

# State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

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## Great Speakers for Meetings

NASBA's 101st Annual Meeting, to be held at the Westin Copley Place in Boston October 26-29, 2008, will feature presentations from NASBA's leadership as well as from other significant voices in the business world. Among them will be: Donald Nicolaisen – Co-Chair of the Department of the Treasury's Advisory Committee on the Auditing Profession (ACAP) and former Chief Accountant of the Securities and Exchange Commission; Damon A. Silvers – Associate General Counsel for the AFL-CIO and ACAP member; Claudius Modesti – Public Company Accounting Oversight Board Director of Enforcement and Investigations; Nancy B. Nichols - International President of Beta Alpha Psi; Belverd E. Needles – Vice President – Education of the American Accounting Association; Gregory Johnson – Executive Director of the National Association of Black Accountants ; John M. Sharbaugh – Executive Director of the Texas Society of CPAs; Leslie F. Seidman – Member of Financial Accounting Standards Board; and Judith H. O'Dell – FASB

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## Board Okays Study of Non-US Exam Administration

The NASBA Board of Directors at their July 25 meeting in Sunriver, OR, authorized a joint NASBA/AICPA/Prometric committee to develop a business plan for delivery of the Uniform CPA Examination outside the United States. Committee Chair John B. Peace summarized for the Board the information the committee's members had gathered from the state board representatives at the May 19 NASBA Conference on the State of the Examination and at the June Regional Meetings.

Mr. Peace explained that the system under consideration would have the state boards as key participants in the administrative process. It would involve the state boards in determining an individual's eligibility to take the Uniform CPA Examination, approving the candidates' scores and then licensing those who are on the path for licensure. For those individuals who opt for a path that would not lead to licensure, an acknowledgement of accomplishment from the AICPA and NASBA would inform them of passing the examination and other information needed to maintain a credential which would not be equivalent to a CPA license.

Ken Bishop, NASBA Senior Vice President, explained the business plan will help the joint committee work out procedures and result in more specific information that will be shared with the state boards at the Annual Meeting. The NASBA Board's July vote supported continued discussion of the project and authorization to develop a business plan.

At the July meeting, the NASBA Board accepted a report from the Committee on National Examination Preparedness which recommended that NASBA revise the existing computer-based-testing agreement. Committee Chair Wes Johnson explained that the report's recommendations are intended to give the agreement's partners flexibility during their negotiations.

A report from the Ethics Committee underscoring the need for an ethics

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## Call for Comments on 150/120 Paper

NASBA President David Costello has called on all interested parties to respond to the July 2008 draft discussion paper on "Education and Licensure Requirements for Certified Public Accountants: A Discussion Regarding Degreed Candidates Sitting for the Uniform CPA Examination with a Minimum of 120 Credit Hours and Becoming Eligible for Licensure with a Minimum of 150 Credit Hours," which has been posted on the NASBA Web site, [www.nasba.org](http://www.nasba.org). President Costello underscored that this is "not an exposure draft – but a discussion draft."

The paper concludes by stating: "We have found no evidence of detriment to the public interest in those states allowing candidates to sit for the CPA examination at less than 150 hours of education and later fulfilling the 150 hours. We invite you to offer empirical evidence in support of or in opposition to our conclusion. We will continue to monitor the situation closely."

Evidence is requested by October 1, 2008 and should be sent to Lisa Axisa, NASBA Director of Special Initiatives, at [laxisa@nasba.org](mailto:laxisa@nasba.org). ♦

## NASBA/AAA Summit Planned

Leaders of the American Accounting Association and NASBA will hold a summit meeting on September 30 to discuss issues of common concern. NASBA's Executive Committee authorized the summit based on a July 14 meeting NASBA Education Committee Chair Billy M. Atkinson held with American Accounting Association President Gary John Previts and AAA President-Elect Nancy Bagranoff to consider areas of mutual interest.

Professor Previts wrote to Mr. Atkinson: "As the Treasury's Advisory Committee on Human Resources Subcommittee chair I have had multiple opportunities to hear commentaries from David Costello and Gaylen Hansen as to issues of interest to NASBA, and through other channels I continue to learn of NASBA

outreach and communication activities which bear upon the educational community and related to the CPA examination and attempts to reconcile and make more uniform examination requirements. It is within this general context that this get together has been arranged."

Mr. Atkinson reported to the NASBA Board that those at the July 14 meeting agreed to work to develop long-term strategy on education objectives and protocols. The planned summit could lead to a joint education forum that would include educators, representatives of the profession and regulators, he stated. The AICPA has also been invited to participate in the September 30 meeting. ♦

## IASB Monitoring Group Proposed

The International Accounting Standards Board (IASB) has released a discussion document that proposes the creation of a Monitoring Group comprised of public authorities that would be responsible for approving the selection of the IASB's trustees and that would receive regular reports on the Trustees' work. As described in the proposal, the initial membership of the Monitoring Group would include the responsible member of the European Commission, the managing director of the International Monetary Fund, the chair of the IOSCO Emerging Markets Committee, the chair of the IOSCO Technical Committee, the commissioner of the Japan Financial Services Agency, the chairman of the US Securities and Exchange Commission and the president of the World Bank.

The discussion document, entitled "Review of the Constitution: Public Accountability and the Composition of the IASB – Proposals for Change," also recommends expanding the membership of the IASB from 14 to 16 members by 2012 and adding guidelines regarding geographical diversity of the members. The membership would include: four members from the Asia/Oceania region; four members from Europe; four members from North America; one member from Africa; one member from South America; and two members appointed from any area, "subject to maintaining overall geographical balance." Up to three of these members may be part-time. The main qualifications for IASB membership would remain unchanged, being "professional competence and practical experience." The proposal calls for an addition to the IASB's constitution to state: "The members of the IASB shall be required to commit themselves formally to acting in the public interest in all matters."

Publication of an International Financial Reporting Standard would require the approval by nine members of the IASB if there are fewer than 16 members present, or by 10 members if there are 16 members. The publication of a discussion paper would only require a simple majority of the IASB members present.

The discussion document can be found on [www.iasb.org](http://www.iasb.org). ♦

## Board Okays Study

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enforcement board was also presented to the Board. NASBA Chair Samuel Cotterell said the report would be passed on to NASBA's 2008-09 committees for their guidance.

NASBA Uniform Accountancy Act Committee Chair Andrew DuBoff informed the Board that his committee will meet on August 13 to review suggested Model Rules changes that will assist the member boards in implementing rules that support the UAA Section 23 changes which allow for practitioner interstate mobility.

President David Costello's business strategy plan for NASBA was accepted by the Board, as were the FY 2008-2009 NASBA operating and capital budgets. ♦

## Great Speakers for Meetings

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Private Company Financial Reporting Committee Chair.

The final morning of the 101st Annual Meeting will be held in conjunction with the opening of the NASBA Forum of International Accountancy Regulators and will hear from Mark W. Olson – PCAOB Chairman and Robert L. Bunting – President of the International Federation of Accountants. Those attending the following Forum sessions will also hear from: Stavros Thomadakis – Chairman of the Professional International Oversight Board; Wei-Guo Zhang – Chief Accountant of the China Securities Regulatory Commission; Mark Allison – Executive Director of Education of the Institute of Chartered Accountants of Scotland; and Charles H. Calhoun – NASBA Member of IFAC Education Standards Board Consultative Advisory Group.

Details of both programs can be found on NASBA's Web site, [www.nasba.org](http://www.nasba.org). To take advantage of NASBA's hotel rates, reservations must be made by September 19, so make plans now to be in Boston for these memorable meetings. ♦

# President's Memo

## Fill In The [ ]

Recently, I saw an ad that sought to entice me with the line: "If you've ever wanted to play the piano, here's your chance." The ad copy went on to describe how, for only \$5.00 using a CD-ROM, I could learn "easy piano."

There have been several ambitious things I've wanted to do, but none came with the promise of being easy or for such a low price as the advertised piano lessons. Most, if not all, worthwhile, valued pursuits are challenges and require much more than just money.

In its Second Draft Report dated July 22, 2008, the U.S. Treasury Department's Advisory Committee on the Auditing Profession (ACAP) included the following recommendation under the caption, "Firm Structure and Finances," relating to fraud prevention and detection:



Costello

*"Urge the [ ] to create a national center to facilitate auditing firms' and other market participants' sharing of fraud prevention and detection experiences, practices, and data and innovation in fraud prevention and detection methodologies and technologies, and commission research and other fact-finding regarding fraud prevention and detection, and further, the development of best practices regarding fraud prevention and detection."*

ACAP is justifiably concerned that not enough is being done and that more proactive measures should be taken by regulators, auditing firms and the profession to not only obtain reasonable assurance that financial statements are free of material misstatements, including those caused by fraud, but also that collective efforts are being made to prevent and detect fraud.

*"The Committee believes that a collective sharing of fraud prevention and detection experiences among auditors and other market participants will provide a broad view of auditor practices and ultimately improve fraud prevention and detection capabilities and enable the development of best practices. The Committee also believes that research into industry trends and statistics will help auditors focus and develop procedures to identify areas and situations at greater risk for fraud. The Committee believes that best practices regarding fraud prevention and detection will enhance the processes and procedures of auditing firms."*

NASBA supports ACAP's recommendation and we also feel strongly that the [ ] in their recommendation should be filled by NASBA's Center for the Public Trust (CPT). The entity that is charged with the creation of a national center to facilitate sharing of fraud prevention and detection experiences and to develop best practices should be one whose mission is consistent with ACAP's goals, which are independent, and which are free of any conflicts of interest or other influencing entanglements.

The CPT was founded in the wake of the fracturing of the public trust in institutions and professions and its avowed purpose is to positively address ethics and ethical behavior within the accounting and business communities. Its mission is straightforward: *To engender and foster confidence and trust in American corporations and institutions.*

On August 15, I expressed the rationale for CPT to be the [ ] entity to create the national center recommended by ACAP: *"NASBA, as the national organization dedicated to the enhancement of the regulation of accountancy, is uniquely qualified to administer the CPT and provides an excellent foundation for the creation of a national fraud center. NASBA and the CPT believe that fraud is a critically important matter and the fraud center as proposed, is wholly consistent with the CPT's mission. The CPT is a 501 (c)(3) public-interest foundation that has no commercial mission or goals and is fully owned and supported by NASBA."*

We have a chance, an opportunity, to fill in the brackets [ ] for ACAP with NASBA's CPT. It won't be easy and will cost more than \$5.00. Being considered as the entity to create the national center on fraud prevention and detection is an honor, but being selected will be the challenge that we in NASBA welcome and embrace on behalf of all states and jurisdictions.

*Ad astra,  
Per aspera*



— David A. Costello, CPA  
President and CEO

## PWC Offers Colleges IFRS Education Tools

IFRS Ready, a suite of educational tools and programs designed to help American accounting students learn the fundamentals of International Financial Reporting Standards, was released by PricewaterhouseCoopers in July. The firm states this is “the first corporate education program on IFRS being rolled out directly to interested students and the first such program to provide tools for professors to use in their classrooms linked to the student materials.” Students can watch videos that explain what IFRS is, why it matters and its effect on accounting today. They can also use interactive IFRS financial statements that explain the differences between IFRS and US GAAP treatments. PWC is making materials available to faculty across the country, including at community colleges. Professors will be provided with slides, speaker notes and questions and answers that can be integrated into both introductory and intermediate accounting courses.

Faculty can obtain the new materials by going to [www.pwc.com/faculty](http://www.pwc.com/faculty) and students can find the IFRS materials via [www.pwc.tv](http://www.pwc.tv) and then clicking “See what’s on” and going to “Channel 3.” ♦

### Try Out ALL Research Tool for \$10

If you have been hesitant to see how helpful NASBA’s Accountancy Licensing Library (ALL) can be, now is the time to try out its Research Tool on a daily basis. For \$10 a day, you get unlimited access to the new Research Tool. You can search multiple criteria for licensing, CPA exam requirements and general regulations. Sign up by visiting the ALL Web site at [www.nasbatools.com](http://www.nasbatools.com). ALL is available without charge to state accountancy board offices. ♦

## Exam Committee Asks BOE for Info

More detailed information about the AICPA’s practice analysis has been called for by the NASBA CPA Licensing Examination Committee. CLEC Chair Robert Pearson said his group was unable to comment on the Board of Examiners’ practice analysis by July 31, as requested, because it had not been supplied with information on how the analysis was weighted or on how the examination’s content had been determined.

Mr. Pearson explained to the NASBA Board, “We could not respond as an oversight group. We were being asked to give our endorsement of the AICPA’s practice analysis exposure draft. However, we did not feel that we could give our approval without doing some of our own analysis to determine if what was being presented was correct.”

The Committee has also asked the BOE for empirical evidence on the worth of simulations on the Uniform CPA Examination. As of the July NASBA Board meeting, Mr. Pearson said the BOE’s psychometricians had not provided the CLEC with adequate information on the practice analysis or on simulations. ♦

## CPT Goes to Texas

The NASBA Center for the Public Trust is getting ready to hold its next conference on “Developing and Sustaining an Ethical Business Climate” at the University of Texas (UT) in Austin on October 16, 2008. The program is cosponsored by UT’s McCombs School of Business – Department of Accounting and the Society of Corporate Compliance and Ethics.

Future events being planned by the CPT include: “Ensuring Integrity: The Third Annual Auditing Conference,” at Baruch College in New York City on December 4, 2008; “Ethical and Servant Leadership” at Lipscomb University in Nashville in February 2009; and an event to be cosponsored with DePaul University in Fall 2009. See [www.centerforpublictrust.org](http://www.centerforpublictrust.org) ♦

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