional Ethics Executive Committee. In addition, he has served for several years as the chair of NASBA's Strategic Initiatives Committee. ♦

State Board Report

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