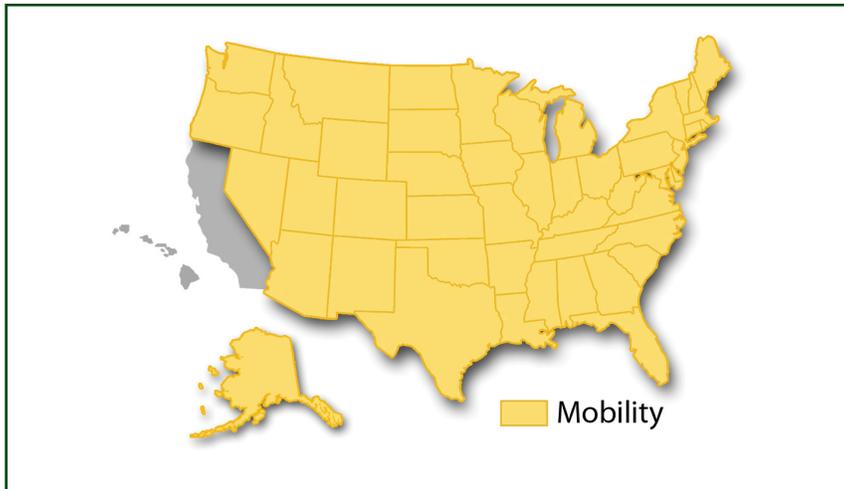


New York Makes 48

With New York Governor Andrew M. Cuomo’s signature on August 17, New York became the 48th state to enact a law that provides for CPA inter-state mobility, as outlined in Section 23 of the Uniform Accountancy Act. The bill will go into effect on November 15, 2011, which will be 90 days after it was signed into law by the Governor.

“The recent success in NY (bringing mobility to 48 states) is a significant achievement,” NASBA Executive Vice President Ken L. Bishop observed. “But more importantly, we still have work to do in California, Hawaii and the U.S. territories. We want to re-energize our efforts to motivate these Boards. With the recent release of the mobility internet tool [CPAmobility.org see *sbr* 8/11], New York’s success and the speedy acceptance of the mobility concept across the nation, we have a good story to tell those who still hesitate to join in.”

According to NASBA’s records, “Mobility has been effective in the majority of jurisdictions for the past four years without any major issues or unforeseen complications,” said Mr. Bishop. He has found the State Boards in California and in Hawaii are supportive of the efforts to adopt mobility legislation in their states, but there are some special interest groups in both jurisdictions which are hesitant to adopt mobility, and so discussions are continuing with them.



The New York legislation, as sponsored by Senator Kenneth P. LaValle (R-Port Jefferson) and Assemblywoman Deborah J. Glick (D-Manhattan), underscored the enforcement value of mobility: “Mobility would strengthen New York’s disciplinary authority by establishing under Section 7406(2)(d) that a CPA would consent to jurisdiction simply by entering the state to provide the audit or other attest or compilation services. Under mobility, New York consumers would have immediate access to the services they need from the service provider they desire. That service provider will be subject to the jurisdiction of New York regulators.”

Patricia A. Crecco, chair of the New York Board for Public Accountancy commented: “The passing of the mobility legislation in New York is a significant milestone and accomplishment as it recognizes the vast changes the profession has faced in recent years while ensuring the public interest is maintained.”

“Mobility legislation is good for businesses based in New York and for those

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PCAOB Studies Audit Firm Rotation

Should there be a limit on the number of years a public company can use the same auditor? That is one of the basic questions raised by the *Concept Release on Auditor Independence and Audit Firm Rotation* (PCAOB Release No. 2011-006) issued by the Public Company Accounting Oversight Board on August 16, with comments due December 14. PCAOB Chairman James R. Doty explained, “One cannot talk about audit quality without discussing independence, skepticism and objectivity. Any serious discussion of these qualities must take into account the fundamental conflict of the audit client paying the auditor.” Audit firm term limits may “reduce the pressure auditors face to develop and protect long-term client relationships to the detriment of investors and our capital markets.” Chairman Doty will be the keynote speaker at NASBA’s Annual Meeting, October 24-26 in Nashville (see nasba.org).

When the concept release was presented at the PCAOB’s August 16 meeting,

(Continued on page 4)

Strengthening Peer Review Oversight

NASBA's 2011 Peer Review Oversight Committee Summit, held August 16 in Charleston, SC, has resulted in the production of an invaluable reference tool for Boards ready to start a Peer Review Oversight Committee (PROC). Compliance Assurance Committee Chair Janice Gray (OK) says Boards will have available a jump drive that will contain: guidance on how to get a PROC started; a sample PROC mission statement; confidentiality agreements for PROC members to sign; checklists for PROC members to use; and reporting mechanisms for communicating findings with State Boards. Ms. Gray explained these sample materials were gathered from those Boards that had PROCs already established prior to the meeting. Previously, when a Board came to the Committee for assistance, the Committee would route the inquiring Board to either the Texas or Mississippi Board for information on their successful PROC programs. Now if the Committee or NASBA is asked how to begin, the Board will be provided the jump drive.

"About seven years ago, when the Oklahoma Board decided to begin its PROC, we gathered information from the Texas and Mississippi Boards, as they were the ones with the most seasoned programs. We used information graciously provided by those programs to develop what we now have in Oklahoma," she said.

While three years ago, when the PROC Summit was last held, only about a dozen states were represented; this year 21 Boards were there. Ms. Gray said the increase evidences more active State Board participation, but states still have vastly different oversight

programs in place. Only about half have developed any forms for the PROC members' use. The jump drive will be distributed to all states represented at the conference in hopes of gaining more uniformity. Some states do have budget issues, and State Board staff is involved in monitoring compliance with peer review report deficiencies, and some State Boards are restricted in their ability to receive Peer Review reports, but Ms. Gray is hopeful that all Boards can establish strong programs.

This year state societies as well as State Boards were represented among the 60 Summit attendees. NASBA's Compliance Assurance Committee decided to open this year's Summit to state societies in order to let them hear firsthand what the State Boards need, Ms. Gray reported. None of the Boards at the meeting complained of problems in getting information from the professional associations, Ms. Gray said. She maintains the societies and the Boards all want the same results: CPAs who follow standards and issue reports with appropriate documentation.

"We will concentrate this year on continuing to provide Boards with assistance in developing PROCs. We've talked to the Boards about designing their own PROC questionnaires. At some point we will probably cull out best practices – but we are not there yet," Ms. Gray said. "We're talking about the next PROC Summit having both general and more breakout sessions, to allow those with established PROCs to exchange experiences. But that will not be for another 18-24 months." ♦

IAESB Proposes Experience Changes

Rather than requiring a minimum of three years of practical experience as a qualification for professional accountants, the International Accounting Education Standards Board has released proposed changes to International Education Standard (IES) 5, *Practical Experience Requirements for Aspiring Professional Accountants*, that allows its member bodies (such as the AICPA) to take other approaches to measurement of experience. With the revised IES 5, each IFAC member organization would establish its own preferred approach to measuring practical experience using one of three approaches: output-based, input-based, or a combination of input-based and output-based.

The IAESB's release explains, "This view is consistent with the Framework (2002), which recognizes that a mix of input, process, and output measures is often adopted in measuring the effectiveness of professional accounting education to develop competence." Charles Calhoun (FL), chairman of the IAESB Consultative Advisory Group (CAG), commented that he believes this is "a giant step to get the U.S. in compliance with international standards" (as the Uniform Accountancy Act calls for only a year of experience). However, the process is not yet completed, he noted: "We have got to get it through." The comment period concludes on October 8, 2011. Dr. Calhoun, who serves as NASBA's representative on the CAG, credited this proposed change to the work of Karen Pincus, IAESB Deputy Chair, and Dennis Reigle, AICPA Special Projects Business Adviser. Dr. Calhoun and Mr. Reigle spoke at NASBA's 4th International Forum in Vancouver.

Also included in the revisions is a provision that would allow

others besides members of IFAC bodies to supervise experience. The IAESB "supports the role of the mentor, but proposes that supervisors can also direct the practical experience of the aspiring professional accountant, provided that both the mentor and the supervisor are professional accountants. In expanding this responsibility, the IAESB is recognizing that mentors or supervisors are an important link between aspiring professional accountants and IFAC member bodies."

Dr. Calhoun will retire as CAG chair at the end of 2011. Raymond Johnson (OR) has been selected to replace him as NASBA's representative to the CAG. NASBA is an associate member of IFAC, as it is an association of regulating boards. ♦

NY Makes 48 (Continued from page 1)

seeking to do business in New York," the NY Board's Executive Secretary Daniel Dustin observed. "It assures public protection by enhancing jurisdiction in all the states with mobility.

It is good for the public and business in New York." At the end of the day, the legislation was a collaborative effort of all of the major stakeholders in the accountancy profession, including the Accountants Coalition, NY State Society of CPAs, NY Board, NY State Education Department, NASBA and AICPA, he noted.

Emergency regulations will be prepared by October 18, with the implementation date set at November 15. Prior to that time, New York's temporary practice permits will continue to be available to those CPAs who need to come in to work in the state. The temporary practice law will be repealed as of November 15. ♦

Having Done All, Stand!

His delinquency manifested itself in the form of theft. As a teen he would steal anything he could get his hands on. He was fast. Fortunately his brother, Pete, lured him into running for something instead of away from authority. He competed at the 1936 Olympics in Berlin, where Adolph Hitler took notice and personally complimented him on his speed. Two years later he set a national collegiate mile record which held for 15 years, earning him the nickname the "Torrance Tornado." But Louis Zamperini's real test of determination and resilience began when he joined the United States Army Air Force in 1941. His story is chronicled in Laura Hillenbrand's best seller, *Unbroken, A World War II Story of Survival, Resilience, and Redemption*.

The fastest teenager in the world lost his opportunity to set Olympic records, but he will be forever known for his feats of determination and survival:

- Survived 47 days on a rubber raft in the Pacific Ocean after being shot down by the enemy.
- Spent two years in Japanese torture camps as a POW being singled out by the camp's commander for beatings and mental and emotional abuses.
- Came home to a hero's welcome and to severe depression leading to alcoholism.
- Turned his life around after attending a Billy Graham crusade and began touring the country as a motivational speaker.
- For his 81st birthday, in January 1998, Zamperini ran a leg in the Olympic Torch relay for the Winter Olympics in Nagano, Japan, the site of his earlier torture.
- At age 94 he currently lectures throughout the country, particularly at high schools, on the lessons of resilience and determination.

The main reason I love the story of Louis Zamperini is that it reminds me of the toughness, the durability and the resilience of the human spirit. And while we may not have experienced Zamperini's particular challenges of will, we nonetheless face our own tests of determination, toughness and survival. Whether it's disease, loss of cherished friends or family, grave disappointment, personal attack, business set-back, reputational damage or a host of other encroachments on our emotions and willingness to carry on, we have encountered and will continue to face decision points of determination when we are called upon to stand firm against all odds.

In my 17 years with NASBA I have witnessed on a number of occasions belittlement, scoffing, demeaning, diminishment of and outright threats (usually of a financial nature) against State Boards of Accountancy. Whether it's a maniacal and wrongful use of public record access costing hundreds of thousands of dollars, lawsuits leveled at Board members, state officials reducing already inadequate funding, untold pressure to bend to vested interests and other similar assaults on Boards or their members, Boards have exercised their indomitable spirit. It's the same kind of spirit that makes any of us persevere in other grave situations. Do we give in? Give up? Retreat? To the contrary, we in the spirit of a Zamperini, stand firm, assert resilience and determination to do the right thing. That's the heart of a public servant. That's the spirit of State Boards of Accountancy.

To be effective in serving the public interest, State Boards of Accountancy must be **relevant** - properly structured, staffed, organized, funded and working objectively to fulfill their mandate. Boards must maintain proactive **relationships** with the public, the profession, federal and international regulators and the education community. In our world of rapid communication, fast-paced technology and almost daily new editions of smart phones, Boards must be **responsive**.

These three "Rs" of effective regulation would be woefully inadequate to serve the public interest without the energy, vibrancy, toughness and bull-dog tenacity that create **resilience**. When all is said and done, the lights are out, and the public assesses our usefulness, it will be critical that we are summed up in the words, "Well done Boards - you stood up for us."

*Ad astra,
Per aspera*



David A. Costello, CPA

A handwritten signature in black ink, which appears to read "David A. Costello". The signature is fluid and cursive.

— David A. Costello, CPA
President and CEO

TX Ethics Education Working

The rate of enforcement actions taken against CPAs by the Texas State Board of Public Accountancy (TSBPA) decreased significantly during the same period that ethics education has been mandatory in the state, a team of Baylor University researchers reported. Writing in the July/August 2011 issue of *Today's CPA*, Kathy Hurtt and C. William Thomas state: "After five years of implementation experience, licensed CPAs in Texas have a relatively positive impression of the impact of a mandatory three-hour college ethics course on their careers." However, they also found: "Practicing CPAs in Texas have a somewhat less positive impression as to the effectiveness of the mandatory two-year ethics update. They cite excessive frequency, redundancy and irrelevance of subject matter as contributing factors."

Professors Hurtt and Thomas received completed questionnaires from 2,696 individuals licensed between 2005 and 2010 (a 28.3 per cent response rate). When the professors asked

respondents to comment on why the number of enforcement actions had dropped besides the required ethics course, several issues were cited:

1. Increased media coverage of high profile unethical practice in business and the consequences of those practices;
2. Increased governmental regulation under SOX and the PCAOB;
3. A recessionary economy that may have resulted in more circumspect behavior by CPAs; and
4. Fallout from the Arthur Andersen and Enron cases.

The authors conclude that their study proves that ethics education can have a positive impact on individuals even if it is obtained after their childhood. They write: "It is also a testimony to the courage of the TSBPA in implementing such a requirement, in the face of what was, at the time, rather formidable opposition from both the practicing and academic branches of the profession." ♦

PCAOB Studies Rotation (Continued from page 1)

all the members voted for its exposure for a 120-day period. However, several pointed out that audit firm rotation has been considered since the 1970s and it might not be the most efficient way to enhance audit quality. PCAOB Member Daniel Goelzer said he supported the concept release because he hopes it will trigger wide-ranging discussion of auditor independence, skepticism and objectivity. He recalled that the GAO's 2002 report did not recommend audit firm rotation, "but now with almost eight years and 1700 inspections" it makes sense to revisit what may enhance auditor independence. He believes analytical work needs to be done on the connection of auditor tenure and audit deficiencies. Also cost/benefit analyses of auditor changes need to be performed. PCAOB Member Steven B. Harris also agreed that the time had come to re-examine this proposal.

The need to carefully consider if the benefits outweigh the

costs was stressed by PCAOB Member Jay D. Hanson. "I see this release as a vehicle to gather information and spark discussion, rather than a particular measure that the Board will take," he said. It will be interesting to see if the audit committees are viewed as living up to investor expectations, Mr. Hanson reflected.

Beyond the comment period, in March 2012, there will be a PCAOB roundtable to discuss auditor independence and mandatory audit firm rotation. NASBA's Regulatory Response Committee is studying this document, as well as the *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements* (PCAOB Release No. 2011-003), which has a comment deadline of September 30, 2011. Committee Chair Richard Isserman (NY) said the Committee will be developing comments on each of these documents. The Concept Releases can be found on www.pcaobus.org. ♦

State Board Report

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