

**Government Agency Referral Task Force  
Preliminary Report on Determining NASBA's Role in Providing  
Assistance to State Boards with Limited Enforcement Resources  
May 16, 2008**

**Explanatory Note**

The purpose of this report is to: i) present an update on the work of our Task Force; ii) solicit input as to ways in which NASBA might assist State Boards with their enforcement efforts; iii) stimulate discussion; and (iv) elicit comments so that recommendations can be developed for NASBA Board consideration.

**Background and Why Action Is Needed**

From time to time, allegations are made that state boards of accountancy are not responsive to referrals from governmental agencies. Various agencies, as well as other groups and individuals, have issued reports or made statements that raise questions about the enforcement activities of State Boards. Some examples follow:

**Report on National Single Audit Sampling Project**

This was a major project conducted under the auspices of the President's Council on Integrity and Efficiency (PCIE) and culminated in the issuance of the Report on National Single Audit Sampling Project in June 2007. The report was critical of the audit quality of Single Audits performed by licensed CPA's. To some, the publicity surrounding the report created the impression that State Boards are not protecting the public and called into question the existing state-based complaint adjudication process.

**Advisory Committee on the Auditing Profession Report**

The "Preliminary Recommendations – Subcommittee on Firm Structure and Finances, Advisory Committee on the Auditing Profession, The Department of the Treasury" report issued April 1, 2008 states: "A number of state boards fall under the administrative "umbrella" of other state agencies and lack control of financial resources and/or operational independence necessary to carry out their mandate of public protection... and recommends "that, working with NASBA, states need to evaluate and develop means to make their respective state boards of accountancy more operationally and financially independent of outside influences."

**Other**

In addition, from time to time, NASBA staff and members hear anecdotal statements to the effect that a State Board's enforcement activities are non-existent or lacking.

**NASBA Activities to Date**

**Government Agency Referral Task Force**

In order to address the perception of inadequate state board responses to referrals from government agencies and to avoid future criticism of state boards, NASBA leadership

created the Governmental Agency Referral Task Force (Task Force) with the charge to identify methodologies by which State Boards of Accountancy can be more effective in working with Federal and state regulators that can or should refer substandard work and reports of Licensees.

To fulfill its charge, the Task Force has taken a multi-pronged approach that addresses enforcement activities relating to government referrals as well as complaints from other sources. To date, the Task Force's activities include: i) developing a referral process to help ensure that referrals are adjudicated and that the government agency is apprised of the status and final result; ii) meeting with federal government agencies to discuss mutual concerns and NASBA's plans; and iii) surveying State Boards about their enforcement resources. This report addresses the latter activity and how NASBA might respond to the need indicated by the results of that survey. The referral process is addressed in a separate document.

In January and May 2008, Task Force members visited six federal agencies, and Task Force members also spoke individually with at least three additional federal agencies. Responses were varied with respect to the agencies' experiences with State Boards; however, the message was clear: there is a perception that many State Boards are not responsive, are not effective, and actions taken by boards for multi state cases are inconsistent.

### **Survey and Results**

The November 2007 Focus Questions included the following question: "Does your Board have sufficient enforcement staff to investigate complaints?" Out of 40 responses, 11 State Boards unequivocally replied 'no' and there were some with qualified yes responses.

The responses to the focus questions support what has been generally assumed. Any inadequate enforcement activities result from insufficient staff due to the lack of state funding and/or the need to share enforcement staff with other oversight boards or agencies, which may also be attributable to a lack of funding.

### **The Mission of State boards and NASBA**

As we are all aware, the mission of State Boards is to protect the public and the mission of NASBA is to enhance the effectiveness of State Boards. Clearly, neither State Boards nor NASBA can fulfill its mission unless it addresses the issue of insufficient enforcement activities by certain State Boards. The question is not whether something needs to be done but how to accomplish the goal of protecting the public through uniformly competent enforcement activities by all State Boards.

As indicated earlier, the purpose of this report is to initiate discussion as to how NASBA can best assist State Boards in achieving that goal.

## **How NASBA Might Help**

Some of the ways in which NASBA might help include the following:

- A. Provide training for personnel responsible for managing compliance
- B. Provide personnel for technical assistance
- C. Assist in securing adequate state appropriations

### **Training for Enforcement Personnel Responsible for Managing Compliance**

Increased knowledge of the enforcement process, the expertise required for certain types of agency referrals, and adjudication options can maximize the efforts of limited personnel. Ken Bishop, Senior Vice President is currently evaluating this potential service.

### **Provide Personnel Technical Assistance**

NASBA might provide personnel to perform investigations on a contractual basis. Though possibly a viable option, it may be limited by a State Board's budgetary constraints, lack of authority to contract for such services and NASBA's limited resources.

Other potential sources of personnel technical assistance that State Boards could explore include using volunteer retired CPAs, former State Board members, as well as currently active CPAs interested in serving their profession.

### **Assist in Securing Adequate State Appropriations**

This option may hold the best opportunity for long-term success because it addresses the cause of the problem and is a more permanent solution than the other two options. To be successful, the issue must be communicated to, and discussed with, top level members of the Executive (e.g. Cabinet officer to whom the State Board directly or indirectly reports) and Legislative branches of state government.

Under this approach, NASBA representatives would meet with the State Board to discuss how NASBA could help and, if so, develop an action plan to discuss with government leaders the importance of enforcement activities and the need to provide the resources through increased appropriations or possibly some other funding mechanisms. In addition to representatives from the State Board, other potential attendees include Linda Biek, Director of Governmental, International, and Professional Relationships, NASBA leadership, past or current members of other state boards of accountancy and NASBA committee members. The Task Force believes that the presence of individuals from outside the state can be helpful and persuasive because their presence shows that the state is getting national attention.

Respectfully submitted,

**Government Agency Referral Task Force**

Ellis Dunkum, CPA, Chair  
Gerald W. Burns, CPA  
J. Dwight Hadley, CPA  
Laurie J. Tish, CPA

**Assisting Task Force**

Linda L. Biek, CPA  
Director of Governmental, International, and  
Professional Relationships