

## Regional Meetings Spur ALD

Nineteen states are now fully participating on the Accountancy Licensee Database, with South Dakota being the newest addition to the list. NASBA staff report that, following the June Regional Meetings, several more states stepped forward to participate, so that the total now is 10 jurisdictions committed to participating and seven states working towards participation.

States participating as of July 30: Alaska, Arkansas, Idaho, Indiana, Kansas, Louisiana, Missouri, Montana, Nevada, New Mexico, Oklahoma, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Washington, West Virginia and Wyoming.

Jurisdictions committed to participation: Colorado, DC, Guam, Iowa, Kentucky, Massachusetts, Mississippi, New York, North Dakota and Vermont.

States working towards participation: California, Delaware, Georgia, Maryland, Nebraska, New Hampshire and Ohio.

Information about the ALD can be obtained from ALD Administrator Kenneth Denny, [kdenny@nasba.org](mailto:kdenny@nasba.org) or call (615)312-3801. ♦

## Costello Addresses IFAC G20 Conference

The International Federation of Accountants' "G20 Accountancy Summit," held July 23-24 in London, resulted in a call for the G20 nations to adopt and implement common global standards in accounting and auditing and for auditor independence. Nearly 40 accountancy institutions and organizational partners from 17 of the G20 countries attended the Summit, which developed recommendations for the next meeting of the G20 nations to take place September 24-25, 2009. NASBA President David A. Costello addressed the IFAC Summit, stressing the need for independent standard setting, as well as consistent oversight of practicing professionals.

"NASBA supports the grand ideal of global accounting and auditing standards developed by highly qualified representatives of subscribing governments. These standard setters and any standard setting body to which they're attached must be truly independent. This independence would include consideration of funding sources, professional ties, organizational structure and, certainly, membership composition," President Costello told the Summit.

His words were echoed in the resulting letter to the G20 Secretariat, which states: "The G20 should ensure that the funding of the IASB meets criteria of adequacy, stability and independence."

President Costello also underscored the need for "an international ethics code comprised of standards and guidelines to which professionals are held accountable." He ascribed the prevailing crisis of trust in the financial markets "much more to ethics

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## NASBA Board Approves NZICA MRA

A mutual recognition agreement with the New Zealand Institute of Chartered Accountants was approved by the NASBA Board of Directors at their July 17 meeting in Avon, Colorado. This brings the total to six such agreements developed by the NASBA/AICPA International Qualifications Board (IQAB) and recommended to the State Boards for their adoption. An official signing of the agreement is slated for August 12 in New Zealand, which will be attended by IQAB Chair William Treacy, executive director of the Texas State Board of Public Accountancy.

NASBA Chair Thomas Sadler announced at the July Board meeting that State Board representatives Edwin G. Jolicoeur (WA) and David D. Duree (TX) had been appointed to the AICPA's Auditing Standards Board, and Sheila M. Birch (OH) had been reappointed to the ASB. Chair Sadler also announced that Alicia J. Foster (MD) and Robert G. Zunich (OH) had been appointed as State Board representatives to the AICPA's Peer Review Oversight Committee.

President David A. Costello told the Board members, "We are in a marathon – not a sprint," when he described NASBA's ongoing efforts to have the State Boards recognized in the international accounting professional and regulatory communities. NASBA Director of Governmental, International and Professional Relations Linda Biek reported on the contacts she had made with regulators in Switzerland, Canada, France, Germany and Ireland, as she frequently must explain that the State Boards

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## Costello Addresses IFAC G20 Conference

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failures” than to failures in meeting technical standards.

The IFAC Summit’s recommendations to the G20 nations fell under eight broad statements:

1. The G20 should encourage all governments to adopt and implement common global standards not only for accounting, but also for auditing and for auditor independence.
2. The G20 should take further steps to ensure that the IASB can function independently without inappropriate political interference.
3. The G20 should support the adoption and implementation of International Public Sector Accounting Standards in all nations.
4. The G20 should call for measures to enhance corporate governance in their respective countries and the global marketplace.
5. The G20 should explicitly address the needs and realities of small and medium-sized enterprises in the formulation and implementation of policies and reforms.
6. The G20 should commit to the long-term strengthening of the accountancy profession in developing and emerging countries.
7. The G20 should facilitate a debate with prudential regulators [statutory auditors] and a broad group of users of financial statements to consider the implications for financial reporting of making adjustments to standards to meet the needs of prudential [federal government] monitoring and supervision.
8. The G20 should support the development of new tools and metrics to achieve global sustainability.

The recommendations appear to be in line with the recommendation made in the Obama Administration’s June White Paper: “We recommend that the accounting standard setters make substantial progress by the end of 2009 toward development of a single set of high quality global accounting standards.”

President Costello reported that he was assisted at the London meeting by Linda Biek, NASBA Director of Governmental, International and Professional Relationships, in explaining to the IFAC member bodies that the State Boards of Accountancy collectively oversee the largest group of licensed accounting professionals in the world, over 600,000, and that these Boards are legislatively mandated to protect the public interest.

He told the Summit: “In order for standard setters to make the best decisions, NASBA and State Boards must be included in the various processes that are part of standard setting. Failure to do so reveals a flaw in the system that may lead to delayed implementation – or no implementation.” He underscored that standard setting must include the “critical elements of total transparency and vetting to all affected parties.”

IFAC should take a look at what is being achieved with mutual recognition agreements (MRA), President Costello advised. He said NASBA was looking forward to having IFAC work to encourage more MRAs to raise the level of accounting and auditing practice around the world.

“Regulators, professional organizations and standard setting bodies must work together to ensure that the interest of the public is at the forefront of all decisions,” President Costello stated at the Summit. ♦

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## NASBA Board Approves NZICA MRA

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are not part of any professional association of accountants. Both President Costello and Ms. Biek attended an IFAC meeting in London on July 23 (see story on page 1).

A three-year strategic plan was presented by President Costello to the Board. He explained that NASBA remains committed to making technological and operational improvements to streamline its processes and procedures while increasing efficiency. The Board approved the operating and capital budgets for fiscal year 2009-2010 as presented by NASBA Treasurer Leonard Sanchez (NM).

Following Senior Vice President Ken L. Bishop’s report on the progress of the work of the AICPA/NASBA Committee on International Delivery of the Uniform CPA Examination, the Board voted to move the project into the next phase of development. He explained that the project would allow candidates to take the Uniform CPA Examination at a foreign test site if they have agreed to become licensed by a US jurisdiction within three years and in addition agree not to use the “CPA” designation in any form not approved by the state. Plans call for the international

delivery program to pay its own way, Mr. Bishop explained. Among the benefits to the states he cited were: potential reduction in the cost of the domestic testing program; improvements to the domestic Gateway infrastructure; better protection of the public interest as fewer unlicensed candidates would hold themselves out as CPAs; foreign CPAs would commit themselves to US ethics requirements and CPE; and the influence of the US CPA would be increased throughout the world.

Progress on negotiations on the extension of the computer-based testing examination agreement with the American Institute of CPAs were also reported on by Mr. Bishop. The current discussion would provide for an extension through 2024 with reviews every five years to ensure all parties are doing what they are supposed to be doing, he explained. Issues such as timely disclosures, satisfaction of outstanding obligations, composition of the Board of Examiners and communications with states are all on the table now, he said.

Details of the agreement will be discussed at the Annual Meeting. ♦

## Where's The Tent?

While in London recently at the IFAC (International Federation of Accountants) G20 Accountancy Summit meeting I couldn't help but recall one of my favorite English stories. Sherlock Holmes and Doctor Watson have pitched a tent while on a camping expedition. In the middle of the night, Holmes nudges Watson to question him.

"Watson, look up at the stars and tell me what you deduce," says Holmes.

His colleague replies, "I see millions of stars, and if there are millions of stars, and if even a few of those have planets, it is quite likely there are some planets like the Earth, and if there are a few planets like the Earth out there, then there might also be life, and if..."

Shaking his head, Holmes interrupts: "Watson — not that! Someone stole our tent."

Linda Bick, NASBA's Director of International, Governmental, and Professional Relationships, and I were invited to participate in the IFAC G20 conference for the purpose of arriving at a consensus position on global accountancy recommendations to the finance ministers of the G20 countries. I was privileged to present a paper reflecting the concerns of NASBA and our Boards. Our points and those of the other presenting representatives were considered and discussed during the two-day conference.

The overarching premise of the conference was that the world must have global standards — IFRS (International Financial Reporting Standards). While not debating this premise, we pointed out the following critical concerns and issues which must be considered and positively acted on before IFRS — or any other standards convention — is widely and fully accepted:

- Global standards including accounting, auditing and ethics must be developed by an independent standard setting body. Independence must be based and measured against the funding sources, the organizational structure and the member composition of the standard setter.
- Total transparency of global standards must be present including the development, promotion and distribution channels of activity. Which countries have truly and fully accepted IFRS? The "light of day" must be focused on the real status of worldwide acceptance of global standards.
- Comprehensive vetting of IFRS or any other developed standards protocol must occur. I reported to the IFAC G20 meeting that the world's largest accountancy regulator — State Boards of Accountancy — and its organization, NASBA, have not been included in the vetting and discussions about IFRS replacing GAAP. Isn't that strange?
- Adopting a "one size fits all" mentality is seriously flawed when it comes to considering the application of global standards.
- Ethics standards must also be included in any global consideration. One could effectively argue that ethics is more of an issue worldwide than the insufficiency of technical applications.
- All the talk about IFRS has completely overshadowed the critical component of appropriate international regulation. In the U.S. accountancy regulation begins with the state boards and carries throughout the licensee's practice wherever that practice is conducted.
- Mutual recognition agreements (MRAs) between the U.S. (represented by NASBA and the AICPA through the International Qualifications Appraisal Board) should be promoted by IFAC and used as a complementary process to true global accountancy.

We feel it is important that our U.S. colleagues and global friends realize that NASBA and its Boards are not against global standards per se. We are against improper vetting, lack of transparency and incomplete processes. When global accounting, auditing and ethics standards reach the U.S. through a comprehensive process, State Boards and NASBA want to look up and still see the tent!

*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 style.

- David A. Costello, CPA  
President and CEO

## Nebraska Top Passing State

The statistics for the 2008 Uniform CPA Examination have been compiled and show Nebraska to be the jurisdiction with highest percentage of first-time candidates passing all sections of the examination. The top three were: Nebraska – 60.5 percent, North Dakota – 60.0 percent, and South Dakota – 60.0 percent. *Candidate Performance on the Uniform CPA Examination – 2009 Edition*, has just been published by NASBA with the help of the State Boards. Drs. Allan S. Cohen, University of Georgia, and James A. Wollack, University of Wisconsin, analyzed the data submitted by the candidates and developed the report that accompanies the statistics.

As the accompanying chart shows, Wake Forest University was the school with the highest passing rate among first-time candidates without advanced degrees, 89.74 percent, and Brigham Young University claimed that distinction for the highest passing rate among all candidates with advanced degrees, 84.15 percent.

“The passing percentages for 2006 and 2007 were noticeably higher than they were in 2004. In 2008, this trend appears to have slowed with passing rates only slightly higher than they were last year,” Drs. Cohen and Wollack write. “Passing percentages among repeat candidates were noticeably lower than for first-time candidates. Interestingly, the biggest difference was observed from the BEC [Business Environment and Concepts] section. This section was the easiest for first-time candidates, but was clearly

the hardest for repeat candidates, as only 36.9 percent of repeat candidates passed the BEC section. Approximately 45 percent of the repeat candidates passed each of the remaining three sections. This overall pattern is in keeping with previous years.”

The authors note that the background information was provided by only 4,206 of the 85,362 candidates who took the examination in 2008; however, they add that NASBA is continuing to explore ways to improve the rate of return of completed questionnaires.

Among the many listings included in the study are: passing rates of all candidates by jurisdiction; performance of candidates with and without advanced degrees by accounting school; performance of candidates by semester hours of accounting; and performance of candidates by undergraduate major.

It is anticipated State Boards will be receiving copies of *Candidate Performance on the Uniform CPA Examination – 2009 Edition* by the end of the month.

Copies of the 2009 and earlier editions may be ordered from NASBA by calling 615-880-4258 or emailing [cpb@nasba.org](mailto:cpb@nasba.org) to request an order form. The cost is \$130 for the soft-cover book; \$75.00 for the CD; \$180 for book and CD combination. More information about the book can be obtained from Denise Flagg at [cpb@nasba.org](mailto:cpb@nasba.org) or 615-880-4258. ♦

### Highest Passing Rates Among First-Time Candidates Without Advanced Degrees

Rank	Institution	Number		Number of Candidates	Percent Passing
		Fail	Pass		
1	WAKE FOREST UNIV	4	35	39	89.74%
2	UNIV VA	4	18	22	81.82%
3	UNIV TX AUSTIN	37	106	143	74.13%
4	UNIV GA	19	53	72	73.61%
5	UNIV MI ANN ARBOR	9	24	33	72.73%
6	UNIV MN TWIN CITIES	10	23	33	69.70%
7	BOSTON UNIV	7	16	23	69.57%
8	UNIV NC CHAPEL HILL	24	49	73	67.12%
9	TX A&M UNIV	59	119	178	66.85%
10	UNIV IA	14	28	42	66.67%
10	UNIV WI MADISON	23	46	69	66.67%

### Highest Passing Rates Among First-Time Candidates With Advanced Degrees

Rank	Institution	Number		Number of Candidates	Percent Passing
		Fail	Pass		
1	BRIGHAM YOUNG UNIV	19	69	82	84.15%
2	UNIV WA	3	13	16	81.25%
3	UNIV HOUSTON UNIV PARK	4	8	10	80.00%
4	TX A&M UNIV	5	17	22	77.27%
5	CUNY BARUCH	6	13	17	76.47%
6	UNIV GA	3	8	11	72.73%
6	UNIV WI MADISON	4	8	11	72.73%
7	UT ST UNIV	7	10	14	71.43%
8	COLL WILLIAM & MARY	5	12	17	70.59%
8	TX CHRISTIAN UNIV	6	12	17	70.59%
9	IN UNIV PURDUE UNIV INDIANAPOLIS	3	7	10	70.00%
9	KS ST UNIV	3	7	10	70.00%
10	SOUTHERN METHODIST UNIV	4	9	13	69.23%
10	WALSH COLL	5	9	13	69.23%

Charts reprinted with permission from NASBA's *Candidate Performance on the Uniform CPA Examination - 2009 Edition*.

## Financial Protection Agency Bill Introduced

A bill to establish the Consumer Financial Protection Agency, an independent agency in the executive branch to regulate the provision of consumer financial products and services, HR 3126, was introduced by Congressman Barney Frank (MA – D) on July 8. The proposed agency would “coordinate with the SEC, the Commodity Futures Trading Commission, and other Federal agencies and State regulators, as appropriate, to promote consistent regulatory treatment of consumer and investment products and services.” It would be responsible for informing consumers about financial products, in the same way as the Food and Drug Administration provides information about the safety of medications. The new agency was described in the white paper on “Financial Regulatory Reform – A New Foundation: Rebuilding Financial Supervision and Regulation,” released by the White House on June 17, 2009.

Under the proposed legislation, “acting as financial adviser to any person” includes: providing financial and other related advisory services; providing educational courses and instructional

materials to consumers on individual financial management matters; or providing credit counseling tax-planning or tax-preparation services to any person. The bill also states: “Upon providing reasonable assurance of confidentiality, a Federal banking agency, a State regulator, or any other Federal agency having supervision of a covered person shall have access to any report of examination made by the Agency with respect to the covered person, and to all revisions made to any such report.”

HR 3126 was referred to the House Energy and Commerce Committee and the House Financial Services Committee, with the full House expected to take it up in September and the debate moving to the Senate later in the year. The *Washington Post* reported that a coalition of lobbyists has been reaching out to members of Congress because “they share concerns that the new agency proposed by the administration could intervene in business activities in overbearing and unproductive ways.”

They are warning that “another layer of regulation could increase costs, stifle innovation and curtail choices for consumers.” ♦

## IRS Forums on Preparer Standards

A series of public forums are being held by the Internal Revenue Service to obtain input on the development of tax preparer performance standards. The first forums were held at the end of July and others are to be held: August 4-6 in Orlando, August 25-27 in New York, September 8-10 in Dallas and September 22-24 in Atlanta. People interested in attending should confirm their attendance by sending an e-mail message to CL.NPL.Communications@irs.gov. The exact locations of the forums will be posted on the IRS Web site [www.irs.gov](http://www.irs.gov). This is part of the IRS program launched in June to help ensure tax preparers are qualified, ethical and provide a high level of service. By year-end the Commissioner plans to present a comprehensive set of proposals to Treasury Secretary Timothy Geithner and President Barack Obama.

“We want an open discussion on how to strengthen the overall integrity of our tax system,” IRS Commissioner Doug Shulman stated. “We are casting the widest net possible by seeking comment from not only tax preparers and the industry, but also from the general public.”

The IRS is also planning to hold meetings with: federal and state organizations; IRS advisory groups (including the IRS Advisory Council, the Information Reporting Program Advisory Committee, the Electronic Tax Administration Advisory Committee, the Taxpayer Advocacy Panel and the Advisory Committee on Tax Exempt and Government Entities); unaffiliated and individual tax preparers and groups; and private firms that support tax preparers.

More than 80 percent of taxpayers now prepare their annual tax returns either with a paid preparer or by using third-party software.

Written comments must be received by August 31, 2009

and submitted to: CCPA:LPD:PR (Notice 2009-60), Room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044 or e-mailed to Notice.Comments@irs.counsel.treas.gov (with “Notice 2009-60” in the subject line of the e-mail).

“We strongly advise against any result which would impose duplicative regulatory regimes on CPAs, attorneys and enrolled agents,” Michael P. Dolan, chair of the AICPA’s IRS Practice and Procedures Committee told the IRS at the first open meeting on July 30. “The AICPA believes the Service already has sufficient authority to regulate federal tax return preparers without the need for an additional legislative grant of authority.”

Legislation presented in Congress that would have required both qualifying examinations and continuing education for unlicensed preparers died in committee, but one of its sponsors, Congressman Xavier Becerra (D – CA) has said he intends to introduce it again. ♦

### Goelzer Acting Chair of PCAOB

Daniel L. Goelzer, a member of the Public Company Accounting Oversight Board for six years, has been named as its acting chairman by the Securities and Exchange Commission. PCAOB Chairman Mark W. Olson resigned effective July 31, 2009. Early in Mr. Goelzer’s career he was an auditor in the Milwaukee, WI, office of Deloitte & Touche and he is a CPA licensed in Wisconsin. He was the general counsel to the Securities and Exchange Commission (SEC) and went on to become a partner in the Washington, DC, law firm of Baker & McKenzie. Mr. Goelzer addressed the NASBA 2007 Annual Meeting in Maui, HI. ♦

## Revised International Ethics Standards Released

A revision of the *Code of Ethics for Professional Accountants* by the International Ethics Standards Board for Accountants (IESBA) has been released and will be effective on January 1, 2011. The 130-page document can be downloaded through the Web site of the International Federation of Accountants [www.ifac.org](http://www.ifac.org). The IESBA explains that the July 2009 revision clarifies requirements for all professional accountants and significantly strengthens the independence requirements of auditors. The Code uses a principles-based approach supplemented by detailed requirements where needed.

Among the changes in the July 2007 revision to the Code are:

- ♦ Extending partner rotation requirements to all key audit partners;

- ♦ Prohibiting key audit partners from being evaluated on or compensated for selling non-assurance services to their audit clients;
- ♦ Requiring a pre- or post-issuance review if total fees from a public interest audit client exceed 15 percent of the total fees of the firm for two consecutive years.

IFAC's membership obligations have as a central objective the convergence of a country's national code with the *Code of Ethics for Professional Accountants*. The AICPA is an IFAC member and has been converging its standards.

IESBA Chair Richard George stated: "It is especially critical that member bodies focus on the implementation of the revised Code as soon as possible." ♦

## McGladrey & Pullen Leaving RSM

McGladrey & Pullen, LLP, issued a formal notice on July 21 of its intent to end its administrative services agreement with RSM McGladrey, a wholly owned subsidiary of H&R Block, Inc. Since 1999, McGladrey & Pullen has operated as a partner-owned full-service CPA firm, but under the administrative agreement RSM McGladrey, Inc., was offering related professional services with shared employees and space. McGladrey & Pullen anticipates it will take at least seven months to fully disband its relationships with RSM McGladrey and H&R Block.

"This arrangement made sense in 1999," explained Dave Scudder, McGladrey & Pullen managing partner. "However, that operational and financial model does not serve us well as we address our future goals .... We see great opportunities for success and growth for McGladrey & Pullen as a traditionally structured firm able to provide full service across all industry segments."

Subsequently, H&R Block, Inc., and RSM McGladrey, Inc., filed a lawsuit against McGladrey & Pullen, claiming the CPA firm does not intend to honor their noncompete agreement. ♦



## State Board Report

National Association of State Boards of Accountancy

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