

Fourth International Forum Held

Vancouver proved a lovely site for NASBA's Fourth Forum of International Accounting Regulators. The July 25 - 26 meeting was co-sponsored by the Canadian Institute of Chartered Accountants and the British Columbia Institute of Chartered Accountants. It drew participants from the U.S., Canada, United Kingdom, Netherlands, Poland, Mexico, and the Philippines. NASBA President David Costello told the Forum: "We have got to be showing a desire to harmonize and to become more uniform in all our issues. That is what this conference is all about. We must not emphasize and exaggerate our differences."

"The challenge in achieving international consistency is that most standards are set at the local level, which is not helpful when so much business is international," observed Robert Hodgkinson, Institute of Chartered Accountants in England and Wales' Executive Director - Technical. International Financial Reporting Standards are not the entire answer as there are fundamental differences in national economies, he noted. "The first step in addressing these issues is to get together and talk. We can't handle problems of international consistency by e-mail." Last year the ICAEW's Audit Quality Forum issued a paper
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Board Okays UAA Revise and HKICPA MRA

The NASBA/AICPA Uniform Accountancy Act Committee and the NASBA/AICPA International Qualifications Appraisal Board both saw their recommendations approved as submitted at the July 29 meeting of the NASBA Board of Directors, held in Coeur d'Alene, ID. The American Institute of CPAs' Board of Directors similarly approved the documents at their meeting on August 5. The UAA and Model Rule changes will shortly be sent to the State Boards with NASBA's recommendation for their adoption. Following the formal signing, the mutual recognition agreement with the Hong Kong Institute of CPAs (HKICPA) will also be sent to the Boards with NASBA's recommendation for its adoption and implementation.

NASBA UAA Committee Chair Carlos Johnson presented the revisions, related to CPA firm names, in the UAA and the Model Rules. A sentence has been added to UAA section 14(i) along with commentary, and Model Rule 14-1 has been completely revised beginning with the statement: "A CPA Firm name may not be used unless such name has been registered with and approved by the Board."

Added to UAA Section 14(i) is the directive: "A common brand name, including common initials, used by a CPA Firm in its name, is not misleading if said firm is a Network Firm as defined in the AICPA Code of Professional Conduct ('Code') in effect July 1, 2011 and when offering or rendering services that require independence under AICPA standards, said firms must comply with the Code's applicable standards on independence." New Model Rule 14-1 contains guidance on what is and what is not a misleading firm name and how a network firm may use the network's name.

The mutual recognition agreement with HKICPA was developed over a number
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CPE Standards Out for Comment

Following more than a year of careful consideration and input from continuing professional education (CPE) sponsors, State Boards, state societies, NASBA and AICPA staff, and other interested parties, recommended revisions to the CPE Standards by the AICPA/NASBA CPE Standards Committee which were presented by CPE Advisory Committee Chair Telford Lodden to the July NASBA Board of Directors' meeting. The document was approved by the NASBA Board for an exposure period ending October 13, 2011. Comments received during the exposure period will be considered by the AICPA/NASBA CPE Standards Committee and included in a final document to be approved by the NASBA and AICPA Boards at their fall meetings. Once approved, the revised standards will be amended to the Uniform Accountancy Act. The Standards were last revised in 2002 and provide a framework for the development, presentation, measurement and reporting of CPE programs.

Mr. Lodden explained that the standards are basically for the guidance of CPE sponsors, rather than individual CPAs. The revisions include clarification of existing standards, material that was previously in the CPE Registry's "Frequently Asked Questions," and guidance for new and forthcoming CPE formats.
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Fourth International Forum Held (Continued from page 1)



Robert Hodgkinson

on “International Consistency - Global Challenges Initiative: Providing Direction,” and this year they will be issuing a similar provocative paper on “reliability,” he said.

Questions about audit quality are being raised around the world, Gaylen Hansen, NASBA Director-at-Large noted. “What does audit quality mean? It means different things to different people. The PCAOB has a paper out on the audit report that could lead to a change. For too long we have been focused on what the preparer wanted to do. We need to know who the

user is, the customer. Investors want to know that when a company says these are its assets, the investors can believe it. The Green Paper issued in the EU is raising the same type of questions.”

Daniel Goelzer, a Public Company Accounting Oversight Board Member, said: “The financial crisis has re-raised questions about the relevancy of the auditor’s work. While auditors did not

cause the financial crisis, it has raised thinking about what investors are expecting from auditors. It also focused on need to cooperate among audit regulators around the world.”

For 30 years there have been calls for consistently high audit standards, Richard H. Murray, CEO of Liability Dynamics Consulting, pointed out, as he urged regulators to support the professionalism of auditors by leaving room for their exercising thoughtful judgment. There is no one right model of prescriptive vs. judgmental regulation, but he warned that those who do not trust auditors are likely to become more prescriptive. “Auditors should operate like every other enterprise - in which there is a right of being wrong: People should not be held vicariously liable for the work of their network affiliates.” He observed, “The audit report as we know it today offers as little value for as much money as any product that any industry offers in the world. It is the product of this delicate balance of how much can the auditor say without risking more liability. If we are going to demand more of the audit profession, then we need to find a way to foster that without killing the goose.” ♦

Board Okays UAA Revise and HKICPA MRA (Continued from page 1)

of years with the assistance of many IQAB members. They found it challenging to evaluate education, examination and experience for substantial equivalence between the Hong Kong and U.S. credentials. The Hong Kong qualifications are based on courses and examinations offered through their institute, compared to the state-set requirements in the U.S. system. Constructing an agreement that ensures candidates meet the rigorous standards of both credentials and that facilitates public practice took patient negotiations, IQAB Chair William Treacy (TX) explained. A formal signing of the agreement will take place at NASBA’s Annual Meeting in Nashville, with representatives of the HKICPA, AICPA and NASBA in attendance. This is the first agreement IQAB

has negotiated with a professional body in Asia. Mr. Treacy commented, “This will be a step in the right direction in bringing East to West and West to East.”

Serving with Chair Johnson, NASBA’s UAA Committee members include: Donald A. Driftmier (CA), Andrew L. DuBoff (NJ), J. Dwight Hadley (NY), Robert J. Hyde (MN), Thomas J. Mulligan (OH), Ronald E. Nielsen (IA), Robert A. Pearson (MO), Eric Robinson (FL), James F. Thielen (FL), Michael D. Weatherwax (CO). Serving with Chair Treacy, NASBA’s IQAB members include: Charles H. Calhoun (FL), Ruben A. Davila (CA), Jeffrey A. Leiserowitz (KS), Antonia Browning Smiley (DC) and Kathleen J. Smith (NB). ♦

Quebec Discusses Merged Designations

From August 15-September 30, the Comptables Agréés du Québec (the provincial society of the Canadian Institute of Chartered Accountants (CICA)) is holding information sessions throughout the province to familiarize its members with the details of a proposal for the unification of the accounting profession in Quebec. This is being done at the invitation of the Quebec’s Office des Professions. While all of the Canadian Chartered Accountants and Certified Management Accountants are contemplating unification (see *sbr* 6/11), CGA-Canada is also being considered in Quebec’s unification discussions. If the members approve the merger, Quebec would be the first province to implement the change as early as April 2012, CICA leaders have said. Approximately 20 percent of Canada’s accountants are in Quebec.

Asked why merging the organizations is being considered, the Canadian groups explain: “We have come to believe that a united profession would be more efficient and effective than the

status quo; more relevant, both at home and abroad; better able to enhance the support and services it provides to all members, candidates and registered students; and better able to protect and serve the public interest. “

At first, the existing CA, CMA, CGA designations would be combined with the new “CPA,” Chartered Professional Accountant. Then after a transition period, estimated at about 10 years, just CPA would be used. When asked why “Chartered Professional Accountant” is being used instead of “Certified Public Accountant,” the institutes responded: “Today the CPA and CA are the most recognized designations around the world. Using the word ‘Chartered’ within the CPA would allow the new designation to be aligned with both of these designations. Finally, the use of ‘Chartered Professional’ would serve to distinguish the Canadian CPA from the CPA in the United States.” ♦

Correction: James W. Goad, newly elected alternate member to the 2011-2013 Nominating Committee, is from Arkansas.

President's Memo

Keep Smiling

It was 1963. Two insurance companies had gone through a difficult merger in an unfriendly environment, where cultures and management styles clashed. Something significant had to be done to create more harmony and a smoother transition to the consolidated company. The company's leadership engaged Harvey Ball to create a "friendliness campaign" to ease tensions between resentful workers. What a challenge! "How do I respond," he must have thought.

Harvey immediately thought of the color yellow, which is cheerful. He started doodling and settled on a circle with a smiling face inside. That wouldn't do, though, because if you looked at it upside down, it looked like a frown. Too much frowning was going on already. But he added eyes and the world's most recognizable figure was born: Smiley - the ubiquitous grinning face.

Now I can't draw a lick, but I can draw a smiley face and have done so hundreds of times. And my inspiration came from little known Harvey Ball, born in Worcester, Massachusetts. He was paid \$45 for the design, and the first order was for 100 buttons. Within just a few months, they were selling by the millions. He never tried to copyright the design or expressed any regrets over not getting a cut of the profits, according to his son: "He wasn't a money-driven guy. He used to say, 'Hey, I can only eat one steak at a time.'"

What's your or your Board's "smiley face" response when questions are raised or you're being challenged by the public, the profession, educators, legislators or even the Governor? A phone call response to an unhappy licensee about a disagreement on CPE credit is a far different response than when a legislative committee is reviewing your rationale for continuing to function under a Sunset provision. The Board's response to someone inappropriately advertising as an "accountant" in the Yellow Pages is not in the same league with a carefully researched and delivered response to a major case involving millions of dollars lost in a pension fund due to incompetence or ethics failure in the audit. Robert Fulghum in his book, *Uh-Oh: Some Observations from Both Sides of the Refrigerator*, commented on perspective in this way: "Life is lumpy. A lump in the oatmeal, a lump in the throat and a lump in the breast are not the same kind of lump. One needs to learn the difference."

Public responsiveness, the third in our "R" series of effective regulation (the other three are relevance, relationship and resilience), is not only critical in its timeliness, quality of its content and the method of delivery, but also assessing the relative significance of violations/discipline, emerging issues, licensing matters and public awareness. I will admit that being responsive to the public today in a quality and consistent manner is a challenge brought on by a struggling economy, Board funds being swept uncontrollably into the general fund of the state, and the usual political tensions that abound. Nonetheless, we still have our mandate to protect the public; we still have highly competent Boards of Accountancy; we have competent staffs; we have some resources; and you have NASBA. We are therefore compelled to function and meet our purpose by doing what we can with what we have and doing it in a timely fashion and well. Timeliness is vital. With technology and its proliferation of gadgets, gimmickry, and rapid communication, the public still expects people — warm bodies — to respond to questions and issues...and they want it today, not next month. We all know this and no matter our resource limitations the challenge is before us — timely response.

One great example of quality performance is the legislation enabling mobility of licensees throughout the country. What an achievement! And this was accomplished at a time when Boards were strained financially and with less than optimal staff numbers. This type of focus is similar to that being exercised in every state and jurisdiction every week and month: doing well with what we have. Boards continue to weigh in heavily on national and international issues affecting them: private company standards; IFRS adoption; PCAOB exposure drafts; international exam delivery; and a host of professional issues emanating from state CPA societies and the AICPA. We can't do everything but what we do we can do in a quality way.

"Smiley" is a fitting symbol for how we respond to our public. Oh, I don't mean to imply that we must always have a smile on our face and be whistling "Zippity Do-Dah." But I do believe it's important that we respond positively, constructively, and, yes, cheerfully to our public. Whether it's a phone call, an e-mail, a face-to-face meeting or a hearing, we can exude the confidence that communicates to our trusting public that we're on a "friendliness campaign" with them. This campaign of being responsive will provide for higher quality accounting and auditing practice, and will keep State Boards of Accountancy closely attuned to what is happening nationally and internationally that might affect their peculiar and dynamic roles.

Ad astra, Per aspera



David A. Costello, CPA

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

— David A. Costello, CPA
President and CEO

Mobility App Launched

An on-line tool to assist CPAs in navigating practice privilege requirements for working in other states (CPAmobility.org) is now available free of charge. Developed as a joint project by NASBA and the AICPA, the Web site is updated regularly to reference the most current state practice privilege requirements. With four clicks, a CPA can learn whether his or her existing home state's registration is mobile and if additional notice or other paperwork is required to work in the state.

To find out what they need to do, users of the site are asked:

Where is your principal place of business? Where are you going to perform services (target state)? What type of services will you perform? CPA mobility.org offers immediate access to the site through a mobile application, which can be very helpful to CPAs away from their offices.

"CPAmobility.org is a valuable service that allows CPAs to take advantage of the benefits associated with state mobility laws with confidence," NASBA Executive Vice President and COO Ken L. Bishop said. ♦

CPE Standards Out for Comment (Continued from page 1)

Among the additions are:

- Sponsors may recommend one-half CPE credits for self-study programs (equal to 25 minutes).
- Use of a word-count formula is permitted as an alternative to pilot testing for determining the recommended CPE credits for self-study programs.
- If objective-type questions are used, at least three review questions and five final exam questions must be included per CPE credit.

- Providing feedback on the final examination is permitted; however, the sponsor must ensure that the question bank is of sufficient size to minimize overlap for the typical repeat test-taker.

Overall, the Committee believes the revised standards are organized to be more user-friendly, with a table of contents that has key word descriptions. The exposure draft can be found on www.nasba.org. Comments should be sent to jlutrull@nasba.org by October 13, 2011. ♦

PCAOB Bars 3 Censures 1 From E&Y

Three Massachusetts CPAs have been disciplined by the Public Company Accounting Oversight Board (PCAOB) for violating Rule 4006, "Duty to Cooperate with Inspectors," and Auditing Standard No. 3, "Auditing Documentation," the PCAOB announced on August 1. The Board took action based on a November 2009 Ernst & Young audit for which the documentation completion date was January 8, 2010. The Massachusetts Board of Public Accountancy voted to initiate complaints against all three on August 4, 2011. The New York State Office of Professional Discipline is taking action pursuant to the PCAOB's referral of the one CPA who holds a New

York license and a Massachusetts license.

Peter C. O'Toole, former E&Y partner, was barred from associating with a PCAOB-registered accounting firm with the right to petition to remove the bar after three years. This is the longest bar the PCAOB has imposed against a Big Four accounting firm partner to date. He was also assessed a \$50,000 civil penalty. Darrin G. Estella, a former E&Y senior manager in the Boston office, was also barred but may file a petition after two years to have the bar removed. Jacqueline A. Higgins, a manager who is licensed in both Massachusetts and New York, was censured. ♦

State Board Report

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