

100 YEARS OF  
NASBA 

SERVING  
THE PUBLIC INTEREST



DALE L. FLESHER

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NASBA 

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THE PUBLIC INTEREST

DALE L. FLESHER

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## *I*n Appreciation

This history was compiled in honor of the many members and staff of State Boards of Accountancy and NASBA, both past and present, who helped in assuring public trust in the accounting profession to the point that it is today.



## *A*uthor's Dedication

This volume is dedicated to my wife, Tonya, a former dean at the University of Mississippi, and to my daughter, Felicity, who often had to suffer from my absence during the writing of this history. Also, it is dedicated to Dr. Charles W. Taylor, an Ole Miss professor from whom I first learned about NASBA.

# Table of Contents

<b>Chapter One: Introduction and Overview</b> .....	<b>1</b>
NASBA Today .....	3
1946 History Publication .....	8
<b>Chapter Two: The First Half Century</b> .....	<b>9</b>
The Leadership .....	11
1936 and Beyond .....	15
Education and Experience Requirements .....	25
Summary of the First Half Century's Activities .....	34
<b>Chapter Three: A Maturing Organization</b> .....	<b>37</b>
The Image of the Association and State Boards .....	38
CPA Examination Appraisal Commission .....	40
Accounting Accreditation .....	42
Model CPA Rules .....	47
Education in Professional Ethics .....	49
The Name Change .....	50
Summary of NASBA's Sixth Decade .....	51
<b>Chapter Four: New Name, Employees, Vitality and Growth</b> .....	<b>53</b>
Newsletter Becomes Monthly .....	56
Committee on Objectives, Structure and Finance .....	57
CPE Requirements in the States .....	63
A National Registry of CPAs .....	65
The CPA Examination Critique Program .....	66
A Separate Meeting Place .....	69
Summary of NASBA's Seventh Decade .....	71
<b>Chapter Five: Sunsets and a "Move" Toward Independence</b> .....	<b>73</b>
Publications .....	77

## Table of Contents (Continued)

Moving on Out .....	78
CPA Examination Review Board .....	81
Grade Reporting Computerization .....	84
Strategic Planning .....	86
Examination Administration .....	87
Sunset Laws .....	90
An Operational Audit .....	92
Activities of Special Committees .....	93
Conferences for State Board Executive Directors .....	96
Summary of NASBA's Eighth Decade .....	97
<b>Chapter Six: The End of One Era - The Beginning of Another .....</b>	<b>101</b>
An Election Race and National Licensure .....	115
Moving: Again and Again .....	118
Changes in the CPA Examination .....	120
National Registry of CPE Sponsors & CPE Conferences .....	129
The Government Relations Committee & the Washington Office .....	133
Tort Reform and Legal Counsel .....	135
Debate and Accounting Today .....	136
Van Rensselaer Public Service Award & Outstanding Service Award .....	137
Summary of NASBA's Ninth Decade .....	143
<b>Chapter Seven: Reaching Our Potential .....</b>	<b>145</b>
Financial Position and Other Concerns .....	149
NASBA's Response to the "XYZ" Certification .....	151
International Qualifications .....	152
Working with Others .....	157
Computerized CPA Examination .....	166
Uniform Accountancy Acts .....	169
Ethics Committee Activities .....	175

## *T*able of Contents (Continued)

NASBA Center for the Public Trust .....	.178
Accountancy Licensee Database .....	.180
Controversary Over Education Requirements .....	.182
Summary of NASBA's Tenth Decade .....	.183
<b>Chapter Eight: Summary and a Look to the Future .....</b>	<b>.187</b>
Where Do We Go From Here? .....	.191
<b>References .....</b>	<b>.201</b>
<b>Photo Credits .....</b>	<b>.213</b>
<b>Index .....</b>	<b>.215</b>

## Preface

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*“It became customary for the Institute’s Board of Examiners to invite the co-operating state boards to a special meeting, held in conjunction with the annual meeting of the Institute, where free discussion was invited of any problems involved in the conduct of the examinations. These meetings developed later into ... the Association of CPA Examiners.... Through this formal organization of the state boards, with its own elected officers, directors and committees, more activity was generated and the trend toward uniformity in requirements and procedure was gradually accelerated. In 1967, the Association changed its name to National Association of State Boards of Accountancy, in order to indicate more clearly the constituency of its membership.”*

*John Carey, 1969*

**A** noted accounting historian once commented, “An organization is judged by its accomplishments. But organizations are made up of persons,” and it is important to know what those persons stood for and what they did [Mary E. Murphy, 1950]. If one is to truly understand the goals and objectives of any organization, he or she must understand how that organization was founded and how it developed. Why has the organization grown? Aristotle wrote that “if you would understand anything, observe its beginnings and its development.” Similarly, George Santayana commented that “those who cannot remember the past are condemned to repeat it.” To help learn from the past and to prepare for the future, the leadership of the National Association of State Boards of Accountancy (NASBA) has commissioned this 100th anniversary history of the organization. The first meeting of NASBA’s predecessor organization was held in 1908; thus, the 2007 annual meeting will be the 100th meeting. This volume provides a panorama of the people, committees and activities that have shaped the history of NASBA.

Chapter 2 of this volume covers the first 50 years of the organization’s history, Chapter 3 deals with the ensuing ten years, and the bulk of the volume deals with the



past 40 years—a period of rapid growth and development. The organization was small and all volunteer during the first 60 years, but today NASBA, with more than 160 full-time employees, has become a major force in the accounting world.

The sources of information for this volume include review and analysis of the minutes of board and committee meetings and reference to the newsletters and annual reports published by NASBA. In addition, interviews were conducted with past leaders, including both volunteers and staff. The final product consists of the author's interpretation of the above sources of information. The highlights of the organization's history are hopefully balanced by also including mention of the low points in that history. A knowledge of an organization's past acquaints current members and staff with the material to increase their ability to reason and resolve similar situations.

Much appreciation must go to the staff at NASBA headquarters in Nashville and in the New York office for their assistance in this project, particularly to Lorraine P. Sachs, David A. Costello, Joseph T. Cote, A. Ann Bell, Kim C. Ellis, and Louise Dratler Haberman (NASBA's longest serving employee). In addition, the National Library of the Accounting Profession at the University of Mississippi supplied many publications that are available nowhere else in the world. Several past officers of the organization supplied committee reports and other documentation that were not available anywhere else. In particular, Charles W. Taylor (Mississippi), John M. Greene (South Carolina), Dennis P. Spackman (Utah), Nathan T. Garrett (North Carolina), Sandra A. Suran (Oregon), and Andrew P. Marincovich (California) deserve special mention for their efforts in providing source documents to the writer.

Nathaniel Philbrick, in his recent non-fiction book, *Mayflower*, led off the volume with these words: "We all want to know how it was 'in the beginning.' From the Big Bang to the Garden of Eden to the circumstances of our own births, we yearn to travel back to that distant time when everything was new and full of promise." So, as they used to say at the beginning of the old *Lone Ranger* television and radio shows, "Return with us now to those thrilling days of yesteryear."

*Dale L. Flesher*  
*Oxford, Mississippi*  
*March 2007*

## Chapter One: Introduction and Overview

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*“NASBA serves the state boards of accountancy, and the state boards serve the public interest; this is the thread that links NASBA to the public interest.”*

*Charles W. Taylor, 2006*

*“NASBA is an exciting organization, and more so the longer you are involved.”*

*David A. Costello*

**W**hat is NASBA? The National Association of State Boards of Accountancy, or “NASBA” as it is probably better known, is a voluntary organization of state boards of accountancy. Prior to a 1967 name change, the organization operated under the name of the Association of Certified Public Accountant Examiners, with a subtitle of “The National Organization of State Boards of Public Accountancy.” Originally, the organization was little more than a volunteer gathering of state board of accountancy members that was loosely affiliated with what is now the American Institute of CPAs (AICPA). Today, NASBA is totally independent of the AICPA. Whereas the AICPA represents the interests of the accounting profession, NASBA represents the interests of the public through its service to state boards.

Licensing laws have been enacted to protect the public from unqualified professionals of all types. For accounting, the public authorities are the state boards of accountancy, whose duties are to establish requirements for entry into the profession, including education, experience and examination requirements for renewing licensees, and provisions disciplining licensees for acts declared to be unlawful or failure to meet



Haskins & Sells  
(now Deloitte)  
Homer A. Dunn, a  
noted author on  
accounting-related  
topics and a  
respected speaker,  
was NASBA's first  
president.

standards. In other words, state boards of accountancy are the independent agencies in each of the individual states and territories that can determine who can practice as a certified public accountant. A state board of accountancy exists only by virtue of state law, with its members appointed by the governor. The board is empowered to adopt rules and regulations for the administration of the state's accountancy law. The overall purpose of a state board of accountancy is to protect the public. To cope with the problems of interstate practice of accountancy, and to make the boards more effective, members of state boards joined together to form a national association. NASBA is an organization that state boards need, and over which they have control, but NASBA has no control over the state boards. Thus, NASBA is the force or glue that holds the various state watchdogs — the accounting regulatory bodies — together. A "Discussion Memorandum" prepared for the 1974 annual meeting explained the role of NASBA as follows:

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*NASBA is not a governing body, it has no power over State Boards, makes no policy determination, and does not determine regulatory responsibilities; it exists solely to provide a forum for discussion, to assemble data, to engage in research, to disseminate information and provide service. No State Board is forced to belong to NASBA. If NASBA provides information and services which State Boards find useful, it will survive; otherwise it probably will cease to exist.*

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Technically, NASBA has 55 members, one from each state and U. S. territory that grants CPA certificates. Since the organization traces its roots to a meeting in 1908, this volume is intended as a centennial history of NASBA to help celebrate the 100th annual meeting in October 2007. Curiously, this centennial volume is for an organization that was formally established only 72 years ago (in 1935). And if that is not confusing enough, it should be pointed out that the organization had a 50th anniversary history written 61 years ago in 1946 (when the organization was either 11 or

38 years old, depending upon how you count). This mixture of dates will be explained in subsequent pages. Even naming the 2007 meeting as the 100th meeting is a questionable assertion, although a meeting designated as the 50th annual meeting was held in 1957, so the records have been consistent for at least the past half century. In fact, the theme of the 1957 meeting was “50 Years of Continuous Progress.” The problem of the correct counting of meetings emanates from the early years of the organization. For example, there is no record of meetings being held in some early years (but there is also nothing to indicate that the group did not meet), and in the 1930s there were sometimes two meetings per year (but these two meetings may have had identical programs, since they were often only a week apart, thus making them essentially one meeting held in two locations).

Despite its long history, NASBA was quite a small organization as recently as 40 years ago. Annual budgets in the 1960s were as low as \$4,000, as compared to annual budgets of more than \$23,000,000 today. NASBA has indeed “bloomed” in recent years as a variety of additional activities has been added to the entity’s service offerings.

## *N*ASBA Today

Although having only 55 members, in the form of state boards of accountancy, the organization’s reach is far broader as every person serving on state boards receives member benefits. Even past accountancy board members may continue to affiliate with NASBA. However, only present board members may serve as voting delegates of their respective state boards at NASBA meetings. Besides the boards of the 50 states, other members of NASBA include the boards of accountancy in the District of Columbia, Guam, Puerto Rico, Virgin Islands and, most recently, the Commonwealth of the Northern Mariana Islands. Guam became the 54th jurisdiction in 1968, and the total remained at 54 member boards until 2005 when the Commonwealth of the Northern Marianas was added.

NASBA accomplishes these goals by pursuing a variety of programs and services, including an annual national meeting and two regional meetings for both board members and board staff, an annual meeting for board executives, an annual meeting for board legal counsel, a national registry of CPE sponsors, substantial equivalency evaluations, CPetracking, support of state accountancy legislation, studies of regulatory

# NASBA *Mission & Goals*

**Mission:** To enhance the effectiveness of state boards of accountancy.

**Goals:**

- ◆ To provide high quality, effective programs and services.
- ◆ To identify, research, and analyze major current and emerging issues affecting state boards of accountancy.
- ◆ To strengthen and maintain communications with member boards to facilitate the exchange of ideas and opinions.
- ◆ To develop and foster relationships with organizations that impact the regulation of public accounting.

and licensing issues, a licensee database, a center to reflect positively on the activities of CPAs, special meetings on emerging topics, and CPA Examination Services. This latter activity includes assisting state boards with credential evaluations of candidates, final score reporting, score review, score appeal and even operating a testing center in Guam (a surprisingly high-volume location for testing candidates). Book-length periodic reports on candidate performance are also published at regular intervals. This latter publication is anxiously anticipated by university accountancy programs who want to gauge the success of their graduates.

The largest function of the year is the annual meeting, usually held in October or November. According to past chairman and U.S. Congressman K. Michael Conaway (Texas), NASBA annual meetings are “family friendly. Spouses routinely attend the meetings.” Conaway describes going to the annual meetings as similar to attending a reunion, and he attributes this atmosphere to the influence of President David A. Costello [Conaway, Nov. 1, 2005]. However, even before Costello’s era, NASBA was family friendly to encourage volunteers’ participation; for example, at the 1984 annual meeting in New Orleans there were 174 state board members and administrators in attendance, and 151 of them brought a spouse or guest. In addition to outstanding annual meetings, NASBA sponsors regional meetings each year in attractive settings in

various parts of the country. Since 2000, the regional meetings have been preceded by an orientation program for new members of state boards of accountancy — an innovation conceived by 1999-2000 Chair Dennis P. Spackman [Weatherwax, November, 2006].

NASBA is divided into eight regions: Central, Great Lakes, Middle Atlantic, Mountain, Northeast, Pacific, Southeast, and Southwest. Puerto Rico and the Virgin Islands are a part of the Southeast Region, while Guam and the Northern Marianas are a part of the Pacific Region, as are Alaska and Hawaii. There are normally two regional meetings each year — one for the four regions in the eastern half of the country and another for the western half. However, members may attend either meeting, regardless of whether it is located in their board's part of the country. This practice of holding only two regional meetings each year is of recent vintage, having started in 1997; beginning in 1954, regional meetings were held annually in each of the regions.

NASBA, a not-for-profit organization, is housed in 35,000 square feet of offices in Nashville, Tennessee, at 150 Fourth Avenue, North, Suite 700. There is an additional office in New York City. About 150 employees are in Nashville, with a few others in New York and Guam and several telecommuting from other locations.

As another example of the organization's growth in recent years, the current contingent of workers compares to only nine employees in 1976, and 14 in 1987 ["NASBA and...", 1987], when there was only a New York office. The first full-time employee, with the title of "executive director," had been hired in 1972. Prior to that time, the organization was an all-volunteer group, but with some staff and office support provided by the American Institute of CPAs (AICPA) and its predecessors. The current president and chief executive officer of NASBA is David A. Costello, himself a CPA. Costello joined NASBA in 1994. During his tenure, NASBA has seen remarkable growth. Before joining NASBA, Costello had served about a year as the Executive Director of the Tennessee State Board of Accountancy. He began his career with Ernst & Ernst and later



David A. Costello, CPA, the current president and chief executive officer of NASBA, joined the organization in 1994.

joined Genesco, Inc., where he became president of the General Adhesives Division in 1982. In 1986, he became president and chief operating officer of IGI Adhesives, Inc., a division of International Group, Inc. Through his speeches, newsletter articles and general demeanor, Costello has brought a vitality to the organization that has been translated into excitement among employees and volunteers. Whether he is quoting Greek philosophers or the late Nashville country comedienne Minnie Pearl, Costello always has a story to accompany the point he is trying to make.



Lorraine P. Sachs, CAE, the current Executive Vice President, joined NASBA in 1984 and established the Uniform CPA Examination Services Corporation known as ESCORP.

Lorraine P. Sachs, Executive Vice President, has her main office in New York as does Louise Dratler Haberman, who is NASBA's Director of Information and Research, and Editor-in-Chief of the newsletter, *State Board Report*. Haberman is NASBA's longest serving employee, having joined the Association as a consultant in 1976 and then as a full-time staff member in 1993. During the mid 1980s, she also served as executive editor of *New Accountant* magazine. The *State Board Report* is distributed monthly to all state board members and staff, all dues paying associates of NASBA (past members of state boards who want to remain affiliated), some AICPA and other professional society staff members, and all state CPA society executive directors. The newsletter keeps state board members informed of developments affecting CPA regulation, including summaries of new accountancy laws, state regulations, legislative proposals, court decisions and other items of interest. NASBA's former Executive Director, James Thomashower, described Haberman as a "talented, dedicated, and professional journalist."

Lorraine Sachs joined NASBA in April 1984 and was initially responsible for the examination administration program, established as the Uniform CPA Examination Services Corporation and known as ESCORP. She was also responsible for the administration of the CPA Examination Orientation and Critique Program. Sachs formerly worked for the National League for Nursing as Director of Test Services. She graduated from the

University of Michigan and holds a master's degree in personnel psychology from Columbia University. James Thomashower has described the hiring of Sachs as “a watershed event since Lorraine would do a brilliant job growing the examination services program” [Thomashower, 2006]. She plans to retire shortly after the 100th anniversary meeting in 2007.

When the Association moved to Nashville in 1997, all employees were given the opportunity to relocate to the new offices and ten did so, with five continuing to be employed in 2007. Among the directors who made the transition and have taken on additional responsibilities with the move were: Lisa J. Axisa, director of the Examination Review Board and Special Initiatives; Joseph T. Cote, director of CPA Examination Services; and Thomas G. Kenny, director of communications.

With the move approaching, Angel Jenkins Lunn, a Tennessee native, was employed as director of human resources to build the Nashville staff. As the association has grown, she has assisted President Costello in recruiting the needed talent and implementing personnel policies that have kept the staff turnover rate extremely low. Besides instituting programs such as Lunch and Learn, staff directors' retreats, and the FISH philosophy, she has brought INROADS interns to NASBA, developing talent from the economically disadvantaged community in middle Tennessee.



In 2005 and 2006, the *Nashville Business Journal* selected NASBA as one of the “Best Places to Work” in Nashville. The award was presented to President & CEO, David Costello because the organization creates a positive, family-oriented atmosphere for its employees.

To create a positive work environment, NASBA management uses the FISH philosophy with four basic principles: **PLAY** (take your work seriously and have fun doing it), **BE THERE** (for each other and your customers), **CHOOSE YOUR ATTITUDE** (only you can choose to be positive on a daily basis), and **MAKE SOMEONE'S DAY** (take the opportunity to make someone else's day and in turn it will make your day). “NASBA employees have a strong work ethic and the FISH program has been a great way to have fun while working hard,” said Ms. Lunn, now NASBA's Chief People Officer.



NASBA's governance system consists of a 20-member volunteer board of directors, including a chair, vice chair, nine directors-at-large, the immediate past chair, and one regional director from each of the eight regions. A majority of the board and all regional directors must be current members of state boards of accountancy within six months of their election. NASBA now has more than 25 committees that address specific regulatory issues and concerns of state boards.

## 1946 History Publication

This is not the first time that NASBA's leaders have thought about having a history prepared. There was a 50th anniversary history published in 1946; this small volume was authored by Walter N. Dean, the 1945-46 President and Norman E. Webster, a noted accounting historian and the chairman of the New York State Board of CPA Examiners. The volume was entitled *C.P.A. Examiners 1896-1946: A Record of 50 Years of Co-operation*. The odd thing about the 50th anniversary history was that it commemorated the 50th anniversary of the first CPA Examination — not the 50th anniversary of the organization. The publication attributed the organization's founding to a 1908 meeting, which was only 38 years before the date of the publication. The history of that 38-year period was minimal, either because very little happened or because no records were kept for most of the period. The reason that few records were kept was because there was no formal organization until 1935.

Technically, before 1935, the association of examiners existed only in the form of willing volunteers who would take the initiative to organize a session at the annual conference sponsored by the AICPA's predecessor organization. Therefore, if it seems strange for an organization to publish a 50th anniversary history after only 38 years, it is even stranger to publish a 50th anniversary history after 11 years. Whatever the case, there was a 50th anniversary volume published in 1946, and that volume serves as the basis for some of the content of Chapter 2 of this publication.

## Chapter Two: The First Half Century

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*“The CPA certificate has now attained such prestige that it is wanted by accountants and others throughout the country, regardless of whether or not they are in or intend to enter public accountancy. With this great influx of candidates into our examining rooms, there is need for constant vigilance to keep the prestige which the certificate now enjoys, and never before has there been greater need for active participation of state board members in the work of the Association than exists today.”*

*- Proceedings, 1954 annual meeting*

**N**ASBA traces its roots to a meeting held in Atlantic City, New Jersey, on Monday, October 19, 1908. This initial meeting was held in conjunction with the annual meeting of the American Association of Public Accountants (AAPA, now known as the AICPA) — a practice that was to hold true for many years into the future. That first meeting was called on behalf of the New Jersey State Board of Public Accountants by its officers, President Frank G. DuBois, Treasurer George Wilkinson, and Secretary Elmer B. Yale. DuBois, a graduate of Packard’s Business College, received his CPA certificate from New York in 1901 and then authored New Jersey’s law [Webster, 1944, p. 146]. The New Jersey movement toward uniformity among state boards of examiners included the following resolution:

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**RESOLVED**, that the New Jersey State Board of Public Accountants invite the Examiners appointed by the Regents of the University of the State of New York; the Examiners appointed by the University of Illinois; and the members of all State Boards of Public Accountants, to meet at the Marlborough-Blenheim Hotel at Atlantic City, N. J. in October 1908, to confer in regard to matters of mutual interest [Dean and Webster, 1946, p. 5].



NASBA's first annual meeting was held in Atlantic City, NJ in 1908 in conjunction with the annual meeting for the American Association of Public Accountants.

Since the dawning of the licensed public accountant in the State of New York in 1896, public accountancy had been a state regulated profession, in line with the Tenth Amendment of the U.S. Constitution. Within 25 years of the passage of the New York enabling law, every state had a similar licensing program. In each state, a board of accountancy, with members appointed by the governor, oversees the activities of the licensing process. At the time of that first meeting in 1908, there were only 16 states that had boards of accountancy, with a total of 55 board members. Attendance at the 1908 meeting included 17 examiners from ten state boards — a respectable 63 percent of the states and 31 percent of the board members. The group in attendance voted to form an organization to be known as the National Association of C.P.A. Examiners. The AAPA Council was informed of the new group the following Thursday, with the group's purpose being described as providing "advice and information, and for the purpose of getting more uniform examinations and to systematize matters as far as we can under our different laws" [Yearbook, 1908, pp. 60-61].

The attendees at the 1908 meeting also approved a definition of the term "public accountant."

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*A public accountant is a person skilled in the affairs of commerce and finance, and particularly in the accounts relating thereto; who places his services at the disposal of the community for remuneration, but not entirely at the disposal of any one individual firm or corporation; and who maintains an office or place at which his services may be engaged. It is the opinion of the organization that this definition will be accepted by the courts.*

---

The new organization began to formalize its role at the 1909 meeting in Denver. A news report in the Denver newspaper noted that the Association was drafting a model law to be submitted in all states that had no public accountancy law. Since model accountancy laws are still a concern of the organization, this early

reference indicates that uniformity in accountancy laws have been a long-standing objective of NASBA. The 1909 participants also declared that the organization was ready to hear complaints against any examining board and would work to alleviate the problems, but would do so without usurping the powers granted to the various boards by the laws that created them.

## The Leadership

The new organization's first president was Homer A. Dunn, a partner in the New York office of Haskins & Sells. Dunn was a noted author on accounting-related topics and a respected speaker. Other presidents during the first five decades are listed on the following pages. Throughout its history, NASBA has been represented by some of the most prestigious individuals in the accounting profession.

Given that the group of examiners, from its beginning, met with the American Association of Public Accountants (AAPA), there was an obvious connection to the professional organization, but in 1912, the examiners elected A. P. Richardson as their group's secretary-treasurer. Richardson was the secretary of the AAPA and the editor of the *Journal of Accountancy*. For the next few years, there is little documentation about NASBA, but the two groups were seemingly intertwined.

Although there has been speculation that the group became inactive for a few years after 1912 [Dean and Webster, 1946, p. 7], it is likely that the examiners continued meeting with the professional group, and perhaps even as a committee of the larger organization. However, attendance by state board members was probably quite low since Secretary Richardson noted in the 1914 *AAPA Yearbook* that he had requested certain information from state boards about CPAs in the respective states, and only six states provided the requested data. Thus, in the period from 1913 through 1916 there may have been a lull in the organization's history. This is not to say that there was not cooperation among state boards at this time; for instance, in 1916, the state boards of Missouri and Kansas collaborated on a uniform CPA examination for both states. This idea was adopted by the American Institute of Accountants, which offered its uniform examination to all states in 1917, and offered a grading service as well.

The aforementioned AAPA changed its name in 1916 to the Institute of Public Accountants, and a year later to the American Institute of Accountants (AIA), and at the

same time (1916) created a Board of Examiners (BOE) to pass upon the qualifications of those applying for membership. A. P. Richardson was the secretary of the Board. The membership of the first BOE was composed of both current and former members of state boards of examiners [Yearbook, 1917, p. 15]. This AIA Board of Examiners was not

## Presidents & Chairs of NASBA\* 1908-1957

1908-09 Homer A. Dunn (NY)	1927-30 Charles B. Couchman (NY)	1945-46 Walter N. Dean (NY)	1953-54 Lincoln G. Kelly (UT)
1909-10 William A. Chase (IL)	1930-33 Elmer L. Hatter (MD)	1946-47 James I. Keller, Jr. (FL)	1954-55 Roy C. Comer (WA)
1910-12 Not recorded (but could have been Joel Hunter of Georgia)	1933-35 Maurice E. Peloubet (NJ)	1947-48 J. William Hope (CT)	1955-56 R. L. Persinger (VA)
1912-13 John A. Cooper (IL)	1935-41 Edwin E. Leffler (NY)	1948-49 Sidney G. Winter (IA)	1956-57 William Holm (OR)
1913-16 Not recorded, and perhaps organization not active	1941-42 Robert P. Briggs (MI)	1949-50 Jay A. Phillips (TX)	1957-58 Earl Pedalhore (LA)
1916-19 Arthur W. Teele (NY)	1942-43 Dick D. Quin (MS)	1950-51 Russell C. Harrington (RI)	* The title of the top elected officer was changed from President to Chair via a bylaws change in 1994. The individuals listed for 1916 through 1935 were the chairmen of the American Institute of Accountants Board of Examiners.
1919-24 John B. Niven (NY)	1943-44 Brooks Geoghegan (GA)	1951-52 M. C. Conik (PA)	
1924-27 A. S. Fedde (NY)	1944-45 Lewis Lilly (CA)	1952-53 A. Frank Stewart (VA)	

technically the same as the voluntary group that had formed in 1908, but it accomplished the same purposes (and had the same secretary). In his history of the AICPA, John Carey wrote that the old examiners group had lapsed into inactivity and that:

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*It became customary for the Institute's Board of Examiners to invite the co-operating state boards to a special meeting, held in conjunction with the annual meeting of the Institute, where free discussion was invited of any problems involved in the conduct of the examinations [Carey, 1969, p. 275].*

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Given this anomaly in the structure of the organization, the names of the presidents and/or chairmen for 1916-1935 are the chairs of the respective AIA Boards of Examiners.

Carey attributes these gatherings at the Institute's annual meeting as the catalyst for the revival of the Association of CPA Examiners in 1935 (a slight change of name from the former National Association of CPA Examiners). Carey cites Norman E. Webster of New York as being the "moving spirit in the revival" [Carey, 1969, p. 275]. Thus, after 1935, the Association of CPA Examiners (ACPAE) was independent of the AIA. It had its own officers separate from those of the AIA's Board of Examiners, although occasionally there was an overlap in leadership between the two organizations. For example, J. William Hope (Connecticut) was the chairman of the Board of Examiners from 1946-48, and served as ACPAE's president in 1947-48. He later became president of the AIA for 1951-52. William H. Holm (Oregon) followed his 1956-57 NASBA presidency with four years as chairman of the AICPA Board of Examiners from 1959-63.

In addition to having a relationship with the AIA, there was also a relationship from about 1930 to 1935 with a rival professional group, the American Society of Certified Public Accountants (ASCPA). The ASCPA was established in 1920, but it was not until 1930 that it tried to initiate cooperation among state boards of examiners. Thus, from the fall of 1930 to 1935, the examiners held a meeting in connection with the ASCPA annual meeting, as well as with the AIA. Both annual meetings were held in September or October each year.

The New York State Board of CPA Examiners was seeking even greater cooperation among state boards and supported a reorganization of the formal group of examiners at both conferences held in 1933 and both in 1934. A committee was appointed at the Milwaukee meeting in 1933 and the group came back in 1934 with a resolution:

*RESOLVED, that it is the opinion of those present that such an association is desirable to serve as a clearing house for information of interest to state boards, to establish a better understanding among boards of the problems which may be peculiar to certain states or more or less general, to improve the standards of examinations and grading, to provide more uniform handling of complaints and for the exchange of ideas on legislation and other matters of particular interest to state boards [Dean and Webster, 1946, p. 10].*

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Another committee was assigned the task of drafting a constitution and bylaws, which were subsequently approved at the 1935 meeting in Kansas City. The first president of the independent organization was Edwin E. Leffler of New York. Dean and Webster cite Durand W. Springer, Secretary of the Michigan Board of Examiners from 1913 to 1937 and secretary (and primary moving force) of the ASCPA from 1920 to 1936, as the “moving spirit and the one most responsible for the eventual success” of the new organization [1946, p. 8]. Alternatively, as mentioned previously, John Carey cites Webster himself as being the “moving spirit in the revival” of the separate group [Carey, 1969, p. 275]. Given that Carey seems to be a more independent source, it is likely that Norman E. Webster of New York deserves the accolades as the “Father of NASBA,” or perhaps Webster and Springer should be considered co-founders. Another indication that Springer might have been less important than Webster was a statement made in an April 1936 letter from the officers of the Association to all members of state boards; the letter stated that “it was the opinion of Mr. Springer, Secretary of the American Society of Certified Public Accountants, that the forming of this Association was one of the most important things that had been done in the accounting profession for some time.” It would be rather bold of Mr. Springer to claim that what he did was so important. Therefore, the letter may have been Springer’s way of congratulating the work of others.

Webster was one of the pioneers of the accounting profession; at the age of 85, he authored a 1954 book entitled *The American Association of Public Accountants: Its First Twenty Years: 1886-1906*. In one autographed copy of that volume, he inscribed: “Presented to The University Club of Washington of which I am a charter member, 1904 and, to the best of my knowledge, was in 1906 the first Certified Public Accountant in the District of Columbia.”

The New York *CPA Journal* published a short biography of Webster in 1957, following his death in July 1956. That article stated, “He was one of the group that organized the National Association of Certified Public Accountant Examiners and he

remained actively interested in that association continuously thereafter” [Committee on History, 1957, p. 270]. Webster was born in Michigan in 1869 and passed the first Michigan CPA Examination in 1905. Prior to that time, he had been an auditor for the Department of the Treasury in Washington, DC. In 1909, he moved to New York City where he joined the CPA firm of Niles & Niles. He passed the CPA Examination again in New York and then served for many years on the New York State Board of CPA Examiners, including a long stint as chairman. Thus, Webster was one of the earliest CPAs of the 20th century with his active accounting career covering more than 60 years. His founding of NASBA came at about the mid-point of that career.

## 1936 and Beyond

Following the organization’s second start in 1935, annual meetings were held beginning in 1936 under the leadership of President Edwin Leffler (New York), with Claud F. Harmon (Arizona) serving as vice president for the first five years. Robert Miller (Kentucky) also served the first five years as secretary-treasurer. From the beginning, the organization’s bylaws dictated that, “The annual meeting of the association shall be held in conjunction with the annual meeting of the American Institute of Accountants.” In spite of this meeting arrangement, the organization from its beginning recognized the importance of its independence from the professional groups; the officers sent a letter to all state board members in April 1936 with the following lines:

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*It must be distinctly understood that this organization is separate and distinct from the two National organizations of accountants and is in no way connected with either, but is a National organization of the legal authority of the profession, and its aims and objects, as set out in the Constitution, are important indeed to those interested. It is intended to call this Association to order the day before or the day after the next meeting of one or the other of the National accountants conventions.*

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Later in 1936, the two national professional groups merged, leaving only one large national CPA organization from whom NASBA needed to stay independent.

Despite the Great Depression, attendance was reasonably high at the first few





On October 29, 1929, Black Tuesday, the Great Depression began. Attendance at NASBA's meetings was remarkably high during the depression, reaching numbers as high as 31 boards attending.

meetings, with 23 boards being represented at the 1936 annual meeting and 31 boards at the 1937 meeting. After 1937, representation dropped slightly and continued in the mid-20s through the end of World War II (1945 was the lowest attendance with only 20 boards being represented). NASBA co-founder Norman Webster was a speaker at several of these meetings. Webster spoke in 1940 on "Uniformity in CPA Examinations," in 1942 on "Planned Examinations," and in 1943 on "Some Early Accountancy Examinations," the latter of which was published with a slightly different title in the *Accounting Review* in April 1944.

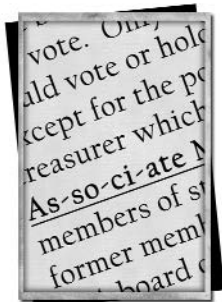
The 1946 publication by Dean and Webster listed the papers presented at the meetings from 1938 through 1944; it was specifically stated that there were no papers at the 1941 or 1945 meetings, which may help account for the lower attendance the latter year.

The authors of these papers were among the profession's most respected leaders. Mendes and Hope were both chairs of the AIA Board of Examiners, while Quin, Lilly and Hope all served NASBA as president. Forbes was a leader of the California profession who had been instrumental in the 1936 merger of the AIA with the ACSPA. Olive was the head of a large regional firm in Indiana and had been the 1942-43 AIA president, while Quin was a pioneer of the profession in Mississippi and the 1942-43 president of NASBA. Scovill was a distinguished professor at the University of Illinois and Leland was a professor at Texas A&M University who authored the first CPE materials published by the AIA and later became that organization's first full-time director of education [Edwards and Miranti, 1987, p. 33]. Thus, from its earliest days, NASBA has been a respected organization in accounting circles.

The 1940 papers entitled "Three Day Examinations" might have been the instigators of a change in the CPA Examination. At that time, the exam took only two days, consisting of four parts. Commercial law and auditing made up two of the parts, with the remaining two consisting of a combination of accounting practice

## Papers Presented at the 1938 - 1948 Meetings

- 1938 "Accounting Examinations of Canada," by Austin H. Carr  
"Accountancy Examination of Great Britain," by Harold B. Caffyn  
"Educational and Experience Requirements in the Various States," by George P. Ellis
- 1939 "Preliminary Examinations for Candidates for the C. P. A. Certificate," by Henry E. Mendes
- 1940 "Uniformity in C.P.A. Examinations," by Norman E. Webster  
"Three Day Examinations," by George E. Perrin  
"Three Day Examinations," by Roscoe C. Clark
- 1942 "Activities of the Board of Examiners of the American Institute of Accountants during the Fiscal Year Ended August 31, 1942," by John H. Zebley, Jr.  
"Factors to be Considered in Preparation of An Examination in Accounting Theory," by Hiram T. Scovill  
"Accounting Theory as a Separate Examination Subject," by Dick D. Quin  
"Planned Examinations," by Norman E. Webster  
"Professional Objectives," by Ralph L. Boyd
- 1943 "Objectives in C.P.A. Examinations," by Henry E. Mendes  
"Some Early Accountancy Examinations," by Norman E. Webster  
"Reminiscences of a C.P.A. Examiner During a Third of a Century," by John F. Forbes
- 1944 "Canadian Examinations," by W. A. McKague  
"The Restriction of Practice by a Regulatory Accountancy Law Would Strengthen the Profession," by J. William Hope  
"Restrictive Legislation and Its Concomitants," by Lewis Lilly  
"Education as a Prerequisite for a C.P.A. Certificate," by Thomas W. Leland  
"Practical Experience as a Prerequisite for a C.P.A. Certificate," by George S. Olive



In 1942, the AIA Board of Examiners became eligible for membership in the Association. A new definition for 'associate members' included former members of the AIA Board of Examiners.

and theory. In 1942, the AIA Board of Examiners consulted with NASBA regarding a proposal to increase the length of the examination to two-and-one-half days because of the expanding subject matter that needed to be covered [Carey, 1970, p. 316]. It was this proposal that was the subject of the 1942 presentations by Scovill and Quin. According to Carey, an agreement was reached and the May 1943 CPA Examination included theory as a separate section.

Another event in the early years, although not particularly important, is of passing interest; at the 1941 meeting, there was a resolution voted upon to accept examination solutions regardless of whether they are prepared in pen or pencil. The resolution passed unanimously, despite the fact that 11 states did, at that time, require the solutions to be prepared in ink (although one state did allow candidates the choice of whether to use ink or a typewriter) [Boyd, 1943, p. 130]. Perhaps if all states had required solutions to be typed, the move to computer-based testing would have arrived sooner rather than later.

At the 1942 meeting, it was noted that 46 states were then using the AIA's uniform exam, and therefore it was the opinion of the NASBA officers "that the Board of Examiners of the American Institute is eligible for membership in this Association." Just seven years earlier, NASBA had been the AIA Board of Examiners, and now the Board was being asked to join the Association. A year later, the Association's first bylaws revision included under the definition of "members," all active state board members and active members of the AIA Board of Examiners. "Associate members" were defined as former members of state boards and former members of the AIA Board of Examiners. Under the new bylaws, each state board was entitled to one vote. Only active members could vote or hold office, except for the position of treasurer, which could be held by an associate member. Associate members could also serve on committees. Also, dues were raised to \$10 per year (from \$5) for each state board.

The 1945 annual meeting did not have any formal papers presented, but the main issue was the treatment of returning soldiers, which will be discussed in a later section. Because of war restrictions on travel, the executive committee had not held its usual mid-year meeting (which was supposedly a requirement under the bylaws), so the total expenses for the year came to only \$88.07. Since dues were assessed against state boards at the rate of \$10 per year, the travel restrictions made NASBA a profitable entity in 1945. The Association ended the year with assets of \$930.94, but had a liability of \$9.65 for mimeographing, thus leaving net assets of \$921.29 [Yearbook, 1945, p. 27]. Even adjusting for inflation, this sum did not make NASBA a financially sound organization!

At the 1947 annual meeting at the Roney Plaza Hotel in Miami Beach, there was discussion of whether objective-type questions could be used on the CPA Examination. Dr. Leo Schmidt of the University of Michigan admitted that objective questions were difficult to use on higher level exams, but gave his opinion that such questions could be utilized on the CPA Examination. Also at the 1947 meeting, the Philippine Board of Accountancy asked for membership in the Association. The board of directors was given authority to act if it could be determined that the Philippine Board was eligible for membership (it was never admitted). In addition, statistical information was provided by Norman L. Burton, the educational director of the AIA and by George R. Donnell of the Texas State Board of Accountancy. As an indicator of the wealth of NASBA at that time, the organization's total net assets amounted to cash of \$1,648.21 [Yearbook, 1947, p. 32].

The late 1940s and early 1950s saw NASBA being led by some of the biggest names in the accounting profession. The 1947-48 president was J. William Hope (Connecticut) who later became president of the AICPA. He was followed by NASBA's first academic president, Sidney G. Winter, a professor at the University of Iowa. Winter was a prolific author and well respected in academic circles.



In 1942, NASBA dues were raised to \$10 per year for each state board.

For 1950-51, NASBA elected Russell C. Harrington (Rhode Island) to the highest office. Harrington, an Ernst & Ernst partner, would in 1955 be appointed by President Dwight Eisenhower to the position of Commissioner of Internal Revenue. Harrington was only the second CPA to become Commissioner of the IRS. He authored several articles on tax reform [Harrington, 1960] and had been president of the Rhode Island Society of CPAs and a member of the AICPA Committee on Accounting Procedure.

The types of issues that were of concern to state boards in the early 1950s are reflected by the programs of the annual meetings of that era. The 1952 meeting in Houston included several presentations on security-related issues, including “Effective Proctoring of State Board Examinations” by W. E. Shissler (Pennsylvania), “Effective Methods of Identifying Candidates During State Board Examinations,” by W. C. Waggoner (Illinois), and “Responsibility of State Boards in Event of Examination Papers Lost in Transit,” by Fontaine C. Bradley, NASBA’s legal consultant from the District of Columbia. The paper by Waggoner also included a discussion of collusion in the examination room. The paper on responsibility for examination papers lost in transit recommended that states follow the practice of West Virginia and have all papers microfilmed before mailing them to New York. The cost was estimated at under \$1 per candidate [Excerpts of 1952..., pp. 14-18].

Procedural matters for the administration of the examination were of concern at the 1953 Chicago meeting. Ida Broo (Indiana) became the first woman on the program of the annual meeting when she spoke on “Further Research Into the Matter of Insurance Coverage for Lost Examination Papers,” while Merrill C. Patten (South Carolina) talked about “Transfer Candidates for Examination and Acceptance by State Boards for Subject Passed in Other States.” Ross Warner (Oklahoma) presented a paper entitled “Greater Uniformity in the Matter of Duration of Credits for Subjects Passed in the Examinations.” The Broo paper, on insurance coverage, concluded that for \$77 per year, a state board could obtain \$6,000 of insurance coverage against the loss (by either the state board or the American Institute) of candidates’ examination papers. She also pointed out that the American Institute had insurance coverage, but had never yet had to make a claim for a loss [Broo, 1953, p. 7].

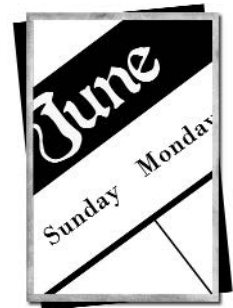
Committee reports dealt with “Cooperation with the AIA Board of Examiners, Reciprocity and Interstate Practice, and Examination Dates.” The committee compiling the latter report had conducted a survey to determine whether the May exam should be moved to June. The argument in favor of a June exam was that college graduates would

be able to sit for the exam immediately after graduation rather than waiting until the November exam. The argument against the June date was that it might be more difficult to find graders during the hot summer months in New York. Of the 49 boards voting on the proposal, 21 favored the move to a June exam, 26 preferred the present May arrangement, and two declined to vote. Despite the majority preferring the status quo, the committee recommended in favor of the June exam if the profession went to a requirement that candidates must hold a college degree prior to sitting for the exam [Excerpts of 1953..., p. 36-37].

A more theoretical subject discussed at the 1953 meeting was by L. C. J. Yeager (Kentucky) in his presentation, "Should Professional Ethics Become a Matter of Statutory Law of the States." During the preceding year, the AIA Council had approved a resolution, "that provision should be included in all state CPA laws for enforcement of rules of professional conduct by state boards of accountancy... And that the action of the Council in approving the recommendation... be transmitted to the Association of CPA Examiners." Yeager's presentation discussed whether ethics should be associated with a professional organization, like AIA or the state societies of CPAs, or a part of the laws relating to accountancy. Yeager concluded that violations of professional responsibilities by CPAs who were not members of a professional organization would be just as detrimental to the profession as violations by members. Thus, he urged the passing of a resolution, which was duly adopted:

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**RESOLVED**, that the Association of Certified Public Accountant Examiners endorses and approves in principle the adoption and enforcement of codes of ethical standards by the boards of the various states and territorial possessions which are authorized to issue certified public accountant certificates and encourages the boards not now having either statutory or regulatory authority to promulgate rules of ethics to begin movements toward their adoption.



In 1953, a committee recommended that the Examination move to June as long as the profession required examination candidates obtain a college degree prior to sitting for the exam.

Ethics became an issue for state boards and the members of the Association were willing to exert an enforcement role.

The 1954 meeting included a presentation entitled “We Need a National Legislative Policy,” by L. C. J. Yeager (Kentucky), and an address by AIA Executive Director John L. Carey on “The Current Outlook and Professional Standards” [Proceedings 1954]. There were other presentations on education and experience requirements. A proposal to create uniformity in conditioning requirements attempted to motivate all states to have conditional credit for passing part of the examination to remain in force for four examinations. That proposal was tabled. Another proposal — to allow conditional credit earned in one state to be transferred to another state — was adopted. Another tabled proposal was a resolution that would require compulsory collegiate education as a requirement to sit for the CPA Examination. The members were not ready to pursue such a requirement, but the subject was to become widely studied in the years to come. Still another tabled proposal was to expand the CPA Examination to three days by adding a section on taxation.

The year 1955 was a turning point in the history of the organization in that the annual meeting was, for the first time, held over a two-day period, but still just prior to the AIA meeting (which was a bylaws requirement). The longer meeting was designed to allow for more floor discussion and member participation, which had not been possible in preceding years. The theme of the meeting, held at the Hotel Statler in Washington, DC, was “Education and Uniformity.” Twelve resolutions were considered at the 1955 meeting; those approved included ones to require experience before a certificate is issued, to require a college education of candidates, to clarify that working papers belonged to the accountant and not the client, and a provision that CPAs should not be required to divulge client information in a court of law.

At the same meeting, P. K. Seidman (Tennessee) presented the report of the Committee on Cooperation with the Board of Examiners of the AIA. Seidman’s committee recommended the approval of six exam-related proposals, including recommendations that:

1. The CPA Examination use shorter questions,
2. The examination be extended to three days without adding another subject,
3. The examination be given in two stages, with the first stage given during a student’s junior year in college,

4. A committee be appointed to recommend uniform conditioning requirements,
5. Every CPA be contacted and urged to add to the stockpile of CPA Examination questions, and
6. Commercial law be eliminated from the exam and tax be added as a separate section.

Proposals 4 and 5 were the only ones to pass. The membership did approve a dues increase, by five times the amount that had been approved in 1951. The new dues structure included tiers based on the number of licensees in a state. The smaller states (fewer than 100 licensees) were to pay \$50. Those with 100 to 500 licensees were assessed \$100, those with between 500 and 1,000 licensed CPAs were assessed \$175, while the largest jurisdictions were to pay \$250.

The 1957 meeting at the Roosevelt Hotel in New Orleans had the theme of “50 Years of Continuous Progress,” and was spread over a day and a half. The first morning was devoted to a number of committee reports and a presentation by Robert L. Kane, Jr., director of education at the AICPA, on “Variations Between States’ Results in the Uniform CPA Examination.” This was one of Kane’s final public appearances. In fact, his presentation did not appear in the Proceedings of the meeting “due to the demise of Mr. Kane” two months after the meeting. More committee reports followed in the Saturday afternoon session and the day ended with an open discussion for those in attendance. One of the committee reports included a recommendation for a bylaws change. Included as one of the changes in 1957 was a recommendation to switch the organization’s name from the Association of CPA Examiners to the National Association of State Boards of Accountancy. This same proposal had been considered in 1956. However, for some unascertainable reason, that portion of the bylaws change was again tabled. The name NASBA was still a decade away!

President William H. Holm (Oregon) included in his 1957

**50<sup>th</sup>**  
**Anniversary**

A proposal to change the organization's name to NASBA was tabled at the 50th Anniversary.



## First Regional Meetings Held

In addition to the annual meeting, there were also in 1954, for the first time, two regional meetings of the Association. These meetings were held in conjunction with regional meetings of the American Institute. The first such meeting on June 16 was in Salt Lake City as a part of the Mountain States Conference of CPAs. The second meeting, on June 21, was in Kansas City, Kansas, as a part of the Central States Conference. Carl D. Tisor (Arizona) was in charge of the Salt Lake meeting. In reporting on the conference, he later noted at the 1954 annual meeting that:

*I think it was successful, and yet I am afraid that the same thing happened there that is happening today; that there was too much to cover in too little time. It is my opinion that in the future that these meetings are going to have to last more than a day. And it is unfortunate and too bad that the Institute's meetings detract from these meetings of the examiners. Whether there is a solution to that I do not know. And yet, I suppose it would be difficult to have these meetings other than at the same time as those of the Institute [Proceedings, 1954, p. 36].*

Mr. Tisor was sowing the seeds for the Association to later break away from meeting with the AICPA — an exodus that would not occur at the national level until 1977. Interestingly, the topics discussed at that Salt Lake City regional meeting are the same as those that continued to be discussed for the next half century, namely, experience requirements, interstate practice and reciprocity, codes of ethics, and conditioning of candidates. These regional conferences in Salt Lake City and Kansas City were inspired by a suggestion from President A. Frank Stewart that such meetings be held. Thus, Stewart can be considered as the “father of NASBA regional meetings.”

presidential address a recommendation that an executive secretary be hired. This individual's duties would include compiling a quarterly newsletter for members, assisting committee chairs, publishing the proceedings of the annual meeting, organizing a library, keeping abreast of changes in state-board membership, helping in the preparations for the annual meeting, and maintaining a liaison with the AICPA educational director and board of examiners [Holm, 1957, p.10].

The Sunday morning session in 1957 was devoted primarily to a panel discussion of the report of the Commission on Standards of Education and Experience for CPAs, which will be discussed in the next section. The 1957 meeting closed with a reception and luncheon to honor past presidents and commemorate the 50th anniversary of the Association. The luncheon speaker was J. Earl Pedelahore (Louisiana), whose topic was "Our History and Heritage." Unfortunately for the author of this volume, copies of Pedelahore's presentation did not appear in the Proceedings of the meeting and have not survived the ravages of time.

## Education and Experience Requirements

The 1944 paper by Leland, published in *The Accounting Review* [Leland, 1945], was the forerunner of a long debate on the type of education that a CPA candidate should possess. In 1937, the AIA Council had passed a resolution calling for CPA candidates to hold a college degree in accounting. In 1941, NASBA passed a resolution in support of the AIA resolution; 17 states voted for requiring education at the collegiate level, while six states opposed the idea and three states declined to vote. The remaining states were not in attendance. A resolution requiring experience prior to sitting for the exam passed unanimously. Also passed unanimously was a provision that private accounting experience, as opposed to public, could not exceed one-third of the experience

"Some of these employers have stated that philosophy, history, language, sociology, and physical science are useful to accountants in their work. Others have pointed out that emphasis on business and accounting courses in college frequently precludes an adequate program of cultural training. Accountancy needs men with varied talents and varied education programs."

- Thomas W. Leland

requirement [Boyd, 1943]. Leland's 1944 paper supported the idea of requiring a college degree, but suggested that a course in liberal arts would be just as desirable as an accounting major.

The veterans returning from World War II raised another issue with respect to educational and experience requirements. In 1945, several state boards reported that they had been asked to relax some requirements for veterans who wished to obtain the CPA certificate. As a result, the Association passed a resolution in opposition to such waivers:

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**RESOLVED:** *that the Association of Certified Public Accountant Examiners recommends to all state boards that they do not relax the education, examination, or experience requirements for the C.P.A. certificate or for the practice of certified public accountancy; and*

**FURTHER RESOLVED:** *that this Association believes it to be desirable and practicable to give consideration to the individual applications of World War II veterans for the purpose of extending assistance to such applicants in their preparation to practice public accountancy as certified public accountants.*

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Interestingly, the granting of CPA certificates to licensed but non-certified accountants was raised again in the 1990s in several states when the licensed public accountants became a dying class. Several states eliminated the dying class by granting CPA certificates to experienced practitioners [Brown, 2006].

Experience was again addressed at the 1946 annual meeting when Ira Frisbee, a member of the AIA Board of Examiners and of the California Board, pointed out that “learning through mistakes” was an important means of education; thus experience was necessary, as was a college education. Regardless of the outcome, Frisbee advocated standardization of the requirements in all states [Frisbee, 1947, pp. 5-6].

Later, in 1949 [Carey, 1970, p. 265], an ACPAE committee, chaired by A. Henry Cuneo (Missouri), was formed to study education and experience requirements as prerequisites to sitting for the CPA Examination. This was followed in April 1952 by the AIA, under the leadership of President J. William Hope (a past ACPAE president), naming an independent commission of 24 members from interested groups, including the ACPAE, the AIA, academics (five deans and six accounting professors), and several practicing CPAs. The Association of CPA Examiners' representative was A. Frank Stewart (Virginia), its 1952-53 president. Most of the academics were past presidents of

either the American Accounting Association or the American Association of Collegiate Schools of Business. Most of the practitioners were past members of the AIA Board of Examiners. The chairman of the Commission was Donald P. Perry of the Boston office of Lybrand, Ross Bros. & Montgomery, who had just completed a three-year term as chairman of the AIA Board of Examiners. The study was initially headed by Professor Leslie J. Buchan of Washington University in St. Louis, but his role was soon assumed by Professors Frank P. Smith and Samuel R. Hepworth of the University of Michigan. The Commission's report was eventually published in 1956 by the Bureau of Business Research at the University of Michigan.

The Commission concluded that a formal educational process was the more important type of preparation for the practice of public accounting. In fact, it recommended academic study beyond the level of the bachelors degree. Part of the reasoning supporting the emphasis on education over experience was that experience was often measured in terms of elapsed time, without regard to variety, relevancy, or depth. Thus, testing and evaluating experience was a formidable difficulty.

The topics of education and experience requirements were the subject of presentations at the NASBA annual meetings in 1952, 1953 and 1954. At the 1952 annual meeting, held at the Hotel Shamrock in Houston, President M. C. Conick (Pennsylvania) noted in his opening remarks that the AIA had taken on the aforementioned study because it was of a much larger scale than NASBA could undertake on its own [Excerpts of 1952, p. 2]. The Excerpts of the annual meeting also included the report of the three-year-old Cuneo Committee on Education and Experience Requirements.

The 1952 report listed four recommendations that had been proposed a year earlier. During 1952, the state boards were asked to vote on the recommendations, which included:

1. A provision that college graduates could sit for the exam without having any experience.
2. A provision that other candidates should have at least two years of college and at least two years of experience.

3. A provision stating that successful candidates would be issued a certificate stating that they had passed the exam and had the right to practice as public accountants, but not as certified public accountants until after the completion of three years of experience.

Unfortunately, only 24 state boards of accountancy voted on the proposal, and these 24 were divided equally with half in favor and half opposed. Ten other states voted not to express an opinion, while the remaining states did not respond. The overall conclusion was that the committee's work was at an end, since the AIA Commission was carrying on a much broader study of the problem [Excerpts of 1952, p. 19].

The 1952 meeting also included a paper by Herman W. Bevis (New York) entitled "Failures in the CPA Examinations: Symptoms of a Problem." This was the first year that the Uniform CPA Examination prepared by the AIA was used in every state (Pennsylvania was the final adopter of the uniform exam; several states were slow to adopt the Uniform Examination because their advising attorneys regarded such use as an unwarranted delegation of authority [Johns, 1976, p. 79].) Thus, Bevis emphasized that the existence of national conformity of examinations would intensify the spotlight on the imperfections of the examination process. Bevis's presentation emphasized the fact that before 1927, only 22 percent of successful CPA candidates were college graduates. That percentage had increased to 65 percent in 1950 and 1951. Thus, since college graduates seem to do better on the exam than non-graduates, it might make sense to require a college degree of all candidates. Screening out those not qualified would eliminate the time and effort, and subsequent disappointment, by those who lacked the qualifications to pass the exam [Excerpts of 1952..., pp. 3-7].

The 1953 annual meeting at the Palmer House in Chicago included a keynote presentation by Donald Perry (Massachusetts) entitled "Activities of the Commission on Standards of Education and Experience for Certified Public Accountants." Perry, the chairman of the Commission, noted that the reason for the existence of the Commission was "The helter-skelter situation with respect to state requirements for education and experience prerequisites to the CPA certificate, with no two states on exactly the same basis" [Excerpts of 1953..., p. 2]. Perry went on to explain: "The whole method of entry to the accounting profession has developed like Topsy and warrants a comprehensive fundamental study of a type which has never been made for accounting as it has for medicine and some other professions." Perry stated that the Commission had requested

a \$125,000 grant from the Carnegie Foundation to conduct the study, but funding was denied. Subsequently, the AIA pledged up to \$75,000, if the Commission would first try to raise a portion of this amount from the state boards and state societies of CPAs. Eventually, 36 states, either through state societies or boards of examiners, provided at least some funding.

Perry again addressed the membership as the opening speaker at the 1954 annual meeting at the Waldorf-Astoria in New York. He basically concluded that little had been accomplished in the past year and that Professor Buchan had been replaced by Professor Frank Smith as the lead researcher [Proceedings 1954..., pp. 8-9]. The 1954 meeting also included a paper “The Profession’s Greatest Challenge,” by Russell C. Harrington (Rhode Island), a past president. The “challenge” was that CPAs should have a better education in the liberal arts, and then an education in a professional accountancy program [Proceedings 1954..., pp. 18-23]. Harrington went on to become the Commissioner of the Internal Revenue Service.

In a 1955 article, Perry explained that the Commission had a long-range perspective, and was not to be limited by the practical difficulties or political pressures that would result from raising standards in 50 jurisdictions. He noted that the ultimate recommendations would likely not be easy to implement quickly; the objective was to set goals that state boards and universities could strive to approach over a reasonable number of years [Perry, 1955, p. 186]. Perry also alluded to what eventually became one of the Commission’s recommendations, namely the “possibility of requiring a year or two of strictly professional education after attainment of the bachelor’s degree” [Perry, 1955, p. 188].

The Commission report, issued in August 1956, referred to history as the basis for the future. It was noted that “the trend in most professions has been to qualify, first, through experience only, later through a combination of experience and formal educational training, and eventually through formal education alone.” Thus, accountancy had reached the point in its development where education alone could



At the 1953 Annual Meeting in Chicago's Palmer House, Donald Perry remarked on the helter-skelter situation with respect to state requirements for examination and experience.

serve as the principal qualifier for entry into the profession. However, it was stated that the business school curriculum would have to improve before accounting graduates could hope to enter the profession without experience [Kessler, 1956, p. 32].

Following the 1956 issuance of the Commission's report, which suggested a graduate degree was necessary for accountants, there occurred a great deal of discussion about the conclusions, since at the time only six state boards required any type of college education, and only three of those (New York, New Jersey and Florida) required candidates to have graduated from college. California, North Carolina and Tennessee required completion of at least two years of college. Connecticut had passed a law requiring college graduation after January 1, 1959. Illinois required completion of 30 semester hours of accounting and related courses from "approved" schools, while

In August 1956, the Commission report referred to history as the basis for the future. For example, it was noted 'the trend in most professions has been to qualify, first, through experience only, later through a combination of experience and formal educational training, and eventually through formal education alone.'

Mississippi required that candidates have completed a course of reading or study in accounting-related topics, but did not require this to have occurred in a classroom setting; a self-study or correspondence course was acceptable [Vance, 1956, p. 575]. Despite the lack of requirements for collegiate education, 74 percent of those passing the exam in May 1953 were college graduates. A year later, 84 percent of

those taking the exam in Wisconsin were graduates, but only 53 percent in Massachusetts [Vance, 1956, p. 576]. Thus, despite the lack of laws requiring college degrees, it was becoming obvious that public accountancy was becoming a college-educated profession.

One University of Texas educator's published reaction to the Commission's report summarized the thoughts of many academics: "The Report of the Commission on Standards of Education and Experience for Certified Public Accountants has at one fell swoop placed a frightening responsibility, a magnificent opportunity and a sweeping challenge before the nation's accounting educators." This report, in recommending a shift from experience to education as the major element in securing the C.P.A. certificate, also states categorically "the formal educational preparation of candidates for the profession needs to be ... more thorough and comprehensive than is now provided by

most educational institutions.” [Smith, 1956, p. 565].

The solution, according to the above article by C. Aubrey Smith, would be the creation of professional schools of accountancy. Smith recognized that business school deans opposed separate schools, but predicted that, upon reflection, the deans would recognize the advantages of professional schools within the coming decade and would work toward their creation, while probably taking credit for the idea. He was wrong; it would be two decades later — in the late 1970s — before schools of accountancy would be created, and they were usually created despite the staunch opposition of business school deans.

The report was apparently widely accepted as few articles criticizing the findings were found; however, there were dissenters on the Commission itself. The majority of the members supported the importance of education over experience, because they recognized the CPA certificate as evidence of qualification to enter the accounting profession, while a minority of five members dissented to the report because they believed that the CPA certificate should serve as evidence of ability to engage in accounting practice, and such ability cannot be attained without practical experience. Thus, the controversy centered around the meaning of a CPA certificate. Since nearly 80 percent of the Commission felt that the certificate indicated a qualification to enter the profession, a college degree in accounting was all that was needed to sit for the exam [“Editorial...”, 1956, p. 25].

One of the few critical articles, published in the *Journal of Accountancy* and authored by J. Earl Pedelahore, argued in support of the five dissenters to the report. Pedelahore was then a member of the Louisiana State Board of Examiners, a vice president of the ACPAE, and would soon become the 1957-58 president. He argued against the assumption that the CPA certificate was merely a qualification to enter the profession; instead, he felt that many viewed the certificate as a license to practice. He pointed out that just a year before, in 1955, the AIA Council had defeated a proposal



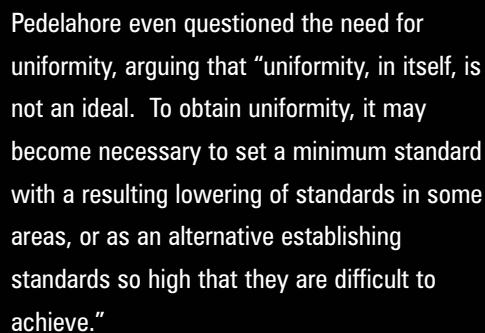
C. Aubrey Smith predicted that deans would recognize the advantages of professional schools. In the late 1970s, schools of accountancy were created.



to change the AIA admission requirements to eliminate a two-year experience requirement. Thus, he concluded that “The general membership of the Institute apparently believes that experience is a necessary attribute for a certified public accountant” [Pedelahore, 1956, p. 39].

One of Pedelahore’s criticisms was that there was too much randomness in the quality of collegiate accounting programs; he included several quotations that led to the conclusion that even though experience cannot be adequately measured, such was also true for accounting education in that even among AACSB-accredited schools, the pass percentage on the CPA Examination differed significantly from school to school. Pedelahore even questioned the need for uniformity, arguing that “uniformity, in itself, is not an ideal. To obtain uniformity, it may become necessary to set a minimum standard with a resulting lowering of standards in some areas, or as an alternative establishing standards so high that they are difficult to achieve” [Pedelahore, 1956, p. 41]. Despite his criticisms, however, Pedelahore concluded that the majority of practitioners would approve the recommendations if an experience requirement were added.

Other articles, in a variety of journals — both academic and professional — followed in 1957 and 1958 [Gee, 1957; Cannon, 1957; Kane, 1957; Kell, 1958]. One point that should be emphasized is that the report itself and the analyses thereafter all concentrated on the alternatives of experience versus education; there was no criticism of the exam itself.



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The event that essentially ended the discussion of the Commission report’s recommendations regarding university education came about in 1959. The Commission’s report was cited, and supported, in what were the two most important studies ever published on business education in America. The Ford Foundation report, authored by Gordon and Howell, and the Carnegie

Foundation report, authored by Pierson, were to become the basis for two decades of changes in business schools throughout the nation. Both studies cited the Commission’s report and lauded its conclusions, but accounting education, in general,

was only lightly addressed in either study. In fact, it was noted that accounting education was probably better, overall, than other areas of business education. As a result, accounting education was short changed and largely ignored by business school deans in the ensuing two decades. NASBA's 1961-62 president, Howard Stettler, noted this shortchanging in his 1962 "President's Report" with the following lines:

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*We had a committee a year ago to study the reports of the two foundations on education and business. As a result of the study of these reports, this committee drafted a letter which they hoped expressed the sentiments of this organization; namely, that the accounting undergraduate major is something that is too important, and serving too useful a function, to be summarily dismissed. Such dismissal was not exactly a recommendation of the two reports, but was one which could be read between the lines. With the approval of the Board of Directors of the Association, the letter which was prepared by the committee was distributed to some 8,000 educators in the collegiate business education field [Stettler, 1962, p. 9].*

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The letter was also reproduced in the March 1962, *Journal of Accountancy*. Nevertheless, accounting departments suffered financially in comparison to other departments in schools of business, a factor that resulted in accounting programs not being able to implement the long-term educational goals of the 1956 Commission report. Eventually, professional schools of accountancy were created in the late 1970s and early 1980s — long after the predictions of those who were analyzing the Commission report in 1956 and 1957. The committee to which Stettler referred in the above quote was the Committee on Business Education, chaired by Dr. S. Paul Garner of the University of Alabama.

In summary, the objective of the Commission was "to establish goals which CPA jurisdictions and educational institutions may strive to approach during the next one or more decades, together with suggested procedures for the transitional period" [Standards of..., 1956, p. xii]. The result was a 146-page report that state boards could use to support changes at the state level, and NASBA could use to serve as a beacon of uniformity. Also settled was the meaning of a CPA certificate. The Commission and its report, because of the resources expended, the quality of the membership, the length of the study, and the inclusiveness of its results made the resulting product one of the most significant publications ever issued in the history of American accounting.

Although the purpose of the Commission had originally been to determine whether state boards could strive toward uniformity, the result was even broader in its ramifications. As one writer at the time noted, “Years of time and effort were expended by the ablest brains in our profession to bring us a courageous report which was not ‘watered down’ to suit expediency” [Pedelahore, 1956, p. 41]. The educational goals were slow in coming, but the definitional objectives were generally accepted.

The AICPA followed up on the Commission’s report by appointing a committee, later known as the Bailey Committee after its chairman George D. Bailey, charged with recommending to the Institute’s Council which of the elements of the Commission’s report should be adopted by the Institute. The Bailey Committee recommended that Council adopt some of the Commission’s recommendations, and this occurred at the April 22, 1959 Council meeting. The policies approved included the requirement that a baccalaureate degree, with the equivalent of an accounting major, be made a requirement for the CPA certificate, and that a postgraduate education is desirable. However, the Bailey Committee and Council differed from the Commission in that they decided to keep the experience requirement at not less than two years. This requirement could be reduced by a year for those holding advanced degrees [Report of the Committee on..., 1969, p. 18].



By the end of the first half century, every state was using a common exam and plans were in place to encourage college graduation prior to the existing exam.

## Summary of the First Half Century’s Activities

During its first half century, the Association of CPA Examiners, was an all-volunteer organization that met in the fall of each year in conjunction with the meetings of the American Institute of Accountants. The purpose was to facilitate uniformity among state boards of accountancy and to share solutions to common problems. What began in 1908 as a loosely-knit voluntary organization, developed in 1916 into a committee of the American Institute, and

eventually spun off in 1935 as an independent not-for-profit association.

Despite the differences in organization, much was accomplished by the volunteers; by the end of the first half century, every state was using a common exam, and plans were in place to further professionalize accounting practitioners by encouraging college graduation for all public accountants. The annual meeting was the primary activity of the organization and the event that brought together members of most state boards and encouraged continued networking among the boards. A summary of the organization's history in the Proceedings of the 1954 annual meeting effectively explains the activities of the early years:

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*Full and active participation has been contributed by the members, and after every meeting there has been a distinct feeling that the boards of the country have been brought closer together toward our common objectives. That the uniform examination is now being given by all of our boards is due in no small measure to the activity of the Association in bringing the various board members into agreement as to the desirability of this practice, and in addition to this, through meetings of the Association the dates for the giving of the examinations have been made to coincide in all states.... The Association has contributed much toward assisting its members in their policy-making decisions, not only in what it has done but in what it has refused to do: For example, great pressure was exerted in almost every state to relax the examination requirements for veterans of World War II; recognition of accountants who are either unable or unwilling to pass our examinations is continuously sought by the issuance of waiver certificates or otherwise. These and other efforts to weaken the certificate have been steadfastly resisted.... Contact and cooperation with board members of other states affords an opportunity for advancement which should be availed of by all earnest-thinking examiners [Proceedings, 1954, pp. 1-2].*

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Some might view these early contributions as minimal, but the state of the environment necessitated an organization to create structure where none existed. All of this was accomplished with virtually no budget and no employees. Volunteer members did it all. As an example of how small the budget was, the treasurer's report for the 1954 fiscal year showed an ending balance of \$160.29, which was down substantially from the preceding year due to the over \$2,072 of expenses exceeding the \$1,435 of revenues. The treasurer's report was so detailed that it included \$1 for bank charges, and \$4.84 for a telegram to someone in Great Falls, Montana. How times have changed.

Association of  
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS  
The National Organization of State Boards of Public Accountancy

Newsletter

July 1, 1961

Dear Member:

The officers and directors held their mid-year meeting at the Union League Club in Chicago, Illinois, on May 6 and 7, 1961. All officers and directors were present. All committee chairmen attended with one exception.

MEETING NOTES

Treasurer's Report

Miss Dorothy Willard reported a very satisfactory collection of dues. Only seven states had not paid any dues. All but three of the states which paid dues paid them in full.

The Association is expected to end the year with a cash balance of \$4,000.

Committee on Examinations

John A. Baker, Chairman of the Committee on Examinations, presented another fine report which should be of special interest to all state boards.

Replies to the questions received from forty boards, the overall examination as a whole, Practical and allo

The first newsletter was released on July 1, 1961 reporting on the mid-year meeting at the Union League Club in Chicago, IL. The newsletter consisted of reports from:

- ♦ Committee on Examinations - John Baker, Chair
- ♦ Committee on Special Projects - Earl Lockhart, Chair
- ♦ Committee on State Board Activities - William Gasser, Chair
- ♦ Committee on Regional Meetings - Sherman Shapiro, Chair
- ♦ Committee on Education - Paul Garner, Chair
- ♦ Committee on Standards - Otto Butterly
- ♦ Committee on Meetings - William Deeming, Chair

## Chapter Three: A Maturing Organization

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*“We must take the lead if we are to be a national body of state boards guarding the gateways to, and upholding the dignity of, the profession.”*

*Report of Past-President Committee, 1961*

The Association of CPA Examiners, now known as NASBA, was a solid and respected organization by the end of its first half century. Its past leaders had been among the profession’s most accomplished individuals, and that was not to change in the second half century. The second half century began under the leadership of Ralph Johns, a distinguished partner in the Chicago office of Haskins & Sells (the same firm affiliation as Homer Dunn, the first president in 1908). Johns was followed by P. K. Seidman, managing partner of the Memphis office of his family firm of Seidman and Seidman (now BDO Seidman).

The organization elected its second academic president, Professor Howard Stettler from the University of Kansas in 1961. Stettler was the author of one of the nation’s best selling auditing textbooks. As will be discussed later, Stettler had an accreditation agenda that he pursued for several years. Stettler’s successor was Fred T. Neely of Greenwood, Mississippi, who had long been an active member of the *Journal of Accountancy’s* editorial advisory board and had contributed several articles to that publication. Neely literally died with his NASBA boots on as he passed away in a Chicago railway station enroute home from the 1967 NASBA annual meeting in Portland [“Fred...,” 1967, p. 34].

A paid leader also emerged during this time period — albeit he was a part-time employee. A special committee was appointed at the 1964 annual meeting to hire a part-time executive secretary. In September, 1965, Ely Kushel, CPA, an associate professor of

accounting at New York University, was hired and assigned an office at the AICPA's headquarters in New York. Before entering academe, Kushel had worked in the New York office of Seidman & Seidman ["Executive Secretary...," 1965, pp. 12-14]. The presence of a designated individual to participate in committee meetings and discussions of policy did much to establish administrative and policy continuity within the organization. Kushel stayed through the end of 1969 when he resigned to become the chairman of the accounting department at NYU. He was replaced by Joel Kauffman. The office facilities at the AICPA had been offered in the summer of 1964 by John L. Carey in a letter to NASBA president John A. Baker, Jr. (Hawaii). Carey stated:

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*We think that your having an executive secretary is an excellent idea and we have carefully considered the desirability of having him housed here. If the proposal gets the Association's approval, we will be glad to provide space, furniture, dictating equipment, secretarial service and so forth in the beginning in order to provide a helping hand. On the other hand, there is a limit to what we can spend members' dues for. Both organizations should expect that as the Association's work expands, new people will be needed to care for it and that we would come to the point, either in terms of time or work load, at which the Association would want its central office to be self-sustaining. You might even want it physically separated from the Institute's offices.*

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The salary of the new employee was financed through an increase in dues approved at the 1964 annual meeting. Subsequently, small states (less than 100 licensees) had to pay \$75 per year, while large states (over 1,000 licensees) were assessed \$500 annually.

## *T*he Image of the Association and State Boards

As perhaps might be expected of an organization that is mature, thoughts in the late 1950s turned to image. At the first annual meeting of the second half century, Charles P. Rockwood, the director of public relations at the AICPA, delivered an address on how the public viewed state boards of accountancy. He felt that there were many "public relations dangers" that boards needed to avoid. One specific danger mentioned was the irritation caused when boards refused to allow reciprocity to individuals who had passed the CPA Examination in another state. Rockwood stated:

*The exam is intended to be a testing of intellectual qualifications and preparation. Any lack of reciprocity between states on the exam as a whole or any of its parts raises doubts in the mind of legislators, candidates and the general public that it truly is an impartial test. It may even suggest to some people that political considerations are a factor. From a public relations standpoint it is important to make clear that anyone with superior intelligence, adequate training, practical experience and good character can become a CPA, and that no other considerations will be found to weigh against him [Rockwood, 1958].*

Rockwood also recommended that unsuccessful candidates should be permitted to see their papers and compare them against approved answers — a policy that was implemented by NASBA in the mid 1970s, and later abandoned when the CPA Examination became nondisclosed in 1996.

Emphasis on the public protection aspect of the state board’s work was also emphasized by Rockwood. He concluded that the public would be much more appreciative of the board’s role if they had a “better understanding than they have today of what the true significance of accounting is in our society.” Thus, he felt that the AICPA could help state boards by implementing a public relations program to enhance the visibility of accountants. However, he acknowledged that it would be a long-term

## Presidents & Chairs of NASBA 1958-1967

<p>1958-59 Ralph S. Johns (IL, FL)</p>	<p>1961-62 Howard Stettler (KS)</p>	<p>1964-65 Earl Lockhart (MN)</p>
<p>1959-60 P. K. Seidman (TN)</p>	<p>1962-63 Fred T. Neely (MI)</p>	<p>1965-66 Walter C. Witthoff (NE)</p>
<p>1960-61 Leonard Price (NY)</p>	<p>1963-64 John A. Baker (HI)</p>	<p>1966-67 Lorin Wilson (WA/CA)</p>



task before the general public recognized that accounting acts “as a safeguard indispensable to the health and growth of the national economy. When people understand this, they will understand the need for standards, and your public relations goal will have been reached.” However, he noted that, “It will be a long wait until the public sees the economic and social implications of accounting” [Rockwood, 1958]. Rockwood’s presentation was rather prophetic as NASBA was to address these issues in the coming years, although in many cases it took several decades to solve the problems that were discussed at that 1958 meeting.

## CPA Examination Appraisal Commission

One of the first major initiatives of the Association’s second century was the appointment of a 1959-61 Commission to appraise the CPA Examination and the AICPA’s grading service. The Commission was chaired by Ralph S. Johns, an Illinois board member who had been the 1958-59 president of ACPAE. The 11-member Commission also included two other past presidents, Maurice Peloubet (1933-35) (New Jersey) and P. K. Seidman (1959-60)(Tennessee). Members represented state boards of accountancy, practicing CPAs, the legal profession, licensing authorities, bankers and college professors. The members were assisted by Dr. Robert L. Ebel, the vice president of Education Testing Service in Princeton, NJ. To insure the objectivity of the study, the Association underwrote the entire cost of the project, which came to over \$8,000. Over 10,000 copies of the 88-page report, issued in 1961, were distributed to members of the AICPA, the American Accounting Association and the AACSB.

It was concluded that the AICPA personnel who worked with the Advisory Grading Service were highly competent and were performing their duties satisfactorily. Other conclusions reached by the Commission included that a reasonable number of objective questions was acceptable, that the commercial law section should be considered for future elimination, and that all states should be encouraged to use the NASBA Uniform Statistical Information Questionnaire. The Commission also lauded the security measures that surrounded the exam. It was noted that “No security leaks at the AICPA level have come to the attention of the Commission” [Report of the CPA..., 1961, p. xviii].

P. K. Seidman advocated that the Commission specifically recommend the dropping of commercial law, rather than recommending a separate commission to study the issue;

in a dissent to the majority opinion, he commented on dropping business law from the exam with the following lines:

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*In my opinion, the time devoted to the Commercial Law section of the CPA examination might well be devoted to matters more directly related to professional practice. I would, therefore, retain the two and one-half day examination, without a section on Commercial Law. The half day thus released can be absorbed, possibly, by added emphasis on auditing, which is the principal domain of the CPA.... As a CPA Examination Appraisal Commission, we should face up to this controversial issue and decide it. I am disappointed that the majority would not do so. Notwithstanding, I suggest that all jurisdictions bend their effort towards elimination of the Commercial Law section from the Uniform CPA Examination [Report of the CPA..., 1961, p. 15].*

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To supplement Seidman's objections to the commercial law section of the exam, the NASBA Committee of Past Presidents issued a report at the 1961 annual meeting in Chicago urging the Association to take a definite stand on the controversy. The report stated that 10 jurisdictions could act to eliminate the law section without additional legislation, and these jurisdictions were encouraged to take that action. No substitute section was stipulated, but there were suggestions that taxation, economics or management services would make suitable substitutes. The report also addressed an issue that is still confronting the profession, namely that of having differing ethics standards in various states. The report encouraged the adoption by states of the AICPA ethical standards: "There is little excuse for not having ethics on a uniform national basis rather than on state levels."

The past-presidents' recommendations also included a suggestion that the Association should aggressively try to get states to adopt uniform requirements to sit for the

The examinations are well prepared and properly graded, and, in all probability, the grades reflect the competence of the candidates. The uniform examination service safeguards the profession against the induction of more than a nominal number of candidates with comparative limited qualifications. In this way it protects the public interest while tending to build up in the public mind a highly favorable attitude toward certified public accountants as professionals.

examination. The hodge-podge of requirements for applicants was viewed as one of the reasons that pass rates were so low. Another reason cited for the low pass rates was that collegiate instruction in accounting was not always on a par with what students needed. As a result, some form of accounting accreditation program was recommended. A quote from the end of the report is particularly appropriate for then, or now:

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*Your committee recognizes that many of the fore-going items are controversial and long range. This does not mean that the Association has to be forced into inaction — quite the contrary — we must take the lead if we are to be a national body of state boards guarding the gateways to, and upholding the dignity of, the profession.*

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The 1961 Committee Report was the result of the biggest research project ever undertaken by the Association, and probably represented the most prestigious group of accountants that could be mustered during that era.

## *A*ccounting Accreditation

In 1949, the New York State Board of CPA Examiners established a short-lived accreditation procedure for accounting programs under its jurisdiction. Because so many accountants from throughout the East Coast sat for the CPA Examination in New York, it meant that the accreditation procedures extended to many schools outside the state. However, there was little concern with separate accounting accreditation until 1956 when the report of the 24-member Commission on Standards, chaired by Donald Perry, concluded that “a system of accreditation of the proposed professional programs... would facilitate the maintenance of a desirable level of quality in the training provided by educational institutions” [Allyn, 1966, p. 308]. The report also noted that both the AIA and the Association of CPA Examiners had recommended that a baccalaureate degree be the minimum educational requirement to sit for the CPA Examination. However, such a requirement was somewhat meaningless given that:

*There are 400 to 600 colleges and universities in this country that teach accounting courses and purport to have an accounting curriculum, and further consider that less than one quarter of these accounting programs are taught in schools accredited by the American Association of Collegiate Schools of Business, the only accrediting organization recognized by the National Commission on Accrediting in the field of collegiate business education. The range and variety of programs and quality are so great that the goal of a baccalaureate degree as a minimum standard becomes questionable without the application of some standards of content and quality [Allyn, 1966, p. 308].*

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In response to the Commission's initiative, the American Accounting Association established a Committee on Professional Education in Accounting in 1957 and 1958 under the chairmanship of Arthur Wyatt, then at the University of Illinois and later to become a partner at Arthur Andersen, and still later a member of the Financial Accounting Standards Board. That committee concluded that, because of the increasing number of accounting programs — some of which were of dubious quality — some kind of advisory accreditation committee was needed to provide the stimulus for improved quality of existing programs. However, the committee felt that the complexity of the accreditation issue was beyond the scope of the committee's charge ["Report of...," 1959, p. 199]. Another American Accounting Association Committee in 1960, this one chaired by Howard Stettler, a professor at the University of Kansas, recommended separate accounting accreditation, but there was a feeling that the AAA should not be the logical group to be involved in such an effort.

Despite the activities of the 1950s, the modern consideration of accounting accreditation dates back to about 1960. The aforementioned Howard Stettler of Kansas became the president-elect for 1960-61 and president of the Association in 1961-62. Stettler, the first true champion of accounting accreditation, devoted much of his inaugural presidential address in 1961 to the topic. He emphasized that separate accreditation of accounting programs would not only help state boards, but would provide a service to prospective students as well. His analogy was that consumers could find a rating service to help them decide which can of peas to buy, but prospective CPAs had nothing more to go on other than the reactions of friends when they wondered about the best education to become an accountant. He also mentioned that New York and Colorado state boards were already performing a type of accreditation function and that national uniformity would be preferable to the piecemeal situation wherein

individual states would establish their own standards [Stettler, 1961, p. 56].

Stettler also outlined his views on the subject in a 1965 article in the *Accounting Review*. He argued:



Howard Stettler, president of the Association in 1961-62, became the first true champion of accounting accreditation, by emphasizing that separate accreditation of accounting programs would not only help state boards, but would provide a service to prospective students as well.

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*Although the accreditation performed by the American Association of Collegiate Schools of Business might seem to constitute a solution to the ... problem, it leaves much to be desired. In the first place, the Association accredits only the school of business as a whole, leaving room for gross variations in the quality of the accounting programs in the respective schools.... It is doubtful that many present or prospective accounting or other business school students are aware that accreditation exists in education for business. The separate accreditation of accounting programs would undoubtedly achieve much more widespread general recognition because of the much closer relationship and clearer identification that exist between education for accounting and the practice of accounting, particularly on the part of those who employ accounting graduates. The accreditation of accounting programs would be roughly comparable to accreditation in law or medicine [Stettler, 1965, pp. 726-727].*

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Given his position with the Association of CPA Examiners, Stettler also mentioned what was probably his primary reason for wanting accounting accreditation: namely that of giving state boards of accountancy a benchmark for recognizing applicants who claimed to have degrees in accounting and wished to partially waive experience requirements. He noted that, “Political considerations would tend to make it difficult for an individual board to set standards that might exclude some schools in the state, but nationally established standards would largely avoid local pressure and other problems” [Stettler, 1965, p. 729]. Stettler went on to suggest that support from state boards of accountancy would assure prompt applications from eligible schools if an accounting accreditation program were to be established. “State boards of

accountancy would be greatly aided in the discharge of their responsibilities with respect to education requirements for the CPA certificate” [Stettler, 1965, p. 730]. On-site inspections would be made by a team composed of both academics and practicing accountants.

With the approval of the NASBA Board of Directors, Stettler endeavored to promote the separate accreditation idea with a meeting in New York in September 1962 (on the occasion of the 8th International Congress on Accounting) of representatives of most of the national accounting organizations; the National Commission on Accrediting and the AACSB were also represented. Stettler hoped that the meeting would prove to be the first meeting of a group called the Council on Collegiate Accreditation in Accounting. Unfortunately, there was no consensus at the meeting that separate accreditation of accounting was needed. No further meetings of the “Council” were held.

In the meantime, the Wisconsin State Board of Accountancy in 1964 became the first examining board to adopt a policy that AACSB accredited schools would be automatically recognized “as having standards of education and training equivalent to those of the School of Commerce of the University of Wisconsin for a resident major in accountancy. The existing law in Wisconsin required candidates to have qualifications ‘such as a major in accountancy, or its equivalent,’ thus making the State Board a de facto accrediting agency” [“Wisconsin...,” 1964, p. 15]. Similar wording appeared in the AICPA Model Bill and thus was shared by numerous other states. An editorial in the November, 1964, *Journal of Accountancy* lauded Wisconsin for making “imaginative use of an existing accrediting agency to the advantage of all concerned.” [“A New Development...,” 1964, p. 40]. The editorial noted that the state would still have to accredit non-AACSB schools, but its accreditation work load would be decreased substantially.

Walter C. Witthoff of Nebraska, the 1965-66 president, appointed a special committee, chaired by Stettler, to study accounting accreditation. Stettler presented the committee’s recommendation at the 1966 annual meeting. The proposal included provisions that the Association should accredit college and university accounting programs relative to standards of accreditation to be established by an advisory board composed of representatives from each of the major professional accounting organizations. However, the Board of Directors elected not to act on the proposal for two reasons. First, members had not had an opportunity to study the committee’s extensive and far-reaching proposal prior to the date of the annual meeting and,



The Wisconsin State Board of Accountancy became the first examining board to adopt a policy that AACSB-accredited schools would be automatically recognized as having standards of education and training equivalent to those of the School of Commerce of the University of Wisconsin for a resident major in accountancy.

secondly, AICPA President Robert M. Trueblood had asked that organization's Standing Committee on Accounting Education to address the issue of accreditation. Since the ACPAE was represented on the Standing Committee, the Board felt that it would be undesirable for the Association to act on the accreditation proposal without having the benefit of the recommendations of the AICPA Standing Committee. Thus, the Stettler proposal was printed in the Proceedings of the 1966 annual meeting, but was tabled for a year.

In 1967, Stettler was still trying to get NASBA to become an accreditation agency. At the Portland meeting, Stettler, as chairman of the Committee on Study of Accreditation, presented the report of his committee, including its recommendations that the Association assume responsibility for accrediting accounting programs. However, Dr. Edward S. Lynn of Arizona, chairman of the AICPA Standing Committee on Accounting Education and former AICPA Director of Education, recommended that no new accreditation agency be established, but that the evaluation of accounting programs should be achieved through the existing accreditation agency, the American Association of Collegiate Schools of Business (AACSB). After a spirited discussion, the membership voted to table the Stettler proposal and to adopt the recommendation of the Standing Committee on Accounting Education. Thus, despite Stettler's efforts, nothing was accomplished at the meeting, nor by his later publications. Consequently, the concept of separate accreditation for accounting programs died until emerging again in the late 1970s, and ultimately becoming a reality, within the AACSB, in 1982. In retrospect, Stettler was correct in his criticism of the AICPA's Standing Committee solution. Although the Association's membership adopted Lynn's proposal, that proposal was never implemented.

The defeat (tabling) of the accreditation proposal at the 1967 meeting represented a setback in accounting education in that accounting accreditation standards would not ultimately appear

until 15 years later. Stettler's proposal was well thought out and well articulated, but the NASBA membership was not willing at the time to adopt such an innovative solution. On the other hand, some of the members may have had qualms about how such an accreditation program could be administered. NASBA was an organization of volunteers with only one part-time employee; who would have implemented Stettler's ideas? In fact, one comment in Stettler's 1967 report was:

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*Presumably one of the attractive features of the Standing Committee proposal is that it would involve no commitment or responsibility for the Association of Certified Public Accountant Examiners or other segments of the accounting profession. Actually, however, the lack of any required commitment or involvement by the Association represents a major deficiency. When such a large group as the various AACSB schools and the individual state boards are made responsible for a program, the effect tends to be that no one is responsible and nothing is accomplished.*

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NASBA again considered accounting accreditation in a 1973 joint AICPA/NASBA Committee on Professional Recognition and Regulation. That committee, appointed in 1970, issued its report in 1973 with two of the conclusions being that the organizations should support the establishment of professional schools of accounting at colleges and universities, and that the profession should participate in the accreditation of accounting curricula. The NASBA representatives on that joint committee were Roger Cloutier (Iowa), Sam I. Diamond, Jr. (Alabama), Charles W. Lamden (New York), Andrew P. Marincovich (California), and Willard G. Bowen (Colorado). Lamden, a business school dean who was active in the AACSB, had been an early and continuing supporter of separate accounting accreditation ["AICPA-NASBA...", 1973, pp. 2-3]. Despite its early interest, NASBA effectively ceded the topic of separate accounting accreditation standards to the AICPA and the American Accounting Association.

## *M*odel CPA Rules

In 1962, the AICPA Council passed a resolution encouraging uniform national standards applicable to the requirements for the issuance of CPA certificates and the recognition of qualified accountants from other states and countries. A Model Bill was



prepared by an AICPA committee. The AICPA then turned to NASBA to prepare a model set of regulations to be used in administering the Model Bill.

Following the 1963 NASBA annual meeting, a committee chaired by Andrew P. Marincovich (California) was appointed to analyze the AICPA document, prepare such regulations needed to administer the bill, and communicate with state boards regarding

## *T*ranslating the CPA Examination

At its 1963 annual meeting, a delegate from Puerto Rico, Rafael Garcia Moreno, asked that the AICPA Board of Examiners study the feasibility and advisability of translating the CPA Examination into Spanish. NASBA became involved and state boards were circularized on this question and the response was overwhelming opposition. The reasons given by board members included: (1) an ability to use the English language is a requisite for the practice of accountancy in the United States. Boards stated that they could not give reciprocal credit for an examination administered in Spanish; (2) the security risk involved in the translation and second printing processes would add unacceptable risk to the examination process; and (3) there are minority language groups in many states that would demand, and perhaps have a right to expect, the same treatment accorded to candidates in Puerto Rico. Thus, in early 1965, the AICPA decided it would not be in the best interests of the profession to translate the exam into Spanish or any other language ["Report on Possible..." 1965, p. 2].

state legislative matters. To expedite the committee's work, DeWitt Alexander (California) was appointed to write the first draft of the regulations. Marincovich encouraged state boards to use the resulting rules as a checklist of desirable rules even if the Model Bill had not been enacted in a state. Essentially, the model rules were viewed as a means of achieving some amount of uniformity among state boards.

# E ducation in Professional Ethics

A longstanding issue among state boards, education in professional ethics, emerged in 1964 with the appointment of a Committee on Ethics. The committee's assignment was to investigate the preparation of an ethics examination that could be used by all state boards. One of the committee's first findings was that eight states were already giving an open-book ethics exam, while two other states administered closed-book exams; still others were considering such an exam. Other states, however, doubted their authority to require such exams. The subject of an ethics exam had been discussed at least as early as the annual meeting in 1959, when there was a presentation on the exam given in Florida. The committee's recommendations made at the 1965 annual meeting included the following:

1. The primary objective of an ethics examination is educational — to require candidates to study the Code of Professional Ethics.
2. Secondary objectives included an eventual reduction in the number of violations and the time consumed in dealing with them, and more uniformity in the rules through the profession.

Although some states were giving the open-book exams to individuals after they had passed the CPA Examination, the committee recommended that the ethics exam be given to all first-time applicants as a part of the application to sit. The reason for this timing was because professional ethics are an inseparable part of the educational process and a part of good moral character required of those who enter the profession, and if the candidate is unwilling to accept those standards, he should change his plans. It was recognized that the disadvantage of this timing pattern was the obvious one of administering and grading many more exams than would be necessary if only successful CPA candidates had to take the ethics exam. The committee also recommended that applicants for reciprocity should have to take the ethics exam — a practice that would prevent an inadvertent breach of any rules that might differ from state to state.

## The Name Change



Andrew P. Marincovich  
(California), NASBA  
Chair 1973-74,  
encouraged state  
boards to use the  
model rules developed  
by NASBA as a  
checklist even if the  
Model Bill had not been  
enacted in a state.

In 1967, the Association of Certified Public Accountant Examiners changed its name to the more descriptive National Association of State Boards of Accountancy, or NASBA. The name change was designed to reflect a shift from permissive to regulatory accountancy laws and the associated broadening of responsibilities of state boards. Under a permissive law, the objective of a state board was to control the use of the CPA title, not to regulate the practice of public accountancy. Under permissive laws, the association's name, Association of CPA Examiners, was quite appropriate. Regulatory laws, however, allow state boards to control various aspects of public accountancy beyond just who may call themselves CPAs.

Regulatory laws require registration by public accountants, whether those individuals are CPAs or non-certified. This had been a major controversy in accounting during the late 1950s and early 1960s and had also been during the 1920s and early 1930s when the American Institute promoted permissive laws and the rival American Society of CPAs argued in favor of regulatory legislation. When the two organizations merged in 1936, Council went on record as being neither opposed to nor supportive of either type of legislation, but left the matter for the states to decide. This policy of neutrality was to last, but not without controversy, until 1956 [Johns, 1976, p. 63]. Under regulatory laws, the state boards were more than examiners; thus, there was a need to change the name to eliminate the word "examiners."

As mentioned in the preceding chapter, a name change proposal had been considered as early as 1957, shortly after the change in the neutrality policy by the AICPA Council. That was perhaps too early since most state boards were not operating under regulatory legislation, but that was to change quickly. The argument in support of the 1967 name change was that the work of the

association went far beyond the administration of CPA examinations; many states had adopted regulatory legislation. Also, the association had sometimes been confused with the AICPA's Board of Examiners, which was responsible for preparing and grading the CPA exam. Thus, a new name that got rid of the word "examiners" solved a problem of identification and indicated the broader role that state boards were being asked to fulfill ["Association of CPA...," 1967, p. 14-16].

## Summary of NASBA's Sixth Decade

NASBA's sixth decade can be described as one of service to building the accounting profession, responding to issues generated by the AICPA, and receptivity to change (as long as it was not too much change). Early in the organization's second half century, there was the two-year study of the experience and education requirements needed to be a CPA. This committee's report placed a lot of emphasis on accounting education; the indirect result was recognition of the need for separate accounting accreditation — an area that was much discussed for several years, but upon which the organization as a whole was unwilling to take a stand.

This period ended in 1967 with the name change from the Association of CPA Examiners to the National Association of State Boards of Accountancy, an indication that NASBA's role would change as well to include more promotion of protecting the public interest. The organization's first part-time employee was hired in 1965. The leadership included major names in the accounting profession and even a president who was an academic. Despite all of this effort and recognition, the organization was still essentially an all-volunteer organization housed at the AICPA offices in New York. But a period of even greater growth and change was coming.

# NASBA

The Association of  
Certified Public  
Accountant  
Examiners changed  
its name in 1967 to  
the National  
Association of State  
Boards of  
Accountancy, better  
known as NASBA.

## Sites Of Conferences For State Board Executive Directors

- 1983 Austin, Texas (chaired by John F. Rhodes, Nevada)
- 1984 Dallas, Texas (February) (chaired by Diana Collinsworth, Oklahoma)
- 1984 New York, New York (December) (chaired by James T. Ahler, Kentucky)
- 1986 Los Angeles, California (chaired by Bob E. Bradley, Texas)
- 1987 Orlando, Florida (chaired by Bob E. Bradley, Texas)
- 1988 San Diego, California (chaired by Martha P. Willis, Florida)
- 1989 Scottsdale, Arizona (chaired by Barbara Wilkerson, Georgia)
- 1990 New Orleans, Louisiana (chaired by Mildred M. McGaha, Louisiana)
- 1991 San Antonio, Texas (chaired by Carey L. Rader, Washington)
- 1992 Las Vegas, Nevada (chaired by Marshall R. Whitlock, Nebraska)
- 1993 San Diego, California (chaired by Susan G. Stopher, Kentucky)
- 1994 Savannah, Georgia (chaired by Robert N. Brooks, North Carolina)
- 1995 Long Beach, California (chaired by Timothy D. Haas, Ohio)
- 1996 New Orleans, Louisiana (chaired by William Treacy, Texas)
- 1997 Santa Fe, New Mexico (chaired by William Treacy, Texas)
- 1998 Orlando, Florida (chaired by Karen DeLorenzo, Oregon)
- 1999 Redondo Beach, California (chaired by Carol Sigmann, California)
- 2000 Washington, DC (chaired by Joanne Vician, Illinois)
- 2001 Charleston, South Carolina (chaired by Darrel E. Tongate, Tennessee)
- 2002 San Diego, California (chaired by Ken L. Bishop, Missouri)
- 2003 San Antonio, Texas (chaired by Barbara R. Porter, Idaho)
- 2004 Savannah, Georgia (chaired by Michael A. Henderson, Louisiana)
- 2005 New Orleans, Louisiana (chaired by Daniel J. Dustin, New York)
- 2006 Tucson, Arizona (chaired by Ronald Rotaru, Ohio)
- 2007 Las Vegas, Nevada (chaired by Linda Biek, Tennessee)

## Chapter Four: New Name, Employees, Vitality, and Growth

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*“(I)t was suggested that NASBA’s operations could be funded by taking over the preparation of the Uniform CPA Examination, although the committee did not include such a recommendation in its final report. However, the fact that it had been considered caused the AICPA to reexamine its relationship with NASBA. As a result the staff was directed by the Institute’s board to seek ways to assist NASBA in solving its financial problems.”*

*Wallace Olson, 1982*

Even though it had a new name, NASBA, at the start of its seventh decade, continued to operate primarily as a volunteer organization, with an address and a part-time employee at the AICPA. The Institute also provided some limited office and staff support. The identity of the part-time employee changed in 1969 when Joel Kauffman was hired to replace Ely Kushel. Kauffman was a CPA, had graduated from the Wharton School at the University of Pennsylvania, held a law degree from Brooklyn Law School, and an LL.M in taxation from New York University. When hired, he taught at Hofstra University, and later moved to Hunter College. His tenure with NASBA was to be short lived due to a committee report emanating from about the time that he was hired.



At the 1969 annual meeting in Los Angeles, the Committee on Long-Range Planning, chaired by past president Lorin Wilson (California), presented a report recommending the employment of a full-time executive director whose duties would be to meet with state boards, coordinate committee activities, and generally serve as the “face” of the organization. The committee believed “that a great deal more can be accomplished each year than we are now accomplishing by having more direct contact with the individual State Boards.” The primary hurdle to such a plan was the cost — which would require

nearly a tripling of the organization's revenues. Total revenues for 1969 had been \$18,142, which was up by \$101 over the preceding year. Both years had shown substantial increases in cash balances; in the latter year the total expenditures had been \$11,459. However, since raising dues by an amount necessary to cover the costs of a full-time executive director was not feasible, the committee recommended that the large CPA firms be asked for donations. It was suggested that firms with interstate practices would likely be willing to support NASBA's activities.

By 1972, NASBA had received sufficient pledges from CPA firms to enable it to hire its first full-time employee, William H. Van Rensselaer, who held the title of executive director. Later, 1973-74 President Andy Marincovich noted, "No campaign promises have been made to any contributor, large or small, except the commitment to all to provide an improved organizational structure that will serve better the needs of state boards, and therefore, the profession, in the discharge of their statutory responsibilities" [Marincovich, 1974, p. 8]. Nevertheless, the acceptance of contributions from CPA firms was later to be considered a questionable practice.

## P

### residents & Chairs of NASBA 1967-1977

 <p style="margin-top: 5px;">Cloutier</p>	<p>1967-68 Dorothy G. Willard (MA)</p> <p>1968-69 John Costello (MN)</p> <p>1969-70 Willard Bowen (CO)</p> <p>1970-71 Carl Dechow (CA)</p> <p>1971-72 J. Sydnor Mitchell (VA)</p>	<p>1972-73 Joseph L. Brock (NY)</p> <p>1973-74 Andrew P. Marincovich (CA)</p> <p>1974-75 Roger Cloutier (IA)</p> <p>1975-76 W. Douglas Sprague (NY)</p> <p>1976-77 Wilbur H. Stevens (CA)</p>	 <p style="margin-top: 5px;">Sprague</p>
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With the hiring of Van Rensselaer came a long period of vitality for the organization. Various publications, including the *Journal of Accountancy*, *CPA Journal* and state society newsletters published articles about NASBA in 1972. The organization gained new visibility. Expenses also increased substantially. The \$21,303 of 1972 revenues was no match for the \$43,331 of expenditures, including over \$25,000 of payroll and travel expenses for the new executive director. The treasurer, Robert M. Hoyt (Delaware), concluded, “These are startling changes for our organization, but we believe that NASBA must play an increasingly more forceful role in our dynamic and changing profession and that these changes will permit NASBA to assume a strong, viable and progressive stance in the future” [“The Price...,” 1972, p. 4]. “A transition year” is the only way to describe the importance of 1972 in NASBA’s history; there was the first full-time employee, an upgraded communications program, full-time service to state boards and a move from laudable but vague objectives, to sound and attainable goals.

The volunteer leadership continued to be as important as ever. In fact, the first president of the seventh decade was historical in that it marked the first time the organization was led by a woman, Dorothy G. Willard (Massachusetts). She was a partner in the Boston firm of Charles F. Rittenhouse & Company. This was at a time when women were rare in public accounting. As might be expected, Willard’s next 16 successors were all male. Surprisingly, there is no found discussion in NASBA publications as to the significance of a woman holding the association’s highest office for the first time. She was simply the right person for the post. Willard had been active in the organization for several years and had previously served as treasurer.

Personnel issues were also addressed with a bylaws change at the 1972 Denver meeting in that the position of president-elect was created. Thus, when Andrew Marinovich became president, he noted in his opening address that he was in a “unique position as compared to my predecessors. Because of a change in the bylaws providing for a ‘President-Elect,’ I was fairly certain I would not be required to tear up my prepared remarks.” He had acceded to the presidency without having to worry about an election that had long since taken place, and he had a year to prepare for his term in office. The new position of president-elect probably did as much to improve the organization as did the hiring of an executive director. Both moves resulted in increased continuity of leadership.

Another bylaws amendment, in 1973, changed the organization’s fiscal year, which had previously ended on August 31. The new fiscal year ended on July 31, as it does



## William H. Van Rensselaer

William H. Van Rensselaer became NASBA's first full-time employee as executive director. Van Rensselaer had been an AICPA staff member working with state society relations, state legislation, and ethics; making him well qualified for the duties he would assume at NASBA.

Bill Van Rensselaer was widely regarded as an ideal leader for NASBA for his skillfulness in so many areas of the organization — smart, articulate, precise, an excellent writer, a clear thinker, good with layout and design, thoughtful, ego-less to a fault, savvy with numbers, respected by the AICPA having worked for them on their staff, etc. [Thomashower, 2006].

Van Rensselaer remained with NASBA until his death in 1988 and provided the continuity and drive that a volunteer organization needs to be successful. He has been described as a “fabulous manager,” and “well respected by everyone in the regulatory and professional accounting community.”



today. The reason for the change was to allow additional time for the preparation and distribution of the audited financial statements prior to the annual meeting.

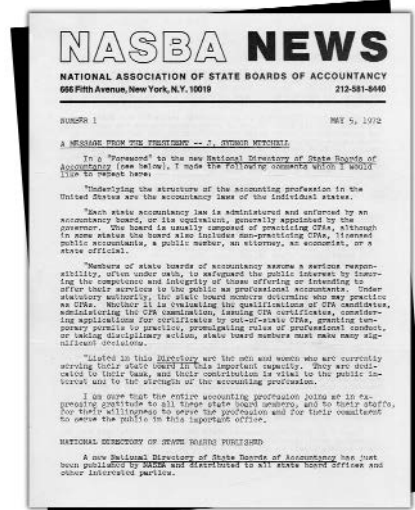
The business sessions of the annual meetings in 1968 and 1969 were taken up with various proposals relating to uniformity among the various states. For example, in 1969 a motion that had been approved at a regional meeting was to eliminate residency as a requirement to sit for the CPA Examination; that proposal was defeated after a lengthy discussion. Another proposal, also emanating from a region, was to eliminate citizenship requirements for sitting for the Exam. After discussion, it was pointed out that a similar motion had already been passed at the prior year's meeting; institutional history was obviously lacking. A motion that did pass in 1969 was a provision that the AICPA must be notified anytime a state board raised or lowered a candidate's score from what had been submitted by the AICPA Grading Service. Given that the resolution passed, the changing of grades (both raising and lowering) by state boards must have been a major concern [Proceedings, 1969, p. 9-10].

# Newsletter Becomes Monthly

In May 1972, during the term of President J. Sydnor Mitchell and coincident with the hiring of Van Rensselaer, NASBA began issuing a monthly newsletter. Initially, the name of the publication was simply *NASBA News*. That name lasted through the end of 1975 when it was changed to the current title of *State Board Report*. The January 1976 issue was labeled as volume number 5, although it was the first issue under the new title. There had been an earlier newsletter, albeit not monthly, that carried the clearly explanatory title of *Newsletter*. That twice-a-year mimeographed publication began in July 1961. These early newsletters were quite basic in their contents, with a short description of the annual meeting and one or two committee reports.

In 1970, the number of issues increased to four per year, but they were still rather crude in appearance. The switch to monthly issues in 1972 was accompanied by the use of thicker colored paper for the publishing stock; previous issues were either on white typing paper or on the Association's letterhead. The content was also broader beginning in 1972 in that it included much of the same type of information that continues to be provided in the *State Board Report* today. Nevertheless, the *NASBA News* was still a mimeographed publication. Therefore, it looked more professional than in preceding years. The newly hired Van Rensselaer was the editor of the upgraded newsletter. By November, 1972, a 22-page issue was published, including reprints from other publications. Such length was typical in many issues in the following years. Although the monthly newsletter had to await the 1972 hiring of a full-time executive director, it did come earlier than was anticipated in a 1969 report of the Committee on Long-Range Planning. That committee, chaired by past president Dorothy Willard (Massachusetts), urged that the organization issue by 1980 a "monthly, or at least bi-monthly, a publication to our members."

Prior to 1961, the association's only regular publication was the Proceedings of the



annual meetings. The Proceedings typically included all committee reports, a transcription of activities at the business meetings, and the papers presented by guest speakers. These publications were not widely distributed and few copies have survived to the present day. Another publication was entitled Manual for State Boards of Accountancy which in about 1985 evolved into the Handbook for State Boards of Accountancy.

## **C**ommittee on Objectives, Structure and Finance

In 1971, President J. Sydnor Mitchell (Virginia) pushed for a “blue ribbon” committee to study NASBA’s purposes, objectives, structure and financing. Mitchell felt that such a study would be timely given that the organization was about to enter a new era with its first full-time employee. In 1972, Mitchell’s successor, Joseph L. Brock (New York), appointed a special 13-member Committee on Objectives, Structure and Finance to focus on the organization’s objectives for the future and the means to attain those objectives. The Committee was chaired by past-president Ralph Johns and included

NASBA is an organization of state boards, not of individuals. As defined in the original bylaws adopted in 1935, “membership” is confined to boards of CPA examiners, with each board to have one membership.

many of the leaders of the profession, such as Andrew Barr (who had just retired after 16 years as chief accountant at the Securities and Exchange Commission), Elmer Beamer, Paul Grady and future presidents W. Douglas Sprague and Wilbur Stevens.

The Committee on Objectives was appointed following the recommendation for such a body from the 1971-72 Committee on Long Range Planning. As a prelude to the committee’s activities, Executive Director William H. Van Rensselaer was asked to review NASBA’s history, organization, accomplishments, policies, services and other activities. In response, Van Rensselaer compiled nearly 200 pages of information relative to NASBA’s past operations. Over the 1972-74 period that the Committee on Objectives was active, its members spent more than 2,000 man hours attending 11 committee meetings, participating in 12 regional meetings, appearing at two annual meetings, holding conferences with six state boards of accountancy, and

conducting hundreds of interviews with state board members and others. Given the broad involvement from so many individuals, the committee's report truly reflected the views of the vast majority of the membership of state boards [The Future Course..., 1974, p. 2].

The key recommendation in the report, issued in October 1974, was that NASBA should be an organization of state boards, not of individuals. This was not a new idea; the original bylaws adopted in 1935 defined "membership" as being confined to boards of CPA examiners, with each board to have one membership. The identification of state boards as members, rather than individuals, was not particularly controversial, but how the state boards were to vote was of concern to some, particularly to Eli Mason, a member of the New York Board, who campaigned for weighted voting. The committee had recommended that each state board would have one vote, regardless of the number of CPAs in the state. Some state boards with a large number of licensees argued that they should get more than one vote, based on the relative number of CPAs in the various states. The argument in favor of one vote for each board was that NASBA exists to serve state boards, and not licensees. Since all state boards have nearly similar basic needs and responsibilities, it made sense to have a "one board — one vote" rule, which was a rule that also offered the advantage of simplicity. It was also argued that the fact that one state had five times as many licensees as another jurisdiction did not have any direct relationship to NASBA's functions [Discussion Memorandum, 1974].

According to the Committee, the organization should be financed through dues paid by state boards and from fees charged for NASBA services. These services were to include a variety of meetings and programs for members of state boards. The Committee report suggested that the annual and regional meetings should be expanded and that additional specialized programs and seminars should be sponsored. The Committee also felt that the monthly newsletter should be expanded and other publications should be developed for the use of state boards. Several suggestions were given of programs that could be profitable and help with NASBA's financial difficulties.

NASBA had been balancing its budget since 1972 by accepting donations from large CPA firms, but Mason objected vociferously to the acceptance of such contributions, arguing that it was improper for those being regulated to finance the activities of the regulator [Olson, 1982]. This argument was somewhat misleading, however, because NASBA is not a regulator; it is a group that provides services to regulators. The response to the fundraising program had been gratifying; NASBA's view was that the

profession had an interest in enhancing the effectiveness of state regulation, and the donations helped NASBA to pursue that mission. Each of the Big 8 CPA firms gave \$5,000 per year, and from 80 to 100 smaller firms gave lesser amounts. The contribution period ended on schedule in 1976 — not really because of the objections about NASBA being too close to the regulated, but because the acceptance of donations was intended only as a temporary measure until NASBA could become self-supporting from revenues it generated through the services it offered.

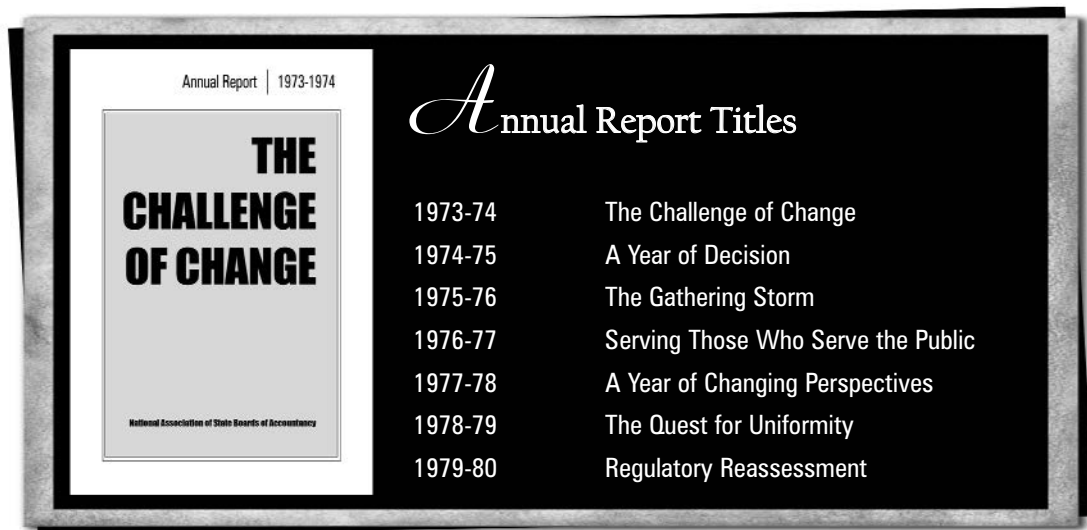
The committee recognized that the AICPA could provide the services that state boards needed, in which case there would be no need for NASBA. However, the state boards would have no control over the AICPA; what the boards really needed was an organization over which they had control and which would be responsive to their needs. It was also emphasized that the state boards needed an organization that was not a captive of a professional society, since “professional societies exist to serve the best interests of their members, while state boards are appointed to serve the best interests of the public” [The Future Course..., 1974, p. 7]. All of the key recommendations of the committee were incorporated into a bylaws change that was voted on at the October 11, 1974, annual meeting in Seattle.

The membership voted to submit the bylaws change to the state boards for their formal approval. Final approval took place at the 1975 meeting in San Antonio. Other suggestions made by the committee as to services NASBA should provide included the establishment of a national registry of CPAs, model provisions for state accountancy regulation, preparation of a uniform ethics examination, publication of a guidebook on state accountancy regulation, certification of the appropriateness of each CPA Examination and of state board procedures and creation of a national codification service covering accountancy statutes, regulations, codes of ethics, court decisions and similar information. It was noted that the latter service was then being provided by Commerce Clearing House, but was not always accurate [The Future Course..., 1974, p. 11-13]. The committee’s report, because of the extent of its research and the quality of its membership, was widely viewed as a major contribution to the on-going status of NASBA. The report charted a clear course for NASBA to follow in the future.

The appropriateness of the committee’s conclusions soon became obvious, even though the accountancy environment was changing. Shortly after the committee’s report was issued, the Federal Trade Commission began questioning whether the CPA Examination was being used to restrict entrance into the accounting profession and,

thereby, restraining competition. This was followed in the mid 1970s by the Metcalf and Moss investigations in Congress, which questioned the quality of work being performed by CPAs and the control that the large firms had over the profession. Basically, the AICPA was being accused of anti-trust violations in that the CPA Examination served to limit the number of new certified public accountants. The result was that the AICPA felt that some form of independent review of the examination process was needed. In meetings between AICPA and NASBA leaders, it was agreed that NASBA would conduct an annual review of all aspects of the CPA Examination process. The AICPA would pay NASBA a fee for this service in an amount that would eliminate NASBA's need to accept contributions from CPA firms [Olson, 1982].

In 1975, a bylaws amendment was adopted without opposition that provided for the establishment of dues for "associate members" of NASBA. Previously, former members of state boards were automatically "associate" members of NASBA and were retained on the mailing list indefinitely. The bylaws change stipulated that only those former state board members who paid dues would remain as associates. Associates were to receive all membership mailings, had the privilege of the floor at all NASBA meetings, and were eligible for service as officers, directors and members of committees. The associate's dues for 1976 were set at \$25 per year. The dues rate for associates seemed rather high, given that the dues for state boards increased that year to a range of \$150 to \$1,500, depending on the number of CPAs in each state.



In 1973-74, NASBA's annual report took on a new image, with a glossy cover and a picture of the president on the first page. The covers also carried a short title, which essentially summarized the activities of the year. These summary titles give a feel for the issues facing NASBA at the time. Some of the changes and decisions referred to emanated from the work of the Committee on Objectives, Structure and Finance. "The Gathering Storm," referred to in the 1975-76 report, concerned the greater pressures that were being placed on state boards of accountancy:

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*An increasingly sophisticated and skeptical public — fired by Watergate, consumer activists, and a sagging economy — began to question the competence and integrity of all professions — particularly those associated with "big business." Celebrated bankruptcies, state and city fiscal problems, improper corporate payments, energy shortages and continuing inflation also created a new awareness of accounting and auditing and its impact on the economy. To some extent, accountants became the scapegoats for the nation's ills and the subject of suspicion and investigation at all levels.*

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At the federal level, committees of both the Senate and House are considering proposals for a federal government takeover of the process by which accounting, auditing and ethical standards are established. The Department of Justice is challenging the authority of state regulatory boards, and the Federal Trade Commission is investigating the entry requirements of all professions.

At the state level, "Sunset Laws" are being introduced in almost every state. Attorneys General are questioning the ethical rules of many state boards, and legislators are under increasing pressure to justify the need for exclusionary licensing.

The "gathering storm" will have a significant impact on every segment of the accounting profession and on the state boards of accountancy. The eye of the storm is the alleged ineffectiveness of the present system of establishing and enforcing professional accounting standards—and the state boards of accountancy are an integral part of this system [Annual Report, 1975-76, p. 4].

The report went on to conclude, however, that the Committee on Objectives, Structure and Finance had already charted a "pathway toward more effective regulation of the accounting profession in fulfillment of the public interest." Thus, NASBA was ready to help state boards weather the approaching "storm."

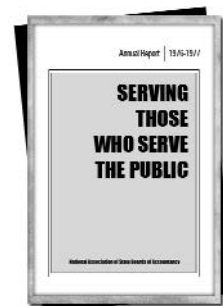
Another aspect of the above quotation from the 1975-76 annual report is how

appropriately it describes more recent years as accountancy has been forced to repeat history again in the early twenty-first century. The image of “the fox guarding the henhouse” was raised then as it has been more recently. The appropriateness of self-regulation of the profession was questioned then and again in the 21st century, but in the 21st century the Congressional response was stronger.

## **C**PE Requirements in the States

State requirements for continuing professional education (CPE) became common in the 1970s and there was concern that differing requirements would lead to barriers to reciprocity and interstate mobility. The AICPA began considering the idea of CPE in 1967 when AICPA President Marvin L. Stone first proposed the concept at the Institute’s annual meeting [“Marvin...,” 1975, p. 1]. NASBA began actively considering the issue of CPE in 1968 when a speaker at the Washington annual meeting, Richard G. Peebler (Iowa), dean of the school of business at Drake University, called for mandatory continuing education for CPAs as a condition for continued licensure. Peebler felt that NASBA was the only organization that held the power necessary to mandate CPE. Robert Allyn of New York, in commenting on Peebler’s address, noted that state legislatures had already required CPE for medical practitioners, and if CPAs did not do something about the issue, legislatures would likely impose requirements on the profession. If laws were imposed, how would the boards prove they were taking steps to maintain their licensees’ competence? Re-examining licensees was suggested. In Florida, licensees were given the option of taking a test or fulfilling a continuing professional education requirement; CPE, of course, was the much preferred option.

NASBA took no formal action at this time, but the matter was a subject of discussion among members. Peebler was a member of the Iowa State Board of Accountancy, who with other board members



The title of the 1976-77 report, “Serving Those Who Serve the Public,” has become a motto of the organization and has appeared as the title of subsequent annual reports, including 1994-95.





In 1971, Iowa was the first state board to require 120 hours of CPE for the prior three years.

Roger R. Cloutier and Earl W. Druehl, made Iowa the first state to adopt a CPE requirement in 1968; the requirement did not take effect until 1972 license renewal, but did require 120 hours to have been completed from 1969 through 1971. Cloutier was NASBA's 1974-75 president. The Iowa requirement proved quite workable as nearly 98 percent of the state's CPAs met the requirement when applying for 1972 renewal [Baker, 1972, p. 1ff].

At its May 1971 meeting, the AICPA Council passed a resolution urging states to implement a requirement that CPAs should participate in 120 hours of CPE as a condition of their right to practice public accountancy. The resolution also asked that NASBA lend its support to the idea. Subsequently, a NASBA Committee on Continuing Education was appointed to study the issue and recommend a course of action. The Committee was chaired by Richard Peebler. Peebler reported at the 1972 annual meeting in Denver that state boards were overwhelmingly in favor of the concept of CPE. The two major roadblocks that the committee had identified were:

1. That the profession would have to go to the state legislatures in virtually all jurisdictions to mandate CPE requirements, and
2. Administration and enforcement would be needed once a requirement was enacted.

To avoid problems with legislatures, the committee's suggestion was that state societies of CPAs should be encouraged to include CPE requirements the next time the accountancy law is being considered; there was no need to make a special attempt to get a CPE requirement if the timing were not right. The lengthy resolution that was unanimously adopted included the following paragraph:

*THEREFORE BE IT RESOLVED that the Board of Directors of the National Association of State Boards of Accountancy urges each of the several states to institute at the appropriate time a requirement, by legislation or regulation, that certified public accountants and others licensed to practice public accounting demonstrate that they are continuing their professional education as a condition precedent to the reregistration, renewal of permit to practice, or other validation of their professional designation.*

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The guidelines that accompanied the resolution included most of the provisions and definitions used for continuing education today, including the definition of an hour as containing 50 minutes and the requirement for an average of 40 hours of CPE per year.

At the 1974 annual meeting, it was announced that 12 states had already implemented a CPE requirement, and others were proposing similar action. Peebler reported at a May 1975 NASBA Conference on Continuing Education, in Denver, that 32 states had either enacted or endorsed the provisions. Of these 32, only half actually had a CPE requirement in place. The other half were working toward revised legislation that would allow such a requirement. As is true now, the plan in most states was to go to the legislature when the time was right.

## *A* National Registry of CPAs

The AICPA and NASBA formed a joint committee in 1970 on Professional Recognition and Regulation. After three years, that committee concluded that the Institute and NASBA should jointly form a national registry of public accountants. It was agreed that the registry should not in itself be a qualification or accreditation service, but merely a factual listing of the qualifications granted by others. The registry was to include full information about individual CPAs, including CPE records and disciplinary actions taken. In other words, the purpose of the registry was to provide a central source of information on the background of all CPAs in the United States. The registry would be particularly advantageous in making decisions regarding reciprocal certificates and permits to practice, for verifying that out-of-state licensees were in good standing in their home states, and to evaluate applicants for membership in professional societies. At a macro level, the registry would provide for the first time accurate information on the number of all CPAs in the nation. The 1974 Report of the NASBA



NASBA pilot tests the national registry in 2005 under the name Accountancy Licensee Database (ALD), which was originally proposed in 1970.

Committee on Objectives also recommended the establishment of the database.

Thirty-five years after it was initially proposed, in 2005, with the technology readily available to keep the database current, NASBA would pilot test the national registry under the name Accountancy Licensee Database (ALD).

## The CPA Examination Critique Program

The high percentage of candidates who failed the CPA Examination had long been a public relations problem for state boards of accountancy. Failure rates were typically around 70 percent on each of the four exam parts, and the number who passed the entire examination at one sitting was usually in the range of about 15 percent of those sitting. Some tried to address the problem by helping candidates to understand why they failed. As early as 1974, the Oregon Board of Accountancy sponsored a “Group Seminar” for unsuccessful candidates to review their failed papers. A professor at Portland State University, Joseph O’Rourke, conducted the review. Then, in early 1975, the Florida State Board of Accountancy began offering a “Critique Program” to candidates who had failed the November 1974 CPA Examination. The “Critique Program,” which was the brain-child of Douglas Thompson, executive director of the Florida State Board of Accountancy, was led by a University of Florida professor and author of a CPA review course, Irvin N. Gleim. The program was quite popular with participants who felt that the Critique Program would help them pass the next examination. Candidates received copies of their examination papers and attended a seminar to assist them in analyzing their own performance.

Other state boards liked the idea and wanted to replicate the Florida program, but many lacked the resources to sponsor such programs themselves. The NASBA board of directors stepped in

and agreed to sponsor a pilot program that could be cosponsored by participating state boards. Fifteen boards took part in the first NASBA-sponsored Critique Program in August 1976, and this increased to 33 state boards in 1977 and 47 boards in 1978. Initially, the program consisted of four separate seminar sessions — one for each of the four parts of the CPA Examination. However, the program was shortened to one day in 1978 in an effort to cut costs both for NASBA and for the candidates. To increase revenues, the instructor's manual, which was authored by Gleim, and published by John Wiley & Sons, Inc., was converted into a candidate's manual and sold as a part of the program.

In 1980, in an attempt to reduce costs, a decision was made to develop an audio cassette program to replace the live seminars; the cassettes, however, were not ready until 1984. The Critique Program was renamed the CPA Examination Analysis Seminar in 1982, and it was discontinued in 1984 when cassettes replaced the live seminars. The live seminars were dropped primarily because they were not cost effective in most locations. Also, NASBA personnel were devoting substantial time to the newly formed Examination Services Corporation. In addition, it was felt that the cassette program would save travel costs for candidates. Irvin Gleim and his coauthor, Patrick Delaney, prepared the audio cassettes and the revised manual. Candidates would also continue to receive copies of their examination answer papers with a breakdown of their grades by question. Successful candidates were soon lauding the cassette-based program [“Another Successful,” 1985, p. 2]. The manuals were initially published by a commercial publisher, John Wiley & Sons, but beginning with the November 1983 exam, NASBA was listed as the publisher. However, this change in publishers was nothing more than John Wiley & Sons agreeing to put a NASBA cover on the volumes; Wiley continued to sell the books under its own imprint as well. In 1985, the title of the manual was changed to *CPA Examination Orientation and Critique Manual*, an indication that it could be of value to candidates taking



Fifteen boards took part in the first NASBA-sponsored Critique Program in August 1976, and this increased to 33 state boards in 1977 and 47 boards in 1978.



In 1984, an audio cassette program was introduced to replace the live seminars for students who had failed the Examination.

the exam for the first time as well as those who were reviewing their failed papers.

The program, consisting of the manual and cassettes continued to be published through the November 1995 exam. At that time, the Critique Program became a moot point with the 1996 introduction of the non-disclosed CPA Examination. The Critique Program was a profit center for NASBA throughout its history. During the early 1990s, there were comments in the Board's minutes concerning the need to find a source of revenue that would replace the soon to be dissolved Critique Program.

The Critique Program was widely lauded as a demonstration of state boards' willingness to help qualified applicants pass the CPA exam. By the time the seminars ended in 1984, they had served more than 60,000 failed candidates. Besides producing public relations benefits, the program also provided a nice cash flow infusion for NASBA; in addition to absorbing its fair share of overhead costs, the Critique Program produced a cumulative surplus of over \$300,000 from 1979 through 1983. In its first year (fiscal year 1977), the Critique Program and expansion of the examination review program together resulted in a near tripling of NASBA's revenues. This was during a period when NASBA was basically operating at a break-even level, even including the profits from the Critique Program. In fact, the Critique Program was in some years producing more than half of NASBA's total revenues. For instance, in 1979, Critique fees composed \$340,000 out of \$605,000 of total revenues; dues from state boards amounted to only \$44,000. NASBA had indeed found a niche, and was mining that niche effectively in a way that benefited the state boards, the candidates and the association itself. Direct expenses of the program were usually less than half of the revenues generated. However, there were some unforeseen problems.

Before the program was abandoned, NASBA was sued by TotalTape, Inc., a Florida corporation led by Nathan Bisk, which charged NASBA, John Wiley & Sons, Inc., Irvin Gleim, Patrick Delaney, and Executive Director Van Rensselaer with antitrust

violations in the national market for CPA review materials. The plaintiff charged that the defendants had:

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*...combined, conspired and agreed to coerce approximately 75,000 unsuccessful CPA Exam candidates to purchase Wiley's CPA review materials as a condition of purchase of the candidates' graded CPA Exam in preparation for retaking the exam. In addition, plaintiff alleges that the defendants have sought to promote and maintain a monopoly in the national market for CPA review materials by various exclusionary means, most notably by NASBA's alleged official endorsement of the Wiley CPA publications, and by its alleged illegal non-disclosure of candidate lists and demographics [TotalTape, Inc. v. National..., 1987].*

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TotalTape alleged that Gleim had been on the NASBA board of directors and used his position to procure his selection as the exclusive provider of the NASBA Critique manual, which in 1980 he sold to Wiley. Of course, none of this was true; Gleim had never been on the NASBA board, nor on any state board of accountancy. The defendants countersued and the original case was dropped, although NASBA agreed at its December 1987 board meeting to allow candidates to purchase their old examination papers separately from the Gleim manual and cassettes.

## *A* Separate Meeting Place

The 1977 annual meeting in Williamsburg, Virginia, was significant because it marked the first time that NASBA independently held an annual meeting, one that was not in conjunction with any meeting of the AICPA. Following the 1976 meeting in Philadelphia, Van Rensselaer conducted a poll of delegates to determine their views on NASBA's future meeting schedule. The questionnaire to members included the following lines:



Finding no need to continue meeting in conjunction with the AICPA's meeting, NASBA holds its first independent annual meeting in Williamsburg, VA in 1977.

*Traditionally... NASBA's Annual Meeting has been held in conjunction with the AICPA Annual Meeting for the convenience of those members who wished to attend both meetings. In recent years, however, NASBA's Annual Meeting program has expanded and the number of NASBA members attending the AICPA Annual Meeting has decreased... [B]y meeting with the AICPA those attending NASBA's Annual Meeting can attend the AICPA Annual Meeting (and vice versa) without additional travel expense. This schedule attracts a larger attendance than otherwise might be expected at both meetings. On the other hand, by meeting with the AICPA, NASBA has no choice in selecting the location of the meeting and little choice in selecting the facilities. In addition, it has been suggested that NASBA's independence is impaired — in appearance at least — by holding its Annual Meeting in conjunction with the AICPA Annual Meeting.*

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Although the results of the voting were not reported, the questionnaire responses indicated that there was no need to continue meeting with the AICPA. The timing of the 1977 Williamsburg meeting was such that a day's travel time was allowed between the end of the NASBA meeting and the beginning of the AICPA meeting in Cincinnati. Attendance at the first "independent" meeting was virtually identical to that of the preceding year. The Williamsburg attendance included 123 state board members, from 48 jurisdictions, compared to 125 members from 49 jurisdictions at the 1976 Philadelphia meeting. In addition, there were 23 former state board members each year, and the number of board administrators increased from 14 in 1976 to 16 in 1977.

The 1977 annual meeting was not the organization's first separate meeting; there had been regional meetings at neutral sites in the past. The first Great Lakes Regional Meeting was held in Champaign, Illinois in May 1968. Indianapolis hosted the 1969 meeting, while the Sheraton Hotel in Dayton, Ohio, was host to the next Great Lakes Regional Meeting in June 1970. The Great Lakes Region was formed in 1968 and consisted of the state boards in Ohio, Indiana, Illinois and

Michigan. Pennsylvania later was added to the region. There had been regional meetings held since 1954, but these were held in conjunction with regional meetings of CPA societies, such as the Southern States Conference of CPAs and the Mountain States Conference of CPAs.

Attendance at the regional meetings was typically rather low; for example in 1969, there were separate regional meetings held in each of the then seven regions. Total attendance at the seven meetings was 127 individuals from 44 jurisdictions. In 1970, attendance dropped to 80 members, but from 45 jurisdictions. Of the 80 attendees, 33 of them were at the Northeastern Region meeting. Only 13 attended the Middle Atlantic meeting, while 11 made it to Dayton for the Great Lakes meeting and another 11 represented the Pacific Region in Spokane, with two of these coming from Hawaii. Thus, regional attendance was not particularly high relative to attendance at the national meeting, nor to the size of more recent regional meetings, but the leadership seemed pleased with the size of the turnout. John Baker (Hawaii) was chair of the Regional Meetings Committee in 1969-70 and noted, "Such representation on this level serves the best interests of both the NASBA and each individual board" [Proceedings, 1970, p. 33]. By the mid 1980s, regions were combined so that only four regional meetings were held. In 1997, the number of regional meetings each year was reduced to two — one in the East and one in the West.

## Summary of NASBA's Seventh Decade

NASBA began its seventh decade of service with a new name and soon grew to the point that paid staff was needed. It was a period of transition. With the hiring of William H. Van Rensselaer as the first executive director and first full-time employee, in 1972, NASBA began to grow. That same year, the bylaws were changed to create the position of president-elect, another move that created more continuity of leadership within the organization. Also in 1972, a committee began meeting that eventually set forth new objectives for the future, and these objectives included the providing of fee-paid services that would make NASBA a self-financing organization that would no longer have to rely on charitable donations from CPA firms. To indicate how NASBA changed between 1973 and 1978, revenues increased from \$74,259 to \$397,931 per year.

Accompanying the new executive director came a full-time communications



program to replace what had been sporadic bulletins. In retrospect, the activities of 1974 and the changes in Bylaws at that year's annual meeting in Seattle proved to be a major turning point in the organization's history. Enhanced communication with members was one of the goals mentioned in the 1974 report of the objectives committee, and that goal was met if attendance at annual meetings is used as a measure of achievement. The annual meetings became more popular and NASBA was able in 1977 to stop holding meetings at the same site as the AICPA.

This decade was a period when the accounting profession was being attacked by outsiders. The United States Federal Trade Commission argued that the profession was in restraint of trade, the Justice Department instigated an anti-trust campaign, and two congressional committees (Moss and Metcalf) investigated the profession. At the state level, there were sunset laws passed that threatened the existence of state boards of accountancy, and a consumer movement pressured state boards to add "public members" (i.e., non CPAs) to better regulate the profession. The licensing of CPAs was threatened, and NASBA became more needed than ever before. The organization responded with services to assist the endangered state boards. These services transitioned from what had previously been disjointed occasional efforts to organized and effective action.

At the same time, NASBA worked to prevent barriers to reciprocity due to differing requirements for CPE by working to develop model regulations and holding conferences to encourage uniformity. By the end of the 1970s, 44 states had adopted CPE requirements without any severe impact on interstate practice. Although much of the history of NASBA's seventh decade was focused on internal improvement, the support of state boards' efforts to counter outside critics became more important. Previously, most of NASBA's work, and the work of state boards, had been concentrated on entrance to the profession. In the 1970s, there was a recognition that the public also needed to be protected from CPAs who failed to maintain their continuing competence. Whereas the "three E's" had previously been Education, Experience, and Examination, the 1970s saw the beginnings of greater focus on the fourth E — that of enforcement.

NASBA also became more visible during its seventh decade with the establishment of the CPA Examination Review Board, and began to see financial growth with the introduction of the examination Critique Program. The 1970s was a decade of change for the accounting profession in America. NASBA did its part to keep the CPA Examination and the public's trust healthy in the professionals the boards licensed. NASBA was becoming a more service-oriented entity, and its services were becoming more needed.

## Chapter Five: Sunsets And A “Move” Toward Independence

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*“NASBA has no authority or power over the state boards. NASBA cannot impose any rules, regulations, policy decisions or directives on state boards—nor can NASBA require state boards to become or to remain members of NASBA. In fact one measure of NASBA’s success is the degree to which state boards become and remain members of NASBA and participate in its programs.”*

*William Van Rensselaer, 1984*

The leadership during NASBA’s eighth decade may be more familiar to those currently involved in the organization, in that many of these individuals still attend the meetings. In fact, some of these individuals had input into the contents of this volume. A minor leadership crisis arose in early 1978 with the resignation of President-Elect Louis W. Matusiak (Illinois). Matusiak had been appointed executive director of the Public Oversight Board of the SEC Practice Section of the AICPA Division for Firms. Under the bylaws, “A vacancy in the office of President-Elect shall not be filled until the next Annual Meeting at which time the Nominating Committee will nominate candidates for both President and President-Elect.” C. Richard Spriggs (California) was subsequently selected to fill the position of President. Spriggs had previously served on NASBA’s CPA Examination Committee, Continuing Education Committee, and had been a director-at-large and vice president.

The second woman to hold the top office was Sandra Suran (Oregon), who served in 1984-85. Suran was the first woman to chair the Oregon State Board of Accountancy and, during her term as President, she was appointed to the Board of Governors of the Portland branch of the Federal Reserve Bank of San Francisco and as first Vice Chair of the Fed’s new Council on Small Business and Agriculture for the 12th Federal Reserve



Sandra Suran  
(Oregon), President  
of NASBA from  
1984 - 1985, led  
NASBA's first  
strategic planning  
process.

District. Also while on NASBA's Board, Suran received national recognition as the Small Business Administration's National Small Business Advocate of the Year. Along with her successor, Thomas Iino, Suran testified on March 19, 1986, before a Congressional committee, the Legislation and National Security Subcommittee of the House Committee on Government Operations, as a representative of NASBA. The Committee was investigating the effectiveness of the "franchise" of the CPA profession. While on NASBA's Board, Suran was also active with the AICPA, including service on Council, as founding chair of the Technical Issues Committee, a member of the Private Companies Practice Section Executive Committee, Nominations Committee, Annual Meeting Committee, and Board of Directors. This link served NASBA well in resolving some contentious issues with the AICPA during the period. Moreover, it helped to raise the AICPA Board's and leadership's respect for NASBA as a valuable contributor rather than just a useful pawn in its strategies [Suran, 2007].

NASBA elected its first Asian-American President, Thomas Iino (California) in 1985-86. Iino traveled widely during his term as president and had the duty and honor of representing NASBA before the Congressional committee investigation mentioned above. The Subcommittee was examining possible means of improving Federal grant fund auditing by CPAs and the issue of substandard audits of government entities. Also testifying with Iino and Suran on the role of NASBA and state boards were Executive Director William Van Rensselaer and Florida board member Louis W. Dooner. NASBA was invited to the table because of the efforts of Frank Sato, the then Inspector General for the Department of Transportation. Sato was a personal friend of Iino and had connections to Congressman Jack Brooks who was chairing the committee.

President Iino began with a message that NASBA leaders still stress when speaking to legislators: "First, it is important to emphasize that state boards of accountancy are governmental

agencies with the authority to issue and revoke licenses to practice public accountancy.

State boards of accountancy, therefore, are the only entities that have jurisdiction over all who are licensed to practice public accountancy in the United States.” Acknowledging that substandard audit quality — particularly in the audits of governmental funds — was a problem that the boards were working diligently to resolve, Iino’s testimony focused on four key points:

1. The unique role of the state boards of accountancy in the regulatory process;
2. NASBA’s role in coordinating the activities of the state boards;
3. The development of positive enforcement programs by state boards of accountancy; and
4. NASBA’s efforts to assure audit quality and its commitment to work with the Congressional committee to achieve mutual objectives [“President Iino..., 1986, p. 4].

Congressman Jack Brooks (Texas), chairman of the Subcommittee, in thanking President Iino for his presentation, wrote: “The state boards of accountancy are in a unique position to bring about tremendous improvements in the quality of CPA audits — through both active monitoring of CPAs’ work and, when necessary, through disciplinary actions. Therefore, NASBA’s efforts to encourage widespread implementation of ‘positive enforcement programs’ are to be commended.”

NASBA even sold videotape copies of Iino’s testimony and also loaned copies at no charge. The video was reportedly shown at several meetings of state CPA societies and in several accounting classrooms throughout the country.

At the same time, the AICPA, represented by Chairman Michael Cook, testified on behalf of the accounting profession. Iino has



Thomas Iino (California), the first Asian-American President of NASBA from 1985 - 1986, increased NASBA’s national visibility with his testimony before a Congressional committee.



stated that this “was the first time that Congress became aware that there was a separate body that regulated the profession, namely state boards of accountancy and their umbrella organization, NASBA. There was a misconception that the Institute was both the trade union and the regulator” [Iino, 2006].

In April 1986, following his Congressional testimony, Iino and other NASBA representatives, including President-Elect Albert J. Derbes (Louisiana) and Directors Judy N. Tabb (Georgia) and Jerome P. Solomon (Massachusetts), met with Comptroller General Charles Bowsher and members of his GAO staff. A day later, a similar meeting was held with Securities and Exchange Commission Chief Accountant Clarence Sampson and members of his staff. This was the start of continuing annual meetings between NASBA’s leadership and representatives of federal agencies. On May 29, 1986, NASBA sponsored a special conference in Washington on the “Quality of Government Audits,” for members of state boards who had received referrals from the GAO following Iino’s March testimony. Based on Iino’s testimony, the GAO had referred 32 audit reports to 15 boards of accountancy “for review and appropriate action because we

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# residents & Chairs of NASBA

## 1977-1987

 Cardegna	1977-78 James E. Bates (GA)	1982-83 Robert L. Block (WA)
 Spriggs	1978-79 C. Richard Spriggs (CA)	1983-84 C. Hunter Jones (VA)
	1979-80 Thomas F. Cardegna (MD)	1984-85 Sandra A. Suran (OR)
	1980-81 Robert C. Ellyson (FL)	1985-86 Thomas Iino (CA)
	1981-82 A. Leighton Platt (OR)	1986-87 Albert J. Derbes, III (LA)

believe the auditor may have committed violations of the auditing standards of the AICPA and the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the General Accounting Office.” GAO staff members presented a summary of the purpose, scope, and findings of their study of the 32 offending audit reports and responded to questions from the conference participants. Representatives from various federal offices of inspector general, including those from the Veterans Administration and Department of Education, participated in the conference, as did representatives from the Accounting and Financial Management Division and the Audit Quality Task Force [“NASBA Holds Special...,” 1986, p. 2].

Later in his presidential year, Iino, along with Derbes, Dooner, Van Rensselaer, and Director Sam Yellen (California), testified before the Treadway Commission (also known as the National Commission on Fraudulent Financial Reporting). Iino and the other NASBA leaders made sure that NASBA was being recognized by the “powers that be” in Washington. The Congressional testimony and events that followed in 1986 represented a significant turning point in the national visibility of NASBA and led to the widespread recognition of the separation of professional advocacy (AICPA and state societies of CPAs) and professional regulation (NASBA and the state boards).

One other event that occurred during Iino’s year in office was a vote to incorporate. NASBA had originally been formed as an unincorporated association. The membership approved a proposal at the 1986 meeting to change the organization to a regular corporation under the Delaware General Corporation Law. Van Rensselaer urged the change on the grounds that it would make it easier to handle interstate business more routinely if NASBA had a more common legal structure. Incoming President Albert Derbes supported the change as being a prudent action since the corporate form offered a limitation on liability. The corporation became effective on May 4, 1987, and the NASBA unincorporated association was merged into the National Association of State Boards of Accountancy, Inc. After several delays, the new corporation obtained permission to do business in the state of New York (where its offices were located).

## *P*ublications

NASBA’s publishing activities accelerated in the late 1970s. One of the first activities of the eighth decade was the 1978 publication of a *Digest of State Accountancy Laws and*



NASBA moved into its own office at 545 Fifth Avenue in New York City on April 1, 1979.

*State Board Regulations*. This volume summarized the provisions of all state accountancy laws and regulations relating to licensing, experience, education, conditioning provisions, reciprocity, continuing education and fees. In 1983, because of the high cost of publishing the Digest and keeping it accurate, the AICPA joined NASBA as a co-publisher. Still, it was a NASBA-created publication prepared under the leadership of James Thomashower, who had been hired in 1983 as Manager of Research and Communications.

Other handbooks and manuals were also produced by NASBA committees to assist state board members. These volumes included *Model Rules for State Boards of Accountancy*, *Handbook and Checklist for CPA Examination Administration*, *Legislative Handbook for State Boards of Accountancy*, *Positive Enforcement Manual for State Boards of Accountancy* and *Guidelines for Evaluating Experience*. Of course, the monthly newsletter, the *State Board Report*, continued as the primary means of keeping state board members informed of current developments affecting regulation of the profession. Another newsletter, albeit brief and issued in limited numbers, was begun in September 1985 under the title the *State Board Administrator*.

## Moving on Out

As indicated in the preceding chapter, American society saw significant changes during the 1970s, and the accounting profession was affected by Congressional investigations and concerns from critics that CPAs, through their professional association, were limiting entry into the profession. As a result, the AICPA became concerned that it would become the target of federal legislation, and the leadership at the AICPA saw NASBA as the solution to the problem. If an independent organization such as NASBA were conducting reviews of the CPA examination process, the AICPA could not be blamed for many of the things for which it was being

criticized, particularly the restriction of entrance into the profession. The problem was that NASBA was housed at the AICPA's offices in New York City. How independent was that? Regardless of how independent the relationship was, such an arrangement certainly did not give an appearance of independence. According to former AICPA Executive Director Wallace Olson, the solution was for NASBA to move out on its own. Thus, in early 1978, the AICPA's leadership approached the NASBA board with a proposal that NASBA obtain its own office facilities, with financing to be provided by an allocation of a portion of the CPA exam fees paid by the state boards to the AICPA. The NASBA board agreed to the proposal. At its meeting on July 13, 1978, the AICPA board authorized NASBA to receive 5.5 percent of the total examination fees collected by the AICPA.

On April 1, 1979, NASBA moved into its new offices at 545 Fifth Avenue in New York City. With approximately 3,000 square feet of its own office space, NASBA was now completely independent of the AICPA, other than for the contractual right to receive a portion of examination fees. Actually, moving out was not too difficult since NASBA was still a relatively small organization at the time, and even Van Rensselaer was not too entrenched since the AICPA had only moved into its 1211 Avenue of the Americas location from 666 Fifth Avenue in November of 1974. The big advantage of that earlier move, as cited in the NASBA newsletter, was that the new location had a Centrex telephone system that would enable callers to telephone NASBA directly without going through a central switchboard.

According to Olson, moving NASBA out of the AICPA's offices solved a major problem, but also created others. A truly independent NASBA could more easily promote views contrary to those of the Institute. Olson noted:

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*The outlook of CPAs who serve on state boards is different from those serving in a leadership capacity within the AICPA, and it is likely to remain so. Hence, a degree of friction between the NASBA and the AICPA on a continuing basis is probably unavoidable despite the best intentions of both organizations [Olson, 1982, pp. 180-181].*

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In all fairness to NASBA leaders prior to 1979, the appearance of a lack of independence between NASBA and the AICPA was probably just that — appearance. On October 22, 1977, NASBA Vice President Robert C. Ellyson stated at a graduate accounting conference:



*The leadership of the profession is going to have to realize that pure self-regulation is just not feasible. It never has been and it never will be. It isn't reasonable to expect the sheep to be the shepherds or the regulated to be the regulators. It is only through a combination of regulation in the standard setting and quality control areas as promulgated by the private organizations, in this case the AICPA, and enforcement and disciplinary procedures as promulgated in part by the Institute and state societies, but primarily by the state boards of accountancy, that we are going to be able to prevent significant Federal intervention.*

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The two organizations, AICPA and NASBA, were far more separate than most observers would have guessed. However, NASBA's leaders did appreciate the benefits of cooperation with the AICPA and recognized that legislators did not want to sort out the differences between what the accountancy boards and what the accountancy societies were proposing all in the name of public protection. For example, when Carl Dechow, Jr. (California) was sworn in as president in 1970, he stated that the theme for his term was to increase the cooperation and coordination between NASBA and the AICPA. Willard G. Bowen (Colorado), the 1969-70 NASBA president noted in a speech to the AICPA Council that "Through the years the relationship of the Institute and NASBA has been characterized by harmony and cooperation without impairment of the independence of either group" [Proceedings, 1970, p. 48].

One instance of friction occurred in 1986 when the AICPA notified state boards that it would be increasing examination fees the following year. This upset many boards because they operated under a two-year budget system. President Al Derbes (Louisiana) appointed a three-person committee consisting of Jerome Schine (Florida), Sam Yellen (California) and Jimmy Dunn (Texas) to meet with the AICPA on the issue. The committee requested copies of the income and expenses of the AICPA examination division and found several excess allocations of expenses. For example, expenses included not only the salary of part-time graders, but also an allocation for pensions and insurance. Since the graders were employed on a part-time basis, they did not receive pensions or insurance. The committee concluded that the AICPA had been earning a profit in the examination division over the years and did not have the cumulative loss that had been related to the boards in justifying the fee increase. The AICPA backed down and agreed to delay the increase for a year, and the subsequent increase in fees was not as large as originally requested [Schine, 2006].

## CPA Examination Review Board

Even though all of the jurisdictions use the AICPA Uniform CPA Examination and Advisory Grading Service, each state board is responsible for assessing the quality and content of that examination. The CPA Examination Review Board (ERB) is an independent body within NASBA that is responsible for providing annual assurance that the CPA Examination can be relied upon to meet the statutory requirements of state boards of accountancy. To meet its purpose, the ERB conducts a comprehensive program of review, evaluation and reporting on the appropriateness of the policies and procedures used in the preparation, grading and administration of the Exam. This is accomplished by examining relevant records, observing examination operations and inspecting exam sites. NASBA charges a fee to recover its costs associated with the operation of the ERB.

Starting with the November 1978 CPA Examination, a NASBA CPA Examination Review Board has conducted a stringent annual evaluation on behalf of member boards regarding the delivery of the exam and the examination process.

As mentioned in a preceding chapter, NASBA had conducted an in-depth study of the CPA Examination in 1961, but by the mid-1970s the accounting environment had changed and another review was thought necessary. NASBA first attempted to fill this niche by having a CPA Examination Review Team, led by Robert Ellyson (Florida), conduct such a study in 1976, but continuing reviews were needed. Even this 1976 review was only an extension of work that had been performed since probably the early 1950s by NASBA's Committee on the CPA Examination. That committee sent out questionnaires to state board members following each exam asking whether the exam was fair and equitable. A resolution adopted at the 1960 meeting read as follows:

*WHEREAS, the Committee on Examinations has been distributing questionnaires to state board members for several years in connection with the evaluation of each semi-annual examination; and*

*WHEREAS, continued participation of individual state board members in evaluating each examination is desirable in order to insure that future examinations will continue to be a type desired by those charged with examining candidates in the various states; now therefore it is*

*RESOLVED, that the evaluation of each examination be continued by the Committee on Examinations with a questionnaire directed to individual state board members.*

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The resolution is indicative that the surveys had been going on for several years and were providing useful feedback. Typically, about 20 or so boards would respond to the questionnaire, with the result invariably being that the exam was indeed fair. A survey, however, was insufficient; a more comprehensive assessment was desired and, starting with the November 1978 CPA Examination, the ERB began a stringent annual evaluation on behalf of member boards regarding the delivery of the exam and administration of the examination process. Because exam reviews are technical and time consuming, they can be performed more economically by NASBA than could be accomplished by the state boards individually.

As described earlier, the AICPA encouraged an independent NASBA to conduct annual reviews because the Institute was being questioned by the U.S. Department of Justice and the Federal Trade Commission regarding whether the CPA Examination was being used to restrict entry into the accounting profession, and thereby restrain competition. Some state boards were also critical of the Uniform CPA Exam and were considering creating their own exam. This need for some oversight of the AICPA's work corresponded to a time when NASBA needed money. Thus, AICPA and NASBA leaders agreed that NASBA would conduct an annual review of the examination and the AICPA would pay a fee for the service [Olson, 1982, p. 178]. Despite the AICPA's initial support, the critical contents of the 1976 review report almost caused the AICPA to back out of the process. Although the overall report was positive, there were 44 recommendations for improvement — a number that the AICPA staff and Board of Examiners thought was unduly critical.

Before computerized testing began in 2004, volunteer members of the ERB periodically visited state testing centers to monitor compliance with sound procedures.

Since 1976, the ERB has divided its work into four areas:

1. Construction of the exam,
2. Grading of the exam,
3. Administration and security at the AICPA Board of Examiners level and
4. Administration and security at the state board level.

The ERB inspects the operation of NASBA's own computerized grade reporting and statistical information service. Then, the ERB issues an annual report of its findings. The ERB's work has been cited as a defense in numerous sunset review reports, legislative hearings, and at state board meetings when there have been questions about the validity or reliability of the CPA Examination, but it required a huge commitment from the volunteers who served on the Board and had to make the many site visits. The nine volunteer members each had historically devoted from 15 to 20 days annually in meeting the Board's objectives. A survey conducted in 1989 found that the ERB was considered by members as the most important service offered by NASBA ["CPA Examination...", 1989, p. 1]. In 1993, the charge to the ERB was expanded to include the review of the International Qualification Examination (IQEX) and any other examination provided by state boards of accountancy.

The ERB has been a constructive influence on numerous projects that have led to the improvement of the CPA Exam. One of the 1978 recommendations from the ERB was that the grade reporting process should be computerized; so a special committee was appointed to determine how the AICPA's grading information could be used to assist state boards in processing examination grades and in compiling state and national statistics on exam performance.



In 1980, NASBA began to develop and provide a computerized grade reporting and statistical service for state boards.

## Grade Reporting Computerization

The year 1979 was a busy year at NASBA. Following the move, a committee was appointed to address the issue of computerizing the reporting of exam grades. This committee's recommendation was the start of what became the statistical information program that is used so widely today. A proposal was made to the AICPA in April 1980 that NASBA would develop and provide a computerized grade reporting and statistical service for state boards. The proposal was accepted, begrudgingly [Olson, 1982, p. 181], by the AICPA with the provision that NASBA's share of the examination fees would be increased from 5.5 to 6.5 percent. However, NASBA had to fund the initial system design and select the vendor. The CPA firm of Coopers & Lybrand was selected to develop the design for the system. The start-up costs caused NASBA to run a deficit of over \$83,000 in fiscal year 1981, which was a substantial sum when compared to total revenues of just over \$701,000. There would have been a small surplus for the year if the computerization costs had not been incurred. Fortunately, profitability returned in 1982 with a \$106,000 excess of revenues over expenses.

Martin Marietta Data Systems was selected to operate the new system. Basically, the system matched the names, addresses, and identification numbers of candidates with the grades supplied by the AICPA grading service. Individual grade reports are then printed for each candidate. Participating states save the time that would normally be devoted to manually matching grades with candidates and preparing individual grade reports.

Three states, with approximately 3,700 candidates, participated in the pilot test of the computerized grade reporting system for the May 1981 examination. The three state boards were pleased with the results, and reported that they received not only detailed statistical reports on candidates' performance, but also increased accuracy on grade reports and a shortened workload usually needed to manually prepare and distribute grades to candidates. By November, 1981, there were 19 states participating, with 25,000 candidates.

In 1982, because of proposed price increases and deteriorating service from Martin Marietta, NASBA sought another service bureau. Beginning with the May 1982 exam, the system was operated by TBS Computer Centers, which serviced 37 states and over

40,000 candidates on its first exam. In addition to facilitating the preparation of grade reports, the computerized system generated a variety of statistics on candidate success. Some larger states were already compiling statistics on their candidates, but for the most part there was little overall data on pass percentages and the elements of success. Statistical reports were distributed free to participating state boards and were sold to other interested parties — including universities that were concerned with the passing success of their graduates. The data provided included information by state and nationally on candidate performance by level of education, academic major, grade-point average, semester hours taken in accounting, participation in a coaching course, experience, SAT and/or ACT scores, and by university attended.

This was not the first time that a statistical service had been attempted. As early as 1933, Durand W. Springer (Michigan) tried to obtain statistics for the entire country, but despite a great deal of interest, he learned that not more than ten state boards could furnish information regarding the number of candidates tested, number who passed on the first attempt or on the second attempt, or other information [Dean and Webster, 1946, p. 19]. As mentioned above, some states were compiling statistics on their own candidates, but these were often inaccurate if many of the state's accounting students sat for the exam in other states.

Beginning in early 1987, NASBA commenced publishing the statistical reports in book form, beginning with the data from the 1985 examinations. The first publication was entitled *CPA Candidate Performance on the Uniform CPA Examination — 1985*. The volume combined the reports from the May and November exams and included a complete set of 12 statistical reports for each exam, covering performance of first time and repeat candidates by state, and performance by school for each institution represented by five or more students. The 195-page book included a 33-page section of analytical narrative by Park E. Leathers, a professor of accounting at Bowling Green State University. The book sold for \$95, which was a substantial discount in comparison to the \$800 that NASBA charged in preceding years for complete copies of the statistical reports. The bound volumes, initially priced at \$95, were eagerly sought by universities who wanted to evaluate the success of their programs through the pass rates of their graduates.

# Strategic Planning

NASBA was at a crossroads in the early 1980s. With the success of the ERB and computerized grade reporting programs, NASBA was by then financially independent of the AICPA, but was still not financially stable. At the same time, there were many challenges to the existence and future effectiveness of state boards and the CPA profession. These were challenges that NASBA could help to resolve, but it did not have the “charter” to take a proactive position in resolving them. Additionally, to become financially stable, NASBA needed to develop valued services to widen its funding base.

“The mission we developed during that time still exists as the current mission.”

Sandra Suran, 2007

The first major step was to reassess and change NASBA’s mission. A strategic plan was suggested. One of the Board members, Sandra Suran (Oregon), had led several successful strategic planning processes for other institutions using the Stanford Research Institute’s (SRI) new planning model. In 1983, she volunteered to lead NASBA’s first strategic planning

process, which would require bringing the 54 jurisdictions together to create a common plan. The process involved numerous meetings of the Board of Directors and included the receiving of input from the 137 representatives from 46 state boards who attended the June 1984 regional meetings. The process culminated with Suran’s report at the 1984 annual meeting.

The strategic plan was the major factor in enabling NASBA to change in the 1980’s; the early to mid-80’s were watershed years for NASBA. Before the strategic plan, there were many changes and challenges that the Board and Van Rensselaer wanted to tackle; there were opportunities available to be seized. But, Board and NASBA members kept saying, “We (or you) can’t do that; the states don’t want NASBA to take aggressive positions or to develop new programs that might result in increased dues.” But, individual states did not have the resources or the capability to do what needed to be done. To get anything done, the projects had to be orchestrated by a central force acting for and on behalf of all. And, to develop new programs meant NASBA had to take risks — entrepreneurial risks. The Board members knew that they would be taking major (but

calculated) risks for the future benefit of NASBA and the State Boards.

The process was successful; it resulted in a significant change in NASBA's mission — from a focus on service and being responsive, to being a proactive leader, instigator and coordinator. “That was a difficult and a tough battle with all the states, as you can imagine! Bill Van Rensselaer was not sure for a while that we would be able to get agreement for such a drastic change in direction” [Suran, 2007]. Many state boards did not want NASBA to initiate or to take stands; all they wanted was for NASBA to be responsive to their calls for help, requests for documents, links to other states or bodies that might be able to help them. Because of that change in mission, NASBA was able to push forward in many areas that its leadership had wanted to move forward in, but did not previously have the “permission” or the buy-in from constituents to get involved.

## *E*xamination Administration

In the late 1970s and early 1980s, inflation reached record levels, and many state boards faced budgetary problems. The result was initially the cutting of board staff and sometimes there were even suggestions that the exams be cancelled.

Outsourcing of the examination process was another solution that was suggested, and NASBA entered the picture at this point by agreeing to take over the administration of the Michigan CPA exam in 1981. At the time, Michigan had about 1,900 candidates and the exam was offered at four sites within the state. Other states wanted to obtain similar assistance, but NASBA's leadership felt that the organization lacked the financial resources to service boards in additional states. The AICPA was also concerned about the long-term implications of

### CPA Examination Services

Examination Services Corporation (ESCORP) was formed to respond to requests from state boards that wished to outsource the administration of the CPA exam.

ESCORP now operates as the CPA Examination Services (CPAES) Division of NASBA.



removing the examination administration process from the direct control of state boards. The result was that the AICPA and NASBA joined together to form a not-for-profit corporation, the Examination Services Corporation (ESCORP) to respond to requests from state boards that wished to outsource the administration of the CPA exam. The joint venture was approved by the boards of both organizations in May 1982, with ESCORP being formally incorporated in February 1983.

Jan Wolfe, formerly Executive Director of the California State Board of Accountancy (and much later, the Executive Director of the Oregon State Board of Accountancy), was recruited in 1982 by then President Leighton Platt and Board Member Sandra Suran (both of Oregon) to facilitate and implement the development of ESCORP. Wolfe's responsibility as Director of State Board Services was to set up the processes, hire the personnel, supervise the on-site volunteers and supervise operations in Michigan. Subsequently, she also promoted and prepared proposals to other states.

Massachusetts, Ohio and Indiana quickly became clients. NASBA's executive director (now called "president") served as the chief operating officer of ESCORP. By the end of 1983, four of NASBA's 12 employees devoted full time to ESCORP, and the remaining eight devoted about 40 percent of their time to the new subsidiary. Thus, NASBA was allocating the equivalent of 7.2 employees, out of 12, to the joint venture. Even the executive director's administrative secretary, Angela Carlucci, was proctoring CPA exams, as was bookkeeper Helen Epstein.

ESCORP had created a growth spurt within NASBA. However, eager to get back to Oregon, Jan Wolfe left ESCORP in 1984 to join the firm of incoming President Sandra Suran. This set the stage for the hiring of Lorraine P. Sachs, who in 1984 was engaged to run the ESCORP division, and it was under her leadership that the organization flourished, although she was ably supported by several NASBA volunteer leaders, particularly 1989-90 President Jerome Schine (Florida). Revenues from ESCORP increased from \$388,000 in 1983 to over \$1 million in 1984 alone. The service quickly became self supporting and the AICPA withdrew its financial support in 1986, since such support was no longer needed. Besides providing NASBA with a profitable revenue stream, ESCORP also helped in meeting the objective of enhancing uniformity among different states, since the outsourcing by the states resulted in a more consistent approach to exam administration.

Following the withdrawal of the AICPA from the joint venture, there was little need for having ESCORP organized as a separate corporation. As a result, ESCORP was

merged into NASBA in 1991 and now operates as the CPA Examination Services (CPAES) Division of NASBA. In 2006, the division handled the administrative duties for 32 jurisdictions. Joseph T. Cote took over as the successor to ESCORP in March 1996, by which time it was producing \$10 million in annual revenues and a substantial profit. Cote is a CPA who previously worked for the AICPA and the California Society of CPAs.

As to why the name was changed from ESCORP to CPA Examination Services, that question might be answered by the following somewhat apocryphal story.

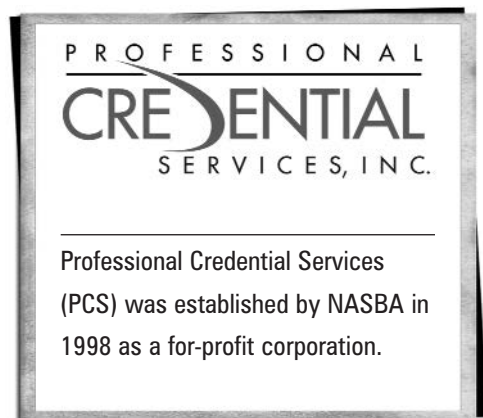
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*At a meeting in Chicago, a group of NASBA staff and volunteer leaders went out to dinner at a supper club where there was a group of actors on stage portraying gangsters from a bygone era and involving the audience in an improvisatory skit. Lorraine Sachs, tall, elegant and attractively attired as always, was selected by one of the actors to come on stage. “What do you do?” she was asked. “I run an escort [sic] service.” She replied, capitalizing on many people’s misunderstanding of the oddly named ESCORP program. The knowing audience of NASBA folks, as well as the others in the audience, howled at the unexpected response [Thomashower, 2006].*

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The services provided by CPAES include receiving and processing applications to sit for the Uniform CPA Examination, receiving and processing fees, evaluating candidates’ eligibility based on state board standards, providing state boards with lists of scheduled and attended candidates, preparing and mailing grade notices and preparing statistical reports. Before the advent of the computer-based exam, the division also arranged for secure storage and delivery of test booklets, secured and trained proctors, prepared exam locations, administered the examination to candidates at secure locations, and maintained the security of exam papers until they reached the AICPA for grading.

Similar to ESCORP, another examination services subsidiary, Professional Credential Services (PCS), was established by NASBA in 1998 as a for-profit



corporation. PCS, under the leadership of Joseph T. Cote, was formed to provide to other occupations the same types of services that NASBA has long offered to boards of accountancy. PCS was a natural outgrowth of ESCORP since some states were looking to contract with an organization that could service more than just the accountancy board. Internally, there was the view that NASBA could provide similar services to a broad range of professions.

The initial professions serviced in 1998 and 1999 included the Board of Examiners for Engineers, Architects and Surveyors of Puerto Rico, Certification Board of Nuclear Cardiology, Institute of Clinical Education, and the Public Relations Society of America. By 2006, PCS was servicing regulatory agencies in more than 40 professions, including architecture, athletic training, auctioneering, cosmetology, engineering, fire protection, funeral directing, geology, healthcare philanthropy, land surveying, law enforcement, lead abatement, nursing, occupational therapy, osteopathic medicine, parking facility management, pharmacy, physical therapy, podiatric radiology, professional planning, psychology, veterinary technicians and wastewater treatment operation. In less than 10 years, NASBA became widely known for its expertise in examination administration services far beyond the borders of accountancy.

As an indication of how the PCS division has grown, the 2006 NASBA board was considering whether to buy a building in Puerto Rico to house part of the division. Puerto Rico has been an important market for PCS and the expansion of services to the Puerto Rican Nursing Board has created a need for NASBA to have a physical presence in the territory. In 2006, PCS contributed over \$400,000 of profits to NASBA. Effective in January 2007, Ken Bishop, formerly the executive director of the Missouri State Board of Accountancy, was hired to take over both CPAES and PCS when Joe Cote was promoted to Chief Operating Officer of NASBA.

## Sunset Laws

During the late 1970s, an organization known as Common Cause promoted the enactment of “sunset” laws in more than 30 states, and other types of regulatory review were considered in still additional jurisdictions. Sunset efforts to do away with most state licensing boards and centralization (moves to combine licensing boards under a central regulatory agency with one budget for all and centralized staffing) legislation

would supposedly provide economic savings to the states. As a result, the future existence of many state boards was at risk and their operational effectiveness threatened. Thus, state boards were under pressure to justify their existence and to keep their costs at a minimum, with the alternative being the potential elimination of the board. At the same time, consumer groups were accusing the state boards of accountancy of being puppets controlled by the accounting profession, and in response some states added public members (i.e., non-CPAs) to state boards.

NASBA was not opposed to all forms of centralization of boards — only in those instances where the autonomy of the decision-making function was at risk; centralization for the purpose of consolidating routine housekeeping functions was not considered a problem. There is a vast difference between centralizing payroll, purchasing, leasing and printing functions, as opposed to a similar handling of the setting of admission standards, the handling of complaints, policy making and disciplining licensees.

Fortunately, NASBA was available to provide a forum on these issues, so that states could share their experiences, and to provide support for state boards that were under fire. The Sunset and Centralization Committee was formed to lead the strategy, offer coordinated support to all threatened state boards, and supply information and services to states facing legislative hearings that might totally eliminate or significantly hamper the effective operation of the state boards. To focus the boards' efforts, a conference was held in November 1982 in New Orleans that was dedicated solely "to explore ways and means of halting, reversing, or dealing with the centralization trend and to maximize the responsiveness and effectiveness of the state boards." The Sunset and Centralization Committee and its chairs earned widespread respect for courage and skill in confronting complex, politically sensitive issues. The Committee's lengthy report concluded: "A Board which has as its only responsibility regulation of the practice of public accounting can best serve the public interest. A Board of



NASBA held a conference in November 1982 in New Orleans that was dedicated "to explore ways and means of halting, reversing, or dealing with the centralization trend and to maximize the responsiveness and effectiveness of the state boards."

Accountancy can more efficiently and effectively interpret, administer and enforce accountancy law than can a central agency.”

NASBA’s efforts during this period avoided what might have been damaging challenges to the credibility of the state boards and the profession. Because NASBA was able to help state boards respond to sunset reviews, no state boards of accountancy were terminated (although other types of state boards were eliminated in some states). To prepare materials to respond to situations such as the sunset laws, in 1983, NASBA hired a new Manager of Research and Communications, James E. Thomashower — a man who was in 1988 to become the organization’s second full-time executive director. Although sunset legislation was not successful against accountancy boards, the issue did not die quickly; as late as April 1986, NASBA was trying to convince the SEC to intercede, with the argument being that centralization of boards would be detrimental to a state accountancy board’s effectiveness and independence [Sampson, 1986].

## *A*n Operational Audit

In November 1983, NASBA President C. Hunter Jones (Virginia) and Executive Director Bill Van Rensselaer met with several AICPA leaders to discuss NASBA’s financial difficulties. The previously successful CPA Examination Critique Program had seen declining numbers and the costs of the computerized grade reporting service and the Statistical Information Program were greater than NASBA’s portion of the CPA Exam revenues. The net effect was that a deficit of \$120,000 was projected for 1984, and another \$137,000 for 1985. NASBA leaders asked for an adjustment of the contract with the AICPA. The Institute leaders responded by asking NASBA to conduct an operational audit of its activities, and in the meantime the AICPA would try to underwrite 60 percent of NASBA’s projected deficit for fiscal year 1984. Proposals to conduct the audit were requested, but the estimated cost of \$25,000 was more than NASBA’s board wanted to pay. Instead, a self-audit was conducted, with assistance from Coopers & Lybrand.

The measures used in assessing NASBA’s efficiency and effectiveness varied depending upon the area being evaluated. Attendance at meetings was one measure used, which resulted in the conclusion that NASBA’s programs must be effective. One area where improvement was needed was in the marketing of the statistical data base on examination performance. This was before the data were published and sold. The

expected decline in revenues from the Critique Program was also noted as a problem, since that program had been contributing significantly to NASBA's overhead.

The overall conclusion of the audit report was "very favorable." Its main recommendation was that NASBA needed additional sources of revenues, since those revenues being generated from current services were insufficient to cover the costs of providing those services ["NASBA Embarks...", 1984, p. 2]. Throughout the mid-1980s, funding was a major concern within NASBA, although fledgling programs intended to provide greater financial independence and stability were being developed. Several past officers voiced their dismay that NASBA's financial difficulties serving as the subject of a session at a 1984 regional meeting in Little Rock. They felt that funding was a matter for the board of directors — not a concern of participants at regional meetings.

## Activities of Special Committees

Throughout the decade of the late 1970s and into the 1980s, NASBA had special committees studying various aspects of the profession, including the comparability of foreign licensing examinations, regulation of the profession and a joint AICPA/NASBA Committee on the Model Accountancy Bill. The AICPA's predecessor organization had first issued a model bill in 1916 and there had been minor changes throughout the years. However, in April 1980, NASBA published its own Model Public Accountancy Act, which was different from the AICPA's version. NASBA's leadership felt that it needed to act because state boards of accountancy were being called upon to make recommendations to state legislatures in regards to possible amendments to the accountancy laws, in connection with possible sunset law reviews and other issues.

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*After legislative policies covering the key points of substance necessary to be considered in connection with the adoption or revision of public accountancy laws had been developed, it appeared sensible for NASBA also to prepare the text of a model law which would show in a concrete way how those policies might be implemented in statutory provisions. Such a model act appeared desirable despite the fact that other models are available, because there are some differences between NASBA's legislative policies and the policies reflected in other models, and in some accountancy laws now in effect. [NASBA Model Public Accountancy Act, 1980, pp. 1-2].*

NASBA's decision to issue its own version of a Model Accountancy Act was purposeful. NASBA had strong feelings about several areas of the AICPA's Model Act had made repeated attempts to join in the process of its development to offer alternative language that would respond to concerns of state boards. But, NASBA was rebuffed. This was indicative of the strained relationship with the AICPA in the late 1970s. NASBA therefore published its own version, reflecting the positions of its members, for the benefit and use of state boards. Obviously, the AICPA was not happy with NASBA's action, but NASBA had made its point.

Examples of differences between the two bills included the AICPA's requirement for two years of experience versus NASBA offering an alternative of one year with 150 hours

The first Uniform Accountancy Act (UAA) was published in 1984 with an explanation of both alternatives to the peer review and experience issues.

of education. The AICPA wanted state boards to levy fines as a disciplinary action, while NASBA expected disciplinary actions to be brought to the state's attorney general and fines or imprisonment imposed on those found guilty. The AICPA wanted peer reviews of CPA firms to be a condition for renewal of a firm's permit to practice, but NASBA's Act gave the boards latitude as to whether peer reviews should be required and how frequently (i.e., whether required uniformly for renewal or only on a

random basis). Finally, the AICPA plan provided for a special examination as an alternative to fulfilling CPE requirements, while NASBA's Act called for mandatory CPE with equivalency examinations and hardship waivers at least for a transitional period.

In January, 1983, the AICPA and NASBA agreed to form a combined committee to develop a unified approach to model legislation. The committee consisted of AICPA Chairman George D. Anderson, NASBA President A. Leighton Platt (Oregon), and Colorado State Society President, Gordon H. Scheer. Subsequently, incoming NASBA President Sandra Suran was added to the special committee because of her significant links with the AICPA. By October 1984, the committee had narrowed the differences to the peer review and experience requirements. The first Uniform Accountancy Act (UAA), although it was not called that at the time (it was labeled the Model Public Accountancy Act Bill), was published with an explanation of both alternatives to the peer review and experience issues, but with an emphasis on the common ground.

One point that was not controversial between the two organizations, nor among the committee members, was the issue of the 150-hour requirement. Both organizations supported a requirement that candidates for the CPA Examination should have completed 150 semester hours of coursework prior to sitting for the exam. Although not everyone supported the 150-hour requirement, an AICPA survey found that between 65 to 70 percent of state society members supported the language in the model bill. However, support was least enthusiastic among the largest accounting firms [Chenok and Snyder, 2000, p. 128].

In February 1987, the AICPA Board of Examiners issued an exposure draft detailing proposed changes in the CPA examination. The proposed changes, which were to take place in May 1990, included the elimination of essay questions by moving to an all-objective question format, reducing the length of the exam from two-and-a-half days to two days, and combining accounting theory with accounting practice.

NASBA's CPA Examination Review Board (ERB) responded with a discussion paper to help state board members understand the proposed changes and held a special conference. The discussion paper from the ERB was designed to provide information on the ramifications of the changes and, therefore, did not recommend approval or disapproval of the changes. The August 1987 meeting at the Omni Shoreham Hotel in Washington, DC, attracted 105 participants. These participants agreed that some changes were needed, but there was no unanimity as to what those changes should be. The conference included some who told the forum that they fully supported the AICPA changes, others who were totally opposed, and many who were partially supportive. The part of the proposal that drew the least support was the change to an all-objective format ["NASBA Forum...," 1987, p. 5].

Although there was a plan for the ERB to come forth with a recommendation following the conference, that was postponed because there was such division among the membership. For example, the states were almost equally split on the length of the examination, and only 30 percent of state boards were in favor of the change to all objective questions, but this was still a significant number. The least controversial change was combining theory with practice, which 20 percent of the states opposed. Following discussion with the NASBA board, the ERB made several recommendations, including the acceptability of combining theory and practice. As for eliminating essay questions, the ERB recommended that the change apply only to the Business Law section of the exam. The other sections should remain unchanged. The ERB also came



forth with its own proposal — one that had not been mentioned by the AICPA — that the exam questions and solutions should be nondisclosed. The nondisclosure idea emanated from Professor Taylor. It would be another two years before the ERB acted on this last suggestion, and even longer before the AICPA took notice.

A joint AICPA/NASBA committee was formed to hammer out the differences between the original AICPA proposal and the ERB's recommendations. The joint committee issued its report in October 1988 and the NASBA board voted in April 1989 to reduce the exam to two days, but recommended continuation of essay questions. The once hoped-for change date of 1990 was changed to 1993 or 1994 ["NASBA Board Votes...," 1989, p. 1].

Given the amount of time and travel that volunteers devote to NASBA committees, it should be mentioned that NASBA reimburses members of committees for their travel costs if those costs are not reimbursable by another party, such as an employer or state board, or the volunteer does not cover them himself. Fortunately, NASBA has not always had to make such reimbursements, since employers and individuals have been supportive of NASBA's activities.

## **C**onferences for State Board Executive Directors

The year 1983 witnessed NASBA increasing its services to a subset of its membership constituency, namely state board executive directors. Annual conferences for state board employees began in 1983 in Austin, Texas. John F. Rhodes (Nevada) chaired the first program committee. The purpose of the conferences is to address common problems and share management techniques as they relate to the day-to-day operations of a state board office. The first meeting attracted 40 participants from 24 different states. At the second conference in 1984, held at a Dallas/Fort Worth Airport hotel, there were 29 state boards represented among the 37 attendees. By the early 21st century, the conferences were annually attracting administrators from 40 or more jurisdictions. Meetings were typically held in February or March, but the 1985 meeting was held in December, 1984, in New York City to give executive directors an opportunity to view the grading of the CPA Examination (a process that would have been completed by the usual late winter meeting date). In recent years, the conferences for state board administrators have been held in the same location and at the same time as other NASBA conferences, such as the

CPE Conference and the State Board Legal Counsel Conference.

As a by-product of these meetings, state board executive directors began to coalesce as a group; the result has been that administrators have shared more information, become more expert, and have grown in influence within NASBA, as the chair of the Executive Directors Committee serves as a liaison at all Board of Directors meetings. To enhance communications with administrators, NASBA began publishing a newsletter in September 1985 entitled *The State Board Administrator* and now has a password protected page on the NASBA Web site through which executive directors share information and access Quick Polls.

## Summary of NASBA's Eighth Decade

NASBA began its eighth decade by separating from the AICPA and moving into its own offices at 545 Fifth Avenue in New York City. The separation was amicable, however, and the two organizations worked together on various projects throughout the decade, including the creation of a joint venture in the form of the Examination Services Corporation (ESCORP). Despite the creation of ESCORP, NASBA was still a relatively small organization with only 12 full-time employees in 1984, of which four worked full time for ESCORP and others devoted part of their efforts to the new entity. The decade of the 1980s was a period of growth and visible activity for NASBA, but it was also a period of minimal finances. The new office and the start-up costs of new programs devoured the limited resources. A strategic planning process, led by Sandra Suran, created a new mission for the organization and led to the development of new services, which ultimately led to financial independence. None of the changes that were envisioned as part of the strategic planning process and later developed could have happened without the new mission — NASBA did not previously have the franchise. Because of the strategic planning process, the 80's was a period of major transition within NASBA.

NASBA extended its influence by offering an annual conference for state board executive directors, which increased the knowledge and involvement of staff at the state level, which in turn made it easier for the organization to address issues at the state level such as sunset legislation and moves to consolidate accountancy boards into a group covering other types of state boards. Beyond the state level, the profession of

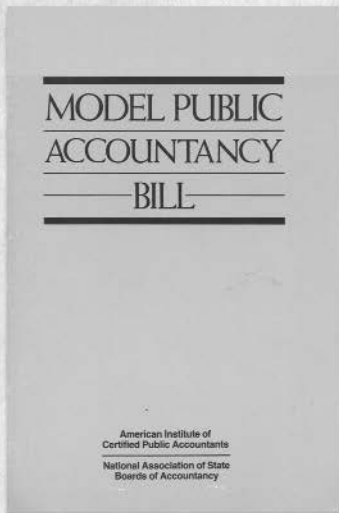
accountancy was in turmoil because of federal investigations in the late 1970s and early 1980s, and NASBA was fortunate to have the leadership to keep professional regulation, and the profession itself, moving ahead.

It was in its eighth decade that NASBA became visible to many outside the field of accountancy regulation. Some of this increased visibility came in 1986 when NASBA leaders were invited to testify before Congress. Since the AICPA was also asked to testify, it became obvious to Congress and government agencies that the two organizations had differing objectives and were independent of each other. NASBA matured, went out on its own, and thrived — all despite limited finances. Admittedly, the AICPA in the late 1970s may have initially promoted NASBA to convince federal agencies that the profession of public accounting was not in restraint of trade, but that meant that the AICPA had to recognize the independence and influence of NASBA, which it eventually did.

## *A* Day on the Hill



From left to right: (1) Susan Suran and Thomas Iino testify before a Congressional committee as representatives of NASBA. (2) Members of the Committee address Susan Suran and Thomas Iino. (3) Susan Suran meets with members after testifying before a Congressional committee.



NASBA and the AICPA formed a committee to develop a unified approach to model legislation. The committee narrowed the differences to the peer review and experience requirements for CPE. The committee published the first Uniform Accountancy Act, titled Model Public Accountancy Act Bill, with an explanation of both alternatives to the peer review and experience issues, but included an emphasis on the common ground.

# Annual Meeting 1983 - 1984



Left to right: Robert L. Block, Immediate Past President, C. Hunter Jones, President, Albert J. Derbes, III, Carl B. Harper, Jr., Frank T. Rea, Vice President, Sandra A. Suran, Nolan E. Williams, J. Shelby Stastny, Stephen E. Pascarella, Melvin A. Coffee, Thomas K. Baer, Joseph J. Sorelle, Richard L. Denney, Harold D. Garter, Thomas Iino, Vice President, Larry A. Jefferies, Paul M. Stelle, and Wilbert H. Schwotzer.



Left to right: (1) Attendees during a break at the 1983-1984 Annual Meeting. (2) Boxes of NASBA materials for the Annual Meeting. (3) C. Hunter Jones shows his appreciation to Robert L. Block.

## Chapter Six: The End of One Era - The Beginning of Another

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*“Since we last met in September... many events have occurred worldwide. Our nation’s economy continued its recessionary trend; we were in and out of a war; most states encountered severe budgetary restraints and problems; and accounting firms—large, medium, and small alike—have been forced to make difficult financial and operating decisions, to cite but a few. Even in these trying times, NASBA’s prominence in the regulation of our profession continued to grow and to earn well-deserved respect.”*


*Jerome Solomon, 1991*

**A**lthough NASBA’s presidents/chairs were all male in its ninth decade, the organization did elect its first African-American President, Nathan T. Garrett (North Carolina). Another notable occurrence was that Jerome Solomon (Massachusetts) served a two-year term, due to the untimely death of President-Elect Richard J. Goode (Utah). Also during this period, the title of the top elected volunteer was changed in 1994 to Chairman of the Board, instead of the historical President. NASBA’s ninth decade was in one respect the end of an era—the leadership of William H. Van Rensselaer — followed by a short period of relative prosperity accompanied by some controversy under the leadership of James Thomashower, and then followed by an era of unprecedented growth under the leadership of David Costello.

NASBA’s ninth decade dawned inauspiciously with the death of William H. Van Rensselaer, the Association’s first full-time executive director. He died at the age of 51 on May 1, 1988. At the time of his death, he had served NASBA for more than 16 years, having joined the organization in February 1972. He was considered the nation’s leading authority on state regulation of the accounting profession. Despite his many innovative ideas and contributions to the profession, Van Rensselaer never sought personal

recognition for his achievements; he always gave credit for NASBA's successful endeavors to volunteer officers and committee members. Robert Ellyson, the 1980-81 President perhaps summed it up best with the following: "Van Rensselaer was the finest executive of any organization ever" [Ellyson, 2006].


Before joining NASBA, Van Rensselaer was with the AICPA where he had been associate editor of the *Journal of Accountancy*. He had also worked with state society relations, state legislation and professional ethics. Before the AICPA, he had been an administrative officer and meetings manager for the National Association of Mutual Savings Banks in New York. Bill graduated from Hobart College in 1958. He was survived by his wife Pamela, who lives today in Colorado and is fondly remembered by many past NASBA officers and directors ["William H...., 1988, pp. 1-2]. Pam was a professional travel agent, a talent she often used for the benefit of NASBA. Van Rensselaer was posthumously awarded the AICPA's Medal of Honor in 1990. When recognizing Van Rensselaer's qualifications for the Medal, Robert Ellyson (NASBA's



## P

# residents & Chairs of NASBA

## 1988-1997

 <p style="margin-top: 10px;">Schine</p>	<p>1987-88 Wilbert H. Schwotzer (GA)</p> <p>1988-89 Sam Yellen (CA)</p> <p>1989-90 Jerome A. Schine (FL)</p> <p>1990-92 Jerome P. Solomon (MA)</p> <p>1992-93 Nathan T. Garrett (NC)</p>	<p>1993-94 Noel P. Kirch (OK)</p> <p>1994-95 Welling W. Fruehauf (PA)</p> <p>1995-96 Ronnie Rudd (TX)</p> <p>1996-97 John M. Greene (SC)</p>
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1980-81 president) stated: “The progress that NASBA made during the 16 years that he was director was remarkable.... He not only kept NASBA moving in the right direction, he helped it gain stature and importance” [“William Van..., 1990, p. 5].

To honor Van Rensselaer, NASBA established the William H. Van Rensselaer Public Service Award in 1989. The award is given to someone who has contributed to the development of a new program or the improvement of a current program for boards of accountancy, or who has influenced passage of rules or statutes to strengthen accountancy regulations.

Wilbert Schwotzer (Georgia) was NASBA president at the time of Van Rensselaer’s death and was able to travel to New York regularly to fill in as interim Executive Director [Thomashower, 2006]. For this work, above and beyond the duties of the presidency, Schwotzer was later honored with the Van Rensselaer Award. Schwotzer was unable to fulfill Van Rensselaer’s shoes; for example, communications were noticeably impacted following the executive director’s death. Only three issues of the *State Board Report* were published during the last eight months of 1988, and only three issues during the first six months of 1989. In July 1989, the newsletter resumed its normal monthly schedule.

James E. Thomashower succeeded Van Rensselaer as executive director, albeit only after a search committee chaired by Sam Yellen had reviewed the qualifications of 200 candidates. Thomashower had joined NASBA in 1983 as manager of research and communications. He was selected as the executive director in October 1988. He remained with NASBA until his resignation on December 31, 1994, to become the executive vice president of the National Society of Public Accountants, and later the executive director of the American Guild of Organists.

Despite some controversies during his six years as executive director, NASBA continued to prosper under Thomashower’s leadership, largely because of the growth of the examination services activities (ESCORP). Upon his departure, NASBA had



James E. Thomashower, NASBA Executive Director 1988-1994, played a key role in developing the guidelines for the CPE Registry.



more staff, more programs and greater financial resources than when he joined the organization and when he took over as executive director. In fact, this growth may have instigated Thomashower's undoing.

By 1994, NASBA had grown to a point where the volunteer leadership felt it was necessary to restructure the organization and hire an individual with a different skill set and greater business and accounting experience. Thomashower was asked to resign from NASBA because it was felt that a new type of leader was needed, preferably someone who was a CPA — a certification not possessed by Thomashower (nor had Van Rensselaer been a CPA). Although he was an excellent writer, Thomashower had no background or training in accounting. Some board members felt that his lack of knowledge of accounting damaged relationships with the AICPA and other professional groups.

Thomashower has speculated that part of the reason he was a controversial executive director was because he had the misfortune of having to follow a “legend.” Van Rensselaer had been the Association's first full-time executive director and upon his death he had indeed assumed legendary status. When he assumed the position, everyone told Thomashower that he was “following a legend,” or that “he had big shoes to fill.” Thomashower recently told this author that, “Among association executives, it's common knowledge that it's not healthy or wise to be the first person to follow ‘a legend.’” [Thomashower, 2006]. This seemed to be true in Thomashower's case.

The move of Thomashower to chief of staff at the National Society of Public Accountants may have been a good move. After being with his new organization a little more than a year, he was named by the journal *Accounting Today* as one of the 1996 “100 Most Influential People in the Accounting Industry.”

David A. Costello, CPA, was selected from among 70 applicants to become the new executive director beginning September 1, 1994. That title changed to “president” a month later when a bylaws



David A. Costello was selected as president in September 1994.

*O*VERVIEW

OF

NASBA 

*S*IGNIFICANT *E*VENTS

# The First Half Century

1908-1909

Homer A. Dunn becomes first president.



1916

The Board of Examiners were created.

1916

The state boards of Missouri and Kansas collaborate on a uniform CPA examination for both states.



1908

First meeting of state examiners in Atlantic City, New Jersey

1912

A.P. Richardson elected as secretary-treasurer.

1930

Annual meeting held for the first time in two locations with two other groups.



Association of Certified  
Public Accountant Examiners

1935

Formation of the Association of Certified Public Accountant Examiners.

1954  
First regional meetings held in Salt Lake City, UT and Kansas City, KS.



1945

Decision not to lower CPA admission standards for returning soldiers.

1953

Resolution passed encouraging state boards to enforce codes of ethics.

1948

First academic president elected (Sidney G. Winter).

1955

First multi-day annual meeting held.



# Vitality and Growth



1961

Second academic president elected (Howard Stettler).



1965

First employee (part-time), Ely Kushel, was hired and given an office at the AICPA headquarters in New York.

1961

Report of the CPA Examination Appraisal Commission concludes that the exams are well prepared and properly graded.



1962

NASBA calls meeting on accounting accreditation at 8th International Congress of Accountants.

1967

Idea of separate accounting accreditation by membership.

1967

Name changed to National Association of State Boards of Accountancy.

1967

First female president elected (Dorothy G. Willard).

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

1976

Newsletter name changed to State Board Report.

1972

Newsletter (NASBA News) established and published on a monthly basis.

1970

Part-time executive secretary Kushel replaced by Joel Kauffman.



1978

NASBA moves to its own offices in New York.



1972

First full-time employee hired William H. Van Rensselaer.



1977

First annual meeting, not in conjunction with AICPA, held in Williamsburg, VA.

1978

CPA Examination Review Board begins regular oversight of all exams.

1974

To make clear the governance of NASBA, existing Bylaws were repealed and new Bylaws adopted, including specification of who could vote.

1976

NASBA sponsors its first CPA Examination Critique Program.

# B

## eginning of a New Era

1984

Critique Program becomes cassette-based.

1984

Lorraine Sachs hired as Deputy Executive Director to run ESCORP.

1984

First Uniform Accountancy Act issued.

1989

Van Rensselaer Award established.



1985

First Asian-American president takes office (Thomas Iino).



1988

James E. Thomashower promoted to executive director.



1983

First conference for state board administrators held in Austin.

1983

ESCORP formed to administer CPA examinations in contracting states.

1983

Strategic planning process begins.



*1998*  
Milton Brown elected as NASBA's first non-CPA chairman.

*1993*  
Eagle committee organized which resulted in changes in NASBA's direction.

*1983*  
Joseph Cote hired to run CPA Examination Services.



*1990*  
NASBA launches CPE Registry.



*1998*  
Quality Assurance Service for self-study courses established.



*1998*  
Professional Credential Services, Inc. formed.

*1992*  
First African-American president takes office (Nathan Garrett).



*1994*  
David A. Costello hired as President/CEO.

*1997*  
NASBA headquarters move to Nashville, TN.





# Looking to the Future

2004

Computer-based CPA Examination offered for first time.



NASBA  
CENTER FOR THE  
PUBLIC TRUST

2004

NASBA Center for the Public Trust established.

2005

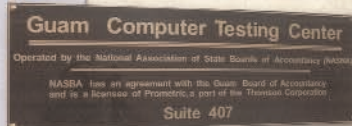
Accountancy Licensee Database launched.

ALD Accountancy Licensee Database  
The leading source for licensee verification



2004

NASBA computer testing facility opened in Guam.

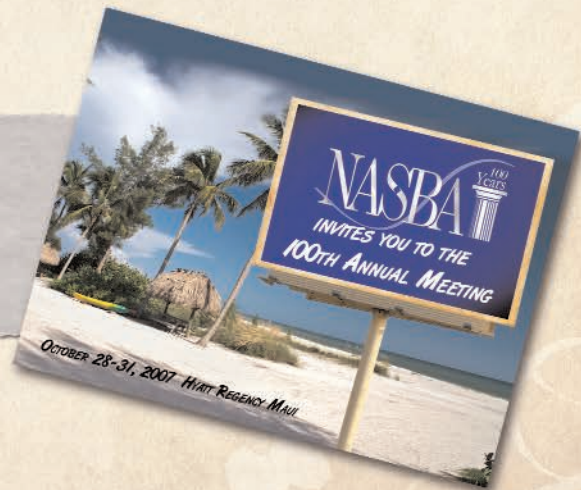


2005

Fourth edition of Uniform Accountancy Act issued.

2007

NASBA celebrates 100th Annual Meeting in Maui, HI.



revision reorganized the board of directors and awarded the title of “chairman of the board” to the volunteer holding the highest elective office. The top staff official became the “president.” The new organizational structure had been the recommendation of a special Committee on Structure and Governance, chaired by Ronnie Rudd (Texas). That same committee had also made the recommendation that the chief executive officer should be a CPA. Costello had previously been the executive director of the Tennessee State Board of Accountancy. He began his career with Ernst & Ernst and then moved into corporate auditing with Genesco, Inc., and served as President of a specialty chemical company for ten years. This service as a company president was an important part of why the NASBA Board hired Costello — he had led a company. He is a graduate of David Lipscomb University and holds an MBA from Vanderbilt University. As to the difference in title between an “executive director” and a “president,” Ronnie Rudd explained facetiously that an executive director had hair, while a president did not. Consequently, the follically-challenged Costello did not qualify to be an executive director.

Another new hire in the 1990s was Joseph T. Cote, CPA, who joined NASBA in March 1996. Cote has degrees from Ferris State University in Michigan and the University of Illinois, had previously been involved in the CPE division at the AICPA (1974-78 and 1988-95), and before that had been the head of the California Society of CPAs Education Foundation (1978-88). In his younger days he had also worked for Arthur Andersen & Co. and served on the faculty at Ferris State University. Cote was hired to lead the CPA Examination Services (CPAES) Division of NASBA (which had initially been founded as a separate entity, ESCORP, but was by 1996 a division within the parent organization).

In 1998, Cote’s responsibilities were increased when he assumed the additional title of chief operating officer for NASBA’s for-profit subsidiary, Professional Credential Services, Inc. (PCS), the organization that provides testing and licensing services for a



Joseph T. Cote, CPA was selected to lead the CPA Examination Services Division of NASBA in 1996.



**Jerome P. Solomon (Massachusetts) became the first person in half a century to serve more than one year in NASBA's highest office, serving 1990 - 1992.**

variety of professions other than accountancy. PCS had been created under the chairmanship of Milton Brown to develop a new source of revenue for NASBA. By the end of 2006, Cote, then President of PCS, was supervising 22 full-time staff and 10 part-timers in the PCS division, in addition to about 30 in CPAES. Thus, well over one-third of NASBA's employees were reporting to Cote. Cote's divisions were also responsible for the creation of a high percentage of NASBA's revenues — more than 90 percent in most years. In 2007, Cote assumed the role of Chief Operating Officer.

As if one sudden death was not enough, the 1990-91 president-elect, Richard J. Goode (Utah) was killed by a fast moving vehicle while crossing a street in Lake Tahoe, Nevada, on September 19, 1991, just a month before he was to take over the reins of the presidency. He was 53 years old. Goode had been the managing partner of the Salt Lake City office of Coopers & Lybrand. He had been president of the Utah State Board of Accountancy and was the Utah Society's 1990 CPA of the Year. He had served many roles within NASBA.

Although the Nominating Committee could have selected another individual for president, it was decided, given the amount of preparation it takes to assume the presidency of an organization the size of NASBA, that it would be better to reelect Jerome P. Solomon (Massachusetts) for a second term. Thus, Solomon became the first person in half a century to serve more than one year in NASBA's highest office. The reelection of Solomon required a waiver of the bylaws. The bylaws state that a president or president-elect could not succeed themselves in the same office. The Nominating Committee wanted to waive this provision to ensure continuity of leadership at this critical time in the organization's life. Solomon later received the Van Rensselaer Public Service Award in 1999.

The person nominated as president-elect at the 1991 meeting, just after Goode's death, was Nathan Garrett (North Carolina). Garrett became involved in NASBA in 1987 when the Eastern Regional Meeting was held in Asheville, North Carolina. Since his

state board was hosting the meeting, Garrett has said that he asked a few questions and offered his opinion on several issues during the sessions. Subsequently, he was nominated for a one-year term as the Mid-Atlantic Regional Director. A year later, he was elected to a four-year term as an Director-at-Large and then a Vice President. He had also served on and led several committees (service that was to continue long past his years on the NASBA board). Garrett was well qualified for his state board position and to become a NASBA leader; he held an undergraduate degree from Yale, was licensed to practice law, and had been managing partner of a CPA firm for many years. He knew he was being considered for the presidency by the Nominating Committee, and the call finally came in August asking him to accept the nomination.

About a month later, Goode passed away and NASBA had a leadership problem. Should Garrett be asked to serve even though he did not have the usual year to get ready for the position? Or should someone else serve as president and allow Garrett to have the year of learning experience from serving as president-elect? Garrett thought he was ready, but others saw it differently, and Solomon was asked to serve a second term. Garrett soon realized that the decision was the proper one; there was much that he needed to learn about NASBA's issues before assuming the burdens of leadership [Garrett, 2005]. At the 1992 meeting in Washington, Garrett became NASBA's first African-American leader. He subsequently received the Van Rensselaer Public Service Award in 2001 for his many contributions both before and after his term as president.



Nathan Garrett (North Carolina), the first African-American president in 1992 - 1993, was called "the conscience of NASBA."

## *A*n Election Race and National Licensure

The 1994 election saw two candidates proposed for Vice Chair (chairman-elect). For the first time in the Association's history, there was an independent nomination from member boards

(essentially a nomination from the floor) to challenge the nominee of the Nominating Committee. Five state boards, Minnesota, Nevada, New Mexico, South Dakota and Wyoming, nominated Jeremiah P. Carroll (Nevada) for the position of Chairman-Elect. The nominee of the committee, Ronnie Rudd (Texas), won in a voice vote.



Ronnie Rudd, NASBA Chair 1994 - 1995, was a strong supporter of the revised UAA as a tool for bringing consistency.

Coincidentally, the board had considered a proposal at the July 1994 board meeting to have the Nominating Committee select two slates of officers and make all elections contested. However, this was considered to be a divisive practice and was not approved. Rudd later claimed that he did not think the Jeremiah Carroll challenge was divisive, as he and Carroll later became friends [Rudd, 2006].

The main reason for the opposition to Rudd, a partner with the international firm of Andersen Worldwide, was that he was a strong supporter of a revised Uniform Accounting Act (UAA). The proposed act would encourage more reciprocity and would require a 150-hour provision for education. Those making the nomination from the floor were not so much opposed to Rudd as they were opposed to changes in the UAA. Some members thought that Rudd was a sympathizer with his firm partner, Robert Mednick, the 1996-97 chairman of the AICPA, who was a vocal supporter of a national CPA licensure process.

Mednick's plan would have included an AICPA-sponsored national certification [Mednick, 1996, pp. 33-38], thus leaving the state boards with little to regulate. The idea of a national CPA certificate was not new; there had been a presentation on the subject at the 1969 NASBA annual meeting by Louis Kessler, the president-elect of the AICPA [Proceedings, 1969, p. 10]. Mednick, and to a lesser extent, Rudd, criticized the state licensing system because of the lack of uniformity among the jurisdictions; for example, Mednick stated that there were at least 17 different CPE reporting dates in the jurisdictions. Experience was similarly an inconsistent requirement, with over half of the states granting a

CPA certification without any work experience, while the remaining states had requirements varying from one to five years. Contrary to that opinion, Rudd did not necessarily support Mednick's ideas, but they were the subject of much discussion prior to the 1994 election.

The Mississippi State Board of Public Accountancy was still opposing Mednick's proposal in 1996 with a letter to the editor of the *Journal of Accountancy* in which Thomas A. Ross, Jr., of the Mississippi Board argued:

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*"It would be totally inappropriate to establish an AICPA-administered national qualifications service for many reasons. Many of us believe there would be a direct conflict of interest: The primary responsibility of the American Institute of CPAs is to represent the interests of its member CPAs, as opposed to the various boards of accountancy, whose responsibility is primarily to protect the public. Regulation of professions is constitutionally reserved to the states. We see no possibility of the various jurisdictions giving up such responsibility to any national organization, particularly an organization with such an obvious conflict of interest.... We all know that regulation of all the professions is better handled by state regulatory authorities. We know of no profession regulated in any way other than by states and other jurisdictions. Not one function of the state boards of public accountancy should be nationalized" [Ross, 1996, p. 13].*

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Another letter in the same issue of the *Journal of Accountancy*, from Robert W. Ford (California), was partially in agreement with Mednick's ideas, but felt that NASBA should be a part of the structure that granted the national certificate.

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*"The inclusion of NASBA would be intended to overcome possible objections by some state lawmakers to the licensing and regulation of professional practices based on entry standards set by a 'trade association.' The presence of NASBA in the process would presumably represent the influence of a public interest" [Ford, 1996, p. 92].*

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By the time he became AICPA chairman in late 1996, Mednick had changed his views slightly and was trying to work within the system, i.e., with NASBA, toward more uniformity in state licensing [Von Brachel, 1996, p. 50].

There had long been attempts at uniformity through the areas covered by the Uniform Accountancy Act. At various times, there had been studies relating to either



NASBA relocated its headquarters to Nashville, TN in 1997.

uniform educational requirements, or experience requirements, or CPE requirements, or conditioning of candidates. The results were then incorporated into the UAA. When Nathan Garrett became president in 1992, he suggested a different approach to the uniformity problem. Garrett's plan was for states to achieve greater uniformity by encouraging state boards to adopt a rule called the "Five-in-Ten Rule." Under this proposal, a CPA licensed in one state would be deemed acceptable in another state if he or she had been in good standing with the board of the home state for at least five of the preceding ten years. Garrett acknowledged that his plan was not the perfect answer to the uniformity problem since it did not apply to new CPAs (i.e., those that had not been in practice for at least five years), but it was a solution for seasoned practitioners who constituted the majority of CPAs who wanted to move from one jurisdiction to another.

The Five-in-Ten Rule would have allowed for reciprocal licensing even if there were minor differences in education or experience requirements between the states. Thus, under Garrett's leadership, NASBA started a campaign entitled "Five in Ten; all 54 by '94." Unfortunately, the legislative implementation did not take place that quickly, possibly because the distractions brought about by the change in executive directors limited the availability of staff time. Nevertheless, Garrett's plan was eventually adopted by many states. It was into this environment that the AICPA's Robert Mednick brought his campaign for national licensure. The mobility challenge was valid, but others had addressed it, and his approach was not embraced.

## *M*oving: Again and Again

One of the critical events of this period was the move to new offices. NASBA closed out the decade of the 1980s with three non-contiguous offices in the building at 545 Fifth Avenue. Being spread

out over three areas did not contribute to organizational effectiveness, so a move was in order. On June 1, 1992, James Thomashower led NASBA's move to its new facilities at 122 East 42 Street in New York City (later the address was changed to 380 Lexington Avenue, the street that bordered the building on another side), as a lease was obtained on 14,500 square feet of space on the second floor in the Chanin Building — a 54-story structure near Grand Central Station and the Chrysler Building. The Chanin Building had been erected in 1929 and was widely acclaimed as an art deco masterpiece upon its completion and was still recognized in the 1990s as one of New York's architectural landmarks ["NASBA Offices...," 1992, p. 2].

On February 1, 1997, NASBA was destined to move again — this time to Nashville, Tennessee, at 150 Fourth Avenue North in what was then called the First Union Tower Building. Part of the reason for the move was to obtain much needed space for the growing CPA Examination Services Division. A small office was maintained in New York. The move to Nashville came after a study of possible locations by the Relocation Committee chaired by 1994-1995 NASBA Chairman Welling W. Fruehauf (Pennsylvania).

The move to Nashville was not a spur of the moment decision; the idea had been circulating among NASBA's membership for nearly a decade. In January 1989, the Accountancy Board of Ohio voted to encourage NASBA to investigate a move from New York to a lower cost location. That was the opening volley in the battle that eventually resulted in NASBA moving to the South. The board approved the idea of searching for a lower cost location in January 1995. Subsequently, in late 1995, Chairman Ronnie Rudd appointed a committee to recommend a new site and hired a relocation advisory firm to provide the committee with data. Several cities offered inducements. Three cities, Nashville, Dallas, and St. Louis, became finalists for the new location, with the committee ultimately deciding on Nashville — a decision that was unanimously approved by the full board of directors [Fruehauf, 2006]. Jacksonville, Louisville and Raleigh had also been semifinalists in the process.

Some board members have over the years questioned whether David Costello prompted the move, since he himself was a long-time Nashville resident. However, John M. Greene, who was chairman during the year of the move, has stated that he did not believe Costello had any influence regarding the decision to relocate [Greene, April 25, 2005]. Fruehauf's committee simply thought it would be more economical for NASBA to operate out of Nashville. The New York lease worked out to cost about \$40 per



square foot, while the Nashville price was less than \$20.

The old facilities were subleased to a group of lawyers. Since the New York lease still had seven years remaining, a loss had to be recorded in the year of the move. Even though the financial statements that year were adversely affected, the cash flows improved. The recommendation from the Relocation Committee did include a stipulation that NASBA should maintain at least some presence in New York City. The New York site, although now small, serves as a customer service facility for boards in the New England states and is available as a meeting site when conferences are held with representatives of other accounting organizations such as the AICPA, international accounting groups attending IFAC meetings and the New York State Board for Public Accountancy.

## **C**hanges in the CPA Examination

There were substantive changes in the content and structure of the CPA Exam during the 1990s. In May 1996, the CPA Examination became a non-disclosed exam, after a century of allowing candidates to take their exam booklets home. The reason for the change was partly because of a recommendation from the NASBA CPA Examination Review Board (ERB). The ERB conducted a study of the issue and recommended nondisclosure in a July 1990 committee report, which was entitled “Why the Uniform CPA Examination Should Be Secure.” The AICPA agreed [Taylor, 1992].

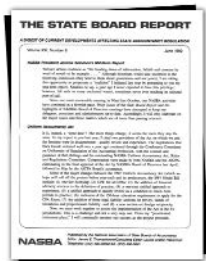
Basically, there were two issues that led to the adoption of a non-disclosed exam: one was the need to have non-disclosed questions in preparation for a computer-based exam [Elam, 2006]. Second was the emergence of an apparent problem in Texas when a high percentage of students from the University of Texas at Austin passed the May 1989 exam at one sitting. At first, some form of cheating was suspected, but the ultimate explanation was that a class at the University had required all students to study the old exam questions provided in a MicroMash CPA Review Program. Thus, there was muttering that disclosing old questions was making it too easy to prepare for the exam. There was a fear that such study methods served to boost test scores without there being a corresponding change in the candidates’ mastery of content. As a result, the Texas Board of Public Accountancy passed a resolution urging NASBA to work toward a secure examination. A letter to all state boards from the ERB noted:

*The CPA Examination Review Board is convinced that the released examination items become the basis for large-scale test coaching programs which actually seem to work, in that they boost the candidates' scores on the examination. Test preparation is important, but tests are only samples of content. Released items do not convey to candidates the right kind of information. Instead, the release of items tends to trivialize the process by encouraging candidates to study test items instead of the whole content domain of accountancy. This process of item coaching subverts the basic purpose of the examination as a component of the licensure process. The danger of this approach is that candidates who are not competent to practice public accounting may be determined to be competent because they have engaged in sophisticated study of released items and boosted their scores without seriously influencing their competence in the domain the examination scores are supposed to measure [Taylor, August 22, 1990].*

---

Non-disclosure was not a new issue. Even in the early 1980s, testing experts had advised that publication of entire old exams was not a good testing policy. In spite of that advice, the AICPA continued publishing old questions with the justification that there was a successful tradition of making old exams available for use by students and review courses. AICPA Vice President William C. Bruschi argued in favor of disclosure at a 1984 meeting of the National Clearinghouse on Licensure, Enforcement and Regulation that was in response to a Federal Trade Commission's investigation of restrictions imposed by professional organizations. Bruschi outlined several reasons for opening of the CPA Examination, including that the exam was a major influence on what was taught in college accounting courses, an influence that was deemed desirable by the AICPA. "College professors are encouraged to look to the CPA Examination for curriculum guidance. The easiest way to provide this guidance is by publishing the CPA Examination" ["AICPA's Bruschi...", 1984, p. 3]. Bruschi also mentioned that textbook writers used the questions, which was desirable, and candidates could use the old questions to learn the format and types of questions that appeared on the exam. He concluded that publication of the exam's questions and solutions created goodwill among legislators and others concerned with the licensing process.

That thinking changed as the organizations began laying the groundwork for a computerized examination. The ERB began a formal review of the nondisclosure issue in 1989. The ERB was ably assisted first by Elizabeth Hagen, and then by Richard Wolfe, two outspoken and talented psychometricians with very different styles and



A redesign of the *State Board Report* was launched in 1992. Others followed in 1996 and 2006.

personalities. Neither was ever afraid to challenge the validity and reliability of the exam as a whole, or the processes for writing, administering, grading and securing the exam. The NASBA board approved the concept of nondisclosure at its July 1991 meeting, following a recommendation from the AICPA's Board of Examiners. There were four implementation issues with which the board was concerned: statutory issues, security, candidates' access to CPA Examination information, and costs.

Despite the support from the statisticians, the idea for a non-disclosed exam was not universally accepted. A debate on the issue was published in the April 1992 issue of *The CPA Journal*, with two members of the ERB, from two different boards of accountancy, taking opposing stands. Former ERB chairman Charles Taylor argued in favor of nondisclosure with his focus being on how the validity and reliability of the Examination would be improved. Taylor never mentioned the Texas incident. He stressed that without a measure of psychometric quality, the comparability of the exam from one administration to the next could not be guaranteed. Taylor emphasized that the ERB had concluded a non-disclosed exam was more cost effective than a disclosed exam, for which new test questions must be constantly created.

Taking an opposing view was Anthony R. Pustorino (New York), who emphasized that although he was a member of the ERB, he had joined only after both the ERB and the NASBA Board had voted approval of a non-disclosed exam. His focus was almost entirely on the mistake that was being made in trying to solve the "Texas problem." Pustorino questioned whether there was a problem in Texas. He stated:

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*The Review Board asserted that "candidates are focusing too much on test taking and test items at the expense of acquiring the knowledge and skills needed for the practice of public account." How does the Review Board know that? I am unaware of any empirical evidence that supports such as assertion. There is greater evidence to support the*

view that candidates who have studied for and passed the CPA exam, albeit with the help of a coach course, have at least acquired the entry level knowledge for the practice of public accountancy.

For many years, the profession has lamented the low passing rates on the exam. Now, when finally a learning technique seems to get the passing rate to rise, there is a decision to make the exam text unavailable, presumably to get the passing rate down again. Why is it so difficult to accept a postulate that maybe a better teaching process has been used in Texas and that in the process of reviewing past exam questions the candidates actually did learn something about accounting beyond how to pass the CPA exam? Many studies have confirmed the positive correlation between advanced academic degrees and the passing rate on the exam.... I don't believe the Texas phenomenon should cause us to sound the alarm, circle our wagons, and go under cover with a non-disclosed exam. It seems to me that the Texas experience merely confirms the obvious—that better candidates, better prepared, do better on the exam [Pustorino, 1992, p. 45].

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The 1992 published debate was essentially a non-debate, since the two participants focused on totally different issues. Nothing in either article was addressed by the other author. Even after the decision on nondisclosure was complete, one of the nation's best known accounting textbook authors, Charles T. Zlatkovich of the University of Texas, wrote a letter to the editor of the *Journal of Accountancy* arguing that a non-disclosed exam was a bad idea. Zlatkovich's well reasoned conclusion was that:

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*This is an unwise move and may lead to an embarrassing retreat or even to the AICPA's loss of the exam. My reasoning is as follows:*

- ♦ *A profession whose very hallmark is disclosure should not resort to a secret exam to determine the fitness of its candidates.*
- ♦ *Questions can be pretested only if they have been asked and graded previously. It is no secret that questions often were repeated on past open exams. Reusing questions does not require nondisclosure.*
- ♦ *Nondisclosure has been cited as a prerequisite of a computerized exam. First, the feasibility of computerization has yet to be determined. Second, even with a computerized exam, it would still be possible to publish the questions and answers after the exam was given.*

- ♦ *A non-disclosed exam is a veritable lightning rod for litigation. Failed candidates almost surely will allege discrimination. It is also possible a non-disclosed exam to secure a state-issued license to practice will not pass muster under freedom of information laws.*
- ♦ *The logistics of recapturing approximately 200,000 sets of questions after each exam, checking to see that no pages are missing and matching discrepancies with candidate numbers are formidable. That, however, is what I'm told is contemplated.*

*With about 50,000 people having access to each exam, leaks seem inevitable. The new format strikes me as risky and I believe it has more disadvantages than advantages [Zlatkovich, 1996, pp. 94-95].*

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Many state board administrators sympathized with Zlatkovich's thoughts, particularly with regard to his concerns about attracting litigation and the logistics of recapturing 200,000 sets of questions. Nevertheless, the state boards were very much supportive.

Another change during the 1990s was that the Examination went from two and one-half days to two days. Many more objective format questions were being used, and calculators were first allowed in 1994. Allowing calculators was not particularly controversial by the early 1990s, since cheap calculators were available to everyone. Thus, the AICPA Board of Examiners was under pressure to modernize the Uniform CPA Examination by allowing candidates to use calculators. The question for the Board of Examiners was how to incorporate calculators into the examination process.

Allowing candidates to use their own calculator was rejected early in deliberations, because of concern about candidates bringing in small computers loaded with information that they were supposed to have learned. The decision was made that the AICPA would supply calculators along with the examinations and an AICPA committee was appointed to create specifications. The calculator committee returned with a recommendation for what can only be described as an industrial strength calculator with a case that could never be opened lest the candidate would somehow rewire the calculator during the examination. The keys were to be extra large to accommodate the candidate whose fingers might be too big to comfortably use a normal calculator. The calculator could only have the basic four functions; add, subtract, multiply and divide, because a memory or square root key might confuse the candidate. Only battery powered calculators were to be considered because photo-cell powered calculators

might not operate in dimly lit examination rooms. The leadership of NASBA quickly disagreed with the committee's recommendations, because the production of such a calculator would have been far too expensive relative to the benefits. The AICPA agreed and contracted for a simple off-the-shelf calculator produced in a different color for each administration of the examination [Elam, 2006].

Because of the various changes in the Examination, NASBA put together a committee in 1994 to address exam-related issues that were of concern to state boards. The eight-person committee, chaired by Timothy D. Haas, executive director of the Ohio Board, included seven current state board administrators, plus Lorraine Sachs, the Executive Vice President of NASBA. The committee was known as the Administrators Licensing Examination Change Committee, or ALECC. Part of the reason for the formation of ALECC was the perception on the part of state board administrators that many of the substantive changes to the Exam were designed and implemented with little or no input from state boards.

The impending non-disclosed exam was of particular concern and was causing a lot of frustration among state board administrators. It was noted in the committee's report that state boards had "very little influence on the actual form and content of the examination, even though it is their ultimate responsibility to select and use an appropriate examination to test the qualifications of candidates who wish to enter into the profession" ["Administrators...," October 13, 1995]. Given how litigious society had become by the mid-1990s, the administrators were especially concerned about the legal defensibility of the exam. State boards had been questioning how a lawsuit against them could be defended, and what role the AICPA would play in such a lawsuit. The committee report even suggested that NASBA should begin to consider assuming the role of the examination provider on behalf of state boards. In fact, some members later commented that the



Calculators were first allowed on the CPA Examination in 1994. In addition, the Examination went from two and one-half days to two days.

purpose of the committee was to get NASBA to take over the exam, and that questions on the ALECC survey were slanted in such a way as to create controversy. Another suggestion was that the merits of computerized testing be explored.

Alternatively, there was also a suggestion that state board members and administrators should have voting representation on all examination committees of the AICPA, including the Board of Examiners, four preparation subcommittees, the standard setting subcommittee, special task forces and in the selection of item writers. The response to the ALECC report seemed minimal at first, perhaps because the issues addressed were of major concern to state board administrators, but not to the individual members of the state boards, the latter of whom represented the voting delegation at NASBA meetings [Taylor, 2006]. However, the interest shown by the committee was noted by the AICPA and marked the beginning of increased state board and NASBA involvement in the preparation of the Uniform CPA Examination. Also, NASBA formed an Examinations Committee in response to ALECC recommendations.

By 2000, the Examinations Committee was questioning whether the AICPA's willingness to accept input and participation by NASBA representatives into the exam process was a sufficient commitment. On November 6, 2000, it was announced that the AICPA had selected Thomson Prometric Learning Company to be the deliverer of the computer-based examination, but neither NASBA nor any state board had been made privy to the contract between AICPA and Prometric. As a result, the NASBA Examinations Committee decided to request an advisory vote by boards of accountancy on the issue of involvement in the CPA Examination preparation process. The vote was whether state boards supported the recommendations of the Examinations Committee, which were:

1. That NASBA have equal representation on the AICPA's Board of Examiners, and
2. There should be significant NASBA representation on other AICPA's examination-related committees.

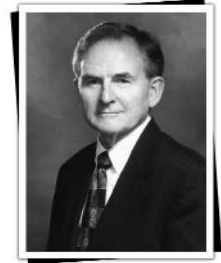
The reasons for having a membership vote on the questions was to document the voice of member boards and, in the event of a positive outcome, would provide NASBA with the collective voice necessary to get the AICPA to negotiate on committee representation.

A special meeting to discuss the CPA Examination was scheduled for Rosemont,

Illinois, in May 2001. The subject matter of the meeting, “Cost, Contract, Confidentiality and Control,” was to be the presentation of the demands of the Examinations Committee, plus other issues such as the cost and validity of the proposed computerized examination which the AICPA was discussing with Prometric.

To complicate matters, two months before the May 10 meeting, the New York State Board passed a resolution calling for NASBA to issue a Request for Proposal, on behalf of its member boards, to develop and maintain a computerized Uniform CPA Examination. The New York resolution noted that it was not seeking to disenfranchise the AICPA from the examination process; NASBA was encouraged to consider the AICPA as a possible vendor along with others who might wish to submit a proposal. The California, Minnesota, Mississippi, North Dakota and Texas [Conaway, April 5, 2001] state boards quickly voted to support the New York resolution [Dustin, March 1, 2001]. The resulting vote of the member boards provided the Examinations Committee with the support it needed to successfully negotiate with the AICPA. Although NASBA did not get equal representation on the Board of Examiners, it did get sufficient members on the Board to influence the CPA Examination’s preparation process, and it became a party to the computer-based examination contract, ensuring the board’s concerns would be addressed.

Another special committee in 1996 addressed the grading of the CPA Examination. An Examination Passing Standard Subcommittee, chaired by Past-President Nathan T. Garrett (North Carolina), evaluated the manner in which passing grades had been determined for the preceding 20 years. The old procedure used a score of 75 or above as a passing score. If more than 30 percent of those sitting for a particular examination achieved a score of 75 or above, then no adjustments were necessary. However, if fewer than 30 percent achieved a score of 75, then an adjustment was made to increase the scores of those below 75 so that the pass rate would be 30 percent. In other words, the AICPA guaranteed that the



John M. Greene  
(South Carolina),  
NASBA Chair 1996-  
1997, spearheaded  
mutual recognition  
efforts with the  
CICA.





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Quality Assurance  
Service was  
established by  
NASBA in 1998.

percentage of candidates passing would always be at least 30 percent on each part of the exam. Of course, this meant that some candidates' chances of passing the exam depended on how intelligent and well prepared the other candidates were. Some boards had questioned this methodology, recalling the FTC's allegations of the AICPA as exam provider arbitrarily controlling the supply of new professionals; so with the advent of the non-disclosed exam, the AICPA, under pressure from NASBA, was in the process of adopting a new procedure for determining who would pass the exam.

The new procedure involved determining how well a minimally qualified CPA would perform on each question of the exam, and then equating examinations over the years. According to testing experts, called "psychometricians," the new methodology was legally defensible. Garrett's committee studied the new procedure and determined that pass rates could drop below 30 percent, but concluded that the new procedure was preferable to the old methodology; thus, state boards were urged to adopt the new method of scoring ["Report of the Examination Passing...", January 1997].

There was an unexpected objection to the results of the report of the Examination Passing Committee. Following approval of the committee's report by the membership of NASBA, the AICPA Board of Examiners agreed to the new grading procedure, but also announced that candidates would begin receiving grades from 70 to 74; previously the AICPA had adjusted the grades so that the highest failing grade was 69, and a passing grade was 75. State boards were told by members of the AICPA Board of Directors that the AICPA Board of Examiners did not support "the reporting of the 70-74 grades," but NASBA had "convinced AICPA management" that state boards wanted the new grading system [Harrison, October 15, 1997]. The result of the new grade reporting policy was a nationwide increase in the number of candidate-contested grade reports when candidates saw they had come close to passing.

Partially because of this controversy over the NASBA board's handling of the grade reporting issue, Princy Harrison (Mississippi) ran for the position of Vice Chair in 1999 in opposition to the candidate from the Nominating Committee.

## National Registry of CPE Sponsors & CPE Conferences

One of NASBA's major services, the National Registry of CPE Sponsors, was inaugurated in March 1990. The purpose was to assist state boards and their licensees by identifying quality sponsors of continuing education. The Registry recognizes organizations that offer continuing professional education for accountants in accordance with nationally recognized standards. By joining the Registry, organizations can:

- ♦ achieve immediate recognition in the profession as a reliable CPE provider
- ♦ decrease administrative workload by applying once to the Registry instead of 55 state and territorial boards, and
- ♦ display the Registry logo on all marketing and promotional materials.

NASBA also established the Quality Assurance Service (QAS) based on a 1998 request from the Florida Board of Accountancy's Task Force on Continuing Professional Education. QAS evaluates only organizations that offer self-study courses. Once a CPE provider's courses have met the Standards, which requires review by NASBA evaluators, NASBA confers the QAS status on that organization. By 2006, three state boards require self-study providers to be registered with QAS, and an additional 20 state boards accept self-study CPE credits from QAS sponsors.

The individuals chiefly responsible for the idea of the CPE



Albert Derbes  
(Louisiana), NASBA  
president 1986-  
1987, appointed a  
committee to  
develop guidelines  
for the CPE Registry  
program.



The NASBA Board approved the concept of a CPE Registry in April 1988.

Registry were 1985-87 Vice President Charles W. Taylor (Mississippi), 1985-86 President Thomas Iino (California), and 1986-87 President Albert Derbes (Louisiana). The idea was then carried to fruition by 1988-89 President Sam Yellen (California) and Executive Director James Thomashower. Taylor, Iino and Derbes felt that most state boards did not have the resources to evaluate CPE providers and this was a service that NASBA could provide, a service that would be beneficial to members while at the same time being financially self-supporting — or even profitable for the Association. Derbes has recently stated that although Taylor proposed the idea as a service that NASBA could provide, he himself (Derbes) saw it as the answer to NASBA’s financial difficulties:

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*“I remember Iino and I speaking one night after a board meeting, when Charles Taylor walked up and began telling us about an idea he had. He suggested that NASBA certify the courses offered by various CPE sponsors and charge a fee for this service. We initially believed that we could charge fees to the AICPA and the state societies, but this turned out to be impossible. The idea however caught on among the commercial providers and the state boards began to require the NASBA certification for recognition of the courses as acceptable CPE in the states” [Derbes, 2007].*

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President Iino subsequently appointed a task force to explore the idea. The task force, which included future NASBA employee Joe Cote (then with the California Society of CPAs), hired a consultant to assist in forming the registry, but the consultant’s work proved to be of no value — perhaps because many of the advisory people on the task force, particularly state CPA society executives, were not supportive of the concept.

In early 1987, NASBA’s Task Force on National CPE Sponsor Registry and Quality Assurance Program asked the state boards to consider a proposal and give their preliminary indication of their desire to subscribe by May 1, 1987. The registry’s aims would be to:

1. Render greater service to the individual state boards of accountancy.
2. Establish a basis for uniform acceptance of CPE credits among states.
3. Encourage consistency in the quality of CPE for licensed accountants nationally.
4. Provide licensees with a dependable and comprehensive basis for selecting CPE sponsors.
5. Provide feedback to sponsors of CPE programs that should result in periodic self-evaluation, thus encouraging continual improvement and strengthening of CPE courses and programs.

The NASBA Board approved the concept of a CPE Registry in April 1988. Then, Derbes appointed a committee, consisting of Taylor, Roy Horton (Executive Director of the Mississippi Board), Bob E. Bradley (Executive Director of the Texas Board), and Thomashower (then the NASBA Communications Director, but soon to become NASBA Executive Director) to develop the guidelines for a CPE Registry program. The group held a single meeting in Austin in the summer of 1988, developed the guidelines, which were later fleshed out by Thomashower, and the program was approved by the Board. An exposure draft of the plan for the Registry was issued in February 1989.

Although the idea of a CPE Registry seemed logical to the NASBA leadership, and there was little opposition from within the organization, and state boards supported the concept of standards being applied to the CPE programs they were requiring for relicensure, there was opposition from those sponsoring and developing courses. Following the issuance of the exposure draft of the plan for the Registry in February 1989, the AICPA immediately raised a variety of questions about the proposed plan and urged NASBA to postpone implementation until the AICPA's CPE Executive Committee could develop a formal response.

The April 1989 issue of the *Journal of Accountancy* contained three related articles on the proposal — one authored by NASBA's new Executive Director Thomashower, another by David Curbo of Tennessee, a member of the AICPA CPE Executive Committee, and a third by Gordon Scheer and Mary E. Medley, who were respectively the executive director and assistant executive director of the Colorado Society of CPAs.

The latter two articles were opposed to the CPE Registry. Thomashower’s article noted that 49 jurisdictions mandated CPE as a requirement for relicensure, and six already had a sponsor registration system already in existence. A national registry would promote uniform standards for the delivery of high-quality CPE nationwide. At the same time, CPAs would have an independent basis for selecting CPE providers [Thomashower, 1989, p.86].

The article by Curbo opposing the registry carried the descriptive subtitle “A Good Idea Gone Wrong.” Curbo’s main criticism seemed to be that the Registry would evaluate measurements in terms of inputs (hours) rather than output (learning). Thus, the Registry would measure “quantity,” rather than “quality.” As a result, Curbo felt that the Registry would not significantly improve the quality of CPE offerings. He also objected to the requirement that courses should be developed by individuals qualified in instructional design and another requirement that courses should specify the objectives of the course. He also did not like a requirement that attendance records should be maintained for at least five years. Because of these additional requirements, Curbo felt that small CPE providers could not compete without raising the cost of CPE [Curbo, 1989, pp. 86-95].

The opposition from the Colorado Society of CPAs, which carried the subtitle “A

Boondoggle,” came about partially because the leadership of the Society felt that the state societies and AICPA had not been offered an opportunity to provide input regarding the idea. It was also argued that uniformity already existed because CPE providers were already complying with a set of standards that had been issued by the AICPA in 1976. The NASBA standards were based on the AICPA standards, so nothing would change with regard to uniformity. The article concluded by asking whether NASBA had a hidden agenda; “Why is NASBA proceeding with implementation of the program

CPE Conferences	
1996	New Orleans, Louisiana
1997	Nashville, Tennessee
1998	Orlando, Florida
1999	Las Vegas, Nevada
2000	New Orleans, Louisiana
2001	San Diego, California
2002	Destin, Florida
2003	San Antonio, Texas
2004	Savannah, Georgia
2005	New Orleans, Louisiana
2007	Las Vegas, Nevada

despite opposition?” [Scheer and Medley, 1989, pp. 86-95].

Thomashower recently stated that because of all of the opposition from outsiders, the CPE Registry would not have survived without the consistent support from President Sam Yellen [Thomashower, 2006]. Thomashower hired Lisa M. Axisa in 1989 as Manager of Committee Affairs and gave her the responsibility for coordinating special projects — which included the CPE Registry. Once established, the Registry steadily grew. Each CPE sponsor’s promotional materials must display the Registry logo and certain approved language. By 2006, approximately 1,300 organizations had been approved as registered sponsors. At least five state boards require CPE providers to be registered with NASBA, and 38 boards accept CPE credits from Registry sponsors. The state societies of CPAs, many of whom objected to the creation of the Registry, were slow to become members. California became the first registered state society member in 1995, but in early 1996 became the first member to ask to have its membership cancelled. This turn-about was explained as being due to internal society politics.

Another CPE-related activity of NASBA involves the hosting of CPE conferences, which began in 1996, to serve as a forum for state boards to exchange ideas about professional education, to educate CPE sponsors as to what regulators expected of them and to give sponsors the opportunity to voice concerns to board representatives and offer suggestions as to how CPE administration can be improved. Following the tenth CPE conference in 2005, the interval between conferences was extended to two years.

One of NASBA’s more recent CPE offerings, a Web site entitled “cpemarket.com” was launched in 2001. The site serves as a comprehensive resource that unites professionals who seek CPE with companies and other sponsors that provide it. This site was eventually incorporated into the NASBAtools.com site, which also includes CPetracking and CredentialNet.

## *T*he Government Relations Committee & the Washington Office

When he was testifying before Congress in 1986, President Iino announced that he was appointing a Special Committee on Relations With Government Agencies to serve as a coordinating body to facilitate the process of handling referrals from the GAO and from Inspectors General. This special committee, which was chaired by Wilbert



From 1988-96, the NASBA Government Relations Committee educated Federal agencies and Congress on the work of the boards.

Schwotzer (Georgia), evolved into a permanent committee, which from 1988 through 1996 operated as the Government Relations Committee. For a short while, 1994-1996, NASBA even supported an office in Washington, DC. The primary role of the 1988-96 committee was to educate governmental agencies, Congress and other policy making groups as to the work of the state boards, what NASBA stood for, and what its role was in serving state boards. This education was handled via periodic meetings with the staff of federal agencies. In 1990, NASBA was given a seat at the Presidential Council for Integrity and Efficiency, a group comprised of all federal agencies that rely on independent accountants' reports, the major accounting firms, and federal counsels responsible for savings and loans, banking, and securities. Quarterly, the committee chairman, Welling Fruehauf (Pennsylvania), would attend the meetings, report on NASBA activities and listen to criticism of the state boards' poor response to complaints filed by agencies against independent accountants for substandard work. To improve communication, 33 states decided to join in the "Florida Experiment," in which the inspectors general shared their correspondence regarding licensees with state boards.

At the request of the committee, NASBA Chairman Jerome Solomon asked Fruehauf to put together the first meeting in DC with NASBA's Board of Directors and representatives of Federal agencies for the purpose of improving communications between member boards. This meeting was quite successful; NASBA held several full day meetings in DC with a variety of federal agencies, the board, and representatives from member boards. NASBA participated in a roundtable meeting with the Federal Financial Institution Enforcement Counsel and facilitated an agreement with that group to assist in the filing of complaints against accounting firms for many of the failed savings and loans that relied on audits in the 1980s. The committee put together a *Complaint Referral Manual* that listed referral procedures, by state, to assist agencies in properly filing complaints with member boards — a manual that is

still in use. NASBA participated in the International Audit Forum's meetings and presented its role and the role of state boards to federal, state and local government groups in attendance. Thanks to the assistance of District of Columbia Board Chairman John Toole, who was based in the DC office of Ernst & Young, LLP, the 1995 conference with the government agencies was reported as the largest ever; Toole was familiar with the Inspectors General's offices and encouraged their participation.

The Board was so pleased with the work of the committee that it was decided that NASBA should have a full-time presence in Washington. A straw poll at the 1994 regional meetings found that 80 percent of state boards favored a NASBA office in the nation's capital. Thus, a Washington office was opened in December of 2004 at 601 Pennsylvania Ave, a shared office facility that made available conference rooms, telephone and secretarial services, but no NASBA staff were at the site. From late 1994 through the office's closing in late 1996, numerous meetings were held with the SEC, Pension and Welfare division of the Department of Labor, the Accountants' Coalition, and Congressional staff of select committees drafting legislation affecting the regulation of the accounting profession. Both Fruehauf and his successor as Chairman, Ronnie Rudd, used the office frequently, to meet with representatives of the National Society of Public Accountants and other member groups with offices in DC and Virginia. Other committees also occasionally used the facilities for meetings. However, with the decline of the government relations work and no staff assigned to the site to follow through on communications directed there, the DC office was abandoned after only two years.

## Tort Reform and Legal Counsel

The 1993 "Eagle Committee", chaired by Past Chairman Noel Kirch (Oklahoma), came up with several issues that needed to be addressed by NASBA, the most prominent of which was that the organization should put together its members' views on tort reform. A Legal Liability Task Force was appointed under the leadership of G. William Tonkin (Idaho). The report, issued in May 1994, was widely lauded. It covered the accountants' liability with respect to the issues of privity and proportionate liability, statutes of limitation, forms of practice, punitive damages and other limited liability concepts. However, it came at a high price. The Task Force had hired the San Francisco law firm of Seversant Werson, PC, as a consultant. The engagement letter quoted an



estimated fee between \$5,000 and \$7,000. Subsequently, the bill came to about \$25,000. The board voted to make a counteroffer to the law firm in the amount of \$12,000. A month later the board met by conference call and agreed to pay the entire amount that had been billed, because the law firm had previously informed Executive Director Thomashower that the initially agreed upon fees had been used up. The Task Force, however, was unaware that additional fees would be charged for additional work.

Following issuance of the formal report, the Task Force sent a survey to state boards asking for their input on the matters discussed. Unfortunately, few boards responded initially, and some of those that did said they were not going to answer the questions in the survey. A final report was issued in October 1995 that included recommendations for changes in the UAA, specifically dropping some sections. However, the NASBA board was unwilling to support such changes and pointed out that the report contained elements outside the charge of the committee. The board, upon later reflection, did instruct the NASBA Model Rules and UAA Committee to consider the report in its future deliberations with the AICPA's UAA Committee. The whole task force was seemingly an expensive exercise in futility.

In 1996, the Legal Counsel Committee began holding a conference for the legal counsel of state boards. The conference is held annually in conjunction with the Executive Directors' Conference. About 20 boards were represented at each of the first three conferences. The Legal Counsel Committee was formed because of comments at a 1994 Regional Meeting that the boards were not receiving adequate attorney general representation because assigned attorneys rotated too frequently to understand the accountancy boards. So the idea of a State Board Legal Counsel Conference was proposed to the NASBA leadership by board attorneys from Arkansas, Minnesota and Virginia. The meeting was to give the legal counsel serving state accountancy boards the opportunity to network and exchange ideas about working with their accountancy boards. The first meeting was proposed for 1995, but when fewer than 10 states registered, the meeting was cancelled. In 1996, the magic number of at least 10 was hit and the conference has been successful since. Typically, legal counsel from about 25 boards participate at the annual conferences.

## Debate and Accounting Today

In some respects, NASBA became more visible in the 1990s because of articles that appeared periodically in a new bi-weekly newspaper, *Accounting Today*. The publication has been described as “a public forum for the debate back and forth between the constituencies of accounting.” Some of these articles were written by Eli Mason, a former member and chairman of the New York Board, who often seemed to object to the positions taken by both the AICPA and NASBA.

The constant blitz against the AICPA and NASBA elevated the status of NASBA, putting it on equal footing with the AICPA in the minds of many readers. Even the publisher of the magazine noted at one point that NASBA had increased its focus and effectiveness during the short life of the publication. “NASBA has been a study of an organization realizing that there are some significant issues within the profession, that rather than sitting back and hoping someone else will solve those problems, has instead been very proactive” [“*Accounting Today's...*,” 1991, p. 8].



Robert C. Ellyson (Florida), NASBA president 1980-81, was the first recipient of the Van Rensselaer Public Service Award.

## Van Rensselaer Public Service Award & Outstanding Service Award

In 1989, NASBA inaugurated the Van Rensselaer Public Service Award to honor its former executive director. The award recognizes individuals who demonstrated excellence in the leadership of a state board or NASBA. Individuals who have served on the NASBA Board of Directors during the preceding five years are not eligible for the award.

The first recipient was Robert C. Ellyson (Florida), who was the 1980-81 president. Ellyson was honored for starting the

movement for a 150-hour requirement in Florida and participated on the AICPA's committee to promote the 150-hour requirement to sit for the exam. He served on the Florida board at a time when that board was quite aggressive; besides being the first state to fully implement a 150-hour requirement, Florida had started the CPA Critique Program later adopted by NASBA. It had also developed a Spanish-language CPA exam that was mandated by Florida law. Ellyson urged state boards, through NASBA, to arrive at a generally acceptable definition of the 150-hour requirement and to use a consistent approach in drafting legislation and rules. He had chaired NASBA's first CPA Examination Review Team and the computerized grade reporting project. He had previously received the AICPA's Gold Medal Award in 1987 for his services to the profession, including serving on the Armstrong Committee, the Anderson Committee, the Committee on Audit Procedure, and the AICPA Board of Directors. He had also been nominated as chairman of the AICPA, but had to decline because of objections from his employer. He also represented NASBA on the International Federation of Accountants (IFAC) Ethics Committee that issued the first worldwide ethical code for accountants. Ellyson was obviously a good choice as the first winner of the Van Rensselaer Award in that to this day he is the only individual to have won the highest award from both NASBA and the AICPA (although Van Rensselaer, for whom the award is named, also won the AICPA Gold Medal, albeit posthumously).

In 1990, two individuals were honored: Louis W. Matusiak (Illinois) and A. Leighton Platt (Oregon). Matusiak had been a member of the initial joint NASBA/AICPA Committee to develop a licensee database back in 1974. He would have been president in 1978-79, but he resigned his position as president-elect to accept a position with the AICPA. Platt, in addition to serving on the Oregon board, had been the 1959-60 president of the Oregon Society of CPAs. He was the NASBA president in 1981-82 and served on the joint NASBA/AICPA committee that developed the first Uniform Accountancy Act. The Board of Directors was somewhat concerned that the selecting of two award winners in one year would dilute the value of the award, so a motion was passed to limit the selection to one individual per year, unless "there is a compelling reason to nominate two candidates."

The 1991 award was presented posthumously to John A. Baker (Hawaii), who was described as the "father of NASBA." It was Baker who worked to change the name of the organization to NASBA, convinced AICPA Executive Director John Carey to provide NASBA with an office and office support, went to accounting firms and raised funds to

hire a staff and pay them for five years, organized the first regional meetings, and served as a member of the selection committee that hired Van Rensselaer as executive director.

In 1992, the recipient was Louis W. Dooner (Florida), a past president of the Florida Institute of CPAs and Florida Board of Accountancy, who had been referred to by NASBA past president Robert Ellyson as the “conscience of the accounting profession” [Ray, 2004]. Even after winning the award, Dooner continued to serve the organization

<h2 style="text-align: center;">WINNERS of Van Rensselaer Public Service Award</h2>			
1989	Robert C. Ellyson (FL)	1997	Jerome A. Schine (FL)
1990	Louis W. Matusiak (IL)	1998	Callom Hunter Jones (VA)
	A. Leighton Platt (OR)	1999	Jerome P. Solomon (MA)
1991	John A. Baker, Jr. (HI)	2000	Thomas lino (CA)
	(Posthumously)	2001	Nathan T. Garrett (NC)
1992	Louis W. Dooner (FL)	2002	Noel P. Kirch (OK)
1993	W. Douglas Sprague (NY)	2003	Welling W. Fruehauf (PA)
1994	Lorin H. Wilson (WA and CA)	2004	John M Greene (SC)
1995	Wilbert H. Schwotzer (GA)	2005	Susan J. Reinardy (WI)
1996	Richard J. Goode (UT)	2006	Ronnie Rudd (TX)
	(Posthumously)		

and became chairman of the Examination Review Board for 1994-95. W. Douglas Sprague (New York) was the 1993 award winner. Sprague had been NASBA’s 1975-76 president and previously had served on the 1974 joint NASBA/AICPA Committee to develop a licensee database.

Lorin H. Wilson (California), a retired partner with Deloitte & Touche, won the 1994 award. He had previously served on the Washington Board before moving to California. He served as president of the Washington Society of CPAs in 1954-55. Georgia Board member Wilbert Schwotzer, a practitioner with Deloitte, Haskins & Sells, who had retired to serve on the faculty at Georgia State University, was the 1995 honoree. Schwotzer, the 1987-88 president, had served as the volunteer interim executive director for about five months in 1988 following the death of William H. Van

Rensselaer. He had previously chaired the Special Committee on Relations with Government Agencies and served as treasurer. Former chairman-elect Richard Goode of Utah, who was discussed earlier in this chapter, was posthumously awarded the prize in 1996. It was Goode who made the proposal at the July 1988 board meeting to honor Van Rensselaer with a memorial award program.

The organization's 1989-90 President, Jerome A. Schine (Florida), was the 1997 honoree. Schine was honored for his work as a leader of the Florida Board of Accountancy and the Uniform CPA Examination Services Corporation (ESCORP), the name of which had changed to the CPA Examination Services division. C. Hunter Jones was the 1998 recipient of the Van Rensselaer Award. Jones had served as the 1983-84 NASBA president and was able to keep NASBA viable during precarious financial times. Jerome P. Solomon (Massachusetts) was the 1999 winner. Due to the death of the President-Elect Goode, Solomon served two terms as president of NASBA (1990-92). He had previously chaired the NASBA Administration and Finance Committee and the UAA Committee, and had served on the Bylaws Committee, among others. He had also been active with the AICPA having served on that organization's Joint Trial Board for three years. Professionally, he was somewhat unusual in having spent 50-plus years with the same firm, Pannell Kerr Forster.

In 2000, former president (1985-86) Thomas Iino (California) was the recipient of the award. A partner in the Los Angeles office of Deloitte Haskins & Sells, Iino had chaired the Committee on Examination Orientation and Critique and the Committee on Communications and Member Relations and had testified before Congress on behalf of NASBA. Iino's testimony and other activities in Washington resulted in a major turning point in the national visibility of NASBA. In 2003, Iino was reappointed to the California Board after having been off of the board for over a dozen years.

Nathan T. Garrett (North Carolina) was the 2001 honoree. Garrett was the 1992-93 NASBA president — the first African-American to hold that position. He served on or chaired numerous committees, including the Computerization Implementation Committee and the committee that first considered non-licensee ownership of CPA firms. He also served as president of the National Association of Minority CPA Firms. Ronnie Rudd called Garrett "the conscience of NASBA," because of his constant concern with whether the organization was acting ethically. The 2002 winner was Noel P. Kirch of Oklahoma. Kirch served as NASBA chair in 1993-94 and chaired the 1993 Eagle Committee that identified the need to study tort reform and various other issues.

Welling W. Fruehauf (Pennsylvania), NASBA's 1994-95 chairman, was the 2003 winner of the Public Service Award for his work in creating the standards on which the NASBA CPE Sponsor Registry is based. He also promoted regular meetings between NASBA members and representatives of federal agencies and was a strong advocate of NASBA having a presence in Washington. In addition, he also served on the selection committee to hire David Costello as NASBA's president and was chairman of the Relocation Committee that moved the association's headquarters to Nashville.

The 2004 award winner was John M. Greene (South Carolina); the 1996-97 NASBA chair was involved in numerous initiatives including establishing international reciprocity agreements, developing the Uniform Accountancy Act, and setting strategic and financial goals. He frequently reminded the boards, "The devil is in the details." In 2005, Susan J. Reinardy (Wisconsin), was selected because of her work on several projects, including the Relocation Task Force and the Center for the Public Trust.

Ronnie Rudd (Texas) was the 2006 honoree. Rudd, a 1964 Baylor graduate who retired from Arthur Andersen in 2000, was the 1995-96 NASBA chairman. He served as chairman of the CPA Examination Review Board and on several other NASBA committees, including Audit, Awards, Eagle, Nominating, Reciprocity, and the UAA Committee. As mentioned previously, Rudd won his election as chairman in NASBA's first two-candidate election.

Another award was created in 1999, the NASBA Distinguished Service Award. The award honors a volunteer for unswerving commitment and dedication to enhancing the mission of NASBA. Former chairs or presidents of NASBA are not eligible for this award, because it felt that such leaders are expected to always provide unswerving commitment and dedication to enhancing the mission of NASBA. In addition, neither may current members of the Awards Committee nor paid consultants or employees of state boards or NASBA win the award. The Distinguished Service Award was an idea of 1998-99 chairman, Milton Brown, who was concerned that too many of the Van Rensselaer Awards were going to past chairs; thus he wanted to establish an award to honor those individuals who worked hard on behalf of the organization, but never became chair.

## Winners of the NASBA Distinguished Service Award

- 1999 **Leon K. Poché (Louisiana):** Served on the CPA Examination Review Board for nine years.
- 2000 **Jerry C. Tobin (New Jersey):** Chaired the 1993-94 Eagle Committee (so-called because the organization wanted to soar like an eagle) after he had accused NASBA of being too reactive. The Eagle Committee looked to the future and urged changes in the CPA exam, including computerization. Past chairman Noel Kirch has called Tobin one of the important individuals in the history of NASBA.
- 2000 **Will J. Pugh (Tennessee):** Served on the Tennessee Board for 18 years and served on the NASBA Board of Directors, the Litigation Response and Assistance Committee, the Computer-Based Testing Task Force, the Examination Review Board, and chaired the Bylaws Committee.
- 2001 **Bernard Blum (Connecticut):** Served on the Connecticut Board for 23 years and on numerous NASBA committees.
- 2002 **Harris W. Widmer (North Dakota):** Served on the NASBA Board as well as being chair of the International Qualifications Appraisal Board, which developed mutual recognition agreements with Canada, Australia and Mexico.
- 2003 **Janice B. Wilson-Marcum (California):** First woman to receive the award; chaired or served on numerous committees, including the CPA Examination Review Board, the CPE Advisory Committee, the Audit Committee and the Board of Directors.
- 2004 **Gerald W. Burns (Oregon):** Served as Treasurer and chaired the UAA Committee and the CPE Advisory Committee; also co-chaired the joint AICPA/NASBA CPE Committee.
- 2005 **Asa L. Hord (Kentucky):** Was a champion of the computer-based CPA exam and worked diligently on its implementation. Served 12 years on the Kentucky State Board of Accountancy and as chairman of the 1998-99 NASBA New Horizons Committee that helped state boards proactively prepare for the future. Served twice as chairman of the Examination Review Board.
- 2006 **Jimmie Lee Mason (Texas):** Served five years as a NASBA Director-at Large and two years as Treasurer. He also chaired the Administration and Finance, Bylaws, and Strategic Initiatives Committees and served on the UAA Committee, initially as an AICPA representative and later as a NASBA representative.

## Summary of NASBA's Ninth Decade

As indicated in the title of this chapter, NASBA's ninth decade saw the transition from Van Rensselaer to Costello. In between, there was a period of controversy — some of that controversy relating to the executive director at the time, James Thomashower, and some to the issues facing NASBA. Even during that interim six-year period between Van Rensselaer and Costello, the organization continued to prosper. When Thomashower was appointed executive director, NASBA had about 18 employees. By mid-1990 that number had increased to 30. ESCORP was the assigned duty of the majority of employees at that time. A new program, the implementation of the CPE Registry, was particularly controversial when introduced. An award program was inaugurated to honor William H. Van Rensselaer and another to recognize volunteer members who contributed greatly to the organization.

As has been true throughout the organization's history, NASBA's activities in its ninth decade were shaped by the forces affecting the accounting profession at the time. These forces included the challenges brought about with the growth of electronic commerce, alternative practice structures for CPA firms, mega-mergers among CPA firms both large and small and falling geographic constraints. Even though NASBA is not a professional organization for accountants, it is concerned with the issues that involve those regulated by the state boards.

In retrospect, the primary result of the decade's activities was the creation of an infrastructure for the next decade. There was a move into a new office in Nashville, Tennessee and many new employees were hired, because the organization grew substantially. The stage was set for what was to become the busiest decade in the organization's history. In fact, the last annual report published in this ninth decade carried a cover title of "NASBA: Building a Foundation for the Future."





NASBA Board 1994 - 1995: Front row, left to right: Joel J. Rogoff, Sheila M. Birch, David A Costello, Ronnie Rudd, John M. Greene, Sarah G. Blake, Will J. Pugh. Back row, left to right: Dennis P. Spackman, Bruce M. Gamett, Harold D. Hein, Donald E. Howard, George G. Veily, Asa L. Hord, David A. Vaudt, Milton Brown, Harris W. Widmer, John B. Peace, Leonard R. Sanchez, Barton W. Baldwin, Gerald W. Burns, William Treacy.

## Chapter Seven: Reaching Our Potential

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*“State boards of accountancy are recognized players. While we don’t have the high visibility of larger organizations, we are listened to — and our views are considered and respected.”*

*Dennis Paul Spackman, 2000*

*“How do we want to be characterized or thought of?... How about this: Let’s be known as the regulators who are justifiably proud of the education, experience and examination success of our CPAs — but who are especially laudable for our attention to the ethical grounding of our licensees. With this renewed perspective, we’ll make a few errors, but we’ll have plenty of hits and far more runs!”*

*David A. Costello, 2004*

The final decade of NASBA’s first century witnessed more outstanding leaders. One of those individuals was Milton Brown (New Jersey), who was not a CPA — the first and only non-CPA to be the volunteer leader of the organization. Brown, a public accountant and past president of the New Jersey State Board of Accountancy, was named "Accountant of the Century" by the National Society of Accountants. He also served as president of the National Society of Accountants during 1994-1995 — making him the only NASBA leader to serve in the highest office of both of these organizations. The fact that Brown could be elected Chair despite not being a CPA is a testimony to his intelligence, fairness, diplomacy and deep commitment to the organization and to state regulation of public accountancy [Thomashower, 2006]. Brown has stated that he never believed he could be chair of NASBA because of his lack of certification, but he had a mentor, Ronnie Rudd, who supported him in the Nominating Committee. Brown said that when Rudd telephoned him to offer him the nomination, he was so overcome with joy that he could not respond [Brown, 2006].



Diane M. Rubin  
(California), NASBA  
Chair 2005-2006,  
reopened  
consideration of  
administering the  
Uniform CPA  
Examination  
internationally.

Brown has been a positive influence on NASBA, perhaps because he felt pressure to work harder since he was the first non-CPA Chair.

Two women served in the highest elected position during the last decade of NASBA's first century; Sarah Blake of Arizona began the decade (1997-98), while Diane Rubin served in 2005-06. The staff leadership remained stable, although the total number of employees increased to around 135. NASBA Chair David Vautt actively led the Association after being elected Iowa's State Auditor. To top it off, the 2002-03 Chair, K. Michael Conaway, was elected to Congress in a 2003 special election in the 11th district of Texas. Conaway received over 75 percent of the vote in his first regular election in 2004 and was reelected in 2006. Conaway, a past chairman of the Texas State Board of Public Accountancy, has continued to remain active in NASBA after his move to Washington. Having a CPA in Congress is not only good for CPAs and state boards, but good for the nation as well. As stated by David Costello:

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*I am certain that having a person of Mike Conaway's ability and quality in the US Congress will be a benefit to our country. We will now have someone in Congress who knows what our profession is all about and who has firsthand experience in state regulation. (David A. Costello, 2004).*

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Conaway was not in Congress in 2002 when the Sarbanes-Oxley Act was passed, but that Act was destined to cause a lot of change in accountancy and challenges for state boards and NASBA. That Act, and the frauds at Enron and WorldCom that spawned the Act, essentially define the history of accountancy in the early 21st century. However, the Sarbanes-Oxley Act was only one of the concerns of NASBA during its tenth decade. Other activities, equally controversial, also took center stage at various times during the decade. For example, the AICPA put forth a proposal to create a new credential, or certification, called the "XYZ" or "Cognitor."

Despite the AICPA's investment of millions of dollars over several years promoting the concept of the Cognitor, the Institute's membership eventually voted the proposal down. Nevertheless, NASBA and state boards were placed in the position of having to evaluate how such a credential would affect the CPA license and credential [Colson, 2001].

NASBA witnessed its second competitive election for its top office in 1999 when six states joined to nominate from the floor M. C. (Princy) Harrison (Mississippi) to run against the candidate selected by the Nominating Committee, John B. Peace (Arkansas). Prior to the election, Patrick McCarthy (Louisiana) told the delegates, "NASBA can't lose on this one. Both are qualified. Both are imbued with our profession" ["Peace...", 1999, p. 2]. Harrison had been active on a variety of NASBA committees and in 1998 had been named by *Accounting Today* magazine as one of the "100 Most Influential People in Accounting." As was true in the previous competitive election in 1994, the reason for the direct nomination from the member boards was because of issues, not because of the individuals involved. Essentially, the nomination of Harrison was a way for smaller states to get the attention of the Board and the Nominating Committee. Several states, most with smaller populations of CPAs, felt that member states did not have a strong enough voice on NASBA matters, and as a result did not want to support a candidate that had been nominated by NASBA's nominating committee [Peace, 2006].

"There was a feeling of discontentment among many members who were not in the loop" [Harrison, 2006]. Examples of Ms. Harrison's concerns were the fact that the Nominating Committee was selected from current and former board members. Some individuals were serving on five or six committees, while others who requested committee appointments could not participate at all. Interestingly, when asked by this author what the issue was that prompted the nomination from the member boards, neither candidate could remember. Peace won the election with a



K. Michael Conaway  
(Texas), NASBA  
Chair 2002 - 2003,  
was elected to  
Congress in 2003.

substantial majority, but Harrison did receive about one-third of the votes cast — thus getting the attention of the Board. Harrison recently stated that she never thought for a minute that she would win: “The purpose of the run was to rattle NASBA to change its policies. I never thought for one minute that I was doing anything else. There was nothing at all wrong with John Peace. I won one-third of the states. That was a huge wake-up call” [Harrison, 2006].

John Peace later acknowledged that he spent much of his year as Chair trying to listen to why some states were dissatisfied with NASBA. As a result of Harrison’s concerns, the Nominating Committee structure was changed. Each region now selects a member of the Nominating Committee. Also, there is now a limitation on the number of committees on which people can serve. Harrison now feels that the organization has opened up: “The new NASBA is a vast improvement.... David Costello has spearheaded most of this.... I have great respect for him” [Harrison, 2006].

## *P*residents & Chairs of NASBA 1997-2007

1997-98 Sarah G. Blake (AZ)	2001-02 Barton W. Baldwin (NC)	2005-06 Diane M. Rubin (CA)
1998-99 Milton Brown (NJ)	2002-03 K. Michael Conaway (TX)	2006-07 Wesley P. Johnson (MD)
1999-00 Dennis P. Spackman (UT)	2003-04 David A. Vaudt (IA)	2007-08 Samuel K. Cotterell (ID)
2000-01 John B. Peace (AR)	2004-05 Michael D. Weatherwax (CO)	

The reasons why the Nominating Committee selects a particular individual are often a mystery. Usually, there is some personality characteristic or other qualification that the committee members think is needed by the organization at the time. Michael Weatherwax recently commented on his selection to follow David Vaudt as chairman:

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*Considering that the 2002 Nominating Committee did not nominate me as a Director-at-Large for the 2002-03 year, I was a bit surprised that the 2003 Nominating Committee selected me as Vice Chair for 2003-04. [Weatherwax, November 2006].*

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Weatherwax has been called by former chairman Barton Baldwin as “NASBA’s pit bull” because of his work on the 2001 AICPA/NASBA Computerization Implementation Committee and his position as co-chair of the joint AICPA/NASBA UAA Committee.

## *F*inancial Position and Other Concerns

The financial condition of the organization was positive throughout NASBA’s tenth decade with revenues of \$11,702,881 in 1998 and total assets of \$8,226,343. Those figures increased to the extent that revenues of \$17,146,826 were reported in 2005 (and even higher in 2004 at \$19,771,891). In 2006, revenues jumped to almost \$21 million. Assets amounted to just under \$16 million at the end of 2005, and almost \$18 million at the end of 2006. The organization’s total unrestricted net assets more than quadrupled during the decade, rising from \$2,085,680 to \$9,708,497. Much of the increase in resources represented investments in furniture, equipment and software. NASBA has essentially become a fully self-supporting organization without having to rely on dues by its members. In fact, dues paid by state boards constitute less than two percent of



NASBA witnessed its second competitive election for its top office in 1999 during the election of attorney/CPA John B. Peace (Arkansas), NASBA Chair 2000-2001, who brought the computer-based exam contract to the boards.

NASBA's revenues; examination services cover the vast majority of the organization's expenditures.

The increase in assets allowed NASBA to establish a scholarship program to ensure that no state is unrepresented at the annual and regional meetings, and at the Executive Directors or Legal Counsel Conferences, if a board does not have sufficient funds to cover the participation of a delegate. President David Costello has said that he hopes some day to have sufficient resources so that no board member or staff representative will be asked to pay to attend a NASBA meeting.

It was a good thing that NASBA had the resources and infrastructure in place at the start of the 21st century, because the regulatory environment was changing and NASBA and the state boards were to be challenged as never before. Along with the usual problems that periodically face the profession, the CPA's status as a trusted professional was threatened as never before. And if that was not enough, the CPA's audit market matured and became more competitive. At the same time, there was a significant

decline in the number of candidates entering the profession. Early in the tenth decade, issues with CPA firms and their organization were a source of concern as large CPA firms merged with each other, and small firms were being amalgamated into non-CPA firms such as H&R Block, American Express Tax and Business Services, and Century Business Services. The regulatory issues presented by these consolidators of small firms were the subject of several sessions at the 1998 annual meeting [Haberman, 1999, pp.15-16]. NASBA responded by

creating what was called the New Horizons Committee, chaired by Asa Hord (Kentucky), and a UAA Task Force on the Regulation of Alternative Practice Structures, chaired by Richard Hoiekvam (Nebraska) and assisted by Robert Gray (New York). The task force documented and evaluated the nature of alternative practice structures and their implications on independence and public interest concerns.

The presentation of the draft report at the 1999 regional meetings generated considerable discussion within NASBA and anxiousness with the AICPA, because some believed such matters were outside the scope of responsibility of state boards of Accountancy [Spackman, December 26, 2006]. The task force leaders and NASBA Chair

NASBA created the New Horizons Committee, chaired by Asa Hord (Kentucky), to document and evaluate the nature of alternative practice structures and their implications on independence and public interest concerns.

Spackman shared the report with the Independence Standards Board (ISB), which showed a lot of interest since the report dealt with matters being studied by the ISB's task force on Evolving Forms of Firm Structure and Organization. The final NASBA report proved beneficial to state boards because it brought to the attention of board members some issues of public policy risk as well as ways of regulating alternative practice structures. Aspects of the report were subsequently incorporated into the Uniform Accountancy Act [Spackman, December 26, 2006].

## *N*ASBA's Response to the "XYZ" Certification

A special meeting was held at NASBA's Nashville offices on August 30, 2000, to discuss the AICPA's XYZ (or Cognitor) credential and the potential effect its adoption might have in the academic community, the accounting profession, and on regulation of the accounting profession. The AICPA's concept was to develop a certification program for CPAs who dealt in services other than traditional audit and tax services. The AICPA was planning on presenting the proposal for vote and adoption at the Fall 2000 Council Meeting. Those in attendance at the NASBA meeting included: Steve Albrecht, American Accounting Association; David Costello, NASBA President and CEO; Ronnie Rudd, NASBA Past Chair; Dennis Spackman, NASBA Chair; Harris Widmer, Chair, NASBA/AICPA International Qualifications Appraisal Board; and Jan Williams, American Accounting Association.

The discussions initially began with how such a certification would affect regulation, but did not remain focused on this area for long. The group instead spent its time on the issues fundamental to the changes that the profession was experiencing. The group recognized that the conceptualization of the XYZ designation, whether meritorious or not, was a consequence of those changes. A recent AICPA-sponsored market study of the CPA "brand" had concluded that the CPA designation was a significant limiting factor to expanding the market services of the profession. The AICPA had concluded from the study that there were many things not marketable by CPAs because the market did not look to a CPA for those services. Leadership of the AICPA believed that the launching of a new credential to service these other needs offered considerable potential for those in the profession wanting to expand their services. The Institute also saw it as a significant new source of revenue for itself as well





The International Qualification Examination (IQEX) facilitates the US CPA qualification process for those accounting professionals from other countries whose professional bodies have entered into mutual recognition agreements with the AICPA and NASBA.

[Spackman, December 26, 2006]. The AICPA proposed the establishment of a new trade association for these "non-attest" services. The services were to reside outside the state boards' and SEC's regulatory span of control.

The NASBA/AAA group acknowledged that NASBA and the AAA needed to focus their energies in helping reform the CPA Examination and to reexamine the makeup of the 150-hour education requirement. The focus was not to simply offer more accounting. It was believed that the academic community needed to be encouraged to change the curriculum to more accurately represent the broader nature of the services being offered and skills needed in the profession. It was also agreed that NASBA and the state boards needed to do more to break down mobility barriers between states. The group concluded that the AAA and NASBA resources would be focused on the AICPA's Content Oversight and Computerization Implementation Committees to help reorient the Uniform CPA Examination's development to more accurately represent what was going on in the profession. NASBA's Examination Review Board and Examination Committee would also be alerted to give more consideration to the scope and nature of the Uniform CPA Examination relative to what was going on in the profession.

NASBA's efforts did not cause the defeat of the XYZ project by the AICPA membership, but nevertheless, the Association's actions helped address some of the issues that led to the development of the proposal. In retrospect, it is probably a good thing for the profession that the proposal was defeated, because its expansive view of services that CPAs could provide was diametrically opposed to restrictions that the Sarbanes-Oxley Act of 2002 implemented.

## International Qualifications

In the global market, there were questions as to whether the CPA designation was a certification, credential or a license to practice. This issue was to be continuously studied throughout the 1990s and the early 21st century as foreign nationals wanted to participate in the CPA profession for a variety of purposes.

The increasing globalization of business and the resulting internationalization of accountancy practice have created situations for state boards and NASBA to come together as there were heightened calls for mutual recognition agreements with non-US professionals. As a result, the NASBA/AICPA International Qualifications Appraisal Board (IQAB) evaluates applications for mutual recognition agreements submitted by non-US accounting bodies. Agreements currently exist with professional groups in Australia, Canada, Ireland and Mexico. The work of IQAB begins when a state board asks NASBA for assistance in recognizing the acceptability of non-USA credentials. In-depth studies are then conducted of the foreign credentialing examination, experience requirements, and the education required to sit for that examination. The purpose is to determine whether the foreign credential is “substantially equivalent” to that of an American CPA. Determining substantial equivalence is not easy given the varying educational systems of other nations. The earliest mutual recognition agreements were signed with the Canadian Institute of Chartered Accountants, the Institute of Chartered Accountants of Australia, CPA Australia and the Instituto Mexicano de Contadores Publicos. How the analysis of another country’s system works is illustrated from the following comments about the agreement with Australia:

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*We supplement our evaluations by engaging education consultants to help us understand the foreign country’s education system, grades K through completion of their college degrees. We also have an AICPA examinations team help us evaluate the foreign licensing body’s professional qualifying examination. This process enables us to develop a thorough understanding of the licensing requirements of the foreign professional organization. [Dennis Spackman, November 29, 2006].*



Kansas was the first state board to notify NASBA that it had approved the mutual recognition agreement that included the USA, Canada and Mexico.

Although IQAB is working well in the 21st century, the need for mutual recognition agreements had existed for a long time. Clear, objective procedures for handling international recognition were needed, as many remembered the 1977 class action case that the Filipino Accountants Association, Inc., brought against the California Board of Accountancy seeking “to break the present Certified Public Accountant monopoly in the State of California...” The plaintiffs alleged, “The Board, systematically and intentionally, is using each of the three requirements it has set under Section 5087 to exclude Filipino-Americans from the accounting profession in California, while providing easy entrance into that profession for all accountants from the predominantly English-speaking Caucasian-populated Western nations, and South Africa, whose apartheid policies exclude minorities from virtually all professions.” [“Complaint...”, 1977, p. 14].

The AICPA had previously considered international reciprocity around the time of the 1977 California case, but a subsequent 1980 committee report that recommended a special examination for practitioners licensed in other countries was tabled without any action by the AICPA board. NASBA and many state boards objected to that committee’s report, which was why it was never given strong consideration. The result of the 1977 California case was that several states that had been granting limited reciprocity to foreign applicants stopped the practice [Olson, 1982, p. 188].

The mutual recognition agreement that included the USA, Canada and Mexico was hastened by the passage of the North American Free Trade Agreement (NAFTA), which became effective in 1994; that act caused NASBA leaders to work more quickly toward elimination of impediments to reciprocity. IQAB Chair Harris Widmer (North Dakota) and Texas Board Executive Director William Treacy were the NASBA representatives who championed the passage of the US-Canada-Mexico mutual recognition agreement, although other NASBA leaders, particularly Nathan Garrett, had pushed the international recognition along for

years. The tri-party MRA was approved by the three national bodies in September 2002, but the NAFTA Free Trade Commission did not meet to give its endorsement until October, 2003. This tri-country agreement was basically what Nathan Garrett had recommended both procedurally and conceptually almost a decade before. The first state board to notify NASBA that it had approved the agreement was Kansas. At least 19 states had adopted the mutual recognition agreement by the end of 2004.

Actually, NASBA volunteers welcomed the passage of NAFTA. There had already been meetings between the Canadian bodies and NASBA, represented by committee chairman John M. Greene, as early as 1990. The Canadians had previously met with the AICPA on the subject of international reciprocity, but the AICPA was not agreeable. The Mexicans had also approached the AICPA about reciprocity as early as 1989. Eventually, the Mexican representatives met with the NASBA committee in Ronnie Rudd's Texas office in 1991. The result of that meeting was that the groups would continue to communicate and a member of NASBA would attend the annual conventions of the Mexican group.

In February 1993, NASBA President Nathan Garrett (North Carolina) advocated a national mechanism to assist state boards in determining whether to license foreign professionals. Garrett's plan was timely because it came forth shortly after NAFTA had been an important campaign issue in the 1992 presidential race (Bill Clinton was supportive, while third-party candidate H. Ross Perot was vehemently opposed). Garrett recommended restricting such licensing to accountants from those countries with which the United States had a free-trade agreement [Garrett, February 9, 1993]. The NAFTA treaty gave NASBA the ability to develop an agreement without worrying if a court would make the organization allow other countries' professionals to automatically become CPAs within the United States [Greene, April 25, 2005].

The most difficult task that IQAB faced was defining "substantial equivalency." Each member of IQAB first had to determine what his or her own state wanted to see in a professional coming from another jurisdiction and develop a grid to gauge credentials. Then, the NASBA Board members had to agree on that grid and be sure that it was something their home boards would accept.

Once a mutual recognition agreement has been signed with an accountancy body in another nation, non-US professionals with that credential are allowed to sit for the International Uniform CPA Qualification Examination (IQEX) at computer centers in the US and Canada. Similarly, US CPAs who seek to be recognized in Canada must

## Offering the Examination Internationally



Over the years, there has been discussion of whether the CPA Examination should be offered outside of the United States. Demand for the examination among foreign nationals has been large, which means that many residents of other countries come to the U. S. to sit for the CPA Examination. The possibility of offering the exam internationally has become more often discussed in recent years as other American examinations, such as the Certified Internal Auditor Examination and the Certified Management Accountant designation have seen success with their overseas offerings. Thus, a task force was formed in June 1998 to study the issue.

An initial meeting of this task force, which included representatives of the American Accounting Association, AICPA and NASBA, was held in late December 1998. The purpose of the meeting was to consider the merits of allowing the CPA exam to be taken in foreign countries and eventually granting CPA certificates and licenses to successful candidates meeting the states' qualifications. During the initial meeting it was noted that licenses and certificates were already being granted by licensing boards in the Virgin Islands, Puerto Rico and Guam, and the test-takers at these sites, particularly Guam, including a large percentage of foreign nationals. The task group also recognized the significance of the expansion of U. S. corporations into foreign countries and the large number of well educated, trained professionals in those countries that would be interested in having CPA credentials.

A number of meetings were held that led to the eventual development of a discussion draft in June 1999, but pressing issues with weightier concerns eventually led to faltering interest and support for the project. However, NASBA and the AAA participants appeared to agree that the eventual ability to deliver a secure web-based Uniform CPA Examination anywhere in the world would make such a venture worthy of being revisited at a future date [Spackman, December 26, 2006]. In 2006, Chair Diane Rubin appointed a study group to readdress this issue.

pass the Chartered Accountants Reciprocity Examination (CARE). Mexico had the right to require a similar examination, and such was implemented in October 2004 with the first administration of the Examen de Extranjeria (EXAMEX). A CPA practicing in Mexico must obtain 65 hours of CPE each year.

An additional agreement was approved with the Institute of Chartered Accountants in Ireland (ICAI) in 2004. The agreement with ICAI was stalled for several years because the United Kingdom's Department of Trade and Industry (DTI) had maintained that all groups it recognizes to perform audits must be covered by a single agreement. However, IQAB did not think that all of those groups were substantially equivalent to a US CPA. Thus, the Irish agreement applied only to those chartered accountants who practice in the Republic of Ireland and are not citizens of the United Kingdom, and thus not subject to the DTI ["Board...", 2004, p. 2]. NASBA's John Greene summarized the problems with the United Kingdom's DTI by saying that "the English invented bureaucracy" [Greene, April 25, 2005].

The basic operating procedures of IQAB were clarified in September 2004. Applications will not be considered by IQAB unless:

1. The organization is located in a country that has signed on to the provisions of the General Agreement on Trade in Services (GATS), and
2. The organization either has the ability to confer practice privileges, or can facilitate the granting of practice privileges by the appropriate licensing authority, to US CPAs.

## Working With Others

NASBA had long worked closely with the AICPA, and, due to the influence of Milton Brown, it also began in 1998 holding an annual summit with the National Society of Accountants. However, it had rarely, worked closely with regulatory agencies other than the state accountancy boards. That was to change in NASBA's tenth decade, as the organization became more involved with a number of professional and regulatory organizations as an advocate for the state boards. In 1999, NASBA was welcomed by the Public Oversight Board (POB) for its members' opinions on audit effectiveness and whether the POB should take on the role of a self-regulatory organization. The POB was

a body that was designed to oversee the self-regulatory programs of the SEC Practice Section of the American Institute of CPAs Division for CPA Firms. The POB, based in Stamford, Connecticut, was an autonomous five-member body that appointed its own members and established its own operating procedures.

NASBA Chair Spackman approached Shaun O'Malley, Chair of the POB, to allow participation of NASBA's member boards in the upcoming hearings of the oversight body. Three public hearing dates were set and NASBA was given the opportunity to be represented on 13 of the 108 presentations at the hearings. The first day, September 13, 2000, saw the following NASBA speakers: Dennis Spackman, Chair, NASBA; David Costello, President and CEO, NASBA; Robert Fox, Chair, New York State Board for Public Accountancy; Larry Gelfond, Past President, Colorado Board of Accountancy; Baxter Rice, President, California Board of Accountancy; Ann Ross, Chair, South Carolina State Board of Accountancy; and Daniel Dustin, Executive Director, New York State Board for Public Accountancy. On the second day of testimony, September 20, 2000, NASBA was represented by: William Baker, President, Arizona State Board of Accountancy; Michael Daggett, NASBA Director and Past President, Arizona State Board of Accountancy; Michael Conaway, NASBA Director and Texas State Board of Accountancy; Tom Sadler, NASBA Director and Washington State Board of Accountancy; Ronald Nielsen, Iowa State Board of Accountancy; and Kathleen Chapman, Iowa State Board of Accountancy.

NASBA's representatives provided testimony addressing the major issues and the specific provisions of the Panel's Report and gave meaningful comments noting their concerns with the proposed report and made suggestions. Some recommended that the Board should proceed cautiously. Some indicated that the Independence Standards Board be allowed to complete its work on particular topics it was currently engaged in, such as non-attest services. A common theme throughout the hearings was the importance of public trust [Spackman, December 26, 2006]. For example, William Baker's (Arizona) comments included, "In conclusion then I believe auditor independence, in both fact and appearance, is vital to maintaining the integrity of the audit." Similarly, Michael Daggett stated: "In summary, independence in appearance is as critical as in fact. Public trust in our profession is a factor of how our behavior is perceived and is as critical today as it has ever been." NASBA Chair Spackman concluded:

"The public's continued faith and confidence in the audit function is entirely

dependent on the profession's continued adherence to the principles of integrity, objectivity and independence. It is equally important to recognize that the public's perception of auditor independence is as important as its reality. . . . I encourage the Commission, as it considers its options, to focus on the remedy that is most likely to preserve the auditor's independence and the public's confidence in the audit function. The solution that will provide these two benefits is most likely to be the more effective solution to maintaining investor's confidence in the capital markets" [Spackman, December 26, 2006].

Robert Fox, Chair of the New York State Board for Public Accountancy, addressed the dilemmas being faced with the issues of alternative practice structures:

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*"We, as regulators, need to evaluate the definition of independence with continuing evolution in mind. We, along with Congress, need to determine whether we are willing to accept that the firewall approach will provide sufficient protection of the public interest, or whether public accounting should be structured in a niche that assures independence as it has been perceived by the public in the past. If we accept the one-stop shopping concept, then we should consider why the owners have to be CPAs. . . . I am convinced that when you look at the structure of a CPA firm and an APS [alternative practice structure] from the perspective of the committee that developed the discussion memorandum, you will see that the monopoly privilege given to the CPAs in 1933 should be reexamined. I do not favor allowing 100% non-CPA ownership, but it might be the only alternative if the profession keeps pushing for one-stop shopping."*

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The Panel's report was adopted and discussions continued relative to the development of a self-regulatory organization. Several models were discussed and charter provisions considered. The discussions took on an air of seriousness with the collapse of several major corporations from the end of 2000 and on into 2002.



Then NASBA  
Director-at-Large,  
Sam Cotterell  
(Idaho), was  
selected to serve on  
the PCAOB's first  
Standing Advisory  
Group. Mr. Cotterell  
is NASBA Chair  
2007-2008.



And, then suddenly the profession found the deliberations lifted by a Congress anxious to fix the problem — a problem that Congress saw a standard-setting and enforcement process that allowed Enron, WorldCom, and other frauds to occur. Passage of the Sarbanes-Oxley Act of 2002 (SOX) was Congress's ultimate solution to fix what it perceived as the profession's failure to regulate itself.



David A. Vaudt  
(Iowa), Chair 2003-  
2004, met with  
PCAOB to enhance  
cooperation in  
regulation.

NASBA's advocacy role has increased even more with the creation in 2002 of the Public Company Accounting Oversight Board (PCAOB). The PCAOB was created when Congress passed the Sarbanes-Oxley Act in 2002, largely in response to the corporate accounting scandals at Enron and WorldCom. Senator Paul Sarbanes' staff contacted NASBA when the legislation was being drafted to assist the legislators in understanding the role of the state boards in the regulatory landscape. Although some in the accounting profession questioned the merits of PCAOB, NASBA was quick to offer its cooperation to the new organization, which was also focused on protecting the public. From the beginning of PCAOB's operations, its open meetings were attended by NASBA representatives Barton W. Baldwin (North Carolina), Robert L. Gray (New York), David Costello and others. In April 2003, the NASBA Board of Directors issued a pro-active plan to address the issues raised by the Sarbanes-Oxley Act. That plan included the development of a licensee database and an increased drive for adoption of substantial equivalency of regulatory laws and regulations across jurisdictions.

In March 2004, NASBA Chair David A. Vaudt and President David Costello, along with a few other NASBA representatives, met with PCAOB board members and staff. Later in the year, PCAOB Chairman William McDonough delivered the keynote address at the NASBA annual meeting; PCAOB's chief auditor, Douglas Carmichael, also spoke at the 2004 meeting. One member of NASBA's board of directors, Sam Cotterell (Idaho), was selected to serve on the PCAOB Standing Advisory Group, as was Wanda

Lorenz, a former member of the Texas State Board of Public Accountancy. At the conclusion of Cotterell's term, another NASBA board member, Gaylen R. Hansen (Colorado), was appointed to the standing advisory group.

The close relationship between NASBA, PCAOB, and the state boards was viewed by Chair Vaudt as an effective means of enhancing regulator efforts over the accounting profession. Robert Gray, chair of the New York Board, was assigned to serve as NASBA's liaison to the emerging PCAOB. NASBA also worked with the Government Accountability Office (GAO), which was directed by Congress, through SOX, to conduct a study of the competitive status of the accounting profession and the public's access to accounting services.

NASBA also worked during the early years of the 21st century to ensure that state boards have representation on the AICPA Auditing Standards Board (ASB). The efforts were successful. By the end of 2004, over 25 percent of the ASB members were individuals with state board experience [Vaudt, 2004]. Two NASBA representatives have also been appointed to the 15-member AICPA Professional Ethics Executive Committee. In 2007, these individuals were Gaylen R. Hansen and J. Coalter Baker.

Prior to SOX, NASBA had tried to gain representation on the Independence Standards Board (ISB) that had been created in 1998 by the Securities and Exchange Commission with a heavy AICPA presence and meetings in the AICPA offices. However, that attempt, which involved trying to have a NASBA representative appointed to the ISB was not successful, although the Board did promise to rethink its make-up and consider NASBA's request in the future. While NASBA never did get membership on the ISB, there were appointments of state board members to ISB task forces, including Dennis Spackman (Utah) on the Conceptual Framework Task Force and Ann Ross (South Carolina) on the Employment with Audit Clients Task Force.

Over the years, NASBA has recommended or nominated its representatives to other

**Thanks to the Professional and Regulatory Response Committee, NASBA has increased its monitoring of other organizations' exposure drafts. A letter to the Financial Accounting Standards Board (FASB) giving NASBA's position on the subject of private company financial reporting, strongly supported the FASB's maintaining its standard setting authority for both private and public company financial reporting.**

standard-setting groups. For example, Charles Calhoun (Florida) and John Peace (Arkansas) both serve on advisory groups to the International Federation of Accountants in 2007.

Responding to FASB and other organizations' exposure drafts has become another activity with which NASBA has become increasingly involved. Its Professional and Regulatory Response Committee, first chaired in 2003-04 by Samuel Cotterell (Idaho) and then in 2004-07 by Richard Isserman (New York), monitors and debates proposals released by IFAC, AICPA, FASB, PCAOB, DOL and other groups. The committee then drafts responses to those proposals that have state regulatory implications and presents the drafts to NASBA's leadership for their consideration. In July 2006, Chair Diane Rubin and President David Costello submitted a letter to the Financial Accounting Standards Board (FASB) giving NASBA's position on the subject of private company financial reporting. The letter strongly supported the FASB's maintaining its standard setting authority for both private and public company financial reporting. At the end of the letter was a request for the FASB to consider granting NASBA "observer status" in any discussions relative to the topic [Rubin and Costello, 2006]. Observer status gives the organization's representative attending the meeting the opportunity to comment, but does not ask them to vote. The SEC had similar status at Independence Standards Board meetings.

NASBA's relationship with the SEC was strengthened in October of 1997 when SEC Commissioner Norman S. Johnson, who happened to be from Utah, met with NASBA leader Dennis Spackman, also from Utah. Commissioner Johnson set up meetings for Spackman with key SEC Associate Chief Accountant Michael Kigin and Chief Counsel to the SEC's Chief Accountant Robert Burns. Commissioner Johnson indicated he would like NASBA to take the opportunity to respond to the Commission's invitation to comment on its paper, "Serving the Public Interest, a New Conceptual Framework for Auditor Independence," which NASBA's Ethics Committee did.

The SEC sought comment during the summer of 1998 on another important proposed amendment. This one affected Rule 102(e) and was intended to clarify standards for improper professional conduct. NASBA responded. In November, 1998 the SEC adopted the new ruling, Amendment to Rule 102(e) of the Commissions Rules of Practice. SEC Chairman Arthur Levitt expressed his personal appreciation for NASBA's assistance in securing its approval.

The relationships established with Commissioner Johnson, Chief Accountant Lynn

Turner, Chairman Levitt and others at the SEC were important and provided opportunities to discuss matters of mutual concern and interest. Over the following years there were ongoing meetings and discussions with a number of other SEC representatives, including Scott Bayless, Charles Niemeier (later with PCAOB), Acting Chair Laura Simons Unger, and Chairman Harvey Pitt. NASBA leaders Michael Daggett, Michael Conaway, and Tom Sadler, along with attorneys Felicia Rotellini and Noel Allen, played significant roles during the developing years of these relationships. Ms. Rotellini's firsthand experience litigating high profile audit failures helped validate the importance of the SEC working with state boards of accountancy. The following excerpts from a July 7, 2000, letter from Chairman Levitt evidences his recognition of the benefits that could arise from the two organizations working together.

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*“As the Commission and the accounting profession consider the many important issues confronting the audit function, we look forward to your active and important participation, input and support. In particular, working together on the look-back program and on-going enforcement investigations will be fruitful ways to further our mutual goals. I hope we can continue to discuss and implement additional avenues to enhance and improve our coordination and communication” [Spackman, December 26, 2006].*

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It was about this time when the SEC began aggressively pursuing actions against a number of accounting firms. Early on in the proceedings, leadership of the firms talked optimistically of their outcomes and indicated there really was not much to worry about. They gave the impression that the SEC was making a lot of to-do about nothing. Indeed, Robert Elliott, Chair of the AICPA, had in 2000 defended the profession's audit services and gave assurance that things were not as bad as some believed. Elliott explained that he had calculated an audit failure rate of 0.0001. At the April 2000 “Ethics Forum, Ethical Challenges in the New Millennium,” Spackman referenced Elliott's quote in his address to the participants, noting:

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*My friend and counterpart in the AICPA, Bob Elliott recently made a point in the April issue of The CPA Journal in defense of the profession's audit services and to give assurance that things may not be as bad as some would have us believe. Bob explained that he had calculated an audit failure rate of 0.0001. I won't challenge Bob's calculations, and I don't challenge his point that relative to the total number of audits performed each year we can be*

*pleased there are only a small number of failures.*

*I have a different concern and that is, that we cannot afford to indulge ourselves in fanciful misunderstandings of the implications and impact of even the few failures we do have. When they hit the media with market capital losses of hundreds of millions or billions of dollars and incur legal settlements and penalties of 10s of millions and 100s of millions of dollars the public has reason to be concerned.*

*To brush off as insignificant or infrequent, these events, or to characterize them with casual comments and beliefs that, “we are doing OK,” or that these events are so few and infrequent that we can accept them, I believe is dangerous.*



Under the leadership of Michael Weatherwax (Colorado), NASBA Chair 2004-2005, NASBA took control of the UAA Model Rules to ensure that the public came first.

As the SEC continued its investigations, the casualness changed and real concerns for the outcomes became apparent. The SEC was serious about pursuing what they considered significant violations and was offering the major firms the option to sign on to a “look-back” agreement. Under the agreement the firms would be given a safe harbor from any enforcement action so long as the firm’s partners, managers, their spouses and family members did not hold a financial interest in an SEC client that the partner or manager had worked on. Additionally, the firm would, because of ongoing investigations, have to implement, subject to POB oversight, systems, procedures and controls acceptable to the SEC to ensure auditor independence. The firm was also to engage independent legal counsel to oversee periodic reviews of their independence assurance systems. In exchange, the SEC would not disapprove or delay an issuer’s filings solely on account of a violation except if the matter was considered serious under the agreement. Both AICPA and NASBA leaderships were given the opportunity to have input to the provisions of the agreements [Spackman, December 26, 2006].

Over the years, NASBA has continued to respond to requests from the SEC. President David Costello and then Chair K. Michael Conaway submitted comments to the SEC in October 2003 regarding proposed rules relating to compliance with auditing and

related professional practice standards, particularly regarding rule 3100. NASBA had earlier responded to the PCAOB that the rule should include a requirement for state licensing of CPA firms, but the PCAOB did not include that provision in the rule. Thus, the purpose of the letter to the SEC was to encourage a separate rule requiring firm licensure [Costello and Conaway, October 17, 2003].

In July 2004, Chair David Vaudt, President David Costello and other NASBA staff members visited SEC headquarters to answer questions from the Chief Accountant, Donald Nicolaisen, regarding investigations by state boards, barriers to communication, use of peer review reports, and whether state boards would expect small firms to use the same audit documentation as larger firms. Costello summarized the situation at the time by saying that because of recent financial scandals, state boards were focusing more of their resources on enforcement and discipline [“SEC Chief...,” 2004, p. 1].

In February 2007, a NASBA delegation including Robert Gray (New York), Richard Carroll (Kentucky), Antonia Smiley (Washington DC) and Noel Allen (North Carolina) met with SEC Chief Accountant Conrad Hewitt and other SEC staff to discuss better communication with the Commission.

Assisting state boards of accountancy, who are the members of NASBA, is the Association’s key service, so it is no surprise that there are many instances of NASBA presidents and chairs meeting with state boards. In 2005, Chair Michael Weatherwax formalized a policy that each state board would be visited by a member of the NASBA Executive Committee and a regional director at least once every three years.

Also, NASBA provides support to state boards when the boards themselves are under scrutiny or need legal assistance. As mentioned in a previous chapter, NASBA has often been asked to provide support when state boards have found themselves under fire due to sunset laws. Most recently, in 2005, NASBA wrote a letter to the California “Little Hoover Commission” when that body was charged with eliminating and merging a variety of state agencies, including the California Board of Accountancy. Governor Schwarzenegger’s plan was to collapse the work of the various boards into the Department of Consumer Affairs — a plan that would have transferred the work of the volunteer boards to paid state employees. Somehow this was promoted as an efficiency move. Nevertheless, the NASBA letter pointed out the fact that board members do not receive salaries, but they give the accountants of the state a national voice and influence in setting standards. As President Costello wrote:



The first computer-based CPA Examination was administered in April 2004 at Prometric Testing Centers throughout America.

*If volunteer, public-focused, boards of accountancy did not currently exist in the 54 jurisdictions, I am convinced that it wouldn't take very long for governors and state legislatures to discover the idea and establish such. There must be numerous ways to make government more cost effective and administratively efficient while simultaneously serving and protecting the public to whom they are indebted and responsible. But in this day of crisis-in-confidence of public companies, their auditors—and even government, I submit that state accountancy boards are one of the, if not the, best deals going for governors and legislatures.... The methodologies of state regulation of accountancy might look outdated from a distance, remembering they were first developed about a century ago. However, upon closer scrutiny and objective evaluation, I confidently assert that regulation under the auspices of state boards of accountancy is the healthiest and most effective approach to protect and enhance the public interest. The U. S. Constitution is quite a bit older than the state board system, and I believe that continues to work for us too [Costello, February, 2005, p. 3].*

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Earlier, in the winter of 1999-2000, NASBA had intervened with the New York legislature on behalf of the New York State Board and the State Department of Education. Costello and Spackman were asked to appear at legislative hearings in Albany, New York, during the winter of 1999-2000 by Johanna Duncan-Poitier, Deputy Commissioner for the Professions, State Education Department. She and Daniel Dustin, the Executive Secretary of the Board of Accountancy, asked if the NASBA leaders would speak on behalf of the New York State Education Department's endorsement of Assembly Bill 8789 and Senate Bill 4133. At that time efforts were going on in the House and Senate to limit the regulatory authority of the New York State Education Department. Costello and Spackman believed it was important for NASBA to take a public position supportive of the Department. They believed passage of these bills was essential to the Board of Regents' authority to

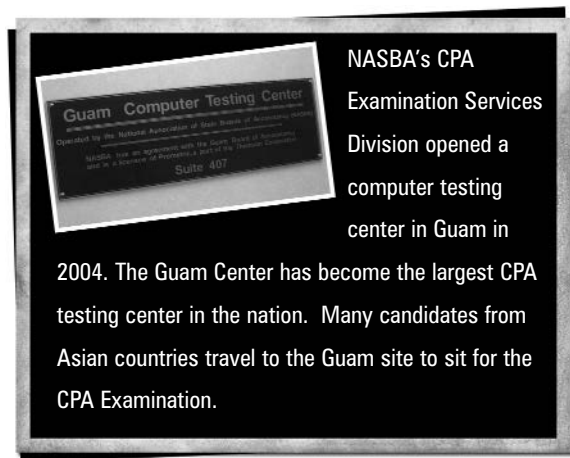
properly regulate all of the professional activities of those individuals granted a license to represent themselves as CPAs and thus assure the protection of the public. The Board of Regents was successful in getting its legislation passed and preserving its regulatory authority [Spackman, December 26, 2006]. Similar assistance was provided to the Ohio Board.

## Computerized CPA Examination

The first computer-based CPA Examination was administered in April 2004 at Prometric Testing Centers throughout America. The computerization of the CPA Examination was long in coming, and NASBA committees worked hard, along with AICPA committees, to be sure that the result was successful. For 2003 alone, Examinations Committee Chair Diane M. Rubin reported that NASBA volunteers had contributed almost 3,000 hours to the computerization project, and staff members had spent another 5,000 hours on it. This was in addition to the efforts by the individual states to ensure that state rules would permit the use of a computer-based examination.

NASBA became actively involved in the project in 1995 when the Board responded to the AICPA's "Invitation to Comment: Conversion of the Uniform CPA Examination to a Computer-Based Examination." Beginning in 1998, there was a formal CPA Examination Computer Implementation Committee, and in 2000 a plan was commenced to get legislative initiatives started for implementing a computerized exam. In 2001, the Computer Implementation Committee issued a briefing paper that provided recommendations for transition to the new format and conditioning requirements [Spackman, May 2, 2005].

The computer-based testing (CBT) agreement was complicated by the fact that it was a joint agreement among the AICPA, NASBA, Prometric, and 54 examination





jurisdictions. Initially, the AICPA and Prometric drafted an agreement between them, without the involvement of the Examination's customers — the state boards of accountancy. A special meeting called by NASBA leaders gave the organization the approval to develop a joint agreement with the AICPA and Prometric. The resulting agreement, signed in February 2002, featured the state boards as insured entities, which gave them third-party beneficiary rights and allowed audit provisions. NASBA, the AICPA and Prometric were the three parties to the contract, but when required, there was an additional contract between NASBA and a jurisdiction to accommodate specific state laws.

Early in the process, there was much opposition to the CBT program, primarily because of the large number of entities involved in the decision process and the fact that the AICPA had not included the boards in their contract negotiations. As late as January, 2002, at a NASBA Examination Conference in Atlanta, seven states voted against the proposed agreement and another four did not vote. Fees were the major concern for most boards. Some boards opposed the idea of including simulations on the exam, since these would raise the costs of the exam. The proposed 18-month length of the conditioning period (the time allowed for passing subsequent parts of the exam after the first part was passed) was also objectionable to some boards.

Given the great amount of planning that went into the CBT program, the initial examination windows passed somewhat uneventfully, except for the expected decline in the number of candidates sitting for the CPA Examination initially. Although anticipated, the large CPA firms, professional societies and, in turn, the state boards, became concerned about the reduced number of future CPAs. Fortunately, the decline in exam takers reversed by the end of 2006.

In 2005, NASBA, AICPA and Prometric commissioned a study to learn what candidates, both successful and unsuccessful, thought about the exam. In general, the candidates thought the computer-based experience was far superior to the old paper-based exam, but they did like the old fixed schedule. "Now, because there's no clear-cut time to take it, you have to push back against management of your firm," one candidate stated. Despite the appearance of a lack of CPA firm management's support for their young employees, the candidates still felt that the flexible scheduling was a benefit that should never be changed. The only major criticism was the application process, which some saw as time consuming and bureaucratic. Surprisingly, there was little mention of the higher fee for the computer-based exam, an anticipated complaint [OSR Group,

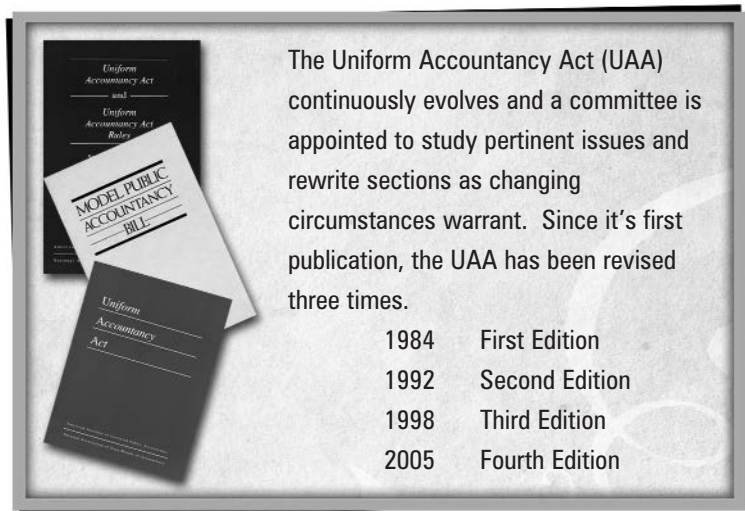
2005]. Contributing to the decline in candidates was the heavy workload that SOX compliance had just placed on accounting firms.

One result of the move to computerized testing was NASBA's decision to start a computerized testing center in Guam. NASBA's CPA Examination Services Division, under the leadership of Joe Cote, stepped in to fill the void, since there was no Prometric testing center in Guam. The Guam center, with 38 computer work stations, is now the largest CPA testing center in the nation; although there are few CPAs in Guam, many Asians, particularly from Japan and Korea, travel to Guam to sit for the CPA Examination since the island territory is the closest site to their homes. The average test taker at the Guam site

travels 3,031 miles and spends \$1,654 on transportation, lodging, and food while taking the exam. The Guam site administered the CPA Examination to over 2,200 candidates each of the last few times that the paper-based examination was given [“NASBA

Readies..., 2004, p. 3]. The popularity of the site continued with the computer-based exam as during the first testing windows in 2004, more people took their examination in Guam than at any other Prometric site.

Security was the primary concern in establishing the Guam site. Cote made several trips from Nashville to Guam to find a suitable location and secure a lease. The fourth floor of the Bank of Hawaii building was selected because the facility was advertised as “typhoon-proof.” This means the building looks like a fortress, has few windows, and offers emergency considerations such as a back-up generator and an on-site storage tank for potable water [Cote, 2006]. Two staff from the Nashville office spent six months in Guam starting up operations and then turned the responsibility over to four full-time locals and three part-time workers. Although approximately 90 percent of the test takers utilize the facility to take the CPA Examination, it is a full service Prometric



The Uniform Accountancy Act (UAA) continuously evolves and a committee is appointed to study pertinent issues and rewrite sections as changing circumstances warrant. Since it's first publication, the UAA has been revised three times.

1984	First Edition
1992	Second Edition
1998	Third Edition
2005	Fourth Edition

operation, which means that other professional exams are also offered there.

## Uniform Accountancy Acts

Barriers to interstate practice have long been a target of NASBA activities, both historically and in the early 21st century. Chair K. Michael Conaway discussed the issue at the 2003 Maui meeting as he viewed substantial equivalency as NASBA's hope for easing interstate practice, and observed: "There is a line in a country and western song that goes: 'A little less talk and a lot more action.' Talking about this issue is not going to get us anywhere that we want to be. We need a lot more action."

AICPA Chairman Scott Voynich of Georgia pointed out at the same meeting that CPAs everywhere have a common set of core values; thus, why is there a need for differences in CPA laws among the various states? Both Voynich and Conaway urged the board members in attendance to come together by examining the Uniform Accountancy Act (UAA) and trying to eliminate the differences between their state regulations and those contained in the Act. Unfortunately, changing an accountancy act is not easy and not always a safe proposition. When a state legislature opens discussion on adopting the provisions of the UAA, anything can happen, and the result may be a law that is even further from conformity than was the existing law.

In 1916, the American Institute of Accountants published its first Model Bill (although there had been an earlier Model Bill published by the Federation of Societies of Public Accountants), a document that remained little changed until 1980 when NASBA published a Model Public Accountancy Act along with a Model Code of Professional Conduct. That led to a cooperative agreement with the AICPA, and the first Uniform Accountancy Act (UAA) was introduced by NASBA and the AICPA in 1984. While the drafters hoped the UAA would be adopted as a whole by state boards, it more commonly has been adopted in part. Revised UAAs were approved in later years. The second edition was issued in 1992. At that time, NASBA and the AICPA agreed that the UAA would be considered as an "evergreen" document in that it would be continuously evolving and each organization would appoint standing committees to study pertinent issues and rewrite sections as changing circumstances warranted.

The third edition of the UAA was issued in February 1998. The revised provisions in that edition included permitting the acceptance of commissions when attest services

were not involved, allowing limited non-licensee ownership, and requiring 150 hours of education. There was also a section on granting reciprocity to CPAs in other states based on substantial equivalency, but that provision, as drafted by the AICPA/NASBA UAA Committee was not quickly adopted by many jurisdictions. The substantial equivalency section, if adopted, meant that a state would grant reciprocity to CPAs of any other state that had adopted the same section and had entry-level requirements similar to those specified in the UAA. This also meant that CPAs would be subject to discipline or enforcement in their home state for problems that arise in states where practice privileges were granted under substantial equivalency.

The provision relating to non-licensee ownership was also highly debated; an article in *Accounting Today* [May, May 5-18, 1997] opposed the provision as did many letters from CPAs around the country [Briloff, 1997; Orin, 1997; Pomerantz, 1997]. However, the provision remained in the UAA and was quickly approved in about half of the jurisdictions. That provision required that a simple majority of firm owners must be CPAs. The UAA recognizes that non-CPAs should be allowed to rise to the ownership level, but these individuals should never control the CPA firm [Colson, 2001].

The 1998 UAA also recommended one year of experience for licensure, a provision that was hotly debated in committee. The one-year provision was inserted as a compromise because states varied so widely in this area, and most state board members feel so strongly about the requirement in their own states. Also, experience was not limited to public accounting, a provision that opened the door to individuals working in industry, as long as those individuals were working under the supervision of a CPA. This was a commonsense concession in that fewer than 50 percent of CPAs were then engaged in public accounting practice [Costello, 1999]. Still, many CPAs doubted the wisdom of allowing non-audit experience to count toward the experience requirement [Craig and Carmichael, 1999; Piaker, 1997].

There was also opposition to the 1998 UAA from the National Society of Accountants (NSA), which held a “boot camp” in Atlanta to train the organization’s members in methods for defeating the UAA — this despite the fact that a former NSA president, Milton Brown, was the 1998-99 Chair of NASBA. NASBA leaders were puzzled by the NSA’s opposition because they felt that they had worked diligently to allay the fears about the provisions of the UAA that affected NSA members.

The drama behind the scenes was probably the most interesting aspect of the 1998 UAA. During the mid-1990s, the AICPA, particularly when Ron Cohen and Robert

Mednick chaired the AICPA, pushed for national licensing. The AICPA leaders were convinced that the present state licensing system was not workable. Since the UAA Committee is a joint NASBA/AICPA committee, it was difficult to come to an agreement on what a UAA should look like when one of the groups did not support state licensing. Basically, John Greene (South Carolina), who was NASBA Chairman in 1996-97, made many speeches emphasizing that “a CPA is a CPA”; from the public’s point of view, all CPAs should be competent in whatever services they are offering regardless of the state in which they are licensed. States should be able to rely on each other to ensure that competence.

The educational requirements in the UAA were the concern of NASBA’s Education Committee in 1999-2000. K. Michael Conaway (Texas) was appointed as the Chair of NASBA’s Education Committee. The committee was, and has been, comprised of both academics and accountants in practice. Its initial focus was to consider the merits of the 150-hour education requirement and develop recommendations that would establish standards and guidance for what would be considered an acceptable 150-hour education requirement. Concerns had been expressed over the years that many institutions, rather than developing quality five-year programs, had instead extended a number of their courses to qualify as offering 150 hours of education. The committee was to give consideration of the issues and then provide recommendations to clarify the education requirement in the UAA Model Rules. The committee also considered the merits of distance learning and their potential implications to a qualifying education program [Spackman, December 26, 2006].

In 2002, Mike Conaway, NASBA Chair, reappointed Michael Weatherwax to a second year as NASBA UAA Committee Chair. In the first meeting of the 2002-03 UAA Committee, an aggressive agenda of rule changes was proposed. At this time, the UAA, consisting of both statute and rules, was a joint project between the AICPA and NASBA. The NASBA Committee, anticipating AICPA UAA Committee objections to most of the NASBA proposals, decided to follow a recommendation that Weatherwax had made that the UAA statute remain a joint undertaking, because of the need for the AICPA’s assistance in getting statute changes through the various state legislatures, but that since the rules were enacted by Boards exclusively, AICPA approval was not needed in developing or finalizing the UAA Rules. NASBA’s agenda for rules changes and its decision to assume control of the UAA rule-making process were presented to the Joint AICPA/NASBA UAA Committee in a meeting in Chicago in the fall of 2002.

As might have been expected, the AICPA Committee objected both to the rules proposals and to the NASBA initiative to take over the UAA Rules.

In its January 2003 meeting, the NASBA Board of Directors affirmed the NASBA UAA Committee's recommendation that NASBA assume full responsibility for the UAA Rules. The AICPA Board of Directors reluctantly went along with this proposal in the spring of 2003. As it now stands, the AICPA and NASBA work jointly in developing revisions and additions to the UAA Statute, with all such changes requiring approval of both the AICPA and NASBA Boards of Directors before they are reflected in the UAA. The AICPA UAA Committee still has a significant advisory role in the development of the UAA Rules, but it is the NASBA UAA Committee and NASBA Board of Directors that ultimately have sole responsibility for UAA Rules [Weatherwax, November 2006].

As a result, in July 2004 aggressive rules proposals from the NASBA UAA Committee were adopted by the NASBA Board. These rules included:

1. Established the requirement that adverse or second modified peer review reports be submitted to the boards of accountancy that license or register the CPA firms.
2. Established the requirement that licensees must comply with all of the promulgated professional standards that are applicable to a particular engagement.
3. Established the requirement that attest documentation is to be retained by CPAs and CPA firms for a period of seven years.
4. Established the requirement that judgments or settlements of civil actions of \$150,000 or more in cases involving gross negligence, violation of specific standards of practice, fraud or misappropriation of funds in the practice of public accounting are to be reported to the BOA within 45 days. In addition, criminal charges are also to be reported.
5. Extended the substantial equivalency concept of practice privileges to those CPAs who have practiced public accounting for at least four of the last ten years.

By 2003, NASBA's National Qualifications Appraisal Service had determined that 45 states had adopted education, examination and experience requirements that made their state's licensees substantially equivalent to the then existing third edition of the UAA.

Nevertheless, only a handful of these 45 jurisdictions would accept licensees from other jurisdictions on the basis of substantial equivalency to the UAA, thereby penalizing licensees and the general public [Costello, 2003, p. 3]. Since the recently adopted Sarbanes-Oxley Act caused the Government Accountability Office (GAO) to look into the competitive status of the accounting profession, NASBA leaders felt that it was time to recommend a revised UAA — one that would place greater emphasis on the need for interstate reciprocity. Sam Cotterell (Idaho) chaired the committee to revise the document.

In December, 2005, both NASBA and the AICPA boards of directors approved the fourth edition of the Uniform Accountancy Act. One of the primary goals of the 2005 version of the Act was to increase mobility without sacrificing regulatory authority and to remove unduly complicated procedures for licensees and state boards. A major change in this regard included a requirement that CPAs must define their principal place of business for purposes of substantial equivalency and reciprocity.

Sec. 7(h) of the UAA was revised in 2005 to allow Boards to adopt rules related to the transparency of mandatory peer reviews that: 1. Require any administering agency (AICPA and State Societies) to submit itself to evaluation by the state board or its designee to assess the effectiveness of the peer review program it administers; 2. Require the administering agency to provide information to the state board that is designated in rules adopted by the state board; and 3. Require that licensees timely remit such peer review documents as may be specified by the state board. Even though the AICPA has an equal vote in the adoption of the UAA Statute provisions, that organization indicated by a footnote added to Sec. 7(h), provisions 2 and 3 above that “Due to its 1988 commitment to its members; the AICPA cannot support this provision at this time.” The 1988 commitment was that if AICPA members would approve mandatory peer review, the results of those reviews would not be made public.

David Costello and Michael Weatherwax met with AICPA Chair Robert L. Bunting and AICPA CEO Barry Melancon for about five hours of heated discussion in March 2005 in Dallas to pound out compromise language for Sec. 7(h). The AICPA’s footnote was a part of the final result of that meeting. It was, and still is, NASBA’s contention that the peer reviews that the AICPA and state societies might be doing in the 39 states where peer review is a requirement for firm license renewal are not AICPA peer reviews subject to the 1988 commitment. Those reviews in mandatory states are conducted by the AICPA or state societies as a contracting agency for the state board. The leadership

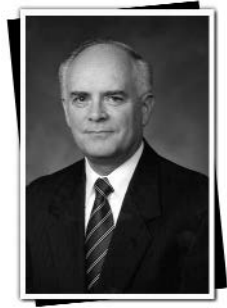
of NASBA believes that state law should effectively trump a commitment to the membership of the AICPA made as a way to get the members to vote in favor of peer review as a voluntary membership requirement.

It was the AICPA's intention to take the transparency issue back to its membership for a vote to amend the 1988 commitment, at least as it applies to disclosure of peer review reports to state boards. The AICPA formed a Transparency Task Force on which Tom Sadler (Washington) and Dan Dustin (New York) served as NASBA representatives. The AICPA also began an intensive educational process of its members prior to a vote that was originally planned for late 2006. However, from surveys and member forums, it became clear to the AICPA leadership that if a vote was held, it would fail and the AICPA would have a significant public relations problem.

In October 2006, the AICPA informed NASBA that it had found a way to comply with the provisions of the UAA Statute without going to a member vote. Using a phase-in period for peer reviews over the next three years, the AICPA would submit peer review reports to appropriate state boards in states where peer review was mandatory unless the reviewed firm specifically elected out of such reporting. If a firm elected out of having the AICPA submit its peer review reports to appropriate state boards, the AICPA would provide state boards with the names of the firms electing out. State boards would then request the peer review reports directly from the reviewed firms. This was a solution suggested to the AICPA by the NASBA Compliance Assurance Committee in late 2005.

[Weatherwax, November 2006].

The issuance of a new Uniform Accountancy Act may not be an easy task, but it is easier than getting such Act adopted in 55 jurisdictions. In fact, by mid-2006, only 49 of the then 54 jurisdictions (approximately 90 percent) had entry requirements that were substantially equivalent to the third edition of the UAA (and that excludes the adoption of the concept of substantial



Dennis Spackman (Utah), NASBA Chair 1999-2000, led the re-established Ethics Committee in 1997. The committee encouraged state boards to require CPA candidates to pass an ethics examination.



equivalency), but less than half had streamlined mobility as envisioned in UAA Section 23. By mid-2006, there had been 33 jurisdictions that had adopted some form of the substantial equivalency provision; however, in some states the concept was not specifically defined as being the “substantial equivalency” provision [Thompson, 2006, p. 39]. Thus, just as the 1998 UAA has not been fully adopted, the new 2005 Act is certainly not yet law in most states, but state boards of examiners and state societies of CPAs have new guidance when the opportunity for revised legislation presents itself.

## Ethics Committee Activities

Although ethics had been the subject of discussion by numerous NASBA committees over many decades, that activity was to crystallize in the late 1990s. An Ethics Committee was reestablished in 1997 with Dennis Spackman (Utah) as the committee’s chair. The committee began its work by encouraging state boards to require CPA candidates to pass an ethics examination and to consider adopting an ethics continuing professional education requirement. The committee also established a Technical Study Group, led by Sheila Birch (Ohio), to encourage and help state boards to respond to ethics and professional standards exposure drafts issued by the AICPA, SEC and ISB. Sheila Birch also led the Ethics Resource Task Force, together with Professor Philip Wolitzer (Long Island University — Brooklyn), in conducting a survey to determine the effectiveness and success factors of state boards that had ethics examinations and continuing education requirements.

Two national ethics forums were held in 1999 and 2000 in the Washington, DC, area. These forums were co-sponsored by NASBA, the AICPA and AAA.

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*“The sponsors share common concern that the current rules of professional conduct may not be sufficient to meet the challenges facing the accounting profession, i.e., new and non-traditional services being offered by accounting firms, globalization, ownership of CPA firms by non-CPAs in alternative business structures, etc.” [Joel Rogoff, 1999].*

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The objective in advancing these “first-time” forums was to put before the professional community some of the profession’s most prominent leaders to present their views on the challenging issues facing the profession. Held in Arlington, VA, and

chaired by Joel Rogoff (New Jersey), the 1999 forum's theme was "Ethics Under Stress." Throughout the Ethics Forum's planning, Rogoff was fighting cancer, which soon after forced him to resign his position as NASBA Vice Chair.

Forum presenters included Chief Accountant for the SEC, Lynn E. Turner, ISB Chairman William Allen, CUNY Professor Douglas R. Carmichael (later chief auditor for PCAOB), and business philosopher Norman Bowie. Lawrence Ponemon of Bentley College spoke on the importance of "Fact and Appearance." The conference included a panel expressing views on what they believed were the most pressing issues the profession was facing as it entered the 21st century. This panel was comprised of: Robert J. Hyde, Minnesota State Board of Accountancy; Robert L. Gray, Former Executive Director of the New York State Society of CPAs; Richard L. Fair, New Jersey State Auditor; Mary Beth Armstrong, Chairman, AAA Ethics Committee; Mary Kurth, Consultant, RHI Management Resources; former Division Controller, Cargill Financial Markets; and Paul Koren, Director of Audit, Goldstein Golub Kessler.

The 2000 forum, also held in Alexandria, VA, focused on the public interest concerns of the 21st century. SEC Commissioner John Morrissey was a featured speaker. The morning session included a panel that discussed the profession's ethical issues related to alternative practice structures. The presenters of this panel were Michael Greenspan, Jerry Golub, Jeff Yabuki, Douglas Carmichael, Robert Gray and Robert Sweringa. Another panel discussed the ethical conflicts that might arise from expanded non-audit services and was comprised of John Guinan, Gerald Burns, Neil Minnow and Douglas Carmichael. Marilyn Pendergast, Charles Heeter and Chuck Hortsman came together in an afternoon panel to discuss the issues of finding common ground in efforts to harmonize international and U.S. professional ethics. The concluding panel discussed the ethical dilemmas of multi-disciplinary practices. The forums served as an important neutral ground for sharing contrasting views on such issues as independence, alternative practice structures, tort reform, and specialty designations [Dennis Spackman, December 26, 2006].

In 1999, Chair Spackman established the Joint AICPA/NASBA Model Code of Conduct Task Force to consider the independence implications associated with the rapidly expanding scope and nature of services and products being offered by the profession. The profession responded to these concerns with a proliferation of new rules and standards that had become complex and burdensome. The Task Force's charge was to revisit the AICPA's Code of Professional Conduct and make

recommendations for change that would help ensure its relevance to the changes taking place in the profession. The Task Force included from NASBA: Gordon Reische (Louisiana), Harold Russell (Oklahoma), and Dennis Spackman (Utah) and from the AICPA Frank Pearlman Chair, Professional Ethics Executive Committee; Russell Meyers (Virginia), AICPA Ethics Committee; Robert Gray (New York), AICPA Ethics Committee; and Herbert Finkston, AICPA Director, Professional Ethics. The Task Force spent almost three years working through and considering the implications of the changing nature of the profession and the relevance of the Institute's Code of Conduct. Additionally, they reviewed the codes of conduct of the medical, legal, architectural and engineering professions, as well as the codes of ethics of accounting professions of other countries.



The NASBA Center for the Public Trust builds confidence and trust in American corporations and institutions, and the professions that serve them.

At the time, the UAA did not contain a Code of Conduct, but instead assumed that state boards would adopt a code by reference in their individual rules. Most states adopted the AICPA's Code of Conduct by reference. The Task Force developed a code that was comprised of seven principles: public interest, integrity, objectivity, due care, competence, confidentiality and independence. In other words, it retained the AICPA Code's principles of public interest, integrity and due care without substantive change. The principle of "competence" was taken from the principle of "due care" and made a new separate principle. The principle of "objectivity" was also separated from the principle of "independence" to give explicit recognition and focus to attest services and to redefine the principle of "objectivity," giving it universal application. "Competence" was a new principle. And the old principle of "responsibilities" was incorporated into the new principle of "public interest." The former principle of "scope and nature of services" was incorporated into the other principles [Spackman, December 26, 2006].

The Task Group advanced the proposed Code through each of their organization's Ethics Committees. After some deliberation, both NASBA's Ethics Committee and the AICPA's Professional

Ethics Executive Committee recommended their parent organizations adopt the proposed Model Code. Unfortunately, the AICPA was aggressively engaged in promoting its e-portal and a new professional credential, XYZ, which was eventually labeled, Cognitor. While advancement of the proposal was stalled, other groups focused on independence issues. However, the worth of the proposed principles-based code was not forgotten by succeeding NASBA Ethics Committees and its adoption was included in the Model UAA Rules proposed at the end of 2006. Eventually, some of NASBA's ethics activities were assumed by a new organization, the Center for the Public Trust.

## NASBA Center for the Public Trust

One of NASBA's newest initiatives is the NASBA Center for the Public Trust. Following the early 21st century accounting problems at Enron, WorldCom, and other companies, NASBA's leadership felt it was in the public interest to create an organization to support business ethics. The Center's mission is to build confidence and trust in American corporations and institutions, and the professions that serve them. This is to be accomplished by the Center becoming one of the premier resources for ethics and leadership. Goals include affirming and encouraging what's right, showcasing best practices, providing forums for ethics education, and promoting a positive perspective.

The Center, established in 2004, was the brainchild of NASBA's president, David Costello, who became concerned about the negative publicity that the accounting profession and business in general were receiving following the Justice Department's case against Arthur Andersen and the firm's high-profile fraudulent clients. Realizing that the media was focusing on these few high-profile cases, Costello envisioned an organization that would focus on the great majority of corporations and managers who were acting



Milton Brown (New Jersey), Past Chair of both NASBA and NSA, has been the volunteer chair of the NASBA Center for the Public Trust since its founding in 2004.

in an ethical manner. A NASBA staff member, NASBA's Business Initiatives Director Lisa Axisa, was selected to spearhead the start-up of the Center. With a strong background in public relations, Axisa came to the Center as the key staff person then working with the Examination Review Board and one who had inaugurated the CPE Sponsor Registry. Milton Brown (New Jersey) has been the volunteer chair of the Center since its founding.

The Center has begun accomplishing its objectives by sponsoring conferences around the nation and starting an annual ethics award program. The first event was "A National Dialogue on Revitalizing Public Trust" held in Washington, DC, on September 15, 2005. An ethics certification program is in the planning stage, as are an ethics hotline service, a quarterly magazine and a book on ethics and leadership. The Center has been incorporated as a separate 501(c)3 organization and is funded by donations from public corporations and individuals. Alfonzo Alexander has been added as vice president for development. He previously worked successfully to build the "Inroads" program in Tennessee. Hopefully, as a result of the Center's work, there will be a renewed confidence in the accounting profession and its oversight.

The Trust's awards program recognizes individuals and organizations who demonstrate high standards of social responsibility and ethical leadership and who inspire others to also demonstrate innovative responses to ethical challenges. The initial awards ceremony was held at the Fernbank Museum in Atlanta during NASBA's 99th annual meeting in 2006. The first recipients of the Trust's "Being a Difference Awards" were Kendrick B. Melrose, former CEO of the Toro Company, John C. Lovell, Jr., CPA, and John C. Lovell, III, CPA. Melrose authored a 1995 book entitled *Making the Grass Greener on Your Side: A CEO's Journey to Leading by Serving*. While at Toro, Melrose chose to manage for long-term value and success rather than short-term profit. He implemented a company culture to instill and act on values that placed his employees first. The Lovells are partners in a New Orleans CPA firm. The father manages the accounting



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- CPEtracking
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- National Registry of CPE Sponsors
- Quality Assurance Service (QAS)
- CredentialNet

practice, while the son engages in worldwide sailing competitions, including the 1996, 2000 and 2004 Olympics where he won silver medals each time. “Johnny is one of the few world-class sailors with a ‘real job,’ and is being a difference through his dedication to the challenge of representing the US in an Olympic sport while being fully engaged in the accounting profession” [“NASBA CPT..., 2006, p. 3].

## Accountancy Licensee Database

NASBA’s most long-term project surely must be the idea of a licensee database that includes all CPAs in the country. In October, 1974, NASBA President Andrew Marincovich presented his vision of such a database to the attendees at the annual meeting. He, along with AICPA President Samuel Derieux, had even appointed a joint committee “to determine as expeditiously as possible how such a registry might be established and what data it might contain.” The NASBA representatives on the joint committee were Louis W. Matusiak (Illinois) and W. Douglas Sprague (New York). Still, the database did not get created. In subsequent years, several NASBA committees voiced similar recommendations. However, little in

the way of constructive activity followed; critics argued that it was simply too difficult to get 54 jurisdictions to keep such a database up to date, regardless of the benefits that would accrue in terms of protecting the public from unlicensed practitioners. Given the state of computer technology and the communications systems of that era, perhaps the critics were right.

Finally, in October 2003, the NASBA Board of Directors approved the establishment of such a database. By August 2005, the Accountancy Licensee Database (ALD) was launched with four participating pilot states. The ALD has been designed to provide a



The NASBA Web site ([www.nasba.org](http://www.nasba.org)) focuses on the needs of the member boards and CPA exam candidates.

resource to the public for finding licensees and firms in good standing, and to assist accounting firms in satisfying their employees' licensure requirements. The ALD should aid state boards in their enforcement efforts, facilitate substantial equivalency and provide PCAOB and other regulatory agencies with validation of licensees. The ALD has four levels of security access—from state boards through public access.

Even before it was fully operational, the ALD proved to be a valuable resource. Hurricane Katrina hit Louisiana in August 2005. Fortunately, the Louisiana State Board was a pilot participant in the ALD, which was used to restore critical licensee information for CPAs in that state. Because of the backup system provided by the ALD, which stored the data relating to Louisiana licensees far away from the storm-hit area, the Louisiana Board was able to have immediate access to records needed to assist their displaced professionals. NASBA's Nashville headquarters even served as a conduit for phone calls to the Louisiana Board, with a Louisiana staff member working in the Nashville office ["Hurricane...," 2005, p. 3].

Another recent source of information for the general public was inaugurated with the creation of the NASBAtools.com Web site in the summer of 2006. The new Web site focuses on the compliance needs of members of the accounting profession, while the original NASBA Web site, [www.nasba.org](http://www.nasba.org), focuses on the needs of member boards and CPA candidates. The newer website, [www.NASBAtools.com](http://www.NASBAtools.com), includes access to six services: CPETmarket, CPETtracking, Accountancy Licensing Library, National Registry of CPE Sponsors, Quality Assurance Service (QAS) and CredentialNet.

## Controversy Over Education Requirements

After two years of discussion, on February 28, 2005, the NASBA Education Committee, chaired by Kathleen J. Smith (Nebraska), circulated a draft of proposed changes to Rules 5-1 and 5-2 of the Uniform Accountancy Rules, as they concerned the collegiate education of CPA applicants. The purpose of the changes was to give more specificity to the 150-hour requirement and encourage university accounting programs to devote more attention to ethics, communication, research and analysis skills. In fact, one of the recommendations was for candidates to have taken six semester hours of coursework in business and accounting ethics. The proposal was intended to answer critics of the 150-hour requirement who said some candidates were getting their 120-

hour degrees and then filling in the additional 30 hours with inconsequential “basket-weaving” courses. The full NASBA Board had approved, in concept, the idea of requiring ethics courses at its July 30, 2004 meeting. The exposure period was initially to extend to June 30, 2005, but was later changed to August 26, 2005.

Responses were received from 178 different state boards, state societies, colleges and universities, accrediting organizations, national firms, and even from individuals. In his 2006 inaugural address, 2006-07 NASBA Chair Wesley Johnson summed up the situation with the following lines: “Last year we had a major disaster in the form of Hurricane Katrina. A small disaster was the report of the Education Committee” [Johnson, 2006]. After review of the responses, which were, for the most part, negative, the Education Committee recommended to the NASBA Board of Directors that they table the proposal. On October 28, 2005, the NASBA Board of Directors approved the recommendation of the Education Committee and tabled the proposal.

In December 2005, the 2005-2007 Education Committee Chair, Billy M. Atkinson (Texas) created a task force with representatives of academia and accrediting agencies. The task force developed a general framework and exposed it for comment in March 2006. Later that year, the Education Committee polled the member boards on various aspects of education. In response to comments from the original exposure draft, the draft framework and the questionnaire, the committee held a Joint Panel meeting on April 30, 2007.

Although the results of the Joint Panel are not available at press time, the 2005-2007 attempts to change accounting education requirements in the UAA made educators aware of NASBA. Every meeting of educators, and some meetings of practitioners, had sessions on how to respond to NASBA. People who had never heard of NASBA were made aware of NASBA’s significant role in the accountancy licensure process. In retrospect, the attention may actually have benefited NASBA’s image; although few people agreed with all the changes proposed by NASBA, including some groups within NASBA, there was wide recognition that state boards had the power to do what NASBA suggested.



## Summary of NASBA's Tenth Decade

The closing years of NASBA's first century have been a time of great activity, considerable controversy, and superior service to its members and even to the accounting profession. The accounting profession itself faced many dilemmas during NASBA's tenth decade, which created more than the normal amount of work for state boards of accountancy and for the leadership and staff of NASBA. In the early years of this final decade, the Uniform Accountancy Act Committee took on many of the accounting profession's most difficult issues and, in spite of strong positions by other organizations, was able to advance proposals and decisions that would benefit the public interest. Gerald Burns, John Peace and Barton Baldwin were outstanding chairs of the UAA Committee during these difficult times. The result was the 1998 Third Edition of the Model Accountancy Act. This was followed by a period during which the accounting profession became splintered as it wrestled with independence issues. The AICPA struggled to redefine the profession with a campaign to create an XYZ credential — a credential that was supported by the AICPA leadership, but voted down by the membership, which created questions as to what role the CPA certification would hold in the future. NASBA responded to these challenges with a number of task forces and new committees. Under the leadership of Michael Weatherwax, NASBA took control of the Model UAA Rules to ensure that the public came first.

The subject of international reciprocity was a continuing complex and time-consuming activity that essentially spanned the past two decades. Because of the lengthy germination period, many people worked toward the recognition of international professionals, but Harris Widmer, John Greene and Nathan Garrett, along with diligent committee members like William Treacy, Kay Carnes, Charles Calhoun, Barton Baldwin, Sonia Gomez de Torres and others, championed the various agreements with non-US organizations.

As a result of the passage of the Sarbanes-Oxley Act, which Congress created in response to accounting frauds at Enron and WorldCom, the profession had to deal with a new authoritative body in the guise of the Public Companies Accounting Oversight Board (PCAOB). This brought new challenges to state boards and ultimately to NASBA. NASBA responded by communicating regularly with the PCAOB, supporting a

computerized CPA Examination and creating the Center for the Public Trust. Even the Accountancy Licensee Database, although discussed for 30 years, was partially responsive to the requirements of PCAOB for validation of licensees. The 2005-2006 proposal to change accounting education requirements was also directly attributable to the aforementioned accounting frauds in that it called for an increased emphasis on the teaching of ethics.

Despite the recent emphasis on Sarbanes-Oxley and PCAOB, these were not the only problems addressed by NASBA during the decade; two new editions of the UAA were issued during the past ten years to address such issues as the 150-hour requirement, whether non-CPAs could be owners of firms, experience requirements, transparency of peer reviews and reciprocity among different jurisdictions. The leadership was faced with formidable challenges, but the organization had the resources to meet them. Thanks to the information technology that NASBA had embraced, the organization was able to provide enhanced services for the Uniform CPA Examination's candidate processing, develop a long dreamed of database of license information and more quickly and efficiently communicate with member boards and other interested parties. As a result of all of this activity, NASBA closed its tenth decade as a more widely known entity than it was at the start of the decade. That is a good way to end NASBA's first century. Accompanying the high level of activity has been a favorable financial position. The organization's unrestricted net assets more than quadrupled during the decade.

Although he was referring to the Enron and WorldCom frauds and the subsequent passage of the Sarbanes-Oxley Act, President David Costello's comments to the NASBA board in April 2003 are an appropriate summary of the past decade:

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*“Not in my history as a CPA have I seen as many changes affecting the accounting profession as have happened in the past 18 months — nor as many opportunities for regulators, especially those at the state level, to make significant changes to improve how our profession does its job and how the public perceives us” [“Board Approves...”, 2003, p. 1].*

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All you have to do is change “18 months” in the above quote to “past decade,” and you have a description of accountancy changes and NASBA's opportunities for the foreseeable future.

At the 2001 Annual Meeting, Nathan Garrett introduces the panel including John Peace, Daniel Dustin, Amanda Birrell, Michael Conaway, Diane Rubin and David Vaudt.



Kathleen Smith (with Wesley Johnson) discuss education issues during the 2005 Western Regional Meeting.

David Costello and David Vaudt address the attendees at the 2004 Western Regional Meeting.



## Chapter Eight:

### Summary and a Look to the Future

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*“Accounting and auditing are the enemies of corruption. They are lubricants that enable individuals and businesses to function honestly and effectively in an increasingly complex economy. We should be proud of our roles as regulators, proud that we play a part in the financial guardianship of our community. In a sense, NASBA is the flag-bearer for this endeavor and, accordingly, I believe that its work is critically important not just for the accounting profession but for the country as well.”*

*Diane M. Rubin, 2005*

*“The National Association of State Boards of Accountancy is a social institution. All social institutions exist only as long as they serve a purpose useful to society. In times of rapid change, such as those in which we live, there is a constant danger that the original purposes of any institution may become inadequate to meet the needs of society, or may even become obsolete. The members of the institutional group, or those who control it, may become preoccupied with the preservation of the institution itself, for its own sake, and lose sight of the necessity for continual adaptation to meet society’s changing needs. But those who cling to the comfortable, familiar ways may gradually slip into obscurity. The future belongs to those who are energetic, imaginative, and bold.”*

*William H. Van Rensselaer, 1972*

**W**ith its roots represented by such individuals as its first president Homer A. Dunn, its 1935 co-founders Durand Springer and Norman Webster, and such accounting leaders as P. K. Seidman, Sidney Winter, Ralph Johns, J. William Hope, Russell C. Harrington, and Howard Stettler, NASBA has been the beneficiary of service from many in the accounting profession. Throughout its 100-year history, NASBA has worked closely with the AICPA to promote the adoption of uniform CPA examination, education and experience requirements in the various jurisdictions,

uniform codes of ethics and CPE requirements, and uniform accountancy laws and state board regulations. Initially, these measures were accomplished through a partnership with the AICPA, but as the organization grew stronger and matured, NASBA became more and more independent of the professional organization until, in the mid 1970s, the two groups became completely independent. Such independence is certainly appropriate given the differing objectives of the two groups. Whereas the AICPA has a goal of promoting the interests of CPAs, NASBA's goal is to work for the state boards to protect the public interest. In many instances, these different objectives result in mutual interest and cooperation, but not always. State board members must always remember their obligation to the public.

NASBA does indeed serve the interests of the accounting profession by providing the force to unite the state boards and promote the adoption and enforcement of uniform licensing standards, but the motivation for doing this does not stem from a goal to benefit CPAs, but to protect the public that depends upon the services of the CPA. Undeniably, NASBA could make life easier for CPAs through uniformity across jurisdictions, but that is a by-product of the regulatory effort.

NASBA is needed; while the practice of public accountancy may be national or even international in scope, the licensing of accountancy is one of the activities reserved to the states. Hence, there is a need for an organization that can foster cooperation and communication among 55 regulatory boards and help bring about agreed upon standards; NASBA is in a position to accomplish that goal. Naturally, the history of NASBA has often been influenced by the same events that influenced the history of the AICPA — a statement that can also be said about the future of the two organizations. However, because of the sometimes differing objectives of the two organizations, the environmental influences will affect the two associations differently.

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Although NASBA's balance sheet in fiscal 2006 shows over \$17 million in assets, the most valuable assets are not reported — namely the volunteers who perform so much of the organization's work and the NASBA staff who diligently serve the state boards. The presidents and chairs who have led NASBA, the other officers, and the people who have headed and served on committees have all played a major role in the entity's success. The face of NASBA is its people, and for most of its history it has been a primarily volunteer organization. Why do state board members, who have plenty of other work to do, volunteer to contribute their time and skills to NASBA? The answer is the satisfaction from knowing that they are providing a service to a profession they respect, its clients, and the general public. NASBA serves the public interest through its service to its members.

In her inaugural speech, 2005-06 chair, Diane Rubin quoted Sir Winston Churchill, who once said, "We make a living by what we get, we make a life by what we give." Rubin estimated that as a group of regulators, NASBA members volunteer over 30,000 hours of service per year [Rubin, 2005]. If Churchill was right, NASBA members should have great lives. Although the past chairs have been often mentioned in this volume, readers should be reminded that most of the events that take place in a chairman's year of office have roots extending back over many years of committee work and the concerted efforts of faithful committee members. Thus, there are times when a chairperson gets "credit" for shepherding some new facet to the organization, but there are many other volunteers who often deserve equal credit.

The results of the volunteer efforts have been impressive. Just as more than a hundred years as a licensed profession has achieved recognition for the CPA, such can also be said for NASBA; the organization's 100-year heritage has produced a legacy of trust and service to state boards. Yes, the efforts and achievements of the first 80 or so

years were more limited than those of the past 20, but given the size of the organization's infrastructure in those early years, the results were just as impressive per unit of input. Just as state boards must strive to be responsive to their constituents, so too must NASBA strive to be responsive to its state board constituents.

## Where Do We Go From Here?

NASBA continues to work toward meeting all of its objectives, striving at increasing the effectiveness of state boards. A reading of this book will authenticate that obvious observation. For example, almost every chapter discussed national uniformity and reciprocity. Progress has been made in every decade, but the battle is not over; the scope and reach of professional practice continues to grow and much work remains to be done in areas such as reciprocity between the states, international reciprocity, transparency of peer review, comparability of foreign professional examinations, and the four Es (education, experience, examination and enforcement). However, the crux of the problem is that NASBA's work is subject to the foibles, strengths, and weaknesses of 55 state and territorial legislatures.

2006-07 Chair Wesley Johnson has suggested a program on mobility that would help solve some of the problems created by the lack of uniformity. Johnson's approach is basically "no notice, no fee and no escape." He wants licensed CPAs to be able to practice in states where they are not licensed without giving notice or paying a fee to the state where the practice is being conducted, but those doing audit would need firm registration in the states where their clients are based. This streamlining of reciprocity also calls for the CPA to be automatically subject to the rules and regulations of the state where practice is occurring, and there will be no way to escape that state's requirements.

The international nature of accounting practice has also been



Wesley Johnson  
(Maryland), Chair  
2006-2007,  
promoted UAA  
changes for "no  
notice, no fee, and  
no escape."

recognized by President Johnson as he appointed task forces to respond to international exposure drafts, to consider an international conference, and to make the examination available abroad.

NASBA has several new programs awaiting implementation, and there will certainly be more that are yet to be dreamed of. Plans for a Compliance Assurance Review Board (CARB) were approved by the Board of Directors in July 2006, based on a recommendation from the Compliance Assurance Committee chaired by Thomas J. Sadler (Washington). The plan is for CARB to assume responsibility for an independent oversight of the administration, standards, qualification of reviewers, and quality control process of any provider of peer review services. CARB will also oversee inspection services adopted by state boards of accountancy for the purpose of initial licensure and relicensure of firms performing attest services. However, CARB's oversight function will not apply to the public practice portion of firms that are subject to PCAOB oversight. Once implemented, it is expected that CARB will bring transparency to the peer review oversight process. The objective is to assist state boards in assuring the sufficiency and quality of compliance assurance activities in their state. Currently, peer review programs receive quality assurance review from the AICPA, which brings into question the independence of the programs and the possibility of bias toward the CPA who is the subject of the review [Johnson, 2006].

Another service under consideration is a bureau of investigation that state boards can use to supplement their own staffs. State boards typically have staff members who investigate alleged ethical infractions by licensed CPAs. Is this the best arrangement? Perhaps outsourcing investigations to a NASBA division would be more economical for the boards. It would also be easier to handle a situation in which the alleged perpetrator is licensed in more than one state.

The NASBA staff is also considering offering a meetings service. The regular meetings staff does an outstanding job arranging the NASBA annual and regional meetings and the special interest meetings; so given that expertise, there might be an opportunity to expand that service to other organizations. The PCS division is already providing examination services to non-accounting professionals; offering meeting services to those same groups could be a profitable business opportunity.

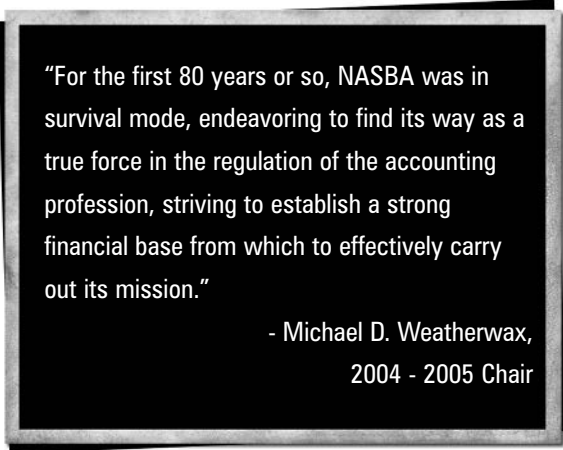
Still another service that has already been implemented at a pilot level is the providing of wall certificates. NASBA already provides attractive CPA certificates to Massachusetts; expanding that service to other states could be a major benefit to some



other state boards. Projects in the ethics and communications areas are also under consideration.

Another activity, proposed by 2006-07 chairman Wesley Johnson, is the development of a program and plan to assure that the CPA Examination can continue to be provided in the event of a failure of the current delivery process by the AICPA and Prometric. The CPA Examination is a high-stakes program and any delays could be detrimental to individuals and the profession of accountancy [Johnson, 2006].

Diane Rubin's statement made in her 2005 inaugural address, quoted at the beginning of this volume, is appropriate as both a summary of NASBA's history and a guide to the organization's future. Accountancy is an important profession, and members of state boards have the duty to keep the profession worthy of the public trust. It is not only licensed accountants who are benefited by the work of state boards; state board members contribute to the welfare of the entire economy of the nation and the world. As long as NASBA serves a purpose, it will continue to exist, and can thrive. It



"For the first 80 years or so, NASBA was in survival mode, endeavoring to find its way as a true force in the regulation of the accounting profession, striving to establish a strong financial base from which to effectively carry out its mission."

- Michael D. Weatherwax,  
2004 - 2005 Chair

has lasted 100 years; but can NASBA extend its life far into the 21st century?

NASBA's future is probably brighter now than it has ever been. As Past Chair Michael D. Weatherwax pointed out in 2004, "For the first 80 years or so, NASBA was in survival mode, endeavoring to find its way as a true force in the regulation of the accounting profession, striving to establish a strong financial base from

which to effectively carry out its mission" [Weatherwax, 2004, p. 3]. Thus, NASBA's past, although glorious, was based on inadequate funding. Today, there is an infrastructure that provides revenues for programs, and the staff to execute those programs. Weatherwax went on to state: "...today we are standing on the shoulders of those who came before us. Without their significant efforts in that battle to survive, without their foresight in arranging a secure financial base, we would not have the opportunity or the resources to carry out the NASBA mission." However, it is not just history that is enhanced by standing on the shoulders of our forefathers. "On the

shoulders of those who came before us, we stand on a firm foundation, rich in the tradition of public protection. From that same vantage point, we are also afforded a view of the future.” Weatherwax concluded that the view of the future promised even greater leadership opportunities for NASBA as the representative of state boards of accountancy. The problems will be different, and in some cases the same, but the infrastructure and opportunities are in place. As long as NASBA can remain the “lead dog” in accountancy regulation, there is no reason to suspect that the future will be any less impressive than the past.

Following the completion of his term as Chair, Weatherwax disseminated a list of his “Top 10 Predictions for the Next Decade of Regulation of the Accounting Profession.” His predictions included “All 55 licensing jurisdictions will have entry level requirements that are substantially equivalent to those in the UAA.” This includes the 150-hour education requirement. Weatherwax’s second prediction is that within the next decade a significant majority (45 or more) of jurisdictions will recognize the substantial equivalency of other jurisdictions and allow cross border practice without undue bureaucratic restrictions. There will no longer be a need for reciprocal certification.

Perhaps the most radical of Weatherwax’s predictions is that within 10 years NASBA will have full control, if not ownership, of the development, content, delivery mechanisms, and administration of the CPA Examination. Actually, this idea is not really new: a 1974 committee reportedly suggested that NASBA

should take over the exam; a spirited discussion of the subject occurred at the 1988 annual meeting; and in 1989, the Texas Board submitted a resolution urging NASBA to assume responsibility for the preparation and grading of the exam with eight other states submitting resolutions in support of the Texas position. The board voted in April 1989 to let the AICPA keep the exam since that organization had been responsive to NASBA regarding the contents of the examination. However, the NASBA board again



addressed this issue in 1994 when the Minnesota and Nevada boards, along with the ERB, recommended that a committee be created to study NASBA's taking over the CPA Examination.

More likely to occur is Weatherwax's fourth prediction — that peer review will be mandatory for firm registration in all 55 jurisdictions. Thirty-nine states already have such a requirement, and the AICPA and NASBA have been working to come up with a procedure whereby state boards will have access to AICPA peer review results. The fifth prediction is that professional ethics standard setting and enforcement will be the responsibility of boards of accountancy. On behalf of the boards, NASBA will incorporate these professional standards through the UAA.

The sixth prediction, according to Weatherwax, is that all accounting and auditing standards will be developed by authoritative bodies designated by boards of accountancy and independent of the profession and professional associations. This idea recognizes the regulatory responsibility of boards to determine what constitutes generally accepted accounting principles and auditing standards. Neither NASBA nor the AICPA will have anything other than an advisory role in these standard setting bodies.

A seventh prediction, less controversial than some of the others, is that international accounting standards will become an element of the CPA Examination. Weatherwax did not mention another aspect of internationalization, namely the internationalization of the administration of the exam. Large numbers of non-Americans take the CPA Examination in Guam, because it is the closest jurisdiction to Asia. These individuals have no need for CPA licensure; they only want the prestige of holding an American certification in accountancy. Now, some states are considering offering the exam in foreign countries. Thus, in the summer of 2006, Diane Rubin appointed a committee to investigate the pros and cons of offering the exam in international locations. Wesley Johnson, the 2006-07 Chair, has expressed support for such moves to international locations: "These efforts will help to further establish passing the Exam as the international benchmark for professional accountants" [Johnson, 2006]. Despite the current support, offering the examination at international sites is not a new idea; a late 1990's task force studied the idea, but never reached a conclusion.

Another less controversial Weatherwax prediction is that all jurisdictions will adopt the AICPA/NASBA Statement on Standards for CPE. His ninth prediction is that

four to six hours of ethics will be required to meet the 120-hour CPE requirement over three years. Such courses will be based on the UAA and will thus be acceptable in all jurisdictions, regardless of the state in which the course is offered. Although several states have already adopted an ethics CPE requirement, the acceptable courses are typically state specific; thus, NASBA can provide a major service to practicing CPAs by bringing uniformity to the requirements.

The final Weatherwax prediction is similar to an earlier one—NASBA and state boards “will assume full responsibility for all aspects of the regulation of the accounting profession in the US to fulfill their mission of protecting the public. The AICPA will shift its focus to fulfillment of its mission by becoming one of the premier member service organizations in the US” [Weatherwax, 2006]. Some of these predictions have been made by others, some are already on the way to being fulfilled; others are more problematic. Since Weatherwax has publicized his predictions only recently, time will tell how prophetic he is.

Thirty-five years ago, President Joseph L. Brock questioned the future role of NASBA. His words make as much sense today as when they were first uttered:

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*Are the purposes for which NASBA was instituted, the manner in which is it presently organized, and the method in which is it currently operated, in step with the environment in which it now exists? What improvements can be made that will enable NASBA to better serve its members, the accounting profession as a whole, and the public at large in the years ahead? The success of this new effort should be of interest to every professional accountant and accounting firm, because the protection of the public, and the prestige of the profession will depend in large measure on the profession’s ability to achieve and maintain uniform national standards of competence and uniform national patterns of legal regulation [Brock, 1972, p. 1].*

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The “new effort” to which Brock was referring was the hiring of NASBA’s first full-time employee. Regardless, the words still have meaning for NASBA’s current and future leaders.

The regulatory environment in accountancy continues to evolve in the early 21st century, which was also a statement that could have been made a century ago when NASBA was founded. In 2003, NASBA President David Costello wrote in his monthly message in the *State Board Report*: “NASBA and state boards of accountancy have a

unique opportunity to lead in this renaissance of regulation. We can't lead by holding on to the past" [Costello, 2003, p. 3].

NASBA can use its history to build upon, but it must change with the times, as it always has. Perhaps NASBA could sit back for a while and rest on its laurels, but it cannot do that; complacency is the enemy of success. New volunteer leaders, and new environments, will take NASBA in new directions. Whatever the new direction may be, President David Costello feels that the business base has to be further developed. State boards are often under funded, so NASBA cannot survive on member dues. NASBA must provide more services to state boards, and do so without increasing fees to those state boards; it has to be funded via its business base. The future is bright for NASBA, but continued leadership that builds the business, while avoiding the bureaucratic, is essential.

Perhaps an emphasis on building the business base of NASBA is not an appropriate emphasis for a history of a service organization, but it must be realized that the goal of state boards of accountancy is to protect the public, and the goal of NASBA is to service and assist those state boards. Thus, everything that NASBA has done indirectly helped protect the public, and anything it does in the future will also protect the public if the goal is to assist the state boards. NASBA has experienced a rich history. The reason the organization has lasted one hundred years is because it has provided a needed service. No state board is forced to join NASBA, and no state board member is forced to serve on NASBA committees, but the rewards are there for those who participate. With this as its heritage, NASBA is poised to provide even greater public service in the future.

Finally, in the immortal words of David Costello, both the history and future of NASBA can be summarized:

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*NASBA will not coast into its 100th year, or beyond, resting on past accomplishments. We will be remembered for our persistence, our optimism, our confidence and success on behalf of the state boards in examination, UAA, peer review, education, ethics and other matters affecting the public interest [Costello, December 2006, p. 5].*



From left to right: Barton Baldwin, Michael Conaway, Ellis Dunkum, James Goad, and Princy Harrison at the 2003 Annual Business Meeting held in Hawaii.

1985-1986 Thomas Iino congratulates 2005-2006 Chair Diane Rubin at the 2005 Annual Meeting in Tucson, AZ.



Front row from left to right: Phil Gleason and Barton Baldwin; Back row from left to right: Thomas Sadler, Michael Daggett, Michael Weatherwax and Michael Conaway at the 2004 Annual Meeting.

## SITES OF THE NASBA ANNUAL MEETINGS

The 100 annual meetings have been held in roughly half of the states, but Maui, Hawaii, has been rather popular in recent years. The 2007 meeting will mark the third time in 11 years, and the 5th time in 23 years that the meeting has been held on Maui. California has hosted 11 meetings, while Washington, DC, has been the site of 12 meetings, but none since 1992. Atlantic City, NJ hosted six meetings, including the first one in 1908, but none since 1951. Forty meetings have been held west of the Mississippi River.

1908	Atlantic City, New Jersey		Memphis, Tennessee
1909	Denver, Colorado	1932	Indianapolis, Indiana
1910	New York, New York		Kansas City, Missouri (with AIA)
1911	San Francisco, California	1933	Milwaukee, Wisconsin
1912	Chicago, Illinois		New Orleans, Louisiana
1913	Boston, Massachusetts*		(with AIA)
1914	Washington, DC*	1934	Atlantic City, New Jersey
1915	Seattle, Washington*		Chicago, Illinois (with AIA)
1916	New York, New York	1935	Kansas City, Missouri
1917	Washington, DC		Boston, Massachusetts
1918	Washington, DC		(with AIA)
1919	Cincinnati, Ohio	1936	Dallas, Texas
1920	Washington, DC	1937	New York, New York
1921	Washington, DC	1938	Cincinnati, Ohio
1922	Chicago, Illinois	1939	San Francisco, California
1923	Washington, DC	1940	Memphis, Tennessee
1924	St. Louis, Missouri	1941	Detroit, Michigan
1925	Washington, DC	1942	Chicago, Illinois
1926	Atlantic City, New Jersey	1943	New York, New York
1927	Del Monte, California	1944	St. Louis, Missouri
1928	Buffalo, New York	1945	Chicago, Illinois
1929	Washington, DC	1946	Atlantic City, New Jersey
1930	Denver, Colorado	1947	Miami Beach, Florida
	Colorado Springs, Colorado	1948	Chicago, Illinois
	(with AIA)	1949	Los Angeles, California
1931	Philadelphia, Pennsylvania	1950	Atlantic City, New Jersey
	(with AIA)	1951	Atlantic City, New Jersey

## SITES OF THE NASBA ANNUAL MEETINGS

1952	Houston, Texas	1980	Incline Village, Nevada (not held at same time and place as AICPA)
1953	Chicago, Illinois	1981	Hilton Head Island, South Carolina
1954	New York, New York	1982	San Diego, California
1955	Washington, DC	1983	Washington, DC
1956	Seattle, Washington	1984	New Orleans, Louisiana
1957	New Orleans, Louisiana	1985	Maui, Hawaii
1958	Detroit, Michigan	1986	San Antonio, Texas
1959	San Francisco, California	1987	New York, New York
1960	Philadelphia, Pennsylvania	1988	San Francisco, California
1961	Chicago, Illinois	1989	Minneapolis, Minnesota
1962	New York, New York	1990	Cambridge, Massachusetts
1963	Minneapolis, Minnesota	1991	Maui, Hawaii
1964	Bal Harbour (Miami), Florida	1992	Washington, DC
1965	Dallas, Texas	1993	San Diego, California
1966	Boston, Massachusetts	1994	Dallas, Texas
1967	Portland, Oregon	1995	Atlanta, Georgia
1968	Washington, DC	1996	San Antonio, Texas
1969	Los Angeles, California	1997	Maui, Hawaii
1970	New York, New York	1998	Tucson, Arizona
1971	Detroit, Michigan	1999	Nashville, Tennessee
1972	Denver, Colorado	2000	Boston, Massachusetts
1973	Atlanta, Georgia	2001	Dana Point, California
1974	Seattle, Washington	2002	New Orleans, Louisiana
1975	San Antonio, Texas	2003	Maui, Hawaii
1976	Philadelphia, Pennsylvania	2004	Chicago, Illinois
1977	Williamsburg, VA (not held at same time and place as AICPA)	2005	Tucson, Arizona
1978	San Francisco, California (same as AICPA, different hotel)	2006	Atlanta, Georgia
1979	Walt Disney World, Lake Buena Vista, Florida (not with AICPA)	2007	Maui, Hawaii (100th meeting)

*\* The locations shown for 1913-15 are the sites of the American Association's annual meeting. However, this writer could find no evidence that the members of state boards of accountancy met separately at the meetings.*



## State Board Anniversaries

Alabama	1919	Nebraska	1957
Alaska	1960	Nevada	1913
Arizona	1919	New Hampshire	1921
Arkansas	1915	New Jersey	1904
California	1901	New Mexico	1947
Colorado	1907	New York	1896
Commonwealth of the Northern Mariana Islands	2003	North Carolina	1925
Connecticut	1907	North Dakota	1913
Delaware	1913	Ohio	1908
Florida	1927	Oklahoma	1917
Georgia	1908	Oregon	1913
Guam	2003	Pennsylvania	1947
Hawaii	1923	Puerto Rico	1945
Idaho	1917	Rhode Island	1906
Illinois	1903	South Carolina	1915
Indiana	1915	South Dakota	1917
Iowa	1927	Tennessee	1940
Kansas	1915	Texas	1915
Kentucky	1916	Utah	1959
Louisiana	1908	Vermont	1912
Maine	1967	Virgin Islands	1957
Maryland	1900	Virginia	1910
Massachusetts	1909	Washington	1903
Michigan	1980	Washington, DC	1978
Minnesota	1909	West Virginia	1959
Missouri	1909	Wisconsin	1913
Montana	1947	Wyoming	1911

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# Index

Ahler, James	52
Albrecht, Steve	151
Alexander, Alfonzo	179
Alexander, DeWitt	48
Allen, Noel	162, 165
Allen, William	176
Allyn, Robert	63
Anderson, George	94
Armstrong, Mary Beth	176
Atkinson, Billy	182
Axisa, Lisa	7, 132
Baer, Thomas	100
Bailey, George	34
Baker, J. Coalter	161
Baker, John	36, 38, 39, 71, 138-139
Baker, William	158
Baldwin, Barton	144, 148-149, 160, 184-185, 197
Barr, Andrew	58
Bates, James	76
Bayless, Scott	162
Beamer, Elmer	58
Bevis, Herman	28
Biek, Linda	52
Birch, Shiela	144, 176
Bishop, Ken	52, 90
Bisk, Nathan	68
Blake, Sarah	144, 146, 148
Block, Robert	76, 100
Blum, Bernard	142
Bowen, Willard	47, 54, 79
Bowie, Norman	176
Bowsher, Charles	76
Boyd, Ralph	17
Bradley, Bob	52, 131
Bradley, Fontaine	20



Briggs, Robert	12
Brock, Joseph	54, 58, 195
Broo, Ida	20
Brooks, Jack	74-75
Brooks, Robert	52
Brown, Milton	111, 114, 141, 144-145, 148, 157, 171, 179
Bruschi, William	121
Buchan, Leslie	27, 29
Bunting, Robert	174
Burns, Gerald	142, 144, 177, 183
Burns, Robert	162
Burton, Norman	19
Butterly, Otto	36
Caffyn, Harold	17
Calhoun, Charles	161, 185
Cardegna, Thomas	76
Carey, John	13, 18, 22, 38, 138
Carlucci, Angela	88
Carmichael, Douglas	160, 176-177
Carnes, Kay	185
Carr, Austin	17
Carroll, Jeremiah	116
Carroll, Richard	165
Chapman, Kathleen	158
Chase, William	12
Churchill, Winston	189
Clark, Roscoe	17
Clinton, Bill	155
Cloutier, Roger	47, 54, 63-64
Coffee, Melvin	100
Cohen, Ron	171
College, Bentley	176
Collinsworth, Diana	52
Comer, Roy	12
Conaway, K. Michael	4, 146-148, 158, 162, 164, 169-172, 197
Conik, M. C.	12, 27
Cook, Michael	75
Cooper, John	12
Costello, David	1, 4-7, 101, 104, 111, 113, 119, 140,

	143-146, 148, 150-151, 158, 160, 162, 164-166, 171, 173-174, 179, 185, 187-188, 193, 195-196, 199,
Costello, John	54
Cote, Joseph	7, 89-90, 111, 113, 130, 168-169
Cotterell, Samuel	148, 159-161, 173
Couchman, Charles	12
Cuneo, A. Henry	26
Curbo, David	131-132
Daggett, Michael	158, 162, 197
Dean, Walter	8, 12, 14, 16
Dechow, Carl	54, 79
Deeming, William	36
Delaney, Patrick	67-68
DeLorenzo, Karen	52
Denney, Richard	100
Derbes, Albert	76-77, 80, 100, 129-130
Derieux, Samuel	180
Diamond, Sam	47
Donnell, George	19
Dooner, Louis	74, 77, 138-139
Dratler-Haberman, Louise	6
Druehl, Earl	63
Dubois, Frank	9
Dunkin-Poitier, Johanna	166
Dunkum, Ellis	197
Dunn, Homer	2, 11, 12, 37, 106, 187
Dunn, Jimmy	80
Dustin, Daniel	52, 158, 166, 174
Ebel, Robert	40
Elliott, Robert	163
Ellis, George	17
Ellyson, Robert	76, 79, 81, 102, 137-138
Epstein, Helen	88
Fair, Richard	176
Fedde, A. S.	12
Finkston, Herbert	177
Forbes, John	17
Ford, Robert	117
Fox, Robert	158-159
Frisbee, Ira	26

Fruehauf, Welling	102, 119, 134, 139-140
Gamett, Bruce	144
Garner, Paul	33, 36
Garrett, Nathan	101-102, 111, 114-115, 118, 127, 139-140, 154-155, 185
Garter, Harold	100
Gasser, William	36
Gelfond, Larry	158
Geoghegan, Brooks	12
Gleason, Phil	197
Gleim, Irvin	66-69
Goad, Jim	197
Golub, Jerry	177
Gomez de Torres, Sonia	185
Goode, Richard	101, 114-115, 139-140
Grady, Paul	58
Gray, Robert	150, 160, 165, 176-177
Greene, John	102, 119, 127, 139-141, 144, 154, 157, 171, 185
Greenspan, Michael	177
Guinan, John	177
Haas, Timothy	52, 124
Hagen, Elizabeth	121
Hansen, Gaylen	160-161
Harper, Carl	100
Harrington, Russell	12, 20, 29, 187
Harrison, Princy	128, 147-148, 197
Harmon, Claud	15
Hatter, Elmer	12
Heeter, Charles	177
Hein, Harold	144
Henderson, Michael	52
Hepworth, Samuel	27
Hewitt, Conrad	165
Hoiekvam, Richard	150
Holm, William	12, 13, 23
Hope, J. William	12, 13, 16, 17, 19, 26, 187
Hord, Asa	142, 144, 150
Horton, Roy	131
Hortsman, Chuck	177
Howard, Donald	144

Hunter, George	12
Hyde, Robert	176
Iino, Thomas	74-77, 99-100, 110, 129-130, 133, 139-140, 197
Isserman, Richard	161
Jefferies, Larry	100
Johns, Ralph	37, 39, 40, 58, 187
Johnson, Norman	162
Johnson, Wesley	148, 182, 190-192, 195
Jones, C. Hunter	76, 92, 100, 139-140
Kane, Robert	23
Kaufman, Joel	38, 53, 109
Keller, James	12
Kelly, Lincoln	12
Kenny, Thomas	7
Kessler, Louis	116
Kigin, Michael	162
Kirch, Noel	102, 135, 139-140
Koren, Paul	176
Kurth, Mary	176
Kushel, Ely	37, 38, 52, 108-109
Lamden, Charles	47
Leathers, Park	85
Leffler, Edwin	12, 15
Leland, Thomas	17, 25
Levitt, Arthur	162-163
Lilly, Lewis	12, 16, 17
Lockheart, Earl	36, 39
Lorenz, Wanda	160
Lovell, III, John	180
Lovell, Jr., John	180
Lunn, Angel Jenkins	7
Lynn, Edward	46
Marincovich, Andrew	47-48, 50, 54-55, 180
Mason, Eli	59, 136
Mason, Jimmie Lee	142
Matusiak, Louis	73, 138-139, 180
McCarthy, Patrick	147
McDonough, William	160
McGaha, Mildred	52
McKague, W. A.	17

Medley, Mary	131
Mednick, Robert	116-118, 171
Melancon, Barry	174
Melrose, Kendrick	180
Mendes, Henry	17
Meyers, Russell	177
Miller, Robert	15
Minnow, Neil	177
Mitchell, J. Sydnor	54, 57-58
Morrissey, John	177
Neely, Fred	37, 39
Nicolaisen, Donald	164
Nielson, Ronald	158
Niemeier, Charles	162
Niven, John	12
Olive, George	17
Olson, Wallace	53, 79
O'Malley, Shaun	157
O'Rourke, Joseph	66
Pascarella, Stephen	100
Patten, Merrill	20
Peace, John	144, 147-149, 161, 183
Pearlman, Frank	177
Pedalhore, Earl	12, 25, 31, 32
Peebler, Richard	63-65
Pendergast, Marilyn	177
Perot, H. Ross	155
Perrin, George	17
Perry, Donald	27, 28, 29, 42
Persinger, R. L.	12
Peloubet, Maurice	12, 40
Phillips, Jay	12
Pitt, Harvey	162
Platt, A. Leighton	76, 88, 94, 138-139
Poche, Leon	142
Poneman, Lawrence	176
Porter, Barbara	52
Price, Leonard	39
Pugh, Will	142, 144
Pustorino, Anthony	122
Quin, Dick	12, 16, 17, 18

Rader, Carey	52
Rea, Frank	100
Reinardy, Susan	139-141
Reische, Gordon	177
Rhodes, John	52, 96
Rice, Baxter	158
Richardson, A. P.	11, 106
Rockwood, Charles	38-40
Rogoff, Joel	144, 176
Ross, Ann	158, 161
Ross, Thomas	117
Rotaru, Ronald	52
Rotellini, Felicia	162
Rubin, Asher	190
Rubin, Diane	146, 156, 162, 167, 187, 189, 192, 194, 197
Rudd, Ronnie	102, 113, 116-117, 119, 135, 139-141, 144-145, 151, 155
Russell, Harold	177
Sachs, Lorraine	6, 88-89, 110, 125, 193, 195
Sadler, Thomas	158, 162, 174, 191, 197
Sanchez, Leonard	144
Scheer, Gordon	94, 131
Schine, Jerome	80, 88, 102, 139
Schmidt, Leo	19
Schwarzenegger, Arnold	165
Schwotzer, Wilbert	100, 102-103, 133, 139
Scovill, Hiram	17, 18
Seidman, P. K.	22, 37, 39, 40-41, 187
Shapiro, Sherman	36
Shissler, W. E.	20
Sigmann, Carol	52
Smiley, Antonia	165
Smith, C. Aubrey	31
Smith, Frank	27, 29
Smith, Kathleen	182
Solomon, Jerome	76, 101-102, 114, 134, 139-140
Sorelle, Joseph	100
Spackman, Dennis	5, 144-145, 148, 150-151, 153, 158, 161-163, 166, 175, 177
Sprague, W. Douglas	54, 58, 138-139, 180-181

Spriggs, C. Richard	73, 76
Springer, Durand	14, 85, 187
Stastny, J. Shelby	100
Stelle, Paul	100
Stettler, Howard	33, 37, 39, 43-46, 108, 187
Stevens, Wilbur	54, 58
Stewart, A. Frank	12, 24, 26
Stone, Marvin	63
Stopher, Susan	52
Suran, Sandra	73-74, 76, 86-88, 94, 97, 99-100
Sweringa, Robert	177
Tabb, Judy	76
Taylor, Charles	1, 122, 129-131
Teele, Arthur	12
Thomashower, James	6, 78, 92, 101, 103-104, 110, 119, 130-132, 136, 143
Thompson, Douglas	66
Tisor, Carl	24
Tobin, Jerry	142
Tongate, Darrel	52
Tonkin, G. William	135
Toole, John	134-135
Treacy, William	52, 144, 154, 185
Trueblood, Robert	45
Turner, Lynn	162, 176
Unger, Laura	162
Van Rensselaer, William	54-58, 68-69, 71, 73, 74, 77, 86- 87, 92, 101-104, 109, 138-139, 143, 187
Vaudt, David	144, 146, 148-149, 160, 164
Veily, George	144
Vician, Joanne	52
Voynich, Scott	169-170
Wagoner, W. C.	20
Weatherwax, Michael	148-149, 164-165, 172, 174, 183, 192-195, 197
Webster, Norman	8, 12, 14, 15, 16, 17, 187
Whitlock, Marshall	52
Widmer, Harris	142, 144, 151, 154, 185
Wilkerson, Barbara	52
Wilkinson, George	9
Willard, Dorothy	54-55, 57, 108

Williams, Jan	151
Williams, Nolan	100
Willis, Martha	52
Wilson, Lorin	39, 53, 139
Wilson-Marcum, Janice	142
Winter, Sidney	12, 19, 107, 187
Witthoff, Walter	39, 45
Wolfe, Jan	88
Wolfe, Richard	121
Wolitzer, Philip	176
Wyatt, Arthur	43
Yabuki, Jeff	177
Yale, Elmer	9
Yeager, L. C. J.	21, 22
Yellen, Sam	77, 80, 103, 129
Zebley, John	17
Zlatkovich, Charles	123-124



## About the Author

**DALE L. FLESHER** is professor and Arthur Andersen Alumni Lecturer in the Patterson School of Accountancy at the University of Mississippi, and serves as associate dean of the School of Accountancy. He is the coordinator of all graduate programs in Accountancy at Ole Miss. Dr. Flesher joined the Ole Miss faculty in 1977, following four years at Appalachian State University. He received both bachelors (1967) and masters (1968) degrees from Ball State University in Muncie, Indiana. He holds a Ph.D. in accounting from the University of Cincinnati (1975). Dr. Flesher holds CPA, CIA, CMA, CFM, CFE, and CGFM certificates. He has authored over 300 articles for more than 100 different professional journals throughout the world, including *The Accounting Review*, *Journal of Accountancy*, *Management Accounting*, *Internal Auditing*, *Internal Auditor*, *The CPA Journal*, *Government Accountants Journal*, *Abacus*, *Managerial Auditing Journal*, *Taxation for Accountants*, *TAXES*, *The Accounting Historians Journal*, *Accounting and Business Research*, *Accounting, Business and Financial History*, *Business and Economic History*, and *Accounting, Organizations and Society*. He is also the author of 41 books in 75 editions, including *Operations Auditing in Hospitals*, *Internal Auditing Standards and Practices*, *Independent Auditors Guide to Operational Auditing*, *Introduction to Financial Accounting*, *CMA Examination Review* (with Irvin Gleim), and the 50th anniversary history of The Institute of Internal Auditors and the 75th anniversary history of the American Accounting Association.

Dr. Flesher is a member of many professional organizations, including the American Institute of CPAs, Mississippi Society of CPAs, American Taxation Association, Institute of Internal Auditors, Association of Government Accountants, Institute of Management Accountants, American Accounting Association, Newcomen Society, Mississippi Historical Society, and the Academy of Accounting Historians (which he served as international president in 1988). Dr. Flesher has served as editor of *The Accounting Historians Journal*, a position he held from 1989 through 1994. He previously edited *The Accounting Historians Notebook* for 10 years. In 1987, he won the University of Mississippi's Burlington Northern Faculty Achievement Award as the outstanding faculty member campus wide. Earlier, in 1976, he won the campus-wide outstanding teacher of the year award from Appalachian State University. He won the 1990 Leon Radde Award from the Institute of Internal Auditors as the outstanding auditing educator worldwide. In 2005, he received the inaugural Thomas J. Burns Biographical Research Award.

He recently served on an AICPA task force that drafted a Statement of Position. In 1996, he served on an AICPA task force coordinating the centennial celebration of the CPA Examination. As part of the CPA centennial celebration, he co-produced and scripted an award-winning video on the history of the CPA in America. He was the Convener and Program Director for the 2004 World Congress of Accounting Historians. He previously served on the Board of Trustees of the AICPA Foundation and is a member of the AICPA governing Council (2005-08).