

2008 - 2009 NASBA Board of Directors



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Front Row (left to right): Walter C. Davenport (NC), Director-at-Large; Sally Flowers (CA), Director-at-Large; Billy M. Atkinson (TX), Vice Chair; David A. Costello, President and CEO; Thomas J. Sadler (WA), Chair; Samuel K. Cotterell (ID), Past Chair; Laurie J. Tish (WA), Pacific Regional Director; Joseph T. Cote, Executive Vice President and COO. **Middle Row (left to right):** E. Kent Smoll (KS), Central Regional Director; Edith Steele (OK), Executive Directors' Liaison; Theodore W. Long, Jr. (OH), Director-at-Large; Claireen Herting (IL), Great Lakes Regional Director; Kathleen J. Smith (NE), Director-at-Large; Kenneth R. Odom (AL), Southeast Regional Director; Carlos E. Johnson (OK), Southwest Regional Director; Noel L. Allen, legal counsel. **Back Row (left to right):** Donald H. Burkett (SC), Middle Atlantic Regional Director; Mark P. Harris (LA), Director-at-Large; Leonard R. Sanchez (NM), Director-at-Large; Richard Isserman (NY), Director-at-Large; Gaylen R. Hansen (CO), Director-at-Large; Harry O. Parsons (NV), Mountain Regional Director; Robert A. Pearson (MO), Director-at-Large; Michael Weinschel (CT), Northeast Regional Director.

UAA Model Rules Draft Released

The latest proposed edition of the Uniform Accountancy Act's Model Rules was approved for release for comment by the NASBA Board of Directors at their meeting on October 24, 2009. Among the proposed changes are revisions to Article 23 in support of the UAA's mobility provisions, clarifications of grounds for enforcement against licensees, and deletions of rules that applied only to the paper-and-pencil based Uniform CPA Examination. Comments are requested by January 31, 2009.

At the Board's meeting, NASBA Chair Samuel Cotterell said that, while he remains optimistic about the fundamentals of the US economy, NASBA will be prudent in looking at the impact of the financial downturns on its operations. He pointed out, "When people become unemployed, they traditionally look for more credentialing," which could mean an increase in CPA candidates. In addition, he

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101st Annual Sees Roads Less Traveled

“Great success comes when you take a different path – the path that has not been laid out yet,” President David A. Costello told the 101st NASBA Annual Meeting, held October 26-29 in Boston. The meeting drew representatives from 52 state accountancy boards, including 132 delegates, 34 associates, 50 administrative staff and legal counsel, with other interested parties totaling 342 in attendance at the meeting, and including guests 445. President Costello pointed to NASBA’s mission, its work on the Uniform Accountancy Act and the development of the computer-based Uniform CPA Examination as examples of paths NASBA has taken that were not commonly tread.

Other “roads less traveled” that President Costello underscored were: NASBA’s draft white paper that has made boards think about whether 120 or 150 hours of education are required to take the Uniform CPA Examination prior to licensing at the 150-hour mark; working for increased transparency of the AICPA’s peer review reports to the state boards; renegotiating the computer-based testing agreement; promoting mobility legislation, that has been enacted in 31 states so far; growing the Accountancy Licensee Database, now interactive with 19 states; organizing NASBA’s September 21-23, 2009 National CPE Expo; and inaugurating the Center for the Public Trust. He pointed to the Forum for International Accounting Regulators and said, “We



David A. Costello inspires the 101st NASBA Annual Meeting.

don’t sit back and cry about not being invited to someone else’s party: We will have our own. The state boards will know what is going on.”

He continued, “We will always choose those less traveled paths. When you see the invisible—then you do the impossible. We, like JFK, are going to the moon – a different kind of moon.”

This issue of the *State Board Report* covers several of the presentations made at the Annual Meeting and the Forum for International Accounting Regulators. Many PowerPoints and talks from those events can be found on www.nasba.org in the “Meetings” section. ♦

Nicolaisen Calls for Federally Chartered Firms

As NASBA’s Annual Meeting keynote speaker Donald T. Nicolaisen highlighted some of the final 31 recommendations of the US Treasury Department’s Advisory Committee on the Auditing Profession (ACAP) (see *sbr* 10/08), he surprised many in the audience with his call for “Federally Chartered Audit Firms.” He pointed out the commentary statement which he had developed with his ACAP Co-Chair Arthur Levitt, Jr., as part of ACAP’s final report, telling how its recommendations could be implemented. “Chairman Levitt and I are prepared to endorse Federally Chartered Audit Firms which would have additional requirements,” he stated. Mr. Nicolaisen explained that these firms would only handle audit-related matters and would be entitled to limits on their liability, with the hope that they could further the ability of the audit profession. The Co-Chairs support “a strong, vibrant PCAOB” and “would like to see a regulator that extends beyond its charge to the sustainability of the audit community.”

Mr. Nicolaisen praised the 21 members of ACAP, including NASBA Director-at-Large Gaylen Hansen, who contributed significant time to the project. One of the ACAP recommendations, which strongly supports the adoption of the mobility provisions of the Uniform Accountancy Act, has already been acted upon in 31 states, he reported. “We think it is important to have firms mobile to bring the right skill set to an audit when needed,” Mr. Nicolaisen stated.

When Mr. Nicolaisen was asked at the NASBA Annual Meeting what part the state boards would play should these federally chartered firms be created, he responded that it would be

desirable to “have the UAA at the state level.”

He commended the boards for looking at administering the Uniform CPA Examination outside the United States. Mr. Nicolaisen warned that the United States could become isolated if “the rest of the world is focusing on IFRS” and the US is not. He observed, “Having accounting standards that apply globally enhances the quality of the work.” ♦

Silvers Supports Regulators



The importance of investor protection was underscored at the Annual Meeting by Damon Silvers, Esq., who represents the AFL-CIO’s 12,000,000 members that have invested \$3 trillion. A member of the Treasury Department’s Advisory Committee on the Auditing Profession, Mr. Silvers observed that ACAP’s work began about 14 months ago “when

substantial parts of the business community were complaining that they were over-regulated: This seems like it was from the distant past.” These parties also complained that “too many at the state level are mixing in things they shouldn’t be mixing... There was a strong push from the business community to weaken public protection.”

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Silvers Supports Regulators

(Continued from page 2)

“We have seen it from the SEC on IFRS, from the PCAOB on reliance on foreign inspections, and from the FASB...a paradigm of weakening our accounting rules, but more importantly, the oversight thereof and of auditing. This paradigm has taken up too much of the time of the SEC, PCAOB and FASB,” Mr. Silvers said. “Failing to be an island is not the same as weakening investor protection.”

As the US engages internationally, Mr. Silvers said, three issues need to be addressed:

- (1) How can we strengthen the auditing profession?
- (2) How can we enhance the integrity of our markets?
- (3) How do we revive the global economy?

Mr. Silvers blamed the world’s financial crisis on people trying to invest in countries where there is less regulation and a lack of transparency. He supports a single strong global framework operating in a form of federalism that allows for multi-layered regulation. Mr. Silvers told the boards, “I think it will be a long time before anyone suggests that the reason for this problem is because people like you are doing their work.”

The *Wall Street Journal* has reported that Mr. Silvers is one of the candidates under consideration for SEC Chairman after Christopher Cox leaves office in January 2009. ♦

Almonte First Government AICPA Chairman



Having served as Rhode Island’s Auditor General since 1994, the AICPA’s 2008-09 Chairman Ernest Almonte told the NASBA Annual Meeting: “Although I have never been a member of a state board of accountancy, we certainly share a regulatory perspective. I also think that the fact that I am the first AICPA chair to come from government is a clear sign of the profession

thinking differently, and of our commitment to approaching our challenges from the broadest perspective possible.”

He praised the AICPA and NASBA for “using new thinking to address an old problem” in supporting professional mobility within the US and working on administering the Uniform CPA Examination overseas. Mr. Almonte also called attention to the changes in the AICPA’s peer review program, observing that the program was originally intended to be remedial, not punitive, “But the universe of people who rely on peer reviews has exploded.” He explained, “The AICPA has created what is called ‘Peer Review Facilitated State Board Access.’ It uses the existing peer review process to facilitate the voluntary disclosure of peer review results to state boards. The goal is to create a nationally uniform system through which CPA firms can satisfy state board or licensing body requirements and increase transparency.” ♦

Seidman and O’Dell Look at IFRS

It makes sense that there be a single set of high quality accounting standards around the world, Financial Accounting Standards Board Member Leslie F. Seidman told the Annual Meeting audience. Over the years, the differences between the standards issued by the International Accounting Standards Board and the FASB have been narrowed, but there are still topics to be reconciled.

Among those topics Ms. Seidman highlighted were: (1) The standard setter’s conceptual framework. (2) Revenue recognition, on which the FASB will issue a discussion document later this year. (3) Financial statement presentation, on which the FASB will issue a discussion document in the fall. (4) Lease accounting to give investors more information. (5) Consolidations and (6) De-recognitions, which will take a few years for the international and US standard-setters to agree upon.

For investors to trust the standard-setters they need to be independent and independently funded, Ms. Seidman observed. The IASB’s funding is still based on voluntary contribution. “Standards are only as good as they are applied, regulated and enforced,” she stated. “I think we have an excellent structure in the US, but we need the same kind of commitment all around the world.” Ms. Seidman said the FASB thinks it is important to decide upon a date to switch over to IFRS with milestones, so there is a more natural, gradual convergence. She said the FASB would have

a white paper by early 2009 addressing the convergence date.

When convergence comes, “What is going to happen to Joe the Plumber, Inc.?” asked Judith H. O’Dell, chair of the FASB’s Private Company Financial Reporting Committee. The IASB has been working on IFRS for entities that (a) do not have public accountability and (b) publish general purpose financial statements for external use, and that document is now about 250-pages long, she remarked. During the first quarter of 2009 the final document with educational materials will be released. It is expected that countries will be asked by the IASB if they will allow their companies to use these smaller entity standards.

Ms. Odell’s committee has been considering, should IFRS be adopted by all public companies, what body would keep GAAP up-to-date and how would it be funded? The US may need to have carve-outs from IFRS for private companies. She encouraged the state boards to think about the impact on state regulation and reminded them that her committee is going out to the public for input and having meetings around the country that include open microphones. She invited participation through signing up for the Committee’s Resource Group (via www.pcfrr.org) to receive notification of meeting and meeting summaries. Also she suggested that ideas and opinions could be sent to her, as PCFR chair, through e-mail at judyodell@dmv.com. ♦

A Glimpse of NASBA's 101st Annual Meeting



Donald Nicolaisen and 2007-2008 Chair Sam Cotterell discuss ACAP recommendations.



From left to right: Gregory Johnson, Nancy Nichols, Billy Atkinson and speaker Belverd Needles focus on students.



Fifty-two boards were represented at the 101st Annual Meeting in Boston, MA.



2008-2009 NASBA Chair Tom Sadler.



Lorraine Sachs congratulates Carol Sigmann on winning the Standard of Excellence Award.



COO Joe Cote describes CBT contract issues.



PCAOB's Claudius Modesti reviews enforcement cases at the 101st Annual Meeting.

Peace, Hein and Sigmann Award Winners

NASBA's three awards for outstanding contributions were presented to John B. Peace (AK), CPA, Esq., Harold D. Hein (CO), CPA, and Carol Sigmann (CA) at the 2008 Annual Business Meeting.

Mr. Peace, NASBA chair 2000-2001, received the 2008 William H. Van Rensselaer Public Service Award in recognition of his many acts to strengthen accountancy regulation. He launched the three-party negotiation on the computer-based-testing agreement and continues to lead a NASBA task force as it considers administration of the Uniform CPA Examination outside the United States.

Mr. Hein was presented the 2008 Distinguished Service Award for demonstrating unwavering commitment to the regulation of the accounting profession. He actively served on many NASBA committees, including those on International Reciprocity, Legal Liability Reform, Ethics, Nominating and Annual Meeting Planning, as well as the Board of Directors. In presenting the award, Past Chair Michael Weatherwax noted that at Mr. Hein's firm he was known as "the big fellow," based on his revered integrity.

Ms. Sigmann, executive officer of the California Board of Accountancy 1991-2008, was presented the first Lorraine P.



From left to right: Harold Hein, John Peace and Carol Sigmann honored by NASBA with 2008 awards.

Sachs Standard of Excellence Award by NASBA Chief Operating Officer Emeritus Sachs. The award recognizes state board executive staff leaders who show excellence in regulating and make a positive impact on the accounting profession. As she presented the award, Ms. Sachs said Ms. Sigmann's work "had a major impact on all jurisdictions" and called her "a leader and a woman of conviction." ♦

Enforcement Gets Increased Attention

Effective enforcement was the topic of an Annual Meeting panel session that looked at communication with the PCAOB, among the boards and with NASBA. PCAOB Director-Division of Enforcement Claudius Modesti told the boards, "I am open minded in thinking about coordinating our efforts." He explained, "If there are avenues where we can build in a coordinated effort to make sure bad actors are addressed, that is important to me." He briefly reviewed several cases that the Division of Enforcement had concluded: James L. Fazio, CPA; Deloitte & Touche, LLP; Stephen J. Nardi, CPA; Ann Marie Fitzpatrick, CPA; Kantor, Geisler & Oppenheimer, PA, et al; Timothy L. Steers, CPA; Wiseneck, Andres & Company, PA, et al; and Jaspers & Hall, PC, et al.

"With state regulators, as we receive complaints or tips, if I see there is anything that comes close to state litigation, I send it to my contacts," Mr. Modesti stated. "If we get a request from your board, we will work with you. We are trying to do our part to do what you need us to do. I consider this to be a collaborative effort."

Noel Allen, NASBA legal counsel, presented an interstate enforcement compact that had originally been drafted by the NASBA Legal Counsel Committee about three years ago (and can be found on the NASBA Web site with other documents from the 2008 Annual Meeting), but that has gained new relevance as mobility legislation has boards concerned about interstate enforcement. "The bottom line is cooperation and coordination,"

Mr. Allen said. "You can have enforcement compacts that support the work of other states. Most states will probably not need legislation to adopt the model enforcement compact. If your state has UAA language, then you could probably adopt it by rule."

The compact can serve to organize enforcement going forward, but Mr. Allen said, "The critical missing element is going to be the Accountancy Licensee Database. Then the boards will know all the states that matter in a case." He cautioned the boards to avoid the temptation of "piling on," allowing multiple cases to be built on the same offense, and becoming almost a "stealth tax."

NASBA Senior Vice President Ken Bishop presented some ideas on services related to enforcement that NASBA might offer to the member boards. These include: developing a Certified Regulatory Investigator's program specifically for the accounting profession; investigative services and support for smaller states that don't have the budget for an investigation staff; applying the major case concept to better utilize expertise from around the country; and providing subject matter experts to support investigations. Mr. Bishop said 2008-09 NASBA Chair Tom Sadler is inaugurating a new committee that will look at the efficiency of investigations and best policies and practices.

Vice President Bishop encouraged the boards to give him feedback on what services they might consider using and which they would not use. ♦

Educators Consider Millennials

Accounting educators are responding to important changes in the profession, Belverd E. Needles, Jr., vice president of education-elect of the American Accounting Association, told the NASBA Annual Meeting. Current topics being tackled by the accounting educators include: fair value accounting, forensic accounting, ethics and professional responsibilities, International Financial Reporting Standards (IFRS), XBRL and audits of internal control under Sarbanes-Oxley. Dr. Needles pointed out that the effects of the Sarbanes-Oxley Act of 2002 were by 2004-05 fully incorporated into college textbooks and curriculum.

A 2008 study by Hurtt and Thomas found most educators believe an ethics course should be housed in the accounting department, Dr. Needles reported, and the American Accounting Association is helping faculty learn how to teach ethics. He also noted that an entire special issue of the AAA's journal *Issues in Accounting Education* was devoted to IFRS, more than 20 sessions at the AAA's annual meeting were focused on IFRS, and the AAA is working with Grant Thornton to develop IFRS courses. "The subject is very high on our agenda," he stated.

The students who are taking these courses were described by Nancy Nichols, president of Beta Alpha Psi as the "Millennials," people born after 1980. She said they experience the world through technology, and while they may not be sure how to do something, they are confident they can learn. Although Millennials respect authority and will generally conform to rules, they will protest about a rule they don't like and then accept it when reasons for it are explained. As much as they may differ from previous generations of students, Professor Nichols said the most popular topics for Beta Alpha Psi meetings remain the same: transition from school to work; the first year work experience; etiquette; dress for success; and qualities for effective leadership.

Gregory Johnson, executive director of the National Association of Black Accountants, was asked why such a low percentage of CPAs are African-Americans (as pointed out in the ACAP report). He responded, "It boils down to awareness: Kids need to know what you can make as a CPA, what are the

requirements, what are the challenges and what are the opportunities." NABA has taken several steps to develop the needed awareness, including establishing a CPA Bound Program, an ambassador program, CPA Exam Summits and working with Howard University to create a CPA Boot Camp. According to Mr. Johnson, "to move the needle" on African-American participation in the profession, it will take: collaboration within the profession, increased data collection on CPA examination candidates, consideration of the impact of changes within the profession, increased recruitment on historically black colleges and universities, and sensitivity to the minority experience. He invited the board members to attend NABA's convention on June 16-20, 2009 in New Orleans.

Serving as moderator for the panel, Billy Atkinson, NASBA Education Committee chair, said 2007-2008 had been an eventful year for the committee. It released UAA Model Rules 5-1 and 5-2 after getting input from the boards, the profession and the education community. "We have a good start at a continuing curriculum evaluation process. Our mission is to include the educators and use their input now and going forward," he stated. ♦

Texas Drug Abuse Program Strong

"When people start talking to you about the right thing to do, it is hard to ignore it," John M. Sharbaugh, chief executive officer of the Texas Society of CPAs told the NASBA Annual Meeting as he explained the Accountants Confidential Assistance Network (ACAN), a state network of recovering CPAs. ACAN offers support and makes referrals to treatment programs for CPAs and accounting students who may have a drug or alcohol dependency or mental health problem. The Society has coordinated the program with the Texas State Board of Accountancy, which contributed \$90,000 to the program in 2007. Under Texas Statute Chapter 467, a state licensing board may add a surcharge of not more than \$10 to its license renewal fee to fund an approved peer assistance program. ACAN receives about \$1.50 from each Texas CPA. The Accountancy Board maintains oversight of the ACAN program, receiving quarterly reports from the Society covering information such as number of persons: receiving services, completing the ACAN mentoring program, and contacted as a result of referrals from the Society.

Mr. Sharbaugh said it is critical for a successful program to have both a full-time person who is focusing on the program and a network of CPAs that makes it possible to have someone located close to the person having the problem. He told the NASBA meeting that some disciplinary problems the state boards see have at their root a substance abuse or mental health issue; consequently, boards should care about this type of program to help minimize such problems for the public.

"It may be a purely volunteer program to start," Mr. Sharbaugh said, "but there is something each of us can do. It will be better for the profession and the public." ♦



Nancy Nichols describes the characteristics of Millennial students. Gregory Johnson addresses the causes of the low percentage of African-American CPAs.

Fasten Your Seat Belts



Thomas J. Sadler

I learned a lot from Sam Cotterell over the past year as a vice chair. We have heard many times the over-used supposedly Chinese curse: “May you live in interesting times.” Personally, I favor the sailor’s saying: “When in stormy seas, we need a steady hand at the wheel.” Sam was that steady hand, calm, unswerving, neither overreacting, nor ignoring problems, but guiding us through some very interesting times; however, fasten your seat belts! Turbulence is on the way! The collapse of our financial system and the financial crisis of September 2008 will resonate throughout our profession and the regulatory world for all the foreseeable future. Our profession and our regulatory system will be challenged in many ways.

This we know: The finger pointing has already begun. The questions of “Where were the auditors?” and “Where were the regulators?” are already poised in the national news and commentary. Our job will be to sort out and distinguish the prudent from the foolish; to determine who applied good judgment and who didn’t, who did the right thing and who just went along. One thing for sure, we will not blame those who simply added up the losses of the gamblers for this mess. In this time of challenge and adversity, we will also find opportunity. Even as we regulators work to identify the good from the bad and the ugly, thousands of our well trained, highly qualified, licensed professionals will be engaged to make sense of the chaos. These challenges present to us a great opportunity to show the value we as professionals and as regulators bring to the public in this most “interesting,” “stormy” and “turbulent” of times.

Here is what I see as the challenges of the coming year:

- **The Mobility Equation: Uniform Accountancy Act Section 23, Accountancy Licensee Database, Compliance Assurance** - We must continue to nurture and grow mobility across the land. Along with mobility, in my opinion, the next important goal is the expansion of the Accountancy Licensee Database project to all states. The ALD is essential to the “no escape” provisions of mobility. Also essential to mobility is confidence of each jurisdiction in the other states’ monitoring compliance assurance. Our Boards are committed to the AICPA Peer Review program. We are encouraged by the new Peer Review standards, scheduled for implementation in 2009. We are also looking forward to continued progress toward a National Compliance Assurance Review oversight program that will serve the needs of State Boards and add credibility to this very essential program.
- **Education and Examination** - We just came from a very successful education summit meeting called by Vice Chair Billy Atkinson. The purpose of the summit was to open, at a high level with all the players, the essential dialogue we will need in the next decade on education issues of international accounting principles, preparation for the exam and a meaningful 150-hour requirement to license. Our work on education and the exam will never be done because we expect nothing less than excellence.
- **Model State Board** - Past Director-at-Large Ellis Dunkum has agreed to lead a new committee, the Model State Board Committee, that will analyze best practices for operational and financial independence, and identify how to overcome barriers to execution of the Boards’ mandate of public protection.
- **Enforcement Practices** - In promoting mobility, we have promised “no escape.” We must deliver. To that end, I have appointed Regional Director Harry Parsons to chair another new committee this year, the Enforcement Practices Committee. This committee will be charged with continuing the fine work of the Government Agency Referral Task Force of last year, examining interstate enforcement compacts, strengthening Board investigations and developing investigation resources.
- **Strategic Initiatives** - Director-at-Large Gaylen Hansen has done a great job through the Strategic Initiatives Committee to bring NASBA and the Boards’ interests to national and international attention. Director-at-Large Rick Isserman’s outstanding work with the Regulatory Response Committee has kept the eyes of the regulatory world on NASBA. I have asked the Strategic Initiatives and Regulatory Response Committees to identify every exposure draft, public forum, private meeting, magazine article, letters to the editor, newspapers, and every other place where NASBA can speak out for State Boards.
- **Global Strategies** - I have asked your immediate past Chair Sam Cotterell to head another new committee this year, Global Strategies. This committee will work closely with our professional partners to identify short- and long-term global issues affecting regulation through accounting principles, ethics standards and education, as well as all international aspects of accounting.

In my opinion, the 2008 financial collapse of our banking system and international accounting standards, international ethics and education requirements will dominate our professional discourse for the foreseeable future. We have a lot of work to do in the next year, but as a NASBA family we are going to work hard while having a great time and a lot of fun. We are the largest and most effective professional regulatory organization in the world. I am humbled to be chosen to lead you this year. I will do the best I can, as I know you will, to serve the over 650,000 fine professionals we regulate and to preserve the public trust. It is a great time to be a regulator!

— Thomas J. Sadler, CPA
Chair

Uniform CPA Exam Keeps Improving

This year has seen improvements in the literature about the Uniform CPA Examination, quality control of the examination's preparation, and the Gateway System, CPA Licensing Examinations Committee (CLEC) Chair Robert Pearson reported. He told the Annual Meeting that the AICPA, NASBA and Prometric are all dedicated to the improvement of the examination. CLEC continues to support the development of task-based simulations and situation-based ethics questions, he said.

Prometric has launched a "test drive program" that allows candidates for a fee of \$30 to come to the test center prior to their test date to see what to expect, Victor R. Carter-Bey, team lead of Financial Services – Prometric, announced. They have also globally implemented a two-step identity management process that requires the candidate's fingerprints to be captured and a government-issued document to be swiped through a machine. The testing centers have also "gone green" to lower energy demands by installing flat screen monitors with smaller PCs that emit less heat.

Douglas E. Warren, a member of the AICPA Board of Examiners (BOE) and of the Tennessee State Board of Accountancy, pointed out that 11 of 16 of this year's BOE members have regulatory backgrounds. The number of candidates taking the Uniform CPA examination continues to grow, he observed: "By the end of the fourth quarter of 2008, we will achieve over 240,000 sections taken in the year." Before the end of the year, the Uniform CPA Examination's 500-page content report will be released, based on the AICPA's 2006 practice analysis, he said.

The major outcome of NASBA's May 19, 2008 special conference on the examination, which was attended by 130 representatives from 48 jurisdictions, was that NASBA should

consider extending its examination contract with the AICPA, Executive Vice President Joseph Cote told the Annual Meeting. The participants did not feel that NASBA should develop its own contingency examination, but perhaps the AICPA should develop one. State board representatives shot down the idea of candidates applying to take the Uniform CPA Examination outside the United States without going through the state boards, he said, and currently a business plan is being developed that would keep the boards involved in the process.

Executive Vice President Cote invited the boards to bring their thoughts about the examination contract to him. NASBA expects the extension to provide for greater board involvement, including possible restructuring of the calculation and timing of fee increases, strengthening the test prep business prohibitions and changing the escrow agreements. ♦

Inaugural Encouragement



2008-2009 NASBA Chair Tom Sadler is congratulated by Michael Conaway, Michael Daggett and Michael Weatherwax.

UAA Model Rules Draft Released

(Continued from page 1)

said NASBA will be looking at increasing the financial efficiency of its examination administration services.

Chair Cotterell also reported a letter is being sent by NASBA to Securities and Exchange Commission Chairman Christopher Cox that encourages the SEC to move forward in a deliberate, focused manner when evaluating the efficacy of fair value accounting. The letter (dated October 27, 2008) has been posted on NASBA's Web site (www.nasba.org).

He also updated the Board on NASBA leaders' meetings with the AICPA and the American Accounting Association. UAA Committee Chair Andrew DuBoff summarized the AICPA/NASBA Uniform Accountancy Act Committee's meeting with representatives of the National Association of Accountants, who proposed changes to Section 14(g) of the Uniform Accountancy Act for the Committee to consider.

Committee on Relations with Member Boards Chair Michael

Skinner reported the NASBA Board's three-year state board visitation program cycle had concluded with 38 boards having been visited by NASBA officers, directors or staff. A new three-year cycle is to begin.

Director-at-Large Leonard Sanchez reported the NASBA/AICPA International Qualifications Appraisal Board (IQAB) has started to consider issues involved in substituting courses with assessment for the International Qualifications Examination (IQEX) currently administered to non-US professionals who are seeking reciprocity in the US. He noted that other countries are also considering this approach.

Only five state boards of accountancy have not yet voted to move forward with mobility legislation, NASBA Senior Vice President Ken Bishop told the Board of Directors, and he added that one of those five is very close to doing so. Mobility legislation to be introduced in 2009 is being worked on now, Mr. Bishop said. ♦

Forum of International Accountancy Regulators



Olson and Bunting Kick Off Forum

Mark Olson, chairman of the Public Company Accounting Oversight Board, and Robert Bunting, deputy chairman of the International Federation of Accountants, were the first speakers to address a joint session of the International Accounting Regulators Forum and the NASBA Annual Meeting. Chairman Olson discussed how the PCAOB is relying on its foreign counterparts and Deputy Chairman Bunting focused on the need for cooperation among organizations to regulate globally.

“It was the audit busts of Enron and WorldCom that created a sense in Washington, DC, that the self-regulatory profession was no longer functioning,” Chair Olson stated as he explained the history of the PCAOB. Recognizing financial markets are developing all over the world, the PCAOB issued its 4012 report that defines how the PCAOB can do inspection reports with its counterparts. “We are now expanding on the 4012 and gone to full reliance, where we are depending on the counterpart,” he stated. “We have developed an inspections capability that we would like to share.”

Mr. Olson said the International Forum of Independent Audit Regulators (IFIAR) is developing a consistent message on how the PCAOB’s counterparts can work together. In the accounting standards area, the PCAOB continues to look to work with both its domestic and international counterparts, he

said, but is not moving to convergence of auditing standards yet.

IFAC Deputy President Bunting said, “Acting alone you cannot successfully regulate in the public interest.” Global organizations need “to have a process to integrate in a cooperate way.” He told the state boards, “You and NASBA are a correspondent member of IFAC.”

Mr. Bunting observed, “Many say IFAC is a regulatory body controlled by the profession: We say we are a shared regulatory model.” There is self-regulation of the accounting profession in 40 of the IFAC member bodies.

“I view state boards in most states as a shared regulatory body,” Mr. Bunting commented, as the Governors appoint accountancy board members from the profession. In a shared regulatory system “self regulation and external regulation reinforce each other; combine to form a regulatory mix that is effective and efficient,” he explained.



International attendees of the first Forum of International Accounting Regulators (FIAR).

Peg Cartier (IL) asked Mr. Bunting, “How important to your mission is it that state boards of accountancy be strengthened?” He responded: “To the extent that CPAs around the country are not properly evaluated, it affects the others.

“The lack of regulation of one ultimately impacts the reputation of all. The regulatory regime needs to be uniform and consistent throughout the country.” ♦

Boards Urged to Speak Up on International Standards

Participants in the Forum of International Accountancy Regulators, October 29-30 in Boston, heard how many countries are working to bring about convergence of their accounting standards with international standards, and also how many are carving out individual differences. Susan M. Koski-Grafer, Senior Associate Chief Accountant – Securities and Exchange Commission, admitted as a regulator involved in policy making she had “not spent much time looking at what happens down at the ground level with the state boards.” Consequently, she went on to say, “I urge all of you to spend time looking at international matters: Not just because you need to, but because those making policies need to hear from you.”

The final clarified International Auditing Standards are expected to be released in December 2008 and approved by the Public Interest Oversight Board in early 2009, Ms. Koski-Grafer reported. She pointed out that of the approximately 100 countries that say they use International Auditing Standards, some are using the standards as written, some are using only selected standards and others are using an old version of IAS. Looking at the International Federation of Accountants’ Ethics Code, she observed it is “lose in some of its wording... How do we know what is really required and what we are holding them accountable for?”

Dr. Zhou Zhong Hui, Chief Accountant of the China Securities and Regulatory Commission, reported that beginning in 2007, more than 1500 Chinese listed companies were required to transition over to the new Chinese Accounting Standards for Enterprises, which were substantially converged to International Financial Reporting Standards in 2005. “Converging with IFRS does not mean they are identical,” he said. “There are differences in the financial statements of companies listed domestically and overseas, but they have been narrowed.” Most of the Chinese listed companies have adopted relatively conservative accounting policies, preferring to use cost rather than fair value in measuring investment properties.

The Securities and Exchange Commission expects to see a lot of comments as it moves forward on IFRS, Len Jui, KPMG partner formerly with the SEC Office of the Chief Accountant, reported. He told the International Accounting Regulators Forum that with the SEC’s August 27, 2008 statement about its forthcoming roadmap to IFRS, “the writing is on the wall.” He said SEC Chief Accountant Conrad Hewitt has defined 2011 as the milestone year for the US move to IFRS, as Japan, Israel, India and Canada will have moved to IFRS by that year. Mr. Jui said the international accounting firms are geared up for the conversion. ♦

Peters Says PIOB Puts Public Interest First

As the International Federation of Accountants (IFAC) evolved into a permanent part of the regulatory landscape, there was a perceived need to have checks and balances that would put public interest first in standard setting, and this resulted in the creation of the Public Interest Oversight Board (PIOB), explained Aulana Peters, PIOB member. “People, plans and process are what we talk about at the PIOB,” she stated. Asked by Patricia Smith (MA) about the composition of the PIOB, Ms. Peters responded: “We are distant enough from the profession to be independent; we are sufficiently knowledgeable to understand the profession.”

She reported the PIOB members receive \$25,000 per year and meet four times per year.

IFAC has established consulting advisory groups (CAG) which have broad membership with a goal of including individuals who reflect people’s concerns and interests, Ms. Peters said. They include regulators, preparers, users and academics. She pointed out that Charles Calhoun, a former member of the NASBA Board of Directors and past chair of the Florida Board of Accountancy, is chair of the CAG for the International Accounting Education Standards Board. “He does a terrific job and brings the point of view of the state regulators,” she noted. Through this type of involvement, the state boards “can have impact on the process,” Ms. Peters said.

“Our main purpose is to ensure that due process has been shown,” she stated. “We need to make sure that the pros and cons of standards have been fully vetted.” ♦

Treacy and Calhoun Explain IQAB



William Treacy



Charles Calhoun

How the NASBA/AICPA International Qualifications Appraisal Board was developed and currently operates were explained by William Treacy, IQAB chair, and Charles Calhoun, IQAB member, at the Forum. Mr. Treacy told the Forum: “It is important to spend a moment on the bifurcated system in the US. It is probably unique in the world – 55 state boards. All have unique authority bestowed to the states by the US Constitution and nothing is going to change that. States take states’ rights very seriously. It works very well for the US. It doesn’t work very well for the rest of the world in dealing with 55 jurisdictions. It is important to see that although it may be the best system for us, the one we are culturally in tune with, we have to recognize that there are other systems in the world that work very well for other cultures.”

IQAB Chair Treacy said that IQAB reviews four Es when determining substantial equivalence with non-US credentials: education, experience, examination and economic environment. Although accountants in the rest of world are required to have far more experience for licensure than those in the United States, “The balance we believe is in US education....In time we may have to look at our experience requirement in the US. Maybe we will need to look at the additional 30 hours of education and perhaps interweave that with the experience requirement.” ♦

Common Content Emerging for 9 European Institutes

Following the collapse of the AICPA's XYZ/Cognitor project in 2001, European accountancy bodies saw the need to unify, as far as possible, their national entry-level qualifications for professional accountants. Mark Allison, the Institute of Chartered Accountants of Scotland's Executive Director of Education, told the Forum. "Although all of the founding institutes will tell you that their qualification and education is the best, the reality is 95 percent of our qualifications are identical," Professor Allison said. Over seven years the Common Content Project has moved ahead, with the European Union's 8th Directive creating a baseline qualification for all auditors.

Participants in the project include: Compagnie National des Commissaires aux Comptes (France); Ordre des Experts-Comptables (France), Institute der Wirtschaftspruefer (Germany), Wirtschaftsprueferkammer (Germany), Institute of Chartered Accountants in Ireland, Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (Italy), Koninklijk Nederlands Instituut van Registeraccountants (Netherlands), Institute of Chartered Accountants in England and Wales, and Institute of Chartered Accountants of Scotland.

The project defined five areas of services that clients, employers and the public expect professional accountants to provide: assurance and related services; performance measurement

and reporting; strategic and business management; financial management; and taxation and legal services (the one area that is different in each country). The joint group then developed common learning outcomes for services provided by professional accountants in all jurisdictions, with national learning outcomes for taxation and legal services being provided by some jurisdictions. Based on this work, a broad knowledge curriculum covering approximately 120 pages was created. "We didn't take an approach of which was the best route," Professor Allison said. The Germans wanted a higher level of quantitative methods included and the Dutch more information technology, so there may be future changes in the curriculum, he observed.

In early November 2008 the steering group is to meet to determine if the accounting bodies are in full compliance, compliance with remedial action, or not in compliance at this time, he reported. Professor Allison said this "is not a regulatory based scheme." It varies among the countries whether or not someone can pick up practice rights or just membership rights with the common curriculum.

At the International Forum, Patrick Thorne (NV) asked how the European group would address enforcement issues. Professor Allison responded that the accountants would be disciplined through complaints being sent to their institutes. ♦

International Breakout Sessions

Breakout session participants at the Forum of International Accountancy Regulators raised many interesting points, including:

- The US practice analysis for the Uniform CPA Examination should be measured against the skills and competencies developed by the Europeans, as described by Professor Allison (see story above).
- The US only has one year of experience required for licensure while most countries require three years.
- Principles-based ethics standards may be good, but practitioners may need more guidance in rules.
- The US needs to move forward in IFRS education.

NASBA President David Costello said the Forum could be summarized with four Cs: Consistency, in standards, principles and noble objectives; Country and culture matter; Competence, through common content that the European groups have outlined; and Confidence, the need to have a trusting public that confides in its accountants.

Michael Weatherwax, chair of NASBA's International Conference Committee, explained that enhancing the public protection process will always be NASBA's prime objective. He said the Forum would be held again next year and invited other organizations to co-sponsor it with NASBA. "The Forum is only a start in this process," he remarked. "Perhaps it will become regulatory equivalent of the IFAC." ♦

Non-US Organizations Represented at the Forum

AOC Germany
Canadian Institute of Chartered Accountants – Ontario
Certified General Accountants – Alberta
China Securities and Regulatory Commission
Danish Commerce and Companies Agency
Financial Reporting Council (UK)
H3C France
International Federation of Accountants
Institute of Chartered Accountants in Ireland
Institute of Chartered Accountants of Bermuda
Institute of Chartered Accountants of British Columbia
Institute of Chartered Accountants of Manitoba
Institute of Chartered Accountants of Newfoundland
Institute of Chartered Accountants of Ontario
Institute of Chartered Accountants of Nova Scotia
Institute of Chartered Accountants of Scotland
Instituto Mexicano de Contadores Publicos
National Chamber of Statutory Auditors (Poland)
New Zealand Institute of Chartered Accountants
Ordre des comptables agrees du Quebec
Public Accountants Council for the Province of Ontario

2007- 2008 NASBA International Regulators Conference

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