

## Comments on UAA "Attest"

NASBA Uniform Accountancy Act Committee Chair Kenneth R. Odom (AL) is reminding State Boards and other interested parties to consider the proposed revisions to the UAA (dated July 17, 2013) which can be found on [www.nasba.org](http://www.nasba.org), and to submit their comments to staff liaison Louise Dratler Haberman ([lhberman@nasba.org](mailto:lhberman@nasba.org)) by October 17, 2013.

The proposed change to the definition of "attest" broadens it to include all services performed in accordance with the Statements on Standards for Attestation Engagements. To minimize any potential impact on mobility, services are being added to "attest" as a separate subsection in the definition, apart from examinations of prospective financial information, which is already covered in the definition.

Revisions to the definition of "report" are also being proposed as well as other edits in keeping with the proposed "attest" expansion.

The NASBA/AICPA UAA Committee believes the proposed change in the "attest" definition will make the UAA flexible enough so that major amendments to the Act would not be needed as future developments occur in assurance standards or in marketplace demands for assurance services. ♦

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Editor-in-Chief: Louise Dratler Haberman  
Editor: Ken L. Bishop  
Production Editor: Anthony E. Cox  
Editorial Assistant: Ann Bell*

Tel/615.880.4200 Fax/615.880.4290  
[www.nasba.org](http://www.nasba.org)

## Eminent Speakers for 2013 Annual

NASBA's 106th Annual Meeting, to be held October 27-30 at the Hyatt Regency in Maui, HI, will not only include the latest reports from NASBA leaders but will also feature other outstanding voices in the fields of regulation and accounting. Speakers at the NASBA Annual Meeting will include: FASB Chair Russell G. Golden, PCAOB Member Jeanette M.



Russell Golden



Karen Pincus

Franzel, PCC Chair Billy M. Atkinson, IFAC Executive Director James Sylph, AAA Past President Karen V. Pincus, CPA Canada Executive Director Kevin Dancy, AICPA Incoming Chair William E. Balhoff, AICPA Vice President Charles Landes, AICPA Vice President Craig N. Mills and Washington State Society President Richard E. Jones. From NASBA leadership, speakers will include: Chair Gaylen R. Hansen, Vice Chair Carlos E. Johnson, President Ken L. Bishop, Executive Vice President Colleen K. Conrad and Directors-at-Large Jimmy E. Burkes, Donald H. Burkett, Raymond N. Johnson, Kenneth R. Odom, E. Kent Smoll, and Laurie J. Tish, as well as Center for the Public Trust President Alfonzo Alexander and Executive Directors Committee Chair Nicole Kasin.

Updates on the activities of the Financial Accounting Standards Board, the Private Company Accounting Standards Board, the American Accounting Association and NASBA's newest committees will all be part of the program. Other topics to be covered: the role of State Boards as related to standard setting, the future of international recognition, the impact of CPA Canada on US regulation, how Boards will discipline under a threats and safeguards code of ethics, changes to the Uniform Accountancy Act and the Uniform CPA Examination of the future.

Prior to the meeting's start, the Center for the Public Trust is presenting a case study workshop on deterring and detecting fraud, as developed and sponsored by the Center for Audit Quality. The number of workshop attendees is limited, requiring separate registration. For registration and additional details about the workshop and the Annual Meeting's program, including planned social events, go to [www.nasba.org](http://www.nasba.org). There is still time to sign up for what promises to be a memorable meeting in a setting that previous NASBA Annual Meeting attendees enjoyed. ♦

## PCAOB Proposes Expanded Auditor's Report

While retaining the pass/fail model of the auditor's report, the Public Company Accounting Oversight Board is proposing standards that would require the auditor to communicate a wider range of information specific to the particular audit. At their August 13, 2013 meeting, the PCAOB members unanimously voted to approve the release of two proposed standards: one would require that the auditor's report contain a discussion of "critical audit matters" (CAMs) specific to the audit; the second would require that the auditor's report contain the auditor's evaluation of "other information," which is in the company's annual report filed with the SEC. The PCAOB defines CAMs as those matters addressed by the auditor during the audit of the financial statements that involved the most difficult, subjective or complex auditor judgments, were the toughest for the auditor to obtain sufficient

(Continued on page 2)

## SEC Demands Admission of Guilt from Falcone

After in July having rejected an \$18 million settlement that would have barred Philip A. Falcone from the securities industry for two years, the Securities and Exchange Commission on August 19 announced it had agreed to a settlement with hedge fund adviser Falcone and his firm Harbinger Capital Partners in which: they admit to multiple acts of misconduct that harmed investors and interfered with the normal functioning of the securities markets; he is barred from the securities industry for at least five years; and they must pay more than \$18 million. NASBA Chair Gaylen Hansen observed, “The SEC’s entering into settlements without the defendants ‘admitting or denying guilt’ has been a vexing problem for State Boards when they go to discipline licensees based on the SEC’s action. Hopefully this will set the stage for a new attitude on this matter.”

The SEC originally filed its enforcement actions in 2012, alleging that Mr. Falcone had improperly used \$113 million in fund assets to pay his personal taxes, secretly favored certain

customer redemption requests at the expense of other investors, and conducted an improper “short squeeze” in bonds issued by a Canadian manufacturing company. As part of the settlement, the Harbinger defendants agreed they will not make any public statement denying any of these allegations nor will they create the impression that the complaints were without factual basis, and they will withdraw any papers filed in this action that deny any of the allegations.

In June, SEC Chairman Mary Jo White announced at a *Wall St. Journal* conference: “We are going to, in certain cases, be seeking admissions.”

Chairman White told a *New York Times* reporter: “In the interest of public accountability, you need admissions.” However, she also said that most cases would still be settled under the prevailing “neither admit nor deny” standard. Cases involving significant investor harm or egregious intentional conduct are the ones in which the SEC will be calling for admissions. ♦

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## FAF Revises GASB Scope Proposal

By classifying governmental financial information into three categories, the Financial Accounting Foundation (FAF) proposes to determine the standard-setting activity of the Governmental Accounting Standards Board (GASB). On August 20, the FAF released its “GASB Scope of Authority: Consultation Process—Revised Proposal,” based on the comments it received on its February 26, 2013 proposal. Comments on the Revised Proposal are due September 30. The three groups of information are: Group 1- Information that the GASB assesses as clearly within its standard-setting authority; Group 2- Information that does not fit into Groups 1 or 3, but that does meet at least one of the objectives of governmental financial accounting as described in the GASB’s Concept Statements; Group 3- Information clearly recognized as being outside GASB’s standard-setting authority.

Information falling in Group 2 would call for the GASB to consult with the FAF Trustee’s Standard-Setting Process Oversight Committee only on whether it constitutes “financial accounting and reporting information” in the context of the GASB’s mission, not to vote on any specific project. The earlier proposal had the Oversight Committee involved in the GASB’s agenda-setting process, rather than in pre-agenda consultation. FAF Chairman Jeffrey J. Diermeier said the new proposal “would maintain the GASB’s independence.”

GASB Chairman David A. Vaudt commented: “The revised proposal strikes a balance that should maintain the GASB’s independence while affording the FAF Trustees the appropriate oversight to ensure that the GASB is operating within its scope of authority.” ♦

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## PCAOB Proposes Expanded Report (From page 1)

appropriate evidence, and the most difficult for the auditor to form an opinion on in the financial statements.

The auditor’s report has not changed since the 1940’s and PCAOB Chairman James R. Doty observed at the PCAOB’s meeting: “Now having opened the audit report to address the needs of users, it will likely not be another 70 years before it is opened again. Changes may be incremental, as we evaluate the usefulness of improvements and, if successful, engender further change as demand for more kinds of auditor assurance grows.”

The following significant changes to the existing auditor’s report are being proposed:

1. Require the auditor to communicate in the auditor’s report the CAMs and, if there are none, state that there are no such matters to communicate.
2. Add to the auditor’s report elements related to auditor

independence, auditor tenure and the auditor’s responsibility for, and evaluation of, other information in annual reports containing the audited financial statements and the related auditor’s report.

3. Add standardized language in the auditor’s report including the phrase “whether due to error or fraud,” when describing the auditor’s responsibility to obtain assurance as to whether the statements are free of material misstatements.

PCAOB member Jeanette M. Franzel stated: “The fundamental question about auditor tenure is whether the single data point of auditor tenure belongs in the auditor’s report? I am concerned that by including auditor tenure in the auditor’s report, there may be an implication that there is an analytical basis for interpreting such information.” Ms. Franzel will be speaking at NASBA’s Annual Meeting in October. ♦

# President's Memo

## My Favorite Time of the Year

One of the best benefits of living in Middle Tennessee is its long and beautiful fall season. Beginning now and ending in November is what we car enthusiasts call “convertible season.” Not only are there glorious days and cooler temperatures, but the area has a bounty of curving and scenic roads amid the hills and valleys.

Throughout the country, fall also marks the beginning of football season. Every social gathering brings out a myriad of school colors, optimistic predictions of winning and, occasionally, some facetious commentary about an associate's alma mater. Fall is the season of town picnics, marathons, church outings, fish fries and barbecues, and forecasts as to who might play in, or win, the World Series.

This is also an important time of the year for NASBA. We are now well into our new fiscal year and deep into the final planning for the NASBA Annual Meeting in October. As I reflected on the upcoming meeting, it occurred to me that this will be my fifteenth NASBA Annual, my seventh as NASBA staff, and my second as President and CEO. One of the transitional outcomes of the Annual Meeting is the changing of the Chair and officers, the introduction of new Board of Director members, and often the first time new State Board members and staff from around the country will attend a NASBA national conference.

As I look back at my 15-year association with NASBA, and contemplate the relationships, friendships and acquaintances I have made, I am grateful for every opportunity, yet somewhat melancholy when thinking of those who have rotated away, retired and some who have passed on. Right at the close of August, Jerome P. Solomon (MA), the only person to serve as NASBA Chair/President for two years (1990-1992) since 1941, died at the age of 81. He was called on to serve the second year due to the death of President-Elect Richard J. Goode (UT). Few, if any, current State Board members remember Jerry or Dick, but the legacy of these NASBA leaders helps guide NASBA today. I would invite each of you to reflect on what NASBA relationships have meant to you and how future generations will benefit from our efforts.

In the process of gathering my thoughts about what I would write in this Memo, it occurred to me that I will not be writing it for the following two months, as traditionally the outgoing Chair writes the October Memo and the incoming Chair the November Memo. That consideration may have set the tone for this piece. The relationship between the CEO and the Chair is an important one. Now, as I get closer to my second passing of the gavel, that special relationship is in focus.

I have been blessed to have the opportunity to work with many fine men and women in my career. The two gentlemen that I have had the privilege to work beside these past two years, Mark P. Harris (LA) and Gaylen R. Hansen (CO), are near the top of that list. I have recognized Mark's outstanding leadership before, and our current Chair has to go down as one of the hardest working in NASBA's history. Gaylen's dedication, enthusiasm and perseverance are attributes we should all be grateful for. As he completes the final weeks in his current role, all of us who are close to him know that this is only the beginning of the contributions he will make to the profession, to the regulatory processes and to NASBA. His steadfastness, coupled with fairness and a thirst for knowledge, set an example that we can all aspire to. Under his leadership, NASBA has moved to a new threshold of relevance.

Anyone who has heard or read NASBA's discourses this year is aware of the importance of relevancy for NASBA and Boards of Accountancy. This year taught us that with enhanced relevance comes the responsibility to be respectful, to value relationships and to keep disagreements from becoming adversarial; however, to remain relevant, we must take stands on critical issues. We will take those important lessons into the new NASBA year.

This discussion of fall has taken us down a path of reflection, gratitude and responsibility. As we celebrate football victories, feel the wind as we cruise to our favorite vista, or simply as we enjoy the feasts at town picnics and festivals, we should take a bit of time to consider the importance of the roles and responsibilities of State Boards of Accountancy, and to remember those who came before us.

Enjoy the fall, my favorite time of the year!

*Semper ad meliora (Always toward better things).*



Ken L. Bishop

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is fluid and cursive.

— Ken L. Bishop  
President and CEO

## NASBA Team at AAA Conference

The American Accounting Association's 2013 Annual Meeting, held in Anaheim, CA, August 5-7, saw a NASBA delegation, headed by Vice Chair Carlos Johnson (OK), Executive Vice President Colleen Conrad, International Evaluation Services Director James Suh, Center for the Public Trust President Alfonzo Alexander, Report Product Manager Matthew Wilkins and ALL Administrator Leona Johnson, staffing an information booth to let the 3,000 educators attending the meeting learn about NASBA's activities, services and products offered to State Boards and the academic community.

The theme of the AAA's meeting was "Brilliantly Disguised Opportunities," with speakers focusing on the many challenges being faced by higher education, including: the impact of Massive Open Online Courses (MOOCs), the disappearance of print journals, financial pressures on tuition levels, accreditation and student loan debt. AAA President 2012-13 Karen Pincus, who will be addressing NASBA's Annual Meeting in October, discussed the AAA's "Sharpening Our Vision Project."

NASBA Vice Chair Carlos Johnson was pleased with the many educators who came to the NASBA booth to discuss NASBA's activities with the attentive staff. The conference attendees were particularly interested in discussing the customized school reports that NASBA is producing, as well as the NASBA International

Evaluation Services, the NASBA accounting education research grant program and the student chapters of the Center for the Public Trust. Dr. Johnson, who was head of the Business School at East Central University in Ada, OK, and also taught at Oklahoma State University and the University of Oklahoma, said he intends to work closely with the educational community during his tenure as an officer of NASBA. ♦

## NASBA Diversity Task Force Meets

Action steps to promote diversity within NASBA's leadership are being proposed by a special task force created by NASBA Past Chair Mark P. Harris (LA). The inspiration for the task force's formation came from the "Fishbowl Contest," Mr. Harris organized last year, which garnered several suggestions that NASBA work to bring more women and minorities into its leadership ranks. The task force's first meeting was held August 22 in NASBA's New York City office. Led by NASBA Vice President – Strategic Planning Ed Barnicott, the group included: Maria E. Caldwell (FL), Edwin G. Jolicouer (WA), Chandra Lalvani (PA), Willie B. Sims (MS), Sandra R. Wilson (AK) and Past Chair Harris. The task force's recommendations will be presented to the NASBA Chair. ♦

## State Board Report

National Association of State Boards of Accountancy  
150 Fourth Avenue North, Suite 700  
Nashville, TN 37219-2417