

# More Doors to Open

## Inaugural Address

**Billy M. Atkinson, CPA - NASBA Chairman 2009-2010**

**November 3, 2009**

Thank you for participating in the NASBA annual meeting this week and especially your contribution of time and energy to the responsibilities of State Boards of Accountancy. I would like to offer a few comments on what I expect will be the key points that the Boards will be addressing this year. None of these issues are new or revealing to us. Rather they are continuation or refinement to subjects we are actively dealing with today.

- ***The CPA Exam is "Mother Nature"—and you don't mess with Mother Nature. It continues to be both relevant and foundational to the public we serve and protect. We will complete a renewal of the CPA Examination agreement and move towards an international "i-exam" with appropriate state-based protections.***

As has been reported to you, NASBA and AICPA management are closing in on the final stages of the amended CPA Exam agreement. Your board is very pleased with the progress by David Costello, Ken Bishop and their team. It is very important to us all that the agreement not only preserve the rights of state boards, but that it results in balanced economics to the CPA Examination candidates and the parties to the agreement, as well as the continuance of quality and reliability of the testing process. We all have high regard for the development of quality testing content by the AICPA and the Board of Examiners as well as the reliable and competent secure delivery through the testing sites. Our arrangement has worked very well and should improve even further as we incorporate our mutual experiences into the amended agreement which will include the "iexam." Further, it is the NASBA Board's understanding that, when the agreement is completed, the board will ratify the agreement on behalf of the State Boards of Accountancy.

- ***We continue to support the promulgation and transitional adoption of global accounting standards through both "roadmap" and "convergence" approaches. However, the issues contained in NASBA's February 2009 comment letter must be addressed. No entity is above the virtue of objectivity for public acceptance.***

You've read the February 19, 2009, NASBA comment letter to the SEC and are well aware of our expressed concerns. I can tell you today that I actually believe the AICPA understands our issues and appears to be doing its part in addressing them. NASBA is not opposed to IFRS [International Financial Reporting Standards], however, the issues of IFRS in the US are indeed complicated. At the core of our concerns are the issues of objectivity of the International Accounting Standards Board [IASB]. The IFRS accounting standards setter simply must be independent in fact and

appearance in order to have the public's confidence. Our position on this is quite clear.

As is discussed in our letter, the legal system in the US is another huge consideration in this matter and we must also retain a FASB-type vetting process for US accounting standards. If we fail to retain such a process in developing IFRS.US, it seems logical to me that we risk governmental or Congressional interference.

Should the SEC reaffirm the "roadmap" and/or the "convergence" approach, we still must deal with the determination of GAAP for non public entities that make up such a large part of "Main Street" financial statements in our states and territories. The related issues will have huge implications for us all.

Questions will include:

(1) Is the FASB [Financial Accounting Standards Board], with its evolution to "rules based" accounting standards for "Wall Street," really an effective body for development of accounting standards for "Main Street"? For too long our accounting standards development under a rules based approach, have essentially allowed confusion and sometimes corruption to breed in our financial reporting landscape. The pathway to accurate application of GAAP is too often very complicated for "Main Street." Must we continue to accept this?

(2) Does the FASB have the public's confidence? Who really is "the public"?

(3) What are the implications of differential standards for Wall Street vs. Main Street? (Education, bifurcation of public accounting practice, transition of growing companies accessing capital markets, etc.) Will there really be one common body of financial accounting knowledge?

(4) Are we (both State Boards and other regulators) better able to regulate and enforce to rules vs. principles based standards? Whatever happened to enforcing to behavioral standards and good disclosure vs the absolute right answer that is often difficult to find? Whatever happened to well educated people developing simple approaches and language that are well understood? Who and what are leading the development of accounting standards....either locally or globally?

We all need to join in these issues which are now on our front door steps.

- ***NASBA will continue its sponsorship of the Forum of International Accounting Regulators. The Forum's growing participation and common concerns are fostering dialog on issues important to the goal of consistent global regulation and a level playing field.***

You are aware of our second successful Forum at San Francisco this September. On your behalf, we must continue to intensify our interest in international accounting regulation and seek broader participation from the many countries that are showing interest.

We are prepared and willing to stretch our minds towards collaborative approaches in mutual recognition. For example, as the need for more international mobility increases, we will find it more and more necessary to determine new and innovative ways to assess the qualifications of professional accountants of other countries. Our present system of benchmarking to the 150-hour educational requirement may need to be broadened to address the proficiency of accountants from other foreign professional bodies to be certified. We as State Board regulators can no longer think just in local terms: we obviously must think globally. Expect our international reach to continue strategically and your Global Strategies Committee, under the leadership of Sam Cotterell, to develop new approaches for effective sharing of regulatory issues among countries.

- ***Both NASBA, and the profession, need to seriously consider deploying uniform ethics independence guidance within the Uniform Accountancy Act, and among the states.***

I am asking our Ethics and Strategic Professional Issues Committee, under the leadership of Gaylen Hansen of Colorado, to take stock of the independence rule in our various states and territories today and recommend a UAA revision leading to a singular and consistent independence rule as a benchmark to our states and territories. It is a crying shame that I do not have the three letters "CPA" on my business card today. I am asking that this be fixed. My objectives are both strategic and consistent with our NASBA mission. One of my side concerns is whether an auditor or firm is really independent when performing an attest engagement at a financial loss. If this is not addressed by PEEC [Professional Ethics Executive Committee], we may need to do so. I might also add that I have confidence the ARSC [Accounting and Review Standards Committee] reliability vs. independence issue will not require such considerations.

- ***Cooperatively with the AICPA and State Societies, our states have almost completed the grueling task of passing mobility statutes. We now move into the equally challenging period of implementation, which will require patience, skill and a consistent focus on the objectives of mobility versus differential preferences. And we will steadily grow the Accountancy Licensee Database to support mobility.***

The mobility accomplishments prove what we can do when the needs of the public and profession are one. Implementation issues will be quite delicate as we have seen from your recent responses to NASBA "focus questions." However, implementation is just as important as the legislation itself in accomplishing the uniformity objective. Thus, I have moved the Mobility Task Force into a standing subcommittee of implementation within the UAA Committee to enable more direct communication and coordination. I have confidence that these NASBA members, under the leadership of Laurie Tish of Washington, will actively team with the AICPA element of the UAA committee as well as the State Boards and state societies in addressing these important issues.

- ***NASBA endorses the Treasury Department's Advisory Committee on the Auditing Profession's recommendation for the establishment of a blue-ribbon commission, acceptable to all stakeholders, to comprehensively assess the existing accounting education***

***in the US and make recommendations for changes together with supporting research. To do this, NASBA stands ready to provide its resources, including seed funding.***

I am told the "Horizon Study" in about 1967 supports the accounting education template we currently use in the US. Throughout my involvement in the recent NASBA education curriculum process, we called for a study of accounting education by the profession and education community as a better long-term solution. Some of the educators involved in the ACAP process appear to now be ready to spearhead such an effort. Informally envisioned is a "COSO" type of national education commission, including five or so individuals with consensus support from the AICPA, AAA [American Accounting Association], and NASBA, who would be selected to lead this multi-year effort. The ACAP recommendations on education would be their starting point. Ultimately, such an effort would be expected to gain public financial support, but initially would need "seed" funding from objective sources, including NASBA. Rough preliminary estimates are about \$75-100,000 in out of pocket financial and staff support over the initial 3 year period. If indeed this initiative gets off the ground as currently envisioned, we will participate in its financial support. Our Education Committee, under the leadership of Mark Harris of Louisiana, as well as Melanie Thompson of Texas, is being asked to track and be supportive of this initiative.

- ***NASBA also supports the ACAP's recommendation for independence of State Boards of Accountancy -- both financially and operationally -- to enhance the effectiveness of state-based regulation. NASBA's State Boards Relevance and Effectiveness Committee will be working to develop model legislation, as an addendum to the UAA, and will reach out to the profession to foster support and assistance in this effort.***

As an example of one person's ability to create positive change, the initial idea for this initiative came from Ellis Dunkum, NASBA member from Virginia, and found its way into the ACAP recommendations. The idea is simple: A strong and independent state board of accountancy, in each state, should be more responsive to the issues and needs of effective regulation and will ultimately attract a broader pool of qualified board member resources. This is a prospective view affecting state based accounting regulation of the next generation. We must begin to unilaterally organize this today.

A number of our member State Boards fall under an "umbrella" of other state agencies. Some lack financial resources or operational independence necessary to carry out their mandate of public protection. I do not accept the fact that any one individual or a small band of protectionists will continue to allow the needs and expectations of your public to be held hostage to petty influences. Our respective legislatures deserve to at least have a well thought out "Model State Board of Accountancy Independence Act" to vet as an alternative to the constant defensive posturing going on in some legislatures today. Such a model should include financial and organizational considerations and an objective study of where such approaches have worked well and the reasons why. Going forward, all of our State Boards continue to need Board members who are smart and experienced within the profession, coupled with balanced resourceful public members selected by credible means, and who are endowed by enabling legislation to address needed regulatory changes in a timely manner, free from political tinkering. I cannot believe the CPA profession would see this issue any

differently. Who will be sitting in this room 20 years from today? Not you or me. There's an old proverb that says, "The best time to plant a tree is 20 years ago. The second best time to plant one is today."

Our newly created State Board Relevance and Effectiveness Committee will step up its efforts this year in exposing such a model. We simply need to shift our reactive mode to being more proactive. It will take time of course. But anyone who does not support this effort and ideal for effective state-based regulation could unintentionally be abetting alternatives none of us would want for this profession or the public. Any NASBA delegate or associate with a strong interest in this objective is welcome and indeed, needed to help us. Carlos Johnson, of Oklahoma, has been specifically selected to chair this committee.

Additionally, it is important that our public and legislators receive a flow of information concerning the existence and effectiveness of our State Boards. NASBA's Communications Committee, led by Sally Flowers of California, is building a network of energetic communications officers within our member Boards that will continue to exchange and encourage methods to insure we are not out of sight or out of the minds of our stakeholders.

- ***Peer review may be entering a major crossroad. Congress has added inspection of auditors of broker-dealers to the PCAOB's domain. Which public interest entities will be next? NASBA and the AICPA need to carefully assess the effectiveness and public confidence in peer review.***

Last week, Mark Harris provided the NASBA board with a "State of Peer Review" report that will shortly be available to you. In this recent report, it is obvious that NASBA and the AICPA need to carefully assess the effectiveness and public confidence of practice monitoring. NASBA's Compliance Assurance Committee has been researching the features of practice monitoring programs and their independent oversight here in the US as well as other countries.

Yes, the current federal legislation involving the broker-dealer auditor sweep under PCAOB regulation is likely a reaction to the Madoff and Stanford frauds. We are also painfully aware of the resulting questions launched at the applicable State Boards of Accountancy. My concern is, "What's next?" What does this say, if anything, about the public's confidence in peer review? Most states accept and follow the AICPA Peer Review model and we, at NASBA support that model. However the State Boards' reliance upon peer review and our public's confidence in it will only continue when there exists robust, independent and transparent oversight.

Any erosion of public confidence in the CPA attest services on Main Street, and potentially within our legislatures, is a concern to us all. The AICPA's Peer Review Board, state societies and your State Boards must work to clearly define responsibilities and determine that peer review is not just a membership requirement of the AICPA, but a fair rigorous and reliable program to enhance public protection. The work continues and Ken Odom, of Alabama, will lead the NASBA Compliance Assurance Committee's effort this year.

- ***On behalf of State Boards, NASBA can be counted on to speak up on matters of significance to the public's protection. Our enforcement program support to State Boards has reached the documentation and action level, and we continue to nurture coordination among State Boards and those governmental agencies charged similarly with protecting the public.***

There are no changes in our Regulatory Response Committee's approach with Rick Isserman's leadership. Several committee members have been added to assure broad perspective. Michael Weinshel and Harry Parsons will continue to lead our Enforcement Committee's efforts to develop a "best practices" manual, investigative and resource support, address the so called "piling on issue," maintain of the Governmental Agency Referral Process, and other related issues.

Indeed there are many efforts in process by our NASBA delegates, associates and staff. I have only touched upon a few in this space and I want to thank the entire NASBA community as well as the other stakeholders in the profession for your incredible willingness to contribute your talents, skills, knowledge and time to the many issues we address today and for tomorrow. Our mutual respect for one another, together with our teamwork, has heralded our past and will characterize our accomplishments going forward. As practicing CPAs, the public has granted us a legal franchise and simply put, "it's ours to lose." Thus, it's of utmost importance that we continue to constantly and visibly be attentive to both public protection and perspective in all that we do. I ask you, as State Board members and executive directors to reach out not just to NASBA when you have serious issues, but also to the state societies and professionals who can be of incredible resource to your issues, be they legislative or otherwise. It's the smart thing to do, especially when the CPA profession and its regulation is at stake.

Now, as NASBA's leader this next year, my commitment to you is that your board of directors is in control of issues and our strategy. We have a wonderful and strong staff organization, led by David Costello. They have been incredibly successful in nurturing the development and growth of NASBA far beyond our expectations. Likewise, as your board, we have to be mindful of our responsibility to our organizational mission and continue to ask the tough questions and review the tough strategic issues as you should expect.

I now want to simply close by thanking you for the opportunity to serve as your NASBA chairman this next year and share these thoughts with you today.