

# NASBA State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

Volume XLI, Number 6

June 2012

## Canadian Merger Problems

The movement to unify the accounting profession in Canada, bringing together the Chartered Accountants (CAs), Certified Management Accountants (CMAs) and Certified General Accountants (CGAs), is not progressing as smoothly as had been hoped for by leaders of the Canadian Institute of Chartered Accountants (see *sbr* 5/12). The Certified General Accountants Association of Canada has withdrawn from talks with the Canadian Institute of Chartered Accountants and CMA Canada.

However, in the province of Quebec, the three bodies have successfully merged, as the Chartered Professional Accountants Act came into force on May 16, 2012. At that point Quebec's 35,000 CAs, CMAs and CGAs became members of a single governing organization, the Ordre des Comptables Professionnels Agréés du Québec. They have 6,500 candidates for the profession. The Board of Directors of the new organization includes top leaders from each of the three former designations: Chair- Stephan Robitaille, FCPA, FCQA; First Vice Chair – Manon Durivage, FCPA, FCA; and Second Vice Chair – Nathalie Houle, FCPA, FCMA with President and CEO – Daniel McMahon, FCPA, FCA.

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## FAF Approves Plan for PCC

A new body to improve the process of setting accounting standards for private companies, the Private Company Council (PCC), was established by the Financial Accounting Foundation's (FAF) Board of Trustees on May 23, 2012. The FAF Trustees' vote to create the PCC came after months of deliberation that began with the AICPA/FAF/NASBA Blue Ribbon Panel's discussions in 2010, and then was followed by extensive outreach to stakeholders based on the FAF's proposed "Plan to Establish the Private Company Standards Improvement Council." Basically the PCC will have two principal responsibilities: It will serve as the Financial Accounting Standards Board's (FASB) primary advisory body on the appropriate treatment for private companies for items under active consideration on the FASB's technical agenda. The PCC will also determine whether exceptions or modifications to existing nongovernmental US GAAP are necessary to address the needs of users of private company financial statements. Any changes the PCC proposes will be subject to endorsement by the FASB and submitted for public comment before being incorporated into GAAP.

"This structure represents a significant improvement over our original proposal because of the very valuable suggestions we received from a broad cross section of concerned and interested constituents," FAF Board of Trustees Chairman John J. Brennan stated following the Trustees' vote. The final approved plan calls for a non-FASB member to chair the PCC, a smaller body than what was originally proposed, and more frequent meetings.

The PCC and the FASB will mutually agree on the criteria for determining whether and when exceptions or modifications to GAAP are warranted for private companies. The FAF Board of Trustees will select and appoint the 9 to 12

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John Brennan

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## Employment Discrimination is an Act Discreditable



Nathan Garrett

Responding to NASBA Past Chair Nathan Garrett's urging at NASBA's 2011 Annual Meeting, the AICPA/NASBA Uniform Accountancy Act Committee took a close look at how state laws, the UAA and the Model Rules cover discriminatory hiring. The joint UAA Committee task force, co-chaired by Dwight Hadley and Conrad Davis and assisted by Noel Allen's legal research, found a majority of states have either adopted the AICPA Code of Professional

Conduct directly or by reference or have local statutes directly threatening licensees with discipline for violation of federal or state antidiscrimination laws. At the May 14 meeting of the UAA Committee, the task force recommended that all State Boards adopt by reference the AICPA's ET.03.501-2 – Discrimination and Harassment in Employment Practices, which says that those who have violated such laws "will be presumed to have committed an act discreditable to the profession."

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## FAF Approves Plan for PCC (Continued from Page 1)

members of the PCC, including a variety of users, preparers and practitioners who have substantial experience working with private companies. Members will serve staggered three-year terms, and each may be reappointed for an additional two-year term. The only remuneration for PCC members will be reimbursement for expenses. One FASB member will be assigned as a liaison to the PCC, and FASB technical and administrative staff will be assigned to support the PCC and supplement dedicated full-time PCC employees.

A two-thirds vote of the PCC's members will be required to determine which elements of existing GAAP to consider for possible exceptions or modifications. If exceptions or modifications to GAAP are proposed by the PCC, then a simple majority of FASB members would be needed before exposure for public comment. Once the comments are considered, and the

PCC redeliberates their proposal, then it will be forwarded to the FASB for a final decision on endorsement, which should be within 60 days. During its first three years, the PCC will meet at least five times each year, most frequently in the FAF's offices located in Norwalk, CT.

FAF President and CEO Teresa S. Polley commented: "...the plan ensures comparability of financial reporting among disparate companies by putting in place a system for recognizing differences that will avoid creation of a 'two-GAAP' system." President Polley will address NASBA's Western Regional Meeting on June 29 in Anchorage, and Chair Brennan will address NASBA's Eastern Regional Meeting on June 15 in Philadelphia.

NASBA representatives who participated in the FAF's 2012 roundtables were: Billy Atkinson (TX), Elizabeth Gantnier (MD), Gaylen Hansen (CO) and Telford Lodden (IA). ♦

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## Employment Discrimination is an Act Discreditable (Continued from Page 1)

In Mr. Garrett's presentation, he recounted his frustration in trying to gain entry into the profession despite degrees from Wayne State University, Yale University and two years of honorable service in the military. He ultimately was hired by a Detroit firm that was started by Michigan's first black CPA, Richard H. Austin. He told the NASBA audience, "For purposes of encouraging moral behavior, I say to you that our State Boards and our membership organizations need rules stating clearly that violation of the laws

against employment discrimination is unethical." Mr. Garrett's speech can be viewed on [www.nasba.org](http://www.nasba.org) coverage of the 104th Annual Meeting.

In gathering information for the UAA Committee's task force, Mr. Allen found at least six states directly threaten licensees with discipline for violation of antidiscrimination provisions and at least 28 states have adopted the AICPA Code of Professional Conduct, in whole or part, by reference. ♦

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## African Accountants Adopt International Standards

At the inaugural meeting of the Pan African Federation of Accountants (PAFA) General Assembly, on May 4 in Tunis, Tunisia, the organization resolved to adopt International Standards on Auditing, International Public Sector Accounting Standards, International Education Standards, International Financial Reporting Standards (IFRS), International Financial Reporting Standards for Small and Medium Enterprises, and the Code of Ethics for Professional Accountants developed by the International Ethics Standards Board for Accountants. PAFA was formed in May 2011 and consists of 39 professional accountancy organizations

from 34 African nations.

IFAC Chief Executive Officer Ian Ball commented: "A sound financial infrastructure – in the form of high-quality, recognized standards in auditing, ethics, public sector accounting, and related regulation – is the only way that sustainable economic development is truly achievable as Africa seeks a larger role in the global economy."

IFRS has already been adopted by several PAFA member organizations and others are moving to do so. The PAFA's policy is expected to prompt more to do the same. ♦

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## Canadian Merger Problems (Continued from Page 1)

Although CGA Alberta has said it is committed to the merger, CGA - Canada and its other provincial affiliates have left the merger negotiations. "Over the course of the discussions progress was made," said Anthony Ariganello, President and CEO of CGA-Canada, "however, it was not sufficient to address issues that were critical to CGAs both at a provincial and national level." According to CGA-Canada, several provincial bodies had been unable to progress on key issues such as legal structure, member ratification process and enforceable commitments regarding member protection and minority rights. At the national level, the CGAs felt the three bodies had not agreed upon a national governance model that included clearly defined roles and responsibilities, nor had they

agreed upon specific details of the unification framework beyond the initial proposal. The CGAs saw inconsistencies remaining across the country regarding the use of legacy designations, which could confuse the public.

CMA Ontario has also withdrawn from the merger talks. However, a spokesperson for CICA said they will be moving ahead with their new qualification program, as Quebec has taken the lead. The merger plan would create a Chartered Professional Accountant (CPA) in Canada with unified technical and ethical standards. ♦

**Correction:** *John W. Johnson, NASBA's new Director of Legislative Affairs, has been a member of the CPA Society Executives' Association's FOOD (For Our Own Development) Group.*

# President's Memo

## Thoughts of Summer

I recently read a short story, written by some anonymous author, that started out with the paragraph: "As summer approaches, my thoughts drift back to summers gone by. Once school was out for the summer, the neighborhood kids had three months of wonderful, carefree days. We would run and play, or lay around in the shade reading a book or watching the clouds float by. Three months of freedom! It was so relaxing, and looking back now, I'm sorry I took those days for granted. All too soon, they would be gone...just a memory."

Upon reading the story, I too took a few moments to drift back to my own remembrances of summer. They include fishing holes, picking blackberries, baseball and long bike rides, but -- most importantly -- it is the friendships and relationships that make those recollections so memorable. As we begin our summer in this year of transition and change, I have reflected on our experiences, our challenges and our successes, and once again it is the people associated with NASBA (our members, volunteers, stakeholders and staff) that determine how our memories of summer will be remembered.

NASBA leadership recently participated in a planning meeting to consider committee charges and appointments, and other positions that need to be determined for next year. It was a great time to take a reflective look at the hundreds of individuals, both current and past Board of Accountancy members and staff, who make up the NASBA family. It is indicative of the type of organization that NASBA is that so many wonderful folks continue to identify with, and desire to participate in, NASBA -- even if only to maintain the social and lasting friendships.

As of this writing we are preparing for a new strategic planning meeting that will involve volunteers from throughout the organization and across the country. Everything that NASBA does will be on the table for discussion. To continue to grow in relevance, and to be successful in meeting our mission to enhance the effectiveness of State Boards of Accountancy, it is imperative that we challenge ourselves and be open to new ideas and new ways of doing things. Bringing in fresh faces with different backgrounds and new perspectives will insure that NASBA will continue to be a vibrant organization well into the future.

I recently participated in a discussion about the differences between "baby boomers" and "generation Y." One quote that stood out was: "Baby boomers ask, 'Why?' Generation Y asks, 'Why not?' And Generation Z will ask, 'Why not now?'" In our business operations at NASBA we see the change every day. New examination and licensure candidates expect instant results and gratification, online information and intuitive processes. As generation Y has members turning 30, and as they begin to play a more significant role in the accounting profession, they will expect NASBA to keep pace. I am confident that we will meet that challenge.

I hope to someday look back at the summer of 2012 as a period of opportunity, new possibilities and, most importantly, the building of new friendships and strong relationships around the globe. I wish all of you a happy summer including fun times with family or friends, relaxing vacations, great barbeques and, hopefully, time to reflect on how blessed we all are to be a part of NASBA. I wish you something you will likely contemplate in the future in your "thoughts of summer."

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



Ken L. Bishop

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

— Ken L. Bishop  
President and CEO

## SEC Continues to Press D&T Shanghai

The U.S. Securities and Exchange Commission brought an enforcement action against Deloitte Touche Tohmatsu CPA Ltd. (D&T Shanghai) on May 9, 2012, which was followed by Chinese regulators issuing rules that require the Chinese affiliates of the large international accounting firms to move control of those affiliates to partners who are Chinese citizens, as reported in the *Wall Street Journal*. This is the second time since last year that the SEC has taken enforcement action against the firm for refusing to turn over documents related to a Chinese company the SEC is investigating. Last time the action was connected to its investigation of Longtop Financial Technologies Ltd. and this time to a company identified only as “Client A.”

The SEC’s Division of Enforcement has asked that public administrative proceedings be instituted to determine if D&T Shanghai has willfully refused to comply with Section 106 of the Sarbanes-Oxley Act which directs a foreign public accounting firm

that “issues an audit report, performs audit work or interim review” to “produce the audit work papers of the foreign public accounting firm and all other documents of the firm related to such audit work” to the Commission upon request.

Deloitte has maintained that Chinese law prohibits their handing over documents to a foreign regulator without the approval of the Chinese government. If found in violation of Section 106, it is possible that the U.S. Administrative Law Judge could censure D&T Shanghai or even bar them from auditing U.S.-traded companies. D&T Shanghai now audits more than 40 companies traded in the U.S.

Public Company Accounting Oversight Board Chairman James Doty has said that an agreement is close with the Chinese regulators to permit the PCAOB to observe audit inspections in China. He told Reuters this would be a first step toward joint inspections in China. ♦

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## PIOB Ups Oversight of Ethics Standards

The Seventh Public Report of the Public Interest Oversight Board, which oversees international audit, ethics and education standards, has been posted on <http://www.ipiob.org/public-reports>, reflecting a new oversight methodology based on the risk sensitivity of the groups it is monitoring. A more intense level of oversight is being given to the International Ethics Standards Board for Accountants (IESBA) because of the projects it has under development. NASBA Vice Chair Gaylen Hansen serves on the Consultative Advisory Board (CAG) to the IESBA.

The PIOB’s report states: “The 2011 observations of IESBA meetings have shown that the balance between the views of practitioners and non-practitioners can be improved and that the board’s awareness of ethical matters related to the public interest can be enhanced. Given the nature and complexity of the work the IESBA is pursuing in 2012, the ensuing CAG work, the sensitivity

of the items included on the board’s agenda, and the appointment of a new IESBA chair late in 2012 to become Chair in 2013, the PIOB has decided to adopt Oversight Model 2 (high intensity) in 2012, resulting in 100% direct observations.”

The PIOB’s first chair, Stavros Thomadakis, has concluded his term, having served since 2003, and been succeeded by Mr. Eddy Wymeersch. Representing the United States, Aulana Peters has concluded her term and Charles McDonough has taken her place on the 10-member board. The PIOB reaffirmed its belief that the rotation of CAG representatives after a maximum of nine years constitutes best practice. This is to “ensure fresh perspectives are continually brought into the CAG deliberations.” Two exceptions to the proposed rotations for 2012-13 were requested, but after deliberation the PIOB decided that the exceptions were not warranted. ♦

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