Where in the World is Linda Biek?

Linda Biek, NASBA’s Director of Governmental, International and Professional Relations, has resigned her post to become the Hong Kong Institute of CPAs’ Director - Compliance. HKICPA is the sole statutory licensing body for auditors of public companies in Hong Kong. Ms. Biek has served as staff liaison for many NASBA committees and projects, including the Global Strategies Committee, Enforcement Resource Committee and Executive Directors Committee. She was previously the Executive Director of the Tennessee State Board of Accountancy.

NASBA President Ken Bishop stated: “The Hong Kong Institute of CPAs’ mission is to lead and serve businesses and the public interest of Hong Kong, while working with the challenges of being the global gateway to China. Linda will be responsible for managing the Institute’s activities in relation to complaints regarding the professional conduct of its members. Heading a well-established team of ten, she will provide leadership, guidance and support in the investigation.”

FASB Framework Comments Due Oct. 31

The Financial Accounting Standards Board is calling for comments by October 31, 2012 on its proposed approach for deciding whether and when to modify U.S. Generally Accepted Accounting Principles for private companies. The approach is outlined in “Private Company Decision-Making Framework: A Framework for Evaluating Financial and Reporting Guidance for Private Companies,” and can be found on www.fasb.org. A free 75-minute webcast, to be broadcast on September 14 and then to be archived on the FASB’s Web site, will give an overview of the framework and its anticipated use. Specific topics to be covered include: six significant factors identified by the staff that differentiate the financial reporting considerations of private companies; five areas where financial accounting and reporting guidance might differ for private and public companies; and the next steps in the process, that requires the FASB and the newly formed Private Company Council to jointly deliberate the comments received before finalizing the framework.

The American Institute of Certified Public Accountants has announced its support of the Private Company Council, but at the same time it is moving ahead with the development of what it terms a “complementary” financial reporting framework based on its “other comprehensive basis of accounting” (OCBOA) to meet the needs of both privately-held small and medium-sized enterprises (SME) that do not need GAAP financial statements. An exposure draft on the AICPA’s OCBOA framework is expected to be released this fall.

NASBA Director-at-Large Kenneth R. Odom is a member of the AICPA’s committee developing the OCBOA initiative. “The group has been working hard, holding an in-person meeting in September, after having held three four-hour conference calls. We’re all doing our best to have the exposure draft out on schedule,” Mr. Odom reports.

It is also anticipated that the Financial Accounting Foundation will name the chair and members of the new PCC by the end of September. The FAF reports that it received more than 100 nominations for the PCC, including several submitted by NASBA. The FAF Board of Trustees is reviewing the candidates.

NASBA Comments on ARSC and PEEC EDs

Following weeks of discussion by the Regulatory Response Committee and the Ethics and Professional Issues Committee, then vetting by the Regional Directors, on September 6 NASBA Chair Mark P. Harris and President Ken L. Bishop sent a letter in response to exposure drafts released by the AICPA’s Professional Ethics Executive Committee and Accounting and Review Services Committee on June 29. The letter suggested that both ARSC and PEEC have their new standards become operational on the same day, but took a firm stand on the need for requiring CPAs to add reports to unaudited financial statements: “We strongly recommend that Paragraph 4 be changed to require that the accountant attach a report to the unaudited financial statements and that the report’s wording include the following: ‘We (a) have prepared [assisted in the preparation of] the financial statements of [Entity’s Name]. The financial statements as of and for the year ended December 31 and the accompanying financial statement schedules present fairly (in all material respects) the financial position of [Entity’s Name] as of and for the year ended.” (Continued on page 4)
IESBA Suggests Breaching Confidentiality

The International Ethics Standards Board for Accountants has issued a proposal which would require a professional accountant to determine whether certain suspected illegal acts are of such consequence that disclosure to an appropriate authority would be in the public interest. The August 2012 Exposure Draft on “Responding to a Suspected Illegal Act,” explains: “In making this determination, the professional accountant shall take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances, would be likely to conclude that the suspected illegal act is of such consequence that disclosure would be in the public interest. The determination will require professional judgment and consideration of the nature and magnitude of the matter, including the number of people that could be affected by the suspected illegal act and the extent to which those people could be affected, irrespective of the size of the client or employing organization.” Proposed Sections 225 and 360 of the IESBA’s Code of Ethics for Professional Accountants describe the circumstances under which an accountant shall or “has a right to” override the fundamental principle of confidentiality and disclose a suspected illegal act by audit and non-audit clients to an appropriate authority.

Section 225.14 does leave room for the accountant not to whistle blow if threatened with physical violence: “In exceptional circumstances, a professional accountant in public practice is not required, under this section, to disclose the suspected illegal act. Exceptional circumstances would arise where a reasonable and informed third party would conclude that the consequences of disclosure are so severe as to justify not complying with the requirement to disclose, for example, where there would be threats to the physical safety of the professional accountant or other individuals.”

IESBA Chair Jorgen Holmquist stated: “When the consequences of non-disclosure are potentially harmful to individuals or society, confidentiality must be overridden.” Several NASBA committees are studying the exposure draft and the IESBA is requesting comments on the proposal by December 15, 2012. The document can be found on www.ethicsboard.org and comments can also be submitted via that site. ◆

AACSB Studying Accreditation Standards

The Association to Advance Collegiate Schools of Business (AACSB) is engaged in an intensive review process of its standards for accreditation of institutions which it expects will conclude with the adoption of new standards and processes in April 2013, Dr. Jerry Trapnell writes in “Frontiers,” a blog of the Western Cooperative for Educational Telecommunications (WCET). The AACSB currently accredits 655 institutions in 44 countries, which is only 5 percent of the world’s institutions that are offering business degrees, Professor Trapnell notes. How distance learning should be addressed in these standards is being given considerable attention by the AACSB’s Distance/Online Education Task Force. It is unlikely that any new standards will be addressed to this mode of delivery, Dr. Trapnell states, but the broader standards on curricula content, faculty qualifications, infrastructure, etc., will be applied to all delivery modes.

WCET was founded by the Western Interstate Commission for Higher Education in 1989 to integrate distance learning and education technology into the academic services of higher education institutions in 15 Western states. Its membership now includes representatives in nearly every state and several countries, the organization reports. The WCET is working on a “State Authorization Reciprocity Agreement” that is expected to be released later in 2012. This would make it easier for institutions to comply with the U.S. Department of Education’s requirement that will go into effect on July 1, 2014 calling for institutions offering distance or correspondence education to acquire authorization from any state in which they operate. This authorization is required to maintain eligibility for students of that state to receive federal financial aid.

In June the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges took action against 45 institutions for failing in some way to meet its standards, but only the City College of San Francisco received an order to show cause for non-compliance with its eligibility requirements. By June 2013 the City College of San Francisco must show cause why its accreditation should not be withdrawn and that the deficiencies noted have been corrected. The City College of San Francisco serves 100,000 students at nine campuses and many other sites throughout San Francisco. ◆

ARSC and PEEC EDs (Continued from page 1)

31, 20XX, were not compiled, reviewed, or audited and, accordingly, we (I) do not express an opinion or any form of assurance on them.” The NASBA comment letter also recommends that the legend “See Accountant’s Report” be placed on each page of the unaudited financial statements.

The letter further points out: “One consequence that may occur as a result of designating ‘prepare and present’ engagements as non-attest engagements is that such engagements will no longer be subject to peer review.”

NASBA’s letter can be found on www.nasba.org. Both exposure drafts can be found on www.aicpa.org, the ARSC exposure draft entitled: “Association with Unaudited Financial Statements; Compilation of Financial Statements; and Compilation of Financial Statements-Special Considerations” and the PEEC proposal “Proposed Revised Interpretation No. 101-3 Under Rule 101.” ◆
Photos on the Wall

Have you ever been watching a television broadcast when the commentator warns that an upcoming video may contain graphic content so that you may want to divert your eyes? Well, this article may contain content that is politically edgy to some (just in case you want to go on to the next article).

Outside my office in Nashville is a wall of photos of the Chairs of NASBA who served over the past 17 years, since NASBA has been headquartered in Nashville. I walk by those photos numerous times every day and often stop to look at the faces of those fine leaders, most of whom I have gotten to know during my tenure as both a NASBA volunteer and employee. I usually point out the wall of Chair photos when I show visitors and guests around our facility. On several occasions someone will mention the lack of diversity. Not surprising. In fact, in the past 17 years, 15 of our chairs have been men…white men.

I want to be clear that I would not want to dissuade anyone from seeking the Chair position, nor am I being critical of any of the men on the wall – or the volunteers who elected them. Each Chair was, or continues to be, a dynamic leader who brought new ideas and enhancements to NASBA. I am also not being critical of our current selection process. Our bylaws provide for a fair and equitable process through which State Boards regionally elect Nominating Committee members, who in turn recommend to the State Boards a candidate to become Vice Chair and then to accede to Chair. What I am challenging us all to consider is the culture of NASBA which has somehow failed to encourage women and minorities to aspire to, seek and hold NASBA’s highest office.

I recently had a conversation with Sandra A. Suran, NASBA’s 2011 William H. Rensselaer Award winner and NASBA’s second woman Chair, in 1984-85 (called “President” in 1984). During that conversation, she freely discussed her concern about how the lack of diversity of our volunteer leadership might ultimately harm NASBA.

Like Colonel Oliver North’s attorney’s famous remark during the Senate hearings into the Iran-Contra affair, “I am not a potted plant.” As NASBA’s President and CEO, I share the responsibility to promote and protect the reputation of this great organization. When an esteemed leader like Sandra Suran has the wherewithal to reach out and candidly comment about the need to promote diversity in our leadership, then maybe it is time to get the issue out into the bright light of day and to begin a dialog of how we can do better. Just as when Nathan T. Garrett (NASBA President 1992-1993) told the 2011 Annual Meeting it was time to make sure current professional regulations prohibit discrimination in employment – and our Uniform Accountancy Act Committee did that.

On a recent Saturday morning I was having coffee with my wife Sheilah before heading over to the quiet NASBA office to write the next President’s Memo. She asked if I had decided upon the topic, and I mentioned my idea of “Photos on the Wall,” and suggested that it might be a bit of a politically slippery slope. She responded, “Well, you have always led with your chin and it has served you pretty well.” As I drove the 25 miles from my house to the office, I continued to consider the idea. Ultimately I concluded that if I didn’t raise the issue now, I might be driving to the office in five years wishing that I had.

NASBA’s primary constituency is you, our 55 State Boards of Accountancy. I have had the opportunity to attend many of your Board’s meetings, so I know that most Boards are well balanced with men and women and ethnically diverse. As there is no shortage of tremendously qualified women and people of color on our State Boards, my questions to those Board members are: How do we encourage you toward pursuing a leadership role in NASBA? Are there perceived barriers we need to address?

I should point out that NASBA is certainly not void of having strong women and people of color serving in key volunteer leadership roles. Our current Board of Directors has women and people of color with outstanding professional knowledge and people skills. They include Directors-at-Large Walter C. Davenport, Theodore W. Long, Jr., and Laurie J. Tish, Southwest Regional Director Janice L. Gray and Mountain Regional Director Karen Forrest Turner. Diane M. Rubin, one of the two women in the “Photos on the Wall” and one of the four women Chairs in the past 50 years, served as NASBA’s Chair in 2005-6 and continues to be a respected representative of NASBA, nationally and internationally. Our Past Chairs Committee is enriched by the participation of Nathan T. Garrett and Thomas Iino (President 1985-86).

It is not unusual for me to receive calls and e-mails from you regarding the content of the President’s Memo. I will be interested in your reaction to this piece. Regardless of whether it is positive or not so positive, I believe this is a timely, fair and important discussion. As President Harry Truman used to say, “At least it will knock the bubble off center.” We will ultimately see if there will be more diverse faces among the “Photos on the Wall.”

Semper ad meliora. (Always toward better things.)

Ken L. Bishop
President and CEO
**SEC Releases Investor Study**

The kinds of information that investors find useful in making their investment decisions are identified in a study released by the Securities and Exchange Commission on August 30, 2012, entitled “SEC Staff Study Regarding Financial Literacy Among Investors.” The study was mandated by the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. The report covers on-line survey research, focus group research, public comments to the SEC and a Library of Congress review of studies of financial literacy among U.S. investors.

Investors reported information that they found useful included: information about fees, investment objectives, performance, strategy, and risks of an investment product, as well as the financial adviser’s professional background, disciplinary history and conflicts of interest. All of this information to be provided before the investment is made, rather than after. The investors also prefer having investment disclosures presented in a visual format that uses bullets, charts and graphs.

Lori J. Schock, Director of the SEC’s Office of Investor Education and Advocacy, said, “From methods to improve disclosures to best practices for investor education programs, the study addresses a wide range of areas related to investor literacy.”

The report can be found on www.sec.gov.

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**Where in the World is Linda Biek? (From page 1)**

and enforcement of professional standards of the Institute. Linda will ensure that complaint handling, investigation and disciplinary procedures are managed in an efficient and effective manner that maintains public trust in the Institute as regulator of professional standards in Hong Kong. I am pleased that a NASBA Director has been given this great opportunity.”

In a note to her NASBA colleagues, Linda wrote: “I’m moving with my family to Hong Kong. This is a dream come true and I still can’t believe it’s happening. I’ve been told it’s a bold leap and my future will be changed as a result. Friends have asked how I can make such a risky move at my age. [I’m not THAT old.] My philosophy is that you are never too old or too young to follow your dreams.”

Linda has developed NASBA’s international presence through her efforts with the Global Strategies Committee and her development of NASBA’s Forum for International Accounting Regulators, which this year will be held in Orlando, FL, in conjunction with the Annual Meeting (October 31 - November 1). Stepping in for Linda, NASBA Vice President Daniel Dustin will lead staff support for the upcoming Forum.

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**Public Records Request Denied in OR**

The Oregon Department of Revenue has conducted internal investigations on how a $2.1 million refund was dispensed on a debit card to Krystie Reyes, who had claimed an income of $3.5 million. She was ultimately prosecuted and sentenced to 5 ½ years in prison for felony theft and tax evasion. But The Oregonian, following up on the case, sought to obtain the names of the Department of Revenue workers who failed to catch the return, flagged because the refund was more than $50,000. The agency refused to give the paper the names of the workers and The Oregonian filed an appeal with the Attorney General on August 1 under the state’s public records act. On August 21 that appeal was denied by the Attorney General’s office.

The Oregonian reported the Attorney General’s opinion stated: “We conclude that no public interest would be served by releasing the names of the four public employees.” The Department’s investigation had not found any evidence of collusion or the breaking of any laws, the opinion stated.