

NASBA State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

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Leaders Question Rotation

Responding to the Public Company Accounting Oversight Board's Concept Release on Auditor Independence and Audit Firm Rotation No. 2011-006, NASBA Chair Mark P. Harris and President David A. Costello in their December 14, 2011 letter urged the PCAOB to focus on other measures to address professional skepticism rather than requiring audit firm rotation after a fixed period of years.

"The PCAOB's inspection process has resulted in improvements in internal controls and audit quality. We believe that the PCAOB should continue to review and explore additional ways for audit firms to enhance quality control to improve monitoring and oversight of audit engagements in addition to the firms' internal inspection programs," the letter stated.

The leaders cautioned that before mandating rotation of audit firms, the PCAOB would need to have research that demonstrated a strong correlation between length of service and loss of professional skepticism, objectivity and independence. ♦

IRS Picks NASBA Registry as Accrediting Agency

Everyone who is required to take the Internal Revenue Service's Registered Tax Return Preparer competency exam is also required to complete 15 hours annually of continuing education, including three hours of federal tax law updates, two hours of ethics and 10 hours of other federal tax law. The IRS has announced that, at this time, "the only IRS approved CE accrediting organization" is the NASBA National Registry of CPE Sponsors. Programs for return preparers are also acceptable if they are: provided by accredited educational institutions; recognized for continuing education purposes by a state licensing body; or provided by a professional body recognized by the IRS as a provider of continuing education on subject matters designed for registered tax return preparers, enrolled agents or enrolled retirement plan agents.

Even those preparers who have a provisional PTIN (Preparer Tax Identification Number), but do not pass the preparer's test until December 31, 2013, must have 15 hours of CE during calendar year 2012, and then 15 hours for each subsequent year. These IRS education requirements do not cover attorneys, certified public accountants, enrolled individuals, certain supervised preparers and individuals who do not prepare Form 1040 series returns. NASBA estimates that more than 400,000 registered tax return preparers will need to meet the CE requirements set by the IRS.

NASBA President Ken L. Bishop said that NASBA was proud to have the National Registry of CPE Sponsors be the first to be recognized by the IRS as a qualified accrediting organization. ♦

NASBA Provides Quarterly Candidate Data

State Board Executive Directors and other interested parties can now receive quarterly updates on candidates' performance on the Uniform CPA Examination. The performance report for each testing window includes two parts: 1) an overall performance overview and 2) overall statistics for the testing window. For example, during the fourth quarter of 2011 the highest pass rates for parts taken were achieved by candidates in Utah (59.5 percent), North Dakota (55.9 percent) and Oregon (54.7 percent). State Board Executive Directors also receive their individual state's report.

The print version of the *Candidate Performance on the Uniform CPA Examination*, including this latest update material, is available through NASBA's on-line publisher at <http://tinyurl.com/6mj6v3y>. Contact NASBA at cpb@nasba.org for questions or comments relating to Candidate Performance reporting and analysis. ♦

CPA Exam Available in Brazil in February

Citizens and long-term residents of Brazil will be able to take the Uniform CPA Examination in their home country beginning in February 2012. The Brazilian examination centers will also be open to U.S. citizens living abroad as well as citizens and long-term residents of Argentina, Venezuela and Colombia.

Since August 2011, the Uniform CPA Examination has been administered in testing sites outside the United States, including Japan, Bahrain, Kuwait, Lebanon and the United Arab Emirates.

A frequently asked question sheet on international testing is updated periodically at the AICPA's Uniform CPA Examination website. ♦

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Vets Covered for CPA Exam

The Uniform CPA Examination has been approved by the Department of Veterans Affairs as a certification test that veterans in any state can take and have the expense eligible for reimbursement of up to \$2000. In addition, military spouses of active duty service members are covered under the Department of Defense's Military Career Advancement Account (MyCAA) program for up to \$4,000 in financial assistance toward their education and testing.

Patricia Hartman, NASBA's Director of CPAES Examination Operations, explained that veterans who qualify for the Montgomery GI Bills (MGIB or MGIB-SR), the Reserve Education Assistance Program (REAP), the Veterans Educational Assistance

Program (VEAP) or the Dependents Educational Assistance Program (DEA) all qualify for reimbursement for taking the CPA Examination.

Ms. Hartman reported that NASBA took steps to be on the VA's approved list of organizations in response to receiving approximately 20 calls from veterans during a three-month period questioning why NASBA was not listed. A proud army veteran herself, Ms. Hartman was persistent in finding the right channel to make sure veterans throughout the country would encounter no obstacles in obtaining reimbursement.

To find out more information about the reimbursement program, go to www.GIBILL.va.gov. ♦

IQEX Revised for 2012

Acting upon the recommendation of the NASBA/AICPA International Qualifications Appraisal Board (IQAB), the Board of Examiners has approved the revision of the International Qualifications Examination (IQEX) with the Regulation Section (REG) of the Uniform CPA Examination beginning in November 2012. IQEX is administered to non-U.S. professionals who hold a certification covered by a mutual recognition agreement with the State Boards and AICPA. It tests knowledge and understanding of U.S. professional ethics, professional and legal responsibilities, and business law and taxation.

IQEX has been administered only during one month of the year, but with the adaptation to REG, qualified candidates will be

able to take the examination during the second month of each quarter of the year at all the Prometric testing centers where the IQEX is currently offered, which includes sites in Canada. The application for the new IQEX examination (the REG) will remain the same as the present application process. Candidates will still need to meet the requirements set down in the mutual recognition agreements.

"This move to a quality examination that will be available throughout the year at relatively convenient locations is something IQAB has been advocating for years," IQAB Chair William Treacy said. "We hope our MRA partners will take similar steps to facilitate the practice of U.S. CPAs abroad." ♦

SEC Charts Enforcement Actions

The Securities and Exchange Commission summarized the enforcement actions it took from April 2009 through mid-December 2011 addressing misconduct that led to, or arose from, the financial crisis. These involved 87 individuals or entities charged, including 45 senior corporate officers. Twenty-five received officer and director bars, industry bars or SEC suspensions. The cases resulted in penalties of over \$1.2 billion, and disgorgement and prejudgment interest ordered of over \$393 million. Additional monetary relief obtained for harmed investors was \$355 million through settlements with Evergreen, J.P. Morgan, State Street and TD Ameritrade.

Included in the SEC summary were:

Concealed from investors risks, terms, and improper pricing in CDOs and other complex structure products: Citigroup; Goldman Sachs; ICP Asset Management; J.P. Morgan Securities; Stifel, Nicolaus & Co.; RBC Capital Markets; and Machovia Capital Markets.

Made misleading disclosures to investors about mortgage-related risks and exposure: American Home Mortgage; Citigroup; Countrywide; Fannie Mae and Freddie Mac; IndyMac Bancorp; and New Century.

Concealed the extent of risky mortgage-related and other investments in mutual funds and other financial products: Charles Schwab; Evergreen; Morgan Keegan; Reserve Fund; State

Street; and TD Ameritrade.

Others: Bank of America; Brooke Corporation; Brookstreet; Colonial Bank and Taylor, Ben & Whitaker (TBW); and UCBH Holdings Inc. ♦

Dubai Cooperates with PCAOB

This month the Public Company Accounting Oversight Board will formally sign its second cooperative arrangement with a Middle Eastern country's regulators for oversight of the auditors that practice in their respective jurisdictions. The PCAOB will enter an agreement with the Dubai Financial Services Authority (DFSA), having signed an agreement with the Israel Securities Authority at the end of October. In December, the PCAOB also entered into an agreement with the Netherlands Authority for the Financial Markets.

While the PCAOB has been conducting firm inspections in Dubai, the new agreement enables the PCAOB and DFSA to exchange confidential information, consistent with the provisions of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. Eight firms registered with the PCAOB are located in Dubai. ♦

Change Your Thoughts

Norman Vincent Peale, the early twentieth century American clergyman, once preached the words, “Change your thoughts and you change your world.” I have been thinking a lot about change these past few months, as I prepared to accede to the position of President and CEO of NASBA. Experience with organizational dynamics has taught me that change, particularly in thought processes, is often easier to talk about than it is to accomplish. Within NASBA we are experiencing several aspects of change while undertaking transition, reorganization and restructuring. While there is typically an expectation of change with the introduction of new leadership, a change in thinking is critical for any transitional – and lasting - success.

My predecessor, David Costello, made many innovative changes to NASBA during his 17-year tenure that resulted in NASBA becoming a robust, relevant and recognized entity in the global accounting universe. As I begin my new role, I have the benefit of my time with David as an unparalleled mentor, and of my recent experiences associated with the CEO selection and contract negotiation processes.

Through the Selection Advisory Committee’s candid questions and comments and consultations with NASBA’s volunteer leaders, I was able to clearly infer that not only did they anticipate change, they expected it. One particular strategically important question was how I would address NASBA’s relationship with State Boards who have not been actively involved with NASBA. My response was, “I often hear about State Boards of Accountancy who have drifted away from NASBA, but my fear is that NASBA has drifted away from some State Boards.”

I should be clear that NASBA has not been resting on its laurels. With the transition to computer-based testing, major legislative efforts such as Mobility, and our efforts toward enhancing NASBA’s relevancy both nationally and internationally, we have been doing some heavy lifting and enjoying success. In the process, however, we may have somewhat taken our eye off the ball of our core mission. During my interview, I committed to prioritizing the improvement, repair or reestablishment of relationships with our member Boards, if selected as CEO. I have a personal rule of: “Don’t write checks that can’t be cashed.” I take my commitment seriously and we have already made substantial steps toward that end, in what I am calling our “back to our roots” initiative.

The change in thinking for this initiative has to begin with staff leadership. I have communicated to staff that, while our business and legislation related activities are important to our success, our resources, passion and energy must always be balanced with our attention to State Boards and the core mission to enhance the effectiveness of State Boards of Accountancy. A critical first step was the creation of the new NASBA executive position of Vice President of State Board Relations. Daniel J. Dustin, CPA, the former Executive Secretary of the New York State Board for Public Accountancy, began his duties in this new position on January 1, becoming responsible for insuring NASBA’s advocacy and support for State Boards. Dan’s experience, ability and skills, combined with his knowledge and relationships with State Boards’ staff and volunteers will be tremendous assets as he undertakes his work.

It is a fun and exciting time at NASBA. I am honored and humbled by the opportunity to lead this wonderful organization. We have tremendous people on our staff in Nashville, New York City, Guam and San Juan. Our volunteers on committees, task forces and serving in leadership positions bring a depth of talent and professionalism that is unequalled. Together we will change our thoughts and change our world to make NASBA a model for all associations.

Wishing you a safe and happy new year!

Semper ad meliora. (Always toward better things.)



Ken L. Bishop

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is fluid and cursive.

— Ken L. Bishop
President and CEO

IFAC Responds to EC Proposed Legislation

The International Federation of Accountants (IFAC) has offered some support and some objections to the European Commission's proposed legislation announced on November 30 (see *sbr* 12/11). IFAC maintains that a number of the proposals in the legislation were not widely supported by the responses received to the EC's "Green Paper on Audit Policy: Lessons from the Crisis," released in December 2010.

IFAC, which is comprised of 167 member and associate accountancy bodies in 127 countries, disagreed with the EC's November 2011 proposed legislation in the areas of: mandatory firm rotation after a fixed period, prohibition of audit firms providing non-audit services, restricting the role of audit oversight by professional accountancy organizations, and requiring firms of a certain size to provide only audit services.

It did agree with the EC's proposed legislation as to: the need to review and enhance the auditor's report, compliance with International Standards on Audit, strengthening of audit committees, enhancing the dialogue between auditors and regulators, having greater transparency in auditor selection, and enabling greater cross-border mobility for auditors.

Its press release states: "IFAC is concerned that the proposals will provide significant problems for global public interest entities that require global audit services. IFAC does not believe that requiring firms of a certain size to provide only audit services will enhance global quality and service capability of the profession. It therefore urges that the Parliament consider the implications legislative changes will have for non-European Union states and the global market for audits of multinational companies." ♦

Call for NASBA Vice Chair Nominations

Nominating Committee Chair Michael Daggett has requested State Boards submit to NASBA their nominations for NASBA Vice Chair 2012-2013 by Friday, March 2, 2012. Under Article IV, Section 3 of NASBA's Bylaws, to be eligible to serve as Vice Chair, an individual must have served as a Director-at-Large or Regional Director for at least a year, but need not be a current member of the NASBA Board at the time of his or her election. The candidate who is elected NASBA's Vice Chair 2012-13 at the 2012 NASBA Annual Business Meeting will accede to Chair 2013-2014.

State Accountancy Boards are asked to send their recommendations, along with a current resume for each individual nominated, to Nominating Committee Chair Daggett at NASBA, 150 Fourth Avenue North – Suite 700, Nashville, TN 37219-2417. Nominations can be faxed to (615)880-4291 or e-mailed to aholt@nasba.org. Questions about the election process should be directed to Anita Holt at (615)880-4202.

IESBA Proposes Ethics Code Changes

Additional guidance concerning conflicts of interest is being proposed for the "Code of Ethics for Professional Accountants," by the International Standards Board for Accountants (IESBA), with comments due March 31, 2012. While it is proposing broadly similar guidance for professionals in both public practice (Section 220) and business (Section 310), the IESBA recognizes that conflicts of interest will arise for those in public practice in different circumstances, particularly when professional services are offered by other members of the accountant's firm.

Kenneth Dakdduk, IESBA Chair who spoke at NASBA's 2011 Annual Meeting, explained: "The changes should assist professional accountants in early identification of a potential conflict of interest." As pointed out by Chair Dakdduk at NASBA's meeting, the AICPA is considering the IESBA Code as part of its codification/convergence project and a number of states have rules that are similar to the AICPA's. ♦

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