

Mobility Dominates Regionals

While the 2007 NASBA Eastern Regional Meeting was set in historic Williamsburg, VA, and the Western Regional Meeting took place in majestic Colorado Springs, CO, both meetings found accountancy boards' members eager to discuss the why's and how's of the proposed revisions to Section 23 of the Uniform Accountancy Act, revisions that do away with notification for most temporary practice, but firmly implant automatic board jurisdiction over all practicing within a state board's territory. Total attendance for the Eastern Regional, held June 6-8, was 179 with 33 state boards represented. Total attendance for the Western Regional, held June 20-22, was 203 with 34 boards represented.

NASBA Chair Wesley Johnson told the Meetings: "Mobility was the big issue when I came in as chair. The real issue is the clients: If

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Nominating Committee Picks 2007-2008 Slate

The 2006-2007 NASBA Nominating Committee met on June 22 in Colorado Springs, CO, and selected the following individuals as their nominees for Regional Directors and Directors-at-Large, as reported by Nominating Committee Chair Diane M. Rubin:

Directors-at-Large (three-year terms): Billy M. Atkinson (TX – Associate), Gaylen R. Hansen (CO – Delegate) and Leonard R. Sanchez (NM – Delegate).

Regional Directors (one-year terms): Middle Atlantic, Donald H. Burkett (SC – Delegate); Pacific, Sally Flowers (CA – Delegate); Great Lakes, Claireen Herting (IL – Delegate); Southwest, Carlos E. Johnson (OK – Delegate); Mountain, Harry O. Parsons (NV – Delegate); Southeast, Michael W. Skinner (GA – Delegate); Central, E. Kent Smoll (KS – Delegate); and Northeast, Michael Weinschel (CT – Delegate).

As previously announced, the Nominating Committee selected Thomas J. Sadler (WA – Associate) as their nominee for Vice Chair, who will accede to the office of NASBA Chair 2008-09 should he be elected at the Annual Business Meeting, on October 30, 2007 in Maui, HI.

Nominations may also be made by any five member boards if filed with NASBA Chair Wesley P. Johnson at least 10 days prior to the Annual Business Meeting. No nominations from the floor will be recognized. A majority vote of the designated voting representatives of the member boards attending the Annual Meeting shall constitute an election provided a quorum is present.

Under the provisions of NASBA's Bylaws, at the 2007 Annual Meeting, Samuel K. Cotterell (ID - Delegate) will accede to the office of NASBA Chair and Wesley P. Johnson (MD – Associate) will accede to the office of Past Chair.

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Published by the
National Association of State Boards of Accountancy
Editor-in-Chief: Louise Dratler Haberman
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PCIE Finds Unacceptable Single Audits

Significant percentages of unacceptable audits and audits of limited reliability were discovered in the "National Single Audit Sampling Project" conducted by the Audit Committee of the President's Council on Integrity and Efficiency, which released its report on June 21 (see www.ignet.gov/pande/audit/NatSamProjRptFINAL2.pdf). The report recommends that the Office of Management and Budget: "Enter into dialogue with the AICPA and State Boards of Accountancy to identify and implement ways to further the quality of single audits and address the due professional care issue noted in this Project."

Quality control reviews were conducted on a statistical sample of 208 audits, randomly selected from a universe of over 38,000 audits submitted and accepted for the period April 1, 2003 through March 31, 2004. These were split into two strata: Stratum I for audits of entities that expended \$50 million or more of Federal awards, and Stratum II for entities expending less than \$50 million but more than \$500,000 of Federal awards. There were 96 Stratum I audits reviewed and 112 Stratum II. The project team found unacceptable 24 percent of the Stratum I audits reviewed and 35.7 percent of the Stratum II audits. The 115 acceptable audits of the 208

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Expanded Regional Breakouts Get Thumbs Up

Based on a recommendation of NASBA's Committee on Relations with Member Boards, the 2007 Regional Meetings featured expanded Regional Breakout Sessions, which enabled each Region to spend more time focused on neighboring states' issues and policies. Participants' evaluations proved the new format was a success. Among the topics discussed at these sessions were:

Hawaii – Despite opposition from both the state board and the professional society, legislation was passed that requires for licensure two years of experience obtained only in a public accounting firm and a baccalaureate.

California – Perceived lack of transparency of the AICPA's peer review process remains an obstacle to the state's mandating such a program.

North Carolina – Mobility is a key issue for the state board, but they are reluctant to create a formal association with the state

society, fearing negative public perception of such a joint effort.

Florida – The board's long-range planning committee is looking at education (including the 150-hour requirement), recruitment and mobility.

Connecticut – The board is receiving an increased number of requests to expand the 18-month window for completing the Uniform CPA Examination.

New Jersey – Failures in CPE compliance are encouraging the board to consider using CPETracking to keep licensees current.

Oregon – The board's letters to six CPA firms that had received critical PCAOB firm inspection reports resulted in two firms not replying, two stating the problems noted had no impact on Oregon citizens, and two telling the board it was none of their business. The board's representatives requested input from other state boards that have sent out similar letters. ♦

UAA Exposure Drafts to BOD

Comments on the Uniform Accountancy Act's exposure draft and the Model Rules exposure draft have been considered by NASBA's UAA Committee and revised drafts of both documents will be presented to the NASBA Board of Directors at their July meeting. At the June Regional Meetings, UAA Committee Chair Andrew DuBoff and legal counsel Noel Allen summarized the edits being proposed.

"We received fewer comments on the Model Rules than on the statute revisions," Mr. DuBoff reported. He estimated the rules received comments from about 15 parties and the statute about double that amount. Comments were received from state

boards, professional societies and individuals. "On the Rules, there were a couple of comments on definitions, the Compliance Assurance Review Board and the NASBA Code of Conduct. But the most frequent comment was on the Act, requesting a definition of 'home office' to clarify the UAA Section 23 revision," Mr. DuBoff observed.

Looking at the new Section 23 proposal, Mr. Allen commented: "The [state board's] jurisdiction is automatic: It is a leaner model....We are only going to see more of internet practice. The key is to give the board the means to immediately protect its state's citizens." ♦

Nominating Committee Picks 2007-2008 Slate

(Continued from Page 1)

The following officers will continue to serve for the balance of their unexpired terms: Directors-at-Large (third year of a three-year term) – Andrew L. DuBoff (NJ – Associate); John E. Katzenmeyer (OH – Associate) and Kathleen J. Smith (NE – Associate); Directors-at-Large (second year of a three-year term) – Walter C. Davenport (NC – Associate), Mark P. Harris (LA – Delegate) and Robert A. Pearson (MO – Associate).

At the 2007 Regional Meetings, half of the members and alternate members for the Nominating Committee were voted on by four Regions, in accordance with Article VII, Section 3, of the Bylaws. Newly elected members of the Nominating Committee for 2007-2009 are: from the Northeast Region – Robert B. Cagnassola (NJ – Delegate) member; from the Great Lakes Region – Ray G. Stephens (OH – Delegate) member and Myra A. Swick (IL - Delegate) alternate; from the Mountain Region - Charles W. Clark (ID - Delegate) member and Kathy Zeller (NV - Delegate) alternate; and from the Southwest Region - J. Coalter Baker (TX – Delegate) member.

Continuing to serve on the Nominating Committee 2006-2008

are: from the Southeast Region – John G. D. Carden (AL - Delegate) member; from the Pacific Region – Michael T. Daggett (AZ – Associate) member and Taling M. Taitano (GU – Delegate) alternate; from the Middle Atlantic Region - Leonard W. Jones (NC – Delegate) member and Jane M. Little (VA - Associate) alternate; and from the Central Region – Nina B. Kavich (NE – Associate) member and Wesley E. Stille (IA – Delegate) alternate. ♦

Thomson Sells Prometric

The Thomson Corporation on July 2 announced that it had signed a definitive agreement under which ETS agreed to purchase Thomson Prometric (the distributor of the computer-based Uniform CPA Examination) for \$435 million. This includes \$310 million in cash plus \$125 million to be paid through a promissory note due in 2014. The transaction is expected to close in the third quarter of 2007.

This sale is in keeping with Thomson's previously announced strategy to sell the assets of its Learning business in order to pursue other opportunities more in line with its growth strategy. ♦

President's Memo

Going Glocal

An English professor wrote the following words on the blackboard: “Woman without her man is nothing.” He then directed his class to punctuate the sentence correctly.

The men wrote: “Woman, without her man, is nothing.”

The women wrote: “Woman! Without her, man is nothing.”

Same words, yes. But a different perspective on those words gives completely different meaning to the two sentences.

Our culture of accounting regulation, whether locally as state boards of accountancy, nationally (SEC, PCAOB) or internationally has much to do with perspective. How we and others view economics, accounting standards, ethics and, most certainly, the public interest drives our decisions and our actions.

In his book, *The World Is Flat*, Thomas Friedman introduces his readers to the word “glocalization.” Originally coined in 1980s from within Japanese business practices, the term combines the words “globalization” and “localization” to reflect the strong influence of international culture on local culture and vice versa. No one would doubt the strong influence of the Japanese on the U.S. automotive industry, and I doubt anyone would disagree that McDonald’s in Tokyo, or the over 80 Walmart stores in China, are indicative of the pervasive western influence throughout the world.

Recently in an Op-Ed column in the *New York Times* (“The Whole World Is Watching”), this same Thomas Friedman made the following observation:

“When everyone has a blog, a MySpace page or Facebook entry, everyone is a publisher. When everyone has a cellphone with a camera in it, everyone is a paparazzo. When everyone can upload video on YouTube, everyone is a filmmaker. When everyone is a publisher, paparazzo or filmmaker, everyone else is a public figure. We’re all public figures now. The blogosphere has made the global discussion so much richer — and each of us so much more transparent.”

The world described by Friedman knows no geographic boundaries.

Why should NASBA and state boards of accountancy be concerned about international standards? Taking the CPA examination international? The activities of the International Federation of Accountants? Audit and ethics scandals in other countries? Our own efforts in the International Qualifications Appraisal Board to expand mutual recognition agreements to other countries?

In a large sense, we must be concerned about these and other international issues for the same reason we are working diligently with boards and the profession to effect meaningful mobility in and among our states and jurisdictions. We are glocalized! When a CPA prepares an electronic spreadsheet of audit procedures, tax schedules, or other licensed work products in Tennessee and sends them to Arkansas or India, glocalization is realized in its professional sense. And, fortunately or unfortunately, we are seeing only the tip of this glocal iceberg.

We in NASBA and state boards should not at all fear glocalization. Not only must we embrace it, we should step out and show the world through our CPA mobility provisions in every state and jurisdiction that we recognize the glocal nature of accounting and commerce. Then, it seems to me, we have a credible voice to the world, an irrefutable model of accounting practice and regulation, and significant influence in the direction that glocalization portends.

Going glocal is not simply a concept. It is a reality. Let’s not wait on others to direct what state boards should do with regulatory issues particularly as they relate to mobility in and among the states and internationally. If need be, let’s adjust our lenses, expand our field of vision, and let us view our world in the perspective of “it’s one click away.”

Going glocal? We are there!

*Ad astra,
Per aspera.*



David A. Costello, CPA

A handwritten signature in black ink that reads "David A. Costello". The signature is written in a cursive, flowing style.

David A. Costello, CPA
President and CEO

Education Committee Reveals Revisions

A framework for the revisions being considered for UAA Model Rules 5-1 and 5-2 was outlined by NASBA Education Committee Chair Billy M. Atkinson at the Regional Meetings. The revisions under consideration fall into several categories:

1 - Role of Accreditation – Retain the reliance on school accreditation for quality assurance, including the three accreditation levels, but lessen the work required by the accountancy boards in evaluating transcripts. Expand to include consideration for reliance on both national accreditation bodies – AACSB and ACBSP.

2 - Accounting Course and Business Course Components – Lessen specificity and increase flexibility by adopting a course subject approach.

3 - Research and Analysis in Accounting – Restate as

choice of a discrete course or an integrated course.

4 - Communications in Business or Accounting – Restate as a business or accounting communications requirement.

5 - Independent Study and Internships – Restate to limit to six semester hours.

6 - Ethics – Restate as a choice of either a discrete or an integrated course.

These suggested revisions to the Model Rules were discussed at the Regional Meetings' breakout sessions with the Meetings' participants, and their comments were brought back by Mr. Atkinson to the Education Committee for additional consideration. Mr. Atkinson will present a report on the UAA's Model Education Rules at the July NASBA Board meeting. ♦

ERB Reviews Exam Costs

The CPA Examination Review Board (ERB) has concluded the fee increases for the Uniform CPA Examination are justified, ERB Chair Asa Hord told both 2007 Regional Meetings. The Board did not note any material exceptions to the AICPA's or NASBA's computer-based test development, on-time and operational expenses, he stated.

Under the terms of the computer-based test contract, NASBA and the AICPA are allowed to break-even. The ERB made its analysis of the AICPA's costs with the assistance of a New York CPA firm, Weiser, LLP. This included comparing projected expenses with historical operational expenses, and evaluating the reasonableness of changes or variations of projected costs with historical costs. For NASBA's costs, the ERB examined: purchase invoices for equipment, consultants and systems designers; reviewed the direct internal costs for payroll, rent, postage and printing; and reviewed the allocations of administrative costs for payroll and rent.

This fall the ERB will be conducting an analysis of fees related to the 2008 fee increase, Mr. Hord stated.

A special review was conducted by the ERB because of scoring problems. Based on these studies, Mr. Hord said the ERB concluded: "Efforts to quantify the extent of impact, the process used to reflect what the actual result should have been, the process to rescore the repaired results, and the method to ensure accurate reflection of the results going forward in relation to the paste issue are accurate and sufficient."

Mr. Hord assured the member boards that the ERB also annually reviews the International Qualifications Examination (IQEX), though the number taking it is small.

A management letter has been provided by the ERB to the NASBA CPA Licensing Examinations Committee (CLEC) containing 50 recommendations covering the Uniform CPA Examination as well as IQEX. CLEC is distributing those recommendations to the appropriate parties. ♦

CLEC Works To Enhance Exam

NASBA's CPA Licensing Examinations Committee (CLEC) is working to implement changes that enhance the Uniform CPA Examination, CLEC Chair Robert Pearson told the 2007 Regional Meetings.

The Committee wrote to all states seeking suggested improvements for the examination, and only received responses from six boards. Some of those suggestions are being addressed by NASBA, some by Prometric and some by the AICPA, he reported. Overall, states are satisfied with the exam, he said.

He stressed the importance of state board members making site visits to Prometric test sites in their jurisdictions. If any state does not have the resources to make such site visits, NASBA will assist them, Mr. Pearson told the meetings. He reported that Prometric's internal site visits had decreased this year, but Prometric has indicated such visits would be increased.

"We want to see if the Examination is addressing ethics – and if so, is it adequate," Mr. Pearson stated. CLEC is setting up a task force to explore this issue.

Kenneth Clark, president of the Missouri State Board of Accountancy and a member of the AICPA's Board of Examiners (BOE), noted that nine of the 16 current members of the BOE have state board experience: This is the first time such a majority has existed. Five of the BOE's members' terms will expire this year, and four of them are among those having state board experience.

The AICPA's practice analysis, on which the Uniform Examination is based, may go through July 2007, Mr. Clark explained. This extended time may be required to get a sufficient number of responses from qualified individuals, i.e., those in public accounting for 2-5 years and those who have recently supervised new CPAs. He estimated approximately 2,000 qualified responses would be needed to make the analysis reliable. The goal is to have the Board of Examiners approve a new content specification outline for the Examination by May 2008. ♦

CAC Compares Peer Review Programs

To assist boards in strengthening their peer review oversight programs, the Compliance Assurance Committee (CAC) has compiled an extensive chart outlining what each state now requires for proof of compliance with mandatory peer review, the administering organizations, the actions the board may take, the confidentiality of the reports and the board's oversight committee. Speaking at both Regional Meetings, CAC Chair Thomas J. Sadler encouraged the boards to review the material in the chart, as contained in a flash drive distributed at the Meetings, and offer any clarifications if necessary.

Mr. Sadler said his committee is urging each board to establish its own compliance assurance oversight committee. An outline for the structure of such a group was also distributed on the flash drive at the Regionals and is on the NASBA Web site.

A letter of comment on the proposed revisions to the AICPA Standards for Performing and Reporting on Peer Review was submitted by NASBA Chair Wes Johnson and President David Costello on June 29, based on the recommendations of the CAC. The letter stated: "The CAC suggests a strong oversight provision for the National Peer Review Committee (PRC) is essential to avoid the charges of cronyism and mutual favoritism so prevalent

in the past. The CAC has exactly such a model in development in the form of the Compliance Assurance Review Board. The CAC strongly suggests such an independent oversight as contemplated by the Compliance Assurance Review Board would enhance the credibility of the National PRC and the entire AICPA Peer Review Program."

The NASBA letter points out that, "Compliance assurance accomplished through AICPA peer review has changed both in purpose and application since first conceived as an educational and remedial tool for the enhancement and credibility of self-regulation. The AICPA peer review now plays a much greater role in today's regulatory environment." Consequently, the NASBA CAC recommends that at least five members, out of the current composition of 20 of the Peer Review Board, should be from a regulatory background.

Proposed changes to the AICPA's revised standards supported by the NASBA CAC included the new reporting model, addition of compilations to the report level, inclusion of SSARS 8 engagements, multi-office multi-state risk assessments, and consideration of PCAOB reporting.

The letter can be found on NASBA's Web site. ♦

Kentucky Board Supports New HS Program

Recognizing the need to motivate quality high school students to plan early for a career in accounting, the Kentucky State Board of Accountancy, in an unprecedented move, recently voted to transfer \$125,000 from its trust account to the Kentucky Department of Education. These funds will be used to help offset the costs associated with implementing a new accounting program developed by the AICPA known as "Takin' Care of Business," explained Kentucky Board Executive Director Richard C. Carroll. The program is an innovative design to showcase accounting as an intriguing and challenging field of study, as opposed to simple bookkeeping.

The idea for implementing the course came about as a result of discussions between the Kentucky Society of CPAs and representatives of the Kentucky Department of Education. The Board's good working relationship with the Society, coupled with the Board's interest in trying to increase enrollment in accounting programs, resulted in the Society's staff suggesting to the Board that it might be interested in assisting with funding the new high school program.

To insure the Board had authorization to transfer the funds, the Board with the Society's assistance successfully amended its statute during the 2007 session of the Kentucky General Assembly to specifically allow for the transfer of funds for this program. After meetings with representatives of the Department of Education and state executive and legislative budget offices, the Board approved the transfer at its May 2007 meeting.

The new course is to be distributed to all the high schools in the state. Each educational package includes two career videos, three interactive games, printable lesson plans and activities from the Education Handbook. The lesson plans integrate the AICPA's Core Competencies with learning standards established by the National Business Education Association and the National Council of Teachers of Mathematics. Each course comes with a user's guide, 25 career guides, 25 bookmarks and a classroom poster.

In addition to paying for the costs associated with the educational package, the transfer of funds will cover the costs associated with the training of teachers this summer to use the program. Staff members from the Department of Education will report to the Board members on a quarterly basis regarding the progress of the new program. Board Chair Sharon T. Walters said the Board members welcomed the opportunity to assist with improving the accounting curriculum at the high school level, with the goal of raising the number of students who will pursue a career as a CPA. ♦

NASBA NY Office Moves

NASBA's satellite office in New York City will be moving two blocks to 12 East 49th Street, New York, NY 10017 on July 24. Although we may miss the 645 Fifth Avenue location, hopefully at the new 17th floor quarters our Fed Ex packages will no longer mistakenly go to the National Basketball Association. ♦

PCIE Finds Unacceptable Single Audits

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sampled represented 92.8 percent of the Federal awards reported in all the audits reviewed.

The most prevalent deficiencies observed were:

- ◆ Not documenting the understanding of internal controls over compliance requirements (27.1 percent Stratum I, 57.1 percent Stratum II);
- ◆ Not documenting testing internal controls of at least some compliance requirements (34.4 percent of Stratum I, 61.6 percent of Stratum II);
- ◆ Not documenting compliance testing of at least some compliance requirements (47.9 percent of Stratum I, 59.8 percent of Stratum II).

The report sets out a three-pronged approach to improve the quality of single audits: (1) Revise and improve single audit standards, criteria and guidance. (2) Establish minimum requirements for training on performing single audits. (3) Review

and enhance processes to address unacceptable single audits. This includes: “Review the suspension and debarment process to identify whether (and if so, how) it can be more efficiently and effectively applied to address unacceptable audits, and based on that review, pursue appropriate change to the process.”

NASBA Chair Wesley Johnson and President David Costello wrote in June to John Higgins, Jr., Inspector General and Chair of the PCIE Audit Committee: “NASBA would welcome the opportunity to enter into a dialogue..., to further the quality of single audits. NASBA would certainly be ready to assist in the development of a process that would facilitate the referral of deficient A-133 audits to Boards for investigation. In addition we could participate in discussions of perceived time and cost barriers that have prevented some federal agencies from starting their own investigations. Based on the investigation experiences of several Boards, we might be able to offer suggestions to the federal agencies.” ◆

Mobility Dominates Discussions

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they are not properly served, then the public is not properly served. We formed the Mobility Task Force to make appropriate changes to the laws and rules to permit cross-border practice. Those changes provide for no notice, no fees and no escape [from state board jurisdiction].”

President David Costello commented: “I do not know of any better collaborative process than the Mobility Task Force.” He proudly pointed to NASBA’s headquarter state, Tennessee, as being one of the first of the new wave of states to pass legislation embracing the mobility concepts in the revisions to Section 23. “If it is going to protect the public – we can get it done,” he said.

In the first six months of the Task Force’s operations, its

members visited 15 states, meeting with both boards and representatives from 23 state societies, Task Force Chair Ken Bishop said. “All the principal parties have worked to build consensus to make for a successful operation,” he commented. The goal for 2007 had been to have 10 states take legislative action on the new revision – and by the end of June 2007 that number will be achieved, Mr. Bishop said. The goal for 2008 is to have 30.

Among the states Mr. Bishop listed as having either recently enacted or moving toward enactment of the proposed Section 23 concept were: Tennessee, Indiana, Texas, Illinois, Rhode Island, Louisiana, Oklahoma, Maine, Hawaii, Pennsylvania and Oregon. Updated information will be posted on NASBA’s Web site, Mr. Bishop stated. ◆