

NASBA
103rd ANNUAL MEETING

October 24-27, 2010

Self-Directed/Semi-Independent State Boards of Accountancy

Carlos E. Johnson – Chair, State Board Relevance
and Effectiveness Committee

PROCESS

- Determine the Objective:
- Develop a Rational Document
- Draft a Sample Template for the SD/SI Act
- Review the History and Need for SD/SI Boards
- Divide the Committee into Four Subcommittees
- Each Subcommittee Develops a Document for Website

PROCESS, continued

- Documents Went Through Multiple Rewrites
- Exposed Drafts at the Regional Meetings
- Changes and Modifications Were Made as Result of Input
- Exposed the Modified Drafts to Interested Parties
- Changes Made as Result of Input of Interested Parties
- Documents Submitted to the Board for Review

PROCESS, continued

- Board Approved the Rational and Template
- Documents Will be Posted on Board Relevance Website
- Responding to Requests from Boards for Presentations

Four Subcommittees

Rationale for Independent State Boards: (Ellis Dunkum, Chair)

Template Act: (Ray Johnson, Chair)

Sample Budgets: (Barbara Porter, Chair)

Legislative Initiatives: (Richard Sweeny, Chair)

Rationale Subcommittee Roster

- **Ellis Dunkum, Chair**
- **Mike Barham**
- **Sam Fogleman**
- **Mike Henderson**
- **Marshal Oldman**
- **Sandra Suran**
- **Howard Todo**

Template Subcommittee

- **Raymond Johnson, Subcommittee Chair**
- **Sharon Cirillo**
- **Stephen Epstein**
- **James Goad**
- **Pamela Ives Hill**
- **Patrick Thorn**
- **Cheryl Wilson**

Budget Subcommittee

- **Barbara Porter, Subcommittee Chair**
- **Gregory Bailes**
- **John Hawkins**
- **Patrick Hearn**
- **Ray Stephens**

Legislative Initiatives Subcommittee

- **Rick Sweeney, Subcommittee Chair**
- **Desiree Honore**
- **Ronald Rotaru**
- **Michael Vekich**

Contents of Position Paper

- Executive Summary
- The Functions of State Boards
- The Issue
- Rationale for Change
- Recommended Approach
- Conclusion

Introduction

- Over the years it has become apparent that an Accountancy Board's capacity to satisfy its public protection responsibilities is critically affected by its degree of financial and operational independence.

Introduction, Continued

- NASBA believes Accountancy Boards need a high level of autonomy in operational and financial matters and the **authority** to operate at a level that is commensurate with their **responsibility** to act in the public interest.

Definition

- “Self-Directed/Semi-Independent Accountancy Board “ means a board that operates as a **separate state agency** and has **self-directed decision making authority** relating to Accountancy Board responsibilities, including but not limited to
 - the authority to make personnel decisions
 - determine licensing fees
 - determine budgets
 - hold the operating funds in their own accounts
 - employ and manage their personnel
 - enter into contracts, and
 - promulgate and enforce rules within the regulatory parameters set by the Governor or legislature.

Constraints & Oversight

- Constraints and oversight still exist
 - Described in detail in position paper
 - Annual reporting
 - Open meetings act
 - Due process procedures
 - FOIA
 - Administrative procedures act

Educate

- State Board Role Essential to Effective Functioning of U.S. Financial System
 - CPAs vital in creating trust in financial system –
 - Not just in capital markets but every day reliance by banks, insurance companies, investment funds, governments, private individuals, equipment and inventory suppliers and other grantors of capital and credit

Other Advocates for Financially & Operationally Independent ABs

- The Department of the Treasury – Advisory Committee on the Auditing Profession – Final Report – October 6, 2008 (ACAP Report)
- Plan to seek supporting positions from other governmental agencies

ACAP Recommendation

- “Urge the states to create greater financial and operational independence of their state boards of accountancy”
- The Committee
 - Expresses concern about the number of under-funded ABs and impact on enforcement
 - States “some state boards fall under the centralized 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

ACAP Recommendation, Continued

- “The Committee believes that greater independence of state boards of accountancy would enhance their regulatory effectiveness. The Committee recommends that, working with NASBA, states evaluate and develop means to make their respective state boards of accountancy more operationally and financially independent of outside influences....”

CONCLUSION

IMPLEMENTATION