

NASBA State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

Volume XLI, Number 2

February 2012

NASBA Committees Report to Board

At the January 20, 2012 NASBA Board of Directors meeting, the many ongoing projects of NASBA's committees were described. Among those announced were:

- **Ethics & Strategic Professional Issues Committee** – Subcommittee studying how well new CPAs are educated in their professional responsibilities and professional skepticism. *Chair – Ray Johnson (OR)*
- **Enforcement Committee** – Refinements are being made to the Government Agency Referral Program to allow NASBA to maintain and distribute to State Boards referral reports from federal agencies. *Chair- Harry Parsons (NV)*
- **Accountancy Licensee Database Task Force** - “Strike Forces” are continuing to build participation in the database, with 35 states in ALD and 23 in CPAverify. *Chair – Dan Sweetwood (NE)*
- **Committee on Relations with Member Boards-** Development of June 2012 Regional Meetings, to be held in Philadelphia and Anchorage, is underway. *Chair- Ted Lodden (LA)*
- **Global Strategies Committee** - The Committee will present the 5th International Forum in Orlando, FL, as an add-on to the 2012 NASBA Annual Meeting. *Chair- Laurie Tish (WA)*
- **Uniform Accountancy Act Committee** - Task forces are considering: international auditors, definition of “attest,” definition of “independence,” acts discreditable, whistleblowers/confidentiality, and title for retired CPAs. *Chair – Carlos Johnson (OK)*
- **Compliance Assurance Committee** is developing a report to

(Continued on Page 2)

Call for Directors Nominations

Nominating Committee Chair Michael Daggett (AZ) has requested State Boards send him their nominations for candidates for the 2012-2013 NASBA Board of Directors by May 30. In addition, State



M. Daggett

Boards in the Central, Middle Atlantic, Pacific and Southeast Regions are being asked to submit their nominations by May 30 for their Region's Nominating Committee 2012-2014 member and alternate member. All nominations, accompanied by current vita, should be sent to Nominating Committee Chair Daggett via Anita Holt (aholt@nasba.org or fax (615)880-4291). If you have any questions about nominations, please call Ms. Holt at NASBA at (615)880-4202.

Nominations for NASBA Vice Chair 2012-13 need to be submitted to Ms. Holt by March 2, 2012. ♦

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Published by the
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Regional Directors to Vet Responses

NASBA's Regional Directors have agreed to take on the additional responsibility of vetting exposure draft responses and comments submitted on behalf of the association. Under the new procedure (see “Memo” on page 3), the Regional Directors will be evaluating letters produced by the Regulatory Response Committee and other expert committees and approved by NASBA leadership. On January 19 they gave their approval to the release of a letter in support of the “PCAOB Enforcement Transparency Act” (S. 1907 and H.R. 3503) to the Senate Committee on Banking, Housing and Urban Affairs and the House Committee on Financial Services.

The letter stated: “We strongly support and urge the passage of the proposed legislation giving the Public Company Accounting Oversight Board the authority to make post-investigative disciplinary proceedings public from the point of the PCAOB's order to charge a respondent and start enforcement procedures, consistent with the authority of the Securities and Exchange Commission (SEC).”

President Bishop told the Regional Directors: “As representatives nominated and elected to serve on behalf of the 55 Boards of Accountancy, consensus by the Regional Directors is critical. This level of input will strengthen NASBA's voice as it moves forward in the response process.”

The charge of the Relations with Member Boards Committee is being revised. ♦

Revised CPE Standards Approved

Standards for continuing professional education program sponsors that cover new formats of program delivery, as well as contemplated offerings, were unanimously approved by the NASBA Board of Directors at their meeting on January 20, 2012. The AICPA Board had approved the joint standards at their previous meeting. NASBA CPE Committee Chair Telford Lodden (IA) announced the Statement on Standards for Continuing Professional Education Programs revisions have an implementation date of July 1, 2012 for group programs and independent study. For self-study programs already in existence as of December 31, 2011, the implementation date is March 1, 2014.

Among the items included in the new Standards are:

- A standard for the development of group internet-based programs was added, covering a delivery method not included in the 2002 Standards.

- Should the program include objective-type questions, then for each CPE credit recommended there must be at least three review questions and five final exam questions.
- The program can provide feedback on the program's final examination; however, the sponsor must ensure that question bank is of sufficient size to minimize overlap that would answer the questions for a repeat test-taker.
- Sponsors may recommend one-half CPE credits for self-study programs that are equal to 25 minutes.
- As an alternative to pilot testing for determination of the recommended CPE credits for self-study programs, a word count formula can be used.

The new standards can be found on the NASBA Website, www.nasba.org, and will be added as Appendix B to the Uniform Accountancy Act. ♦

PCAOB Continues Rotation Discussion

The Public Company Accounting Oversight Board will hold a public meeting on March 21-22, 2012, in Washington, DC, to obtain further input on ways to enhance auditor independence, objectivity and professional skepticism, including discussion of mandatory rotation for audit firms. In December, NASBA submitted comments on the PCAOB's earlier concept release on this topic, at which time it urged the PCAOB to consider other measures to address professional skepticism (see *sbr* 1/12).

"We received many thoughtful, reasoned comments and this public meeting is intended to further explore these issues," PCAOB Chairman James R. Doty explained. "Independence, objectivity and professional skepticism form the foundation for investor confidence in the integrity of the audit, and our inspections have made clear that improvement is needed in these areas."

The meeting will be available via Webcast through www.pcaobus.org. ♦

COSO Framework ED Out

Comments on the "Internal Control-Integrated Framework" developed by COSO (the Committee of Sponsoring Organizations of the Treadway Commission) are due by March 31, 2012 (see www.ic.coso.org). The new Framework builds on the original version, which was released in 1992. One of the enhancements of the new Framework is the codification of internal control concepts into 17 principles and their supporting attributes. Updates and enhancements address changes in the business and operating environments, including: expectations for governance oversight; globalization of markets and operations; changes in business models; demands and complexities in laws, rules, regulations and standards; expectations for competencies and accountabilities; use of, and reliance on, evolving technologies; and expectations relating to preventing and detecting corruption.

The Framework was developed by Pricewaterhouse Coopers, project leader Miles E.A. Everson, with a COSO advisory team. According to COSO, the Integrated Framework:

- Clarifies the role of objective-setting in internal control.
- Reflects the increased relevance of technology.
- Enhances governance concepts.
- Expands the reporting category of objectives.
- Enhances consideration of anti-fraud expectations.
- Considers different business models and organizational structures. ♦

SEC Bars Two UK Accountants

Christopher J. Kelly and Margaret Hebb, both associated chartered accountants in the United Kingdom, have been suspended from appearing or practicing before the SEC as accountants for at least two years as a result of their part in the Ernst & Young, LLP UK's audits of Thornton Precision Components (TPC) in Indiana. TPC is a subsidiary of Symmetry Medical Inc. of Sheffield, England, which is listed on the New York Stock Exchange. The SEC alleged that four of the company's executives systematically understated expenses and overstated assets and revenues at TPC, which materially distorted Symmetry's financial statements for a three-year period, fiscal years 2004-2006.

The two outside auditors, formerly of Ernst & Young LLP UK, agreed to suspension for their deficient audits. According to the SEC, the accountants failed to properly audit TPC's accounts receivable balances and inventory. The SEC acknowledged the assistance of the United Kingdom's Financial Services Authority in this case. ♦

NASBA Committees Report (continued)

communicate to the State Boards what NASBA does to provide oversight of the National Peer Review Oversight Committee. *Chair – Janice Gray (OK)*

- **Education Committee** - The progress of the current research grants is being tracked and a new request for proposals will be going out in February. *Chair – Karen Turner (CO)* ♦

President's Memo

The "NASBA Position"

Back in October, I received an e-mail from our good friend Jimmy Corley, the executive director of the Arkansas State Board of Public Accountancy, asking a frequently heard question: "How does NASBA, made up of multiple jurisdictions, come to a position on any particular issue of interest to the accounting profession?" I have heard similar questions over the many years that I have been associated with NASBA, both as a NASBA employee and as executive director of the Missouri State Board of Accountancy. As the newly selected President and CEO about to take the reins, Jimmy's question was particularly meaningful to me. In my early talks with Mark Harris, who was beginning his term as Chair of NASBA, we discussed the question and found we both felt a clear answer was necessary.

The need for developing a process for agreeing upon a "NASBA position" has increased in significance as the organization has continued to grow in national and international relevance. State Boards of Accountancy, in part because of their being 55 disparate and unique political entities, have historically struggled to have any material input or impact on crafting federal legislation, regulation promulgation, and rule and standards writing, although the Boards are responsible for the application and enforcement of those rulings in their states.

Similarly, in the global economy, states are impacted by international accounting related changes, such as the proposed convergence with International Financial Reporting Standards, but are not given a direct role in the decision-making processes. NASBA, as the Boards' representative organization, is well placed to monitor, evaluate and respond to these issues, with the caveat that NASBA will sometimes opine differently from the position of some individual State Boards and/or Board members. The challenge has been to come up with a process that works and is accepted as a well-reasoned and open discussion that reflects the regulator's responsibility to protect the public.

NASBA's increased relevance as an association has taken years to develop. Our volunteers and staff have forged close working relationships and contacts with national agencies including the SEC, PCAOB, IRS, FASB, FAF, international organizations such as IAASB, IFAC and many others. These relationships have been enhanced by NASBA's participation in conferences, forums, roundtables, commissions and consultative advisory groups. As a result, NASBA has increasingly been asked to participate in deliberative processes and to provide opinions and responses. Failure to respond would weaken, or discredit, the relevance we have all worked so hard to achieve.

At the January meeting of the NASBA Regional Directors, a process was approved that will create a vetting and approval method for considering, developing and communicating the "NASBA position." Important and material issues, such as the recent Blue Ribbon Panel's report, will be openly discussed and vetted at NASBA Regional Meetings and other public forums to allow input from as many stakeholders as possible. In the occasional events where there are tight time parameters, an accelerated process will involve staff, NASBA leadership and relevant volunteer committee(s) to develop responses and opinions. The proposed NASBA response, coming from either the long or short pathway, will be given to the NASBA Regional Directors for approval. The NASBA Regional Directors, elected to represent State Boards in each geographic region of the country, will provide a direct nexus to all State Boards of Accountancy.

As with anything new, the "NASBA position" vetting process will evolve and improve. But, most importantly, it falls within our "back to our roots" initiative, to consider our mission to "enhance the effectiveness of State Boards of Accountancy" in all we do!

Semper ad meliora. (Always toward better things.)



Ken L. Bishop

— Ken L. Bishop
President and CEO

3 Canadian Bodies Plan New CPA

The Canadian Institute of Chartered Accountants (CICA), Certified Management Accountants of Canada (CMA Canada) and the Certified General Accountants of Canada (CGA-Canada) on January 17, 2012, presented to their members a proposed framework for uniting Canada's accounting profession. The three groups have been developing a national framework for months (see *sbr* 6/11). It calls for the creation of a new designation, Chartered Professional Accountant (CPA), with a common certification program. The proposed framework is being distributed among the provinces, which govern the accounting profession in Canada.

Once the three bodies have analyzed the feedback from the provinces, the CICA, CMA-Canada and CGA-Canada will decide whether to approach the government with a recommendation to merge, and it would then be up to the government to determine whether to proceed with legislation. Once provisional legislation is enacted, current members of the three bodies would be granted the CPA designation to be used in conjunction with their existing designation for 10 years. After that time, the accountants could either continue to use the two designations or they may opt to use just the CPA.



Kevin Dancey

CICA President and CEO Kevin Dancey, who spoke at NASBA's 2010 Annual Meeting, said of the plan: "There is strength in numbers and we firmly believe the proposed Canadian CPA designation would be a leading voice both at home and abroad – one that is independent, influential and respected." He explained, "Greater efficiencies would result, and the new

qualification program would be at least as rigorous as all legacy programs and encompass financial and management accounting." Should the three bodies unite, they would represent 170,000 professionals.

How such a merger would impact the tri-party mutual recognition agreement developed by the NASBA/AICPA International Qualifications Appraisal Board (IQAB), the Instituto Mexicano de Contadores Públicos, and the CICA is being monitored. IQAB is next scheduled to meet on April 30 -May 1, in Washington, DC, where Canadian representatives will be present to detail what is anticipated. ♦

IMA Critical of CGMA

On January 31 the American Institute of Certified Public Accountants and the Chartered Institute of Management Accountants launched their new joint designation, "Chartered Global Management Accountant" (CGMA). On the same day, the Institute of Management Accountants, which has been awarding its Certified Management Accountant (CMA) designation for 40 years, pointed out that for the new program, "the absence of proper testing and assessment during the three-year grandfathering period – in which U.S. CPAs who meet basic experience criteria and pay a fee will receive the CGMA designation – is troubling. Equally concerning is a six-month, free auto-enrollment period in

which CPAs who meet the education criteria automatically become CGMAs and are then required to 'opt out.'"

The IMA's certification affiliate has issued more than 34,000 CMA certificates to individuals who have passed a multi-part examination. Their position statement says: "As IMA continues to support the growing field of management accounting, the organization also hopes that all accounting associations keep sight of the ultimate mission to responsibly serve individuals, the profession, and society by assuring the skills of management accountants are verified and fully aligned with the needs and standards of today's business." ♦

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