Modeled Education Rules Approved

Revision to Section 5 of the Uniform Accountancy Act Model Rules were unanimously approved at the April 18 meeting of the NASBA Board of Directors, held in Alexandria, VA. The revisions had been worked on for several years by the NASBA Education Committee, including the development of exposure drafts and meetings with academicians and professional society representatives. One of the most significant changes is the requirement for qualifying education to specifically include learning about ethics. The April 2008 revised Model Rules can be found on the NASBA Website www.nasba.org.

New UA A ModelRule 5-2 (c)(6) sets as a requirement: “Earned a minimum of three SCH [semester credit hours] in an undergraduate and/or graduate course listed or cross listed as an accounting or business course in ethics as defined in Rule 5-1(e). A discrete three SCH course in ethics may count towards meeting the accounting or business course requirements of Rule 5-2 (c)(2) or Rules 5-2 (c) 4. As an alternative, colleges or universities may choose to integrate the course throughout the undergraduate and/or graduate accounting or business curriculum. Universities must provide evidence of coverage under integration as specified in Rule 5-2 (d)....”

NASBA Chair Samuel Cotterell (ID) thanked all the NASBA volunteers who had served on the Education Committee during the revision process, giving special thanks to the Committee’s chairs during that period, including Billy M. Atkinson (TX), Kathleen J. Smith (NE) and Wesley P. Johnson (MD). ♦
The NASBA Compliance Assurance Committee (CAC) is continuing to monitor the American Institute of CPAs’ Facilitated State Board Access (FSBA) initiative, CAC Chair Mark P. Harris (LA) reported at the NASBA Board’s April meeting. The program is designed to increase transparency by giving state boards direct access to the peer review reports, unless a reviewed firm indicates that such access is to be denied. In cases of denial, the state board would be given access to the name of the firm, date of acceptance of the firm’s most recent peer review, or advised if the firm’s enrollment had been terminated. CAC Chair Harris told the NASBA Board that the implementation schedule was changed after a pilot program found that bringing smaller groups of states on at a time improves the training for and understanding of the new online accessed system. Complete implementation is set for mid-2009. However, AICPA Senior Vice President Susan Coffey told NASBA Chair Samuel Cotterell that the Board felt there needed to be an award that reflected the efforts made by the executive directors as well as Ms. Sachs’ many years of service to NASBA.

New NASBA Award for Executive Directors

An award to honor an executive director of a state board of accountancy who has made an outstanding contribution to the regulation of the accounting profession, The Lorraine P. Sachs Executive Director Award, was unanimously approved by the NASBA Board of Directors in April. The NASBA Awards Committee has been charged with delineating the criteria for nominations and it is expected that the award will be presented for the first time at NASBA’s 2008 Annual Meeting in October.

Ms. Sachs, NASBA’s retired executive vice president and chief operating officer, expressed her gratitude to the NASBA Board for being honored in this way. In a note to President David Costello and the Board members she wrote: “Thank you for the honor, tribute and recognition for work I always enjoyed doing: Respecting and listening to executive staff of boards of accountancy whose assignments too frequently were not acknowledged.” For many years, Ms. Sachs served as staff liaison to the Executive Directors Committee and the Examinations Committee, which involved regular communication with the state boards’ executive directors.

NASBA Chair Samuel Cotterell explained that the Board felt there needed to be an award that reflected the efforts made by the executive directors as well as Ms. Sachs’ many years of service to NASBA.

IQAB Renews PMRA with CICA and IMCP

At a time when NAFTA is being carefully scrutinized, the accounting profession is making the agreement work. Representatives from the Canadian, Mexican and US governments were on hand to see the April 17 signing of the renewal of the professional mutual recognition agreement (PMRA) of the Canadian Institute of Chartered Accountants, the Instituto Mexicano de Contadores Públicos and the NASBA/AICPA International Qualifications Appraisal Board in Alexandria, VA. Currently 45 US jurisdictions have adopted the PMRA to allow them to consider applications for certification or licensure from IQEX (International Qualification Examination) candidates from Canada (as described in the agreement) and 30 have adopted it to apply to IQEX candidates from Mexico as well.

“This is the world’s first tri-country professional mutual agreement,” IQAB Chair William Treacy told the audience. “I am so proud that we are part of an agreement that crossed the language barrier.”

Jaime Sánchez Mejorada Fernández of the IMCP observed there are a large number of accountants in Mexico who need to be certified and the process for doing that is now recognized. “This agreement compels us to keep working to maintain Mexican accountants at a world-class level,” he said.

Noting that many of the speakers were expressing similar sentiments, NASBA President David Costello said, “The only negative thing is we do not have more people involved in the PMRA process. We have to bring more competent people in. We need to bring more countries together.”

Congressman K. Michael Conaway stated: “We are past undoing NAFTA. Change is not necessarily bad when it goes in the right direction. This is a vital agreement in facilitating trade.”

The signers of the PMRA were Kevin J. Dancey for CICA, William Treacy for NASBA/AICPA IQAB, Jaime Sánchez Mejorada Fernández for IMCP, and Manuel Sánchez y Madrid for COMPIC (Comité Mexicano para la Práctica Internacional de la Contaduría). Other speakers at the event were: NASBA Chair Samuel Cotterell, AICPA Vice Chairman Nominee Robert R. Harris, CICA IQAB Chairman Gordon M. Stewart, Susan Harper of the Canadian Embassy and Julian Ventura of the Embassy of Mexico. Complete video coverage of the event can be found on NASBA’s Web site www.nasba.org.

Compliance Assurance Committee Seeks Transparency

The NASBA Compliance Assurance Committee (CAC) is continuing to monitor the American Institute of CPAs’ Facilitated State Board Access (FSBA) initiative, CAC Chair Mark P. Harris (LA) reported at the NASBA Board’s April meeting. The program is designed to increase transparency by giving state boards direct access to the peer review reports, unless a reviewed firm indicates that such access is to be denied. In cases of denial, the state board would be given access to the name of the firm, date of acceptance of the firm’s most recent peer review, or advised if the firm’s enrollment had been terminated. CAC Chair Harris told the NASBA Board that the implementation schedule was changed after a pilot program found that bringing smaller groups of states on at a time improves the training for and understanding of the new online accessed system. Complete implementation is set for mid-2009. However, AICPA Senior Vice President Susan Coffey told NASBA Chair Samuel Cotterell that the Board felt there needed to be an award that reflected the efforts made by the executive directors as well as Ms. Sachs’ many years of service to NASBA.

Continued on page 4

From L to R: Jaime Sánchez Mejorada Fernández, Manuel Sánchez y Madrid, William Treacy and Kevin J. Dancey
United Press International recently reported that a corn flake shaped like the state of Illinois has been sold by two sisters in Virginia for $1,350 on eBay. Melissa McIntire said she has already been paid for the corn flake, which was found by her 15-year-old sister Emily, and the online sale was simply too good to be true, The (Norfolk) Virginian-Pilot said.

A total of 29 people fought for the breakfast cereal discovery and, after all 68 bids were made, the astounding winning offer appeared. McIntire said initially she and her sister optimistically thought the item would earn them $10, so the winning bid represented “an unexpected bonus” for her family.

I like this story and the “unexpected bonus” given to the McIntires. I think most of us enjoy pleasant surprises, good luck and, yes, serendipitous moments such as a corn flake bringing in $1,350. And yet, there are many positive activities, developments and consistent achievements which occur in various arenas that don't rise to the “ah-ha” expression or moment of serendipity.

For over a hundred years state boards of accountancy have been the bedrock of accounting regulation in the U.S. Other regulators such as the SEC and the PCAOB and even the AICPA, the professional association, get a lot more press and attention -- but state boards remain the foundation of accounting regulation.

I’m amused and saddened somewhat when, in the wake of the latest national accounting/auditing scandal or perceived accounting crisis, state boards are usually the subjects of some criticism to the point that claims of a “national solution” will fix all regulatory shortcomings. And, to some extent, we understand part of the criticism as it relates to states and boards which are hesitant or slow to adopt UAA provisions which would collectively and separately make our regulation more effective.

The big untold story, and the one with the pleasant aroma to it, is the value and benefit of state boards of accountancy not only to their own states and jurisdictions but to the national and international regulatory environment. State boards operating under the mandate of Amendment X to the U.S. Constitution protect the public through a licensing process which includes rigor in education and professional examination. Once a person or a firm is licensed by a state board, they are continually monitored for their compliance with current education, ethics, professional competence and quality standards. The state board process is so easily taken for granted as it day-after-day operates in the 55 jurisdictions that not many pay much attention until something or someone goes wrong. Imagine how many more times something or someone might go wrong were it not for the constant compliance process of state boards.

Enforcement activities at the state level may be the most underrated and underappreciated part of what boards of accountancy do. Oh, yes we hear of a few boards which are not in the forefront of enforcement. But these are few. Want to see what enforcement looks like? Visit the Ohio, Texas, North Carolina, California and many other boards’ Websites. Read their public newsletters and you’ll find numerous cases of enforcement conclusion. I am convinced were it not for state board regulation, the SEC, PCAOB and AICPA could not effectively deal with the compliance issues dictated by law and professional standards. And I’m confident that if, in 2008, the public didn’t have the protection of state boards, every state legislature and governor in the country would be working diligently to establish the state board system.

State accounting regulation is perhaps not as exciting as finding a corn flake shaped like Illinois but, even compared to the relative value of $1,350, I believe the benefits both at home and throughout our country emanating from the consistent, positive activities of boards of accountancy are beyond measure. The public gets an “unexpected bonus” granted by state boards of accountancy.

Now I'm going to check the pantry to see if I can find a Pop Tart shaped like the state of Tennessee.

Ad astra,
Per aspera.

David A. Costello, CPA
President and CEO
CPT Launches Newsletter

Volume 1 Number 1 of Ethics Matters, a quarterly newsletter, has been published by the NASBA Center for the Public Trust. The Spring 2008 issue contains highlights from the CEO Leadership Forum, that CPT cosponsored with the Vanderbilt Owen Graduate School of Management in February, and from the Second Annual Auditing Conference, that CPT cosponsored with the Baruch College Zicklin Center for Corporate Integrity in December. It also contains an article on “Ethical Culture Building: A Modern Business Imperative” by the Ethics Resource Center, and messages from CPT Chair Milton Brown and CPT Vice President Lisa Axia plus news reports on the CPT’s other activities.

The newsletter can be found on NASBAs Web site www.nasba.org.

FASB to Webcast Forum on IFRS Transition

To assist the Financial Accounting Standards Board in mapping out a transition plan for an orderly move by US companies from Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS), the FASB is holding a panel discussion with constituents on June 16, 2008 to be webcast via www.fasb.org from 9:00 a.m. until 4:00 p.m. Eastern Time.

The forum on “High-Quality Global Accounting Standards: Issues and Implications for U.S. Financial Reporting,” will address issues such as:

- How would we mobilize the educational community to begin teaching IFRS?
- How and when will the CPA exam change?
- How can the FASB assure constituents that their views will be heard by an international standard setter?

CAC Seeks Transparency

Continued from page 1

Mr. Harris that participation by firms in the program is higher than initially predicted.

Currently 43 states have mandatory peer review for license renewal and 34 state boards are eligible to participate in the FSBA (both mandate peer review and are not prohibited from access to the reports). The AICPA’s pilot program involved six states: North Carolina, Ohio, Oklahoma, South Dakota, Tennessee and Texas. In Tennessee, just the state society participated in the pilot because the state board is prohibited by law from access to the information. Only firms that received an accepted review during the pilot period could participate. According to the AICPA, now that the pilot is completed, Michigan and Virginia will be the next two states to move forward with early adoption of the FSBA.

Three task forces have been established by the CAC, Mr. Harris reported: James W. Goad (AR) leads an Oversight Issues Task Force which is reviewing each of the components of the AICPA Peer Review Programs’ Oversight Models. James S. Ciarcia (CT) is leading the CAC Peer Review Implementation Task Force to encourage mandatory peer review and the adoption of related Uniform Accountancy Act Model Rules and to provide guidance on the FSBA program. Jimmy E. Burkes (MS) chairs the CAC’s State Board Oversight Task Force that is working to motivate more boards to establish a peer review oversight committee. Information about these task forces’ activities will be presented by Committee Chair Harris at the upcoming Regional Meetings. See www.nasba.org for Regional Meeting details.

State Board Report

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NASBA State Board Report