

# NASBA State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

Volume XXXIX, Number 3

March 2010

## 44 Boards Committed to ALD

California is the latest state to become a fully active participant in the Accountancy Licensee Database. The other 24 jurisdictions that now have their licensee information on the ALD are: Alabama, Alaska, Arkansas, CNMI, Idaho, Indiana, Kansas, Louisiana, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, Oklahoma, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Washington, West Virginia and Wyoming. Seven more states are engaged in working towards ALD participation and another dozen are committed to their involvement.

ALD Task Force Chair Dan Sweetwood, Executive Director of the Oklahoma Board, pointed out that in one year there was an 80 percent increase in the number of jurisdictions who have signed on to being part of the ALD. "This momentum can mainly be attributed to executive directors and Boards taking the time to review and discuss ALD with NASBA staff and Task Force members about how the ALD can be a valuable tool for them and the whole accountancy regulatory community," he observed.

A prototype for the public version of the  
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Published by the  
National Association of State Boards of Accountancy  
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## Exam Contract Extension Signed

NASBA Chair Billy M. Atkinson and President David A. Costello signed an extension of the computer-based testing (CBT) agreement for the Uniform CPA Examination on March 4 with AICPA President Barry Melancon and Prometric President Michael Brannick. The new agreement extends the AICPA's development of the Examination through 2024, and Prometric's delivery of it through 2014 (when the initial agreement terminates) with reassessment beginning in 2012 for the first of two potential five-year extensions. Senior Vice President Ken Bishop mapped out the terms of this agreement at the NASBA Board of Directors' January meeting, before the signing was approved by the Board (see *sbr* 2/10).

The agreement culminates several months of careful negotiations during which time the member Boards' comments on the CBT agreement were addressed and compliance with the previous agreement reviewed. An agreement between NASBA and the AICPA on the international administration of the Uniform CPA Examination is expected to be completed shortly. Both agreements will be discussed at upcoming NASBA conferences.

"NASBA is pleased to participate in an agreement that provides further confidence in the marketplace as to the quality of the Examination's content, delivery and administration," President Costello stated on March 4. ♦

## SEC Work Plan for IFRS Consideration

The Securities and Exchange Commission received more than 200 comment letters on its November 2008 "Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers," including a letter from NASBA. On February 24, 2010, the SEC released a statement evidencing it has been giving careful consideration to those letters and determined it does not have all the information necessary to make a determination regarding incorporating IFRS into the financial reporting system for U.S. issuers. Consequently, the Commission has directed its staff to develop and execute a "Work Plan" to allow for the necessary fact gathering and analysis.

"For nearly 30 years, the Commission has promoted a single set of high-quality globally accepted accounting standards, which would advance the dual goals of improving financial reporting within the U.S. and reducing country-by-country disparities in financial reporting," said SEC Chairman Mary L. Schapiro. "But supporting this goal is only the beginning of the discussion, not the end."

Included in this Work Plan will be consideration of IFRS, as it exists today and after the completion of the convergence projects currently underway between the IASB and the FASB. By 2011, assuming completion of these projects and the staff's Work Plan, the Commission will decide whether to incorporate IFRS into the U.S. financial reporting system and, if so, when and how, Chairman Schapiro announced.

The SEC's statement includes a footnote acknowledging NASBA's view that the SEC should maintain a relationship with the FASB. The Commission states: "We believe the FASB will continue to play a critical and substantive role in achieving the goal of global accounting standards. The FASB is the accounting standard setter for

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## Future of UK GAAP Studied

More than 150 comment letters were received by the United Kingdom's Accounting Standards Board (ASB) in response to its policy proposal: "The Future of UK GAAP," which sets out proposals for the future reporting requirements for UK and Irish entities. The responses, submitted by February 1, 2010, demonstrated "a divergence of views on many important issues and the ASB will have a challenging task in analyzing them and in coming to firm recommendations," reported the Financial Reporting Council, the UK's independent regulator responsible for promoting confidence in corporate reporting and governance.

ASB Chairman Ian Mackintosh stated that the responses to the proposal "will be an excellent basis for redeliberating the original proposal." The responses have been posted on the ASB's Web site [www.frc.org.uk/asb](http://www.frc.org.uk/asb). ♦

## SEC Work Plan for IFRS Consideration (continued from page 1)

the U.S. capital markets, and it should continue to work with the IASB to improve accounting standards. Moreover, that role would remain critical after adoption of global standards."

The staff's Work Plan will address issues highlighted in many of the comment letters, including:

- Determining whether IFRS is sufficiently developed and consistent in application for use as the single set of accounting standards in the U.S. reporting system.
- Ensuring that accounting standards are set by an independent standard setter and for the benefit of investors.
- Evaluating investor understanding and education regarding

## Call for BOD and Nominating Candidates

The call is going out this month to State Boards for nominations for candidates for the 2010-11 NASBA Board of Directors and for the NASBA Nominating Committee.

Nominating Committee Chair Thomas J. Sadler asked that all Boards submit their recommendations for NASBA Regional Directors and Directors-at-Large by Tuesday, June 1, 2010. Recommendations should be approved by the State Board and sent to Mr. Sadler at NASBA, 150 4th Avenue North, Nashville, TN 37219-2417 (fax 615-880-4291) or e-mail [aholt@nasba.org](mailto:aholt@nasba.org). The Nominating Committee will meet in June to select its slate of officers, which will be voted on by the member Boards at the Annual Meeting in October.

Boards in the Central, Middle Atlantic, Pacific and Southeast Regions are also being asked to send in their nominations for members of the 2010-2012 Nominating Committee. These nominations should be sent to Mr. Sadler or Ms. Holt, as noted above, by Friday, May 14, 2010. Nominating Committee members from these Regions will be voted on at the June 2010 Regional Meetings.

Interest forms for NASBA's 2010-2011 committees will also be sent out later this month. Please be sure to fill one out and return a form if you are interested in being appointed or reappointed to a NASBA committee. ♦

## 44 Boards Committed to ALD

(continued From Page 1)

ALD is slated to be shown at the March Conference for Executive Directors and State Board Staff. The ALD currently provides a secure place for State Board staff to share licensee information. To develop the prototype for the second phase of ALD, a subcommittee has been gathering feedback from State Board members and directors on what information should be included in the public version of the ALD.

Members of the ALD Task Force include: Rebecca Adams (CT), Sally Anderson (CA), Patti Bowers (CA), Mark Crocker (TN), Daniel Dustin (NY), Russ Friedewald (IL), Michael Skinner (GA), Edith Steele (OK), Rick Sweeney (WA), Karen Turner (CO), Viki Windfeldt (NV) and Lisa Zolman (WA). NASBA staff support for the project is being provided by Joe Cote, Sandra Davidson, Kenny Denny, Yordanos Dumez and Mike Semich. ♦

IFRS and how it differs from U.S. GAAP.

- Understanding whether U.S. laws or regulations, outside of securities laws, would be affected by a change in standards.
- Measuring the impact on companies, both large and small, including changes to accounting systems, contractual arrangements and litigation contingencies.
- Determining whether those who prepare and audit financial statements are prepared to make the conversion to IFRS.

Should the Commission opt to incorporate IFRS into the U.S. financial reporting system, U.S. companies would report under such a system no earlier than 2015. The Work Plan calls for the staff to further evaluate this timeline.

The Work Plan specifically notes NASBA's comments on IFRS resulting in standards that may be less auditable and enforceable, which would not be in the public interest. Also cited in the Work Plan is NASBA's concern regarding the existence of and future potential for jurisdictional variations of IFRS. Many of the other points cited in the Work Plan and the SEC's statement (Release Nos. 33-9109; 34-61578) were also raised in NASBA's comment letter, which can be found on [www.nasba.org](http://www.nasba.org).

In response to the SEC's "Statement in Support of Convergence and Global Accounting Standards," the FAF issued a press release which said, in part: "As the FASB aims to complete in 2011 the important projects identified in our MoU (Memorandum of Understanding) with the IASB, we expect 2010 to be a pivotal year of progress. As our shared standard-setting goals continue with the IASB, the FASB will maintain a priority for the pursuit of improvement in standards, an essential ingredient for the completion of MoU projects and a focus also underscored in the work plan in the segment entitled 'Sufficient Development and Application of IFRS for the U.S. Domestic Reporting System.' The FASB will continue to address reporting issues of critical importance to U.S. investors and financial markets while pursuing the international standard-setting agenda." ♦

# President's Memo

## An Early Hurricane

Hurricane season came early this year—on the evening of February 25th. No, this hurricane didn't come up from the Caribbean, nor did it hit the shores of Florida or Louisiana. This hurricane struck in Vancouver at the site of the winter Olympics.

In the finals of the men's aerial ski jump, where athletes fly 50 to 60 feet into the air, the U.S. wild man, Jeret Peterson, was awaiting his second and final jump that would determine whether the U.S. received an Olympic medal. Peterson, nicknamed the "Hurricane" for his unique risky three-flip, five-twist maneuver 55 feet above the ground, was in fifth place. He needed something spectacular to overtake the skiers in front of him.

As he stood on the platform ready for his jump, you could see it in his eyes: He would attempt the make-or-break maneuver. He would put it all on the line. Peterson would either medal for the U.S. or he would fail trying. He had already told the media, "I'm not into mediocrity." And this night, as he launched his body skyward, Peterson began his flipping, twisting, turning, swirling—the hurricane! The crowd went wild cheering madly. He came to earth on his feet amid a raucous crowd. He looked up at the score and, incredibly, the Hurricane had vaulted into first place. It wasn't until the second-to-last jump that evening that a less celebrated Belarus jumper (Alexei Grishin) edged past the Hurricane by a slight 1.2 points, with a point total of 248.41 to Peterson's 247.21. But the Hurricane won silver! He medaled to everyone's astonishment.

When asked how it felt, Peterson replied, "It's about everything that I've been able to overcome. It's what it represents to me. Do I think it's awesome? You bet!"

We all have some hurricane in us. We take risks every day. We, like the Hurricane, when faced with great opportunity must risk something and go after it. Opportunity does not call for mediocrity. It requires using our education, our current circumstances, our competencies and, yes, our boldness and courage to capture the moment, to become if need be our own "hurricane" to attain the success we desire.

On Thursday, March 4, 2009, Chair Billy Atkinson and I signed the Amended and Restated Computer Based Testing Services Agreement with the AICPA and Prometric. The Agreement contains substantively the improvements our Boards wanted in a ten-year extended agreement, including: majority membership on the Board of Examiners; a State Board experienced person chairing the Board of Examiners every other year; cost control over budgeted and unbudgeted items; termination rights, as opposed to mere withdrawal rights; enhanced business continuity; and critical software escrow provisions.

Are there risks inherent in an Agreement which terminates in 2024? Of course. But we believe we have mitigated the risks to the point where the benefits greatly outweigh the risks. Can situations be too risky? Absolutely. Hurricane Peterson intentionally did not perform his famous maneuver in previous competitive jumps because of adverse weather conditions. In fact, he had performed his previous competitive hurricane maneuver in 2007. He assessed the risks carefully before putting it all on the line. We have done the same. We received our Boards' input in various forums, reflected your consensus expectations in the Agreement and, with the very capable assistance of our General Counsel, Noel Allen, provided protections for NASBA and our member Boards.

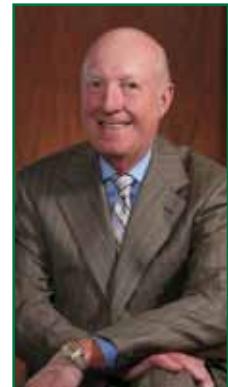
As regulators and professionals, we face adversity and challenges; we assess, weigh and manage the risks and then move forward. For Jeret Peterson, the Hurricane, he coveted an Olympic medal and was willing to succeed or fail based on the one maneuver no one else had the ability or courage to undertake. With over five years of experience with the computer-based Uniform CPA Examination, NASBA and its member Boards were well prepared to assess the risks and benefits of computer-based testing, and decide in favor of the public interest to move courageously forward with a vastly improved, confidence-enriching Agreement.

The labors of State Boards, the accounting profession and NASBA on behalf of the public require dedication, proactivity, courage and, yes, much more than mediocrity. Winds and adverse weather are givens. The issue always is how we respond.

Let the winds blow; we're ready for the next "hurricane."

*Ad astra*

*Per aspera*



David A. Costello, CPA

A handwritten signature in black ink, appearing to read "David A. Costello".

— David A. Costello, CPA

President and CEO

## Blue Ribbon Panel Named

The 18 members of the new blue ribbon panel on U.S. accounting standards for private companies' financial statements have been named, including:

- Rick Anderson – Panel Chairman – chairman, Moss Adams
- Billy Atkinson, chair, NASBA, partner, PricewaterhouseCoopers
- Daryl Buck, senior vice president and CFO, Reasor's Holding Company, Inc.
- Steve Feilmeier, CFO, Koch Industries
- Hubert Glover, co-founder and president, REDE, Inc.
- David Hirschmann, president and CEO, Center for Capital Markets Competitiveness, U.S. Chamber of Commerce
- William Knese, vice president, Angus Industries
- Kewsong Lee, managing director, Warburg Pincus
- Paul Limbert, CEO, WesBanco, Inc.
- Krista McMasters, CEO, Clifton Gunderson
- Barry Melancon, president and CEO, AICPA
- Jason Mendelson, co-founder, Foundry Group

- Michael Menzies, CEO, Easton Bank and Trust Company
- David Morgan, partner, Lattimore, Black, Morgan and Cain PC
- Terri Polley, president, FAF
- Dev Strischek, senior vice president, Corporate Risk Management, SunTrust Banks, Inc.
- Mark Vonnahme, executive vice president, surety, Arch Insurance Group
- Teri Yohn, associate professor, Indiana University

The panel is jointly sponsored by NASBA, the Financial Accounting Foundation and the American Institute of CPAs. It includes lenders, investors, business owners, auditors and preparers. There will also be participating observers from the U.S. Small Business Administration and the U.S. Federal Financial Institution Regulatory Agencies Group. While no date for the initial meeting of the panel has been announced, it is anticipated that the group will issue recommendations to the FAF Board of Trustees in about a year, following the panel's review of the current standard-setting system. ♦

## Planning for the 2010 Regionals

It's time to start making plans to attend NASBA's 2010 Regional Meetings. The Eastern Regional Meeting will be held June 9-11 at the Francis Marion Hotel in Charleston, SC, and the Western Regional will be held June 23-25 at the Seattle Marriott Waterfront in Seattle, WA. Several NASBA Committees will be looking for input from the State Boards on the projects the Committees have underway.

The Regional Meetings are known for the many opportunities they offer for all participants to be involved in speaking to Board members from many states, as well as to NASBA's leadership and committee chairs. There will be reports on the new jointly-

sponsored accounting standards and education panels, the legislation under consideration in DC, proposed changes to the Uniform Accountancy Act and Model Rules, and the new Uniform CPA Examination agreements. A panel on "CPA Firms' Liability Challenge" promises to be informative – and unsettling.

Both meetings will include receptions and spouse tours that will take full advantage of their attractive locations. For details, see NASBA's Web site [www.nasba.org](http://www.nasba.org). Consult the Web site for information on scholarships for Boards without adequate funding to send a representative. Funding is available to permit every State Board to be represented at one of the Regionals. ♦

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