



**NASBA's BOARD OF DIRECTORS 2011-12** – Front Row (left to right): Pamela Ives Hill (MO) Executive Directors' Liaison; Gaylen R. Hansen (CO), Vice Chair; Mark P. Harris (LA), Chair; David A. Costello, President and Chief Executive Officer; Ken L. Bishop, Executive Vice President and Chief Operating Officer. Second Row (left to right): Janice L. Gray (OK), Southwest Regional Director; Theodore W. Long, Jr. (OH), Director-at-Large; Jefferson Chickering (NH), Northeast Regional Director; Jimmy E. Burkes (MS), Southeast Regional Director; Walter C. Davenport (NC), Director-at-Large; Kenneth R. Odom (AL), Director-at-Large. Third Row (left to right): Miley W. Glover (NC), Middle Atlantic Regional Director; Harry O. Parsons (NV), Director-at-Large; Raymond Johnson, (OR), Pacific Regional Director; Carlos E. Johnson (OK), Director-at-Large; Kim L. Tredinnick (WI), Great Lakes Regional Director; Donald H. Burkett (SC), Director-at-Large; Laurie J. Tish (WA), Director-at-Large. Fourth Row (left to right): Richard Isserman (NY), Director-at-Large; Telford A. Lodden (IA), Central Regional Director; Michael T. Daggett (AZ), Past Chair; E. Kent Smoll (KS), Director-at-Large; Noel L. Allen, legal counsel.

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## 104th Annual Lauds Costello

The many accomplishments of David A. Costello over his 17 years at NASBA's helm were the focal points of NASBA's 104th Annual Meeting, held at the Opryland Hotel in Nashville, October 23-26, 2011. The meeting's theme, "Ad Astra," to the stars, signifies the soaring visions that Mr. Costello has encouraged during his time as NASBA President and Chief Executive Officer. The Annual Meeting had 206 Board members and associates in attendance, 49 State Board staff members, plus spouses, friends, guests and NASBA staff resulting in a total registration of 456.

Nashville Former Governor, and Former Nashville Mayor, Philip Bredesen welcomed the NASBA meeting attendees and told them that in the winter of 1996 he had travelled to New York City to meet with President Costello and convince him to move the Association to Nashville. He observed that there exists today a lack of public trust in government and he urged the State Board members to restore that trust by going above and beyond what is expected of them.

The CPA profession's credibility is due in large measure to the State Board

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## HKICPA Agreement Signed at Annual

After about six years of negotiations, a mutual recognition agreement (MRA) was signed on October 24 by the Hong Kong Institute of CPAs, the American Institute of CPAs, and the National Association of State Boards of Accountancy. “Hong Kong needs accounting talent to match its economic growth,” HKICPA Chief Executive Winnie C.W. Cheung told the NASBA Annual Meeting as the historic agreement was signed. According to the HKICPA’s statistics, there are over 3,000 CPAs eligible under this agreement, she said. This agreement now gives the HKICPA agreements with all the founding institutions represented in the Global Accounting Alliance.

President David A. Costello thanked the HKICPA representatives who attended the Annual Meeting. He told the State Boards: “Now you see faces here – real professionals who represent a highly competent organization. It is about a global kind of agreement.” This was the first MRA negotiated by the NASBA/AICPA International Qualifications Appraisal Board (IQAB) with an Asian professional association.

“This agreement gives the 1400 U.S. CPAs in Hong Kong an opportunity to become partners in firms,” AICPA Chair Barry Melancon announced. “Many CPAs there have already begun the process to take the exam.” Mr. Melancon thanked NASBA/AICPA IQAB Chair William Treacy along with the members of IQAB for completing this agreement.



*Left to right:* 2010-11 NASBA Chair Michael Daggett, NASBA President & CEO David Costello, AICPA Chair Gregory Anton, HKICPA Chief Executive Winnie C.W. Cheung, IQAB Chair William Treacy, AICPA President & CEO Barry Melancon and HKICPA President Philip Tsai Wing Chung sign historic recognition agreement.

“CPAs in Hong Kong are now recognized by the largest capital market in the world,” HKICPA Chair Tsai Wing Chung observed. He said that Hong Kong is “rated one of the most trusted economic systems in the world,” and he envisioned the MRA as the “start of a long promising future.”

The agreement has been sent to the State Boards for their adoption. At the beginning of November, 10 states had already reported to NASBA that they would honor the MRA with HKICPA and another six states said they would be voting on its approval at their November/December Board meeting. ♦

## Doty Says PCAOB to Underscore State Board Compliance



PCAOB Chair James Doty addresses Annual and pledges assistance.

The Public Company Accounting Oversight Board will be explicitly reminding their newly registered auditing firms that registration with the PCAOB does not supersede licensing requirements that apply in the jurisdictions where they engage in practice, PCAOB Chair James R. Doty assured the State

Boards in his keynote address at NASBA’s Annual Meeting, on October 24 in Nashville. “And staff will encourage firms to consult with the appropriate state regulator to insure that the firm is in compliance with applicable law. Our website will also provide this reminder to already registered firms,” he stated.

Mr. Doty explained that the PCAOB has introduced projects based on “the principle that audit regulation should foster conduct and a culture consistent with the franchise that the securities regulatory regime accords the audit profession.” These include debate on the form and content of the standard auditor’s report, mandatory auditor term limits, requiring engagement partners to

sign audit reports and providing more transparency about the firms that contribute to global audits.

He noted that the PCAOB remains unable to inspect registered firms that perform or participate in U.S. audits but reside in China or some parts of Europe; however, he was hopeful that the concerns raised by the authorities in those countries could be resolved. Chair Doty observed: “Press accounts now say the Chinese authorities have called in the heads of global firms to lay down the law and seem to suggest that they are prohibiting the firms from bringing out of China summaries of audit results. If true, that, of course, would go well beyond keeping PCAOB inspectors out of China. It would be a long-arm interdiction of the global firm’s maintenance of its own work papers.”

Chair Doty noted the PCAOB’s enforcement is delayed because its investigations and any contested disciplinary proceedings must remain non-public unless the respondents consent to publication of the PCAOB’s complaints and decisions. One firm issued 29 additional audit reports on public company financial statements between the commencement of the PCAOB’s proceedings and the public disclosure of its charges. The PCAOB has asked Congress to change this law. “Secrecy about the problem not only erodes public confidence in the PCAOB’s ability to police registered firms, but it inevitably undermines confidence in state authorities’ resolve too,” Chair Doty said. ♦

## FASB's Seidman Cites Private Co. Steps

The Financial Accounting Standards Board has significantly increased its outreach to private companies, and taken steps to “make private company concerns an integral part of every standard-setting deliberation” it undertakes, FASB Chair Leslie F. Seidman told the NASBA Meeting. Steps taken include: initiation of a webcast education series that offers CPE credit; use of a web-based short form to gather feedback on exposure drafts; production of short podcasts on every major proposed and final change in accounting; modification of effective dates on most standards to allow private companies to have more time to learn about changes and adopt them; and distribution of an article on stakeholder’s feedback on what circumstances and perspectives of private companies might warrant differences in accounting standards.

As an example of the FASB’s efforts to work with its private company constituents, Ms. Seidman pointed to the recent standards on goodwill impairment testing. The private companies had told the FASB that testing for goodwill impairment was too complex and expensive. The FASB completed a project on this in September, and the results were amendments approved by the FASB that will allow companies to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether they need to calculate fair value to actually measure impairment. The FASB has also expanded its staff and added two board members, one with some private company background.

“I believe the Private Company plan proposed by the Financial Accounting Foundation Trustees will build on and augment the efforts that the FASB already has undertaken to address private company issues,” Ms. Seidman said. “By establishing a standing Council, with separate oversight by our Trustees, I think it alleviates the concerns I have heard about the changes we have made being temporary, rather than being embedded in the structure and processes of the organization.”



Leslie F. Seidman describes the steps taken by the FASB to increase its outreach to private companies.

Ms. Seidman believes the “condorsement” process to incorporate International Financial Reporting Standards, as outlined in the Securities and Exchange Commission’s staff paper, has many positive points. She noted there are many remaining differences between GAAP and IFRS, and sometimes standards exist in GAAP but do not in IFRS. She maintains it is appropriate to keep differences until a joint standard is developed. Ms. Seidman stressed the FASB is “committed to pursuing a deliberate process of collaboration with the IASB and other international standard-setting organizations to achieve that goal.” She also pointed out, “Any move toward international standards must maintain or improve upon the high quality of U.S. accounting standards.”

Ms. Seidman said she knows the FAF appreciates the positive comments NASBA Chair Michael Daggett had made about the process that led to the creation of the FAF’s proposal for the establishment of the Private Company Standards Improvement Council (see *sbr* 10/11) and the FASB’s efforts to address the issues raised during the Blue Ribbon Panel discussions (see *sbr* 2/11). Her NASBA presentation can be found on [www.fasb.org](http://www.fasb.org) under “Recent Activities & News.” ♦

## Allen and Young Differ on Need for Rules

Mandatory rotation of audit firms will not work, Michael Young, Esq., flatly stated at the NASBA Annual Meeting, observing, “We are in the midst of a rule-making frenzy.” He stated, “What motivates a professional is a job well done. The solution is not piling on more rules. It should be how do we align the client and the auditor so that they both want transparency?” Mr. Young believes there is a need for audit committee members to have a better understanding of how an audit works, its limitations and the importance of corporate culture. Auditors have to work to improve communication with audit committees, he maintains.

Noel Allen, Esq., NASBA legal counsel, responded, “Part of this is that state and federal regulators have to have a rule besides ‘Thou should be transparent.’ You have to point to something in the rules that if the licensee did something they would be in violation.” He noted that in North Carolina’s CPA license

renewal form the applicant has to state that he or she knows and understands all of the state’s rules of accountancy. Within the past year, two dozen cases were brought against Boards for just doing their jobs – and they needed rules to point to, Mr. Allen noted.

Commenting on PCAOB Chairman James Doty’s earlier remarks, Mr. Allen said he appreciated the Chairman’s reference to the help NASBA’s amicus brief was to the PCAOB, and his affirmation of the role that state regulators play. “There are ways the PCAOB can have better communication with State Boards to get things done, but a lot has been done,” he observed.

As to the PCAOB’s recent proposals, Mr. Young said, “The notion that the auditor has this subjective information to share with the investor – it doesn’t work. We are trying to force out of the mouth of the auditors what should be coming out of the mouth of the company.” ♦

## NASBA Board Backs FAF Process

At the NASBA Board of Directors' meeting, on October 21 in Nashville, the following resolution was passed by an overwhelming majority vote:

“Authorized the President and Chair to communicate to the Financial Accounting Foundation (FAF) the following:

1. The Board of Directors agrees with and commends the FAF process;
2. Acknowledges the sovereignty of State Boards' independent actions and authority to fulfill their responsibilities pursuant to Sarbanes-Oxley Section 209, pertinent state laws and the 10th Amendment to the U.S. Constitution;
3. Supports the conclusions of the FAF as exposed in its “Plan to Establish the Private Company Standards Improvement Council”; and
4. Supports and intends to monitor the accountability measures contained therein to ensure the Improvement Council will accomplish its objectives.”

The vote came after extensive discussion of what the member Boards expected from NASBA. As a co-sponsor of the Blue Ribbon Panel (BRP), which had sent a recommendation to the Financial Accounting Foundation that a second standard-setting board should be created for private companies, the NASBA Board decided it had to speak up. NASBA had supported a “minority position,” which was similar to the FAF's final decision, to move to a Private Company Standards Improvement Council (see *sbr* 10/11) that would be a subcommittee of the FASB.

“We have 55 Boards and every time we speak we have to realize the Boards have the authority. There is a balance of those Boards looking for guidance and those asking, ‘Where does the NASBA Board get the authority to take a position?’ Boards can still write their own letters to the FAF,” Past Chair Billy Atkinson told the Board. Several of the NASBA Board members said their State Boards were waiting to hear what the NASBA Board would conclude about the FAF's proposal. Comments on the proposal can be submitted to the FAF Board of Trustees until January 14, 2012 via [PrivateCompanyPlan@f-a-f.org](mailto:PrivateCompanyPlan@f-a-f.org).

At the October Board of Directors' Meeting, President David Costello praised the independent attitude of the Board and the previous Boards who had worked with him over his 17 years with NASBA. He observed they could not be intimidated by anyone or forced into an opinion. “You come from different backgrounds – and that is a strong thing,” President Costello stated. As this was the last Board meeting Mr. Costello would attend prior to his January 1 retirement, the Board members offered their observations of him as well, describing him as: a caring visionary, energized, tenacious, a good listener, farsighted, a ringmaster extraordinaire and a compassionate leader.

Executive Vice President Ken L. Bishop reported NASBA is creating new ways of generating revenue to assist the State Boards.

He announced that Denise Hanley had been named NASBA's Chief Data Officer and will be building on NASBA's bench of capabilities. For example, NASBA will be able to do custom reporting for schools based on the results of candidate performance statistics. The *Candidate Performance Handbook's* on-line version went operational on October 20, Mr. Bishop said.

Treasurer Theodore W. Long, Jr. (OH), chairman of the Administration and Finance Committee, reported NASBA had the best financial year in its history in 2011, with consolidated earnings of \$9.5 million. In addition, unrestricted net assets at year-end were \$26.9 million and NASBA continued to be free of debt. Mr. Long also reported that NASBA achieved a 12.2 percent return on its long-term investments for the year.

Ethics Committee Chair Gaylen Hansen (CO), who represents NASBA on the AICPA's Professional Ethics Executive Committee, said he is preparing a letter with Raymond Johnson (OR), who also represents NASBA on PEEC, pointing out where a proposed AICPA rule on the return of client records is less stringent than a rule currently in place in 38 states. “Return of client records is the number one source of complaints to the State Boards,” Mr. Hansen pointed out.

Comments on the proposed revisions to the “Statement on Standards for Continuing Professional Education Programs,” will be accepted until December 1, 2011, Telford A. Lodden (IA), chair of the CPE Advisory Committee, told the Board. Approximately 40 pages of comments had been received and reviewed by the Committee, resulting in some minor modifications to the exposure draft, he said.

NASBA's investigator program is ramping up, Enforcement Committee Chair Harry Parsons (NV) reported. Smaller states in particular want help with investigations, and the Committee is trying to have the appropriate experts available in different regions, he said. ♦

### Bryant Picked as CFO Finalist

NASBA's Chief Financial Officer Michael R. Bryant, CPA, on October 20 was named a finalist for the *Nashville Business Journal's* 2011 CFO Award. The publication termed him “the accountants' accountant.” He told the *NBJ*: “As a nonprofit, management reports to a board of directors elected by our membership and, because of our mission, it is made up entirely of CPAs. They know a CFO's job and have high expectations. This is a great way for me to remain motivated...”



Michael Bryant

## Thank You James Madison

Some 220 years ago the states ratified the first ten amendments, known as America's Bill of Rights. The tenth amendment is one sentence written by Congressman James Madison in his first 100 days in office. It simply reserves broad powers to states, which is vital to the existence and work of our member Boards. The commitment of citizens like those serving on the 55 State Boards of Accountancy make our state-based system of regulation successful.

The accomplishments of those led by David Costello gave us a NASBA that is strong and more capable than ever before to provide support to member Boards facing challenges impacting their ability to effectively regulate 700,000 licensees who are counted on by 312,000,000 Americans everyday. NASBA's mission is summarized as: "To enhance the effectiveness of State Boards of Accountancy." NASBA's board of directors is prepared to commit the association's resources to benefit our member Boards.

This past year Michael Daggett led us through some "big deals," i.e., the PCS sale, the launching of CPAverify and the international delivery of the examination and our CEO's selection. This coming year we are looking for a few good deals to benefit State Boards. Two of NASBA's standing goals are to provide high quality programs and services, and also to strengthen communications and facilitate the exchange of ideas. We are going to continue to sharpen these efforts in several areas, including:

- We have asked the Communications Outreach and Relations Committee for recommendations to energize the format and content of future meetings.
- The Accountancy Licensee Database Committee is a high energy group that will be encouraging member Boards to step up their data submission to NASBA's ALD, and to embrace CPAverify as a relevant tool for Boards and the public.
- The Compliance Assurance Committee has wonderful momentum going to assist Boards in implementing active peer review oversight committees.
- We will schedule sessions of NASBA U, in Nashville, as often as needed, to help orient and train new Board staff.
- The Enforcement Resource Committee will be looking to the Boards for additions to the enforcement manual – and urging them to put the manual to use. This committee also will be working with staff to produce a high quality investigator's training program for our member Boards.

Ken Bishop recognizes a new challenge is how to manage data that has accumulated at NASBA over the years. We can begin anticipating what information State Boards and other stakeholders might request, and how to make this mass of data a vital and valuable resource. To improve the committee appointment process, we want to learn more about the Board members' interests and experience, which will be cataloged into our improved system of tracking members' data. This will assist NASBA Vice Chairs and staff in making 200 appointments to our 22 committees, as well as aid the process of making nominations for positions requested by stakeholder organizations.

The signing of the agreement with the Hong Kong Institute of CPAs is further indication that the effort of the AICPA and NASBA with the International Qualifications Appraisal Board works effectively. We look forward to working with Greg Anton and the AICPA's leadership to direct a progressive approach for the US IQAB to seek out foreign professional accounting bodies for consideration of new MRAs.

This year of transition from David to Ken creates a unique time for not only the Board of Directors, but also each NASBA delegate and associate to assess our goals. NASBA staff and our committee chairs will welcome your vision. Ed Barnicott will soon take on a new role as Vice President of Strategic Planning and Program Management. His first challenge is working with the Global Strategies Committee to refine and communicate NASBA's international strategy.

There is a big difference between one who is "ready" and one who is "prepared." In my time spent this year with Ken, I learned he never arrives unprepared. The board of directors and I have no hesitation in looking toward January when Ken Bishop becomes NASBA's President and CEO, knowing that he's not just ready: He is prepared.

But for James Madison, of Virginia, and the tenth amendment not only might State Boards not exist -- but many of us might not be part of NASBA. As Secretary of State, he negotiated the Louisiana Purchase, buying land for three cents an acre west of the Mississippi River in what today comprises 15 states from Louisiana to Montana. So in 1803, not only did America's map double in size, its culture became more diverse. From this diverse culture, I believe we can pull together and create effective regulation for our profession and the American public it serves.



Mark P. Harris, CPA

— Mark P. Harris CPA  
Chair 2011-2012

## 2011 NASBA Awards to Suran, Gleason and Porter



2011 Award Winners from left to right: Barbara R. Porter, Sandra A. Suran and Philip W. Gleason



2010-11 NASBA Chair Michael Daggett congratulates Past President 1984-85 Sandra Suran on receiving the William H. Van Rensselaer Award.

At the Annual Meeting, the NASBA awards program recognized for their outstanding accomplishments: Sandra A. Suran, CPA (OR) – William H. Van Rensselaer Award; Philip W. Gleason, CPA (MN) – Distinguished Service Award; and Barbara R. Porter (ID) – Lorraine P. Sachs Award.

Ms. Suran, NASBA President 1984-5, led NASBA's first strategic planning process and continues today to be an active member of the Communications Committee and State Board Relevance and Effectiveness Committee. Ms. Suran said the State Accountancy Boards are "the critical cog in financial regulation" and, if the public realized that, "they would be horrified at any proposed legislation that reduces the effectiveness of Accountancy Boards." She thanked President Costello and the NASBA Board members for the "steps they have taken to build the organization."

Mr. Gleason, a sole practitioner who served on the Minnesota Board from 1992-2004, and long remained involved in setting continuing professional education standards, thanked all those he had worked with over the years. "Whatever I was able to accomplish, I did not do by myself," he stated.

Ms. Porter, Executive Director of the Idaho Board, credited her NASBA involvement with giving her the knowledge to carry back to her Board for its improvement. "We in small states have the same responsibilities. We just have to do more with less – and be a jack of all trades," she observed. ♦

## Costello Reviews NASBA's Wins

During the Annual Business Meeting, David A. Costello summarized the achievements of his 17 years as NASBA President and Chief Executive Officer. "I love dreaming because it is common to all of us," Mr. Costello reflected. "I believe dreaming and success are closely related. I believe if you dream it, and believe it, you can live it." Among the initiatives he mentioned were:

- Working with professional associations to serve the public interest, as in the mobility project
- Strengthening relationships with the Public Company Accounting Oversight Board, Financial Accounting Foundation and Financial Accounting Standards Board
- Creating mutual recognition agreements with international accounting bodies
- Computerization of the Uniform CPA Examination
- International delivery of the Uniform CPA Examination
- Creation, development and sale of Profession Credential Services
- Creation of the NASBA Center for the Public Trust
- NASBA's reaching Mr. Costello's goal of at least \$25,000,000 in unrestricted assets



David Costello, NASBA President & CEO, reviews accomplishments.

- Programs to assist NASBA staff
- Finding a worthy successor to be NASBA's next President and CEO.

Referring to the Annual Meeting's theme, "Ad Astra," President Costello said: "When you reach for the stars, you may not get all of them – but you won't come up with a hand of mud." ♦

## Garrett Calls for Discrimination Ban in Rules

Thirty-eight states have rules about “discreditable acts,” but they have no explanation of what such acts might be, Nathan T. Garrett, NASBA President 1992-3, told the Annual Meeting during a panel session organized by the Center for the Public Trust. Three states prohibit employment discrimination in language they have developed, and 13 reference the American Institute of CPAs’ rule which says a member who is determined by a court of competent jurisdiction to have violated any of the antidiscrimination laws – federal, state or local – will be presumed to have committed an act discreditable to the profession. Mr. Garrett contends that “ethical behavior” is defined by codes of ethics.

“For purposes of encouraging moral behavior, I say to you that our State Boards and our membership organizations need rules stating clearly that violation of the laws against employment discrimination is unethical,” Mr. Garrett told the NASBA audience. “I urge you to look carefully at your rules to see if employment discrimination is clearly prohibited. If it is not, or if you have no rule at all, I urge you to add the AICPA language.”

Mr. Garrett cited the final report of the US Treasury Department’s Advisory Committee on the Auditing Profession which stated: “...this under-representation of minorities in the profession is unacceptable from both a societal and business perspective.” He believes an explicit non-discrimination rule will steer more minorities and other protected groups into the profession.

Other speakers on the panel were moderator CPT Chairman



Past President 1992-93 Nathan Garrett urges discrimination ban in rules.

Larry Bridgesmith and panelists Keith T. Darcy, executive director of the Ethics and Compliance Officer Association, and James P. Patton, founder of KPAC Solutions.

Mr. Darcy observed: “There has been a profound loss of trust in this time. You can’t legislate trust and it is built in very small steps. Get wired to the conversations going on out there. It is time to put a stake in the ground and stand up for what is right and good.”

Mr. Patton, whose company buys failing businesses and then builds them up so they can be profitable when they are sold, advised: “The ethics you hold people accountable to is critical.” He explained that the mission statements given to the companies he acquires all contain components of ethics and morals. ♦

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## CPA Exam Update

Starting in the fourth quarter of 2011, CPA Examination candidates can expect to receive their scores on target dates based upon their testing dates and scores will be reported more frequently, Douglas E. Warren, chairman of the Board of Examiners, reported at the Annual Meeting. Research on new ways to improve the Examination is ongoing and a new CBT-e is anticipated, which may even make it possible to offer the Examination on the iPad some day, Mr. Warren said.

The international administration of the CPA Examination was launched in August with no major issues and met projected volumes, Mr. Warren said. The most frequent comment received was that the Examination should be offered in more locations. Overall there was a volume increase in 2010 because candidates wanted to avoid being tested on International Financial Reporting Standards; however, the volume is back to about 250,000 and is expected to stay there, Mr. Warren said. The pass rates in 2011 are also about what they were in 2007 he observed.

NASBA has promised to look at the migration patterns of international candidates, NASBA Executive Vice President Ken L. Bishop said. NASBA is going to look at where those candidates



NASBA Executive Vice President Ken Bishop updates attendees on the international administration of the CPA Exam.

tested and will monitor and verify that they became licensed in the U.S. per the preconditions. Candidates from 25 countries took the Examination in one of the testing sites in Bahrain, Japan, Kuwait or Lebanon. A Brazil location is to open soon. Mr. Bishop said talks are underway for considering additional Phase 1 international testing locations. ♦

## A Glimpse of NASBA's 104th Annual Meeting



Outgoing Director-at-Large Kathy Smith, CPA, Esq. is recognized for her work on the NASBA Board of Directors by NASBA Chair Michael Daggett.



(Left to right): Ken Bishop, David Costello and former TN Gov. Phil Bredesen recall NASBA's move to Nashville.



The 104th NASBA Annual Meeting included attendees from Mexico, Canada, Hong Kong and Poland.



Past Chair Billy Atkinson welcomes Michael Daggett to Past Chairs.



David and Sally Costello are honored at the Gala for their work for NASBA.



NASBA CPT hosts its second annual silent auction.



2010-11 Chair Michael Daggett passes the gavel to the 2011-12 Chair Mark Harris.

## Annual Lauds Costello (Continued from Page 1)

process, NASBA Chair Michael T. Daggett observed. “Your responsibilities do not stop at the doors of the board room,” he stated. He briefly reviewed some of the Association’s achievements within the last year: proposed revisions to Standards for Continuing Professional Education Providers; Uniform Accountancy Act and Model Rules guidance on CPA firm names; 36 Boards fully participating in the Accountancy Licensee Database; fourth International Forum for Accountancy Regulators; final report of FAF/AICPA/NASBA Blue Ribbon Panel on Private Company Standard Setting; multiple comment letters sent to other regulators and standard setters; sale of Professional Credentials Services; and the selection of Ken L. Bishop to be NASBA’s next President and Chief Executive Officer.

The goal of having all states adopt mobility is one shared by NASBA and the AICPA, stated Gregory Anton, AICPA Chair 2011-2012. While both the American Institute of CPAs and NASBA have voiced their agreement on the need for change in what financial reporting standards private companies must use, they do not agree on how those standards should be determined. “The debate is over how we go about the change,” Mr. Anton stated. NASBA has voiced support for the Financial Accounting Foundation’s proposed establishment of the Private Company Standards Improvement Council, while the AICPA says that is not sufficient because, “The FASB has a veto. The FASB will over



(Left to right): NASBA Executive Vice President Ken Bishop, AICPA Chair Gregory Anton and NASBA President & CEO David Costello

influence the GAAP modification process,” Mr. Anton said. He predicted the new council will be similar to the Private Company Financial Reporting Committee (PCFRC), an advisory group that was created in 2006. Mr. Anton referred to the results of the AICPA’s six-month survey entitled “CPA Horizons 2025,” which found the profession’s core purpose still remains relevant: “Making sense of a changing and complex world.” However, the survey of approximately 5,600 CPAs determined the definitions of the profession’s core values and competencies need to be refined and updated to reflect the 21st Century. ♦

## Dakkduk Says IESBA May Drop ‘Inadvertent’

The International Federation of Accountants has released proposed changes to its “Code of Ethics for Professional Accountants” that would eliminate current paragraphs addressing inadvertent violations of a requirement in the Code. Speaking at NASBA’s Annual Meeting, IESBA Chair Kenneth Dakkduk, said, “Given the fact that violations do occur, we must have a proper response.”



IESBA Chair Kenneth Dakkduk

Regardless of how the violation arose, the IESBA believes the violation requires evaluation to understand its impact on the firm’s objectivity, whether actions can be taken to address the consequences of the violation, and if the firm has to resign. “We think the violation has to be assessed and discussed with the relevant regulator if required,” Mr. Dakkduk stated. The entire fact-finding process and how it was discussed with those charged with governance will all have to be documented, he said. “I think the documentation is the real teeth” in the proposed changes, he observed.

Comments on the exposure draft are due January 23, 2012 (see [www.ifac.org](http://www.ifac.org)) and Mr. Dakkduk said comments would be appreciated. ♦

## CPAverify Lets Public Check on CPAs’ Status

The public can now check on the license status of certified public accountants in 23 jurisdictions free-of-charge through CPAverify.org, a Website launched by NASBA on October 24. The site is populated by official state regulatory data received from the



State Boards of Accountancy. This type of database had been requested

by NASBA committees and leaders for more than a decade, as an important service to the public who needs to get up-to-date access to CPA records across multiple jurisdictions. More states are being added to the database regularly, with the goal being to have information from all 55 State Boards of Accountancy on the database.

Underscoring NASBA’s goal to get all 55 Boards’ reporting in, President David A. Costello acknowledged: “With database platforms, data processes, privacy policies and freedom of information laws varying from state to state, it is quite an undertaking to synchronize all those various data feeds into one useful tool that can be available to help support the State Boards with public protection and enforcement efforts.”

Boards currently contributing information to the database are: AK, AL, AR, CA, CNMI, GA, IA, KS, KY, MD, MO, MT, NC, NE, NH, NV, NY, SC, SD, TN, TX, WA and WV. ♦

## Glover Tells Boards to Report



Bucky Glover

Tell every legislator you know, every year, what your Board is doing, Bucky Glover (NC), chair of NASBA's State Board Relevance and Effectiveness Committee, urged the Boards. He presented a first draft of a model brochure his committee is developing for State Board members to distribute to their legislators to summarize their Board's activities.

Mr. Glover reported his committee is also in the process of surveying the State Boards' executive directors to determine how

their boards compare to what the committee defined as a "semi-independent board" in its white paper (see "Semi-Independent State Boards of Accountancy Position Paper" October 22, 2010, on [www.nasba.org](http://www.nasba.org)).

The committee plans to contact State Board and state society chairs and society executives to get their views on the quality of state board/state society relations.

"We want to build the relationship between the State Board and the state society. We understand that at times you may not agree, but the more you can work together, the more you can accomplish," Mr. Glover told the Boards. ♦

## IRS Chasing Ghost Preparers

The Internal Revenue Service's research staff is looking at those tax preparers who have been intentionally avoiding the new rules of the PTIN (Preparer Tax Identification Number) program, Leann Ruf, IRS chief-communications director for the IRS Return Preparer Office, reported at the Annual Meeting. She called these "ghost preparers" who are ignoring the rules.

The PTIN program helps the IRS identify those preparers who may need educational assistance, or if they need something else, Ms. Ruf said.

Beginning in 2012, registered tax return preparers and registered tax return preparer candidates with PTINS will have to

meet annual continuing professional education requirements of three hours of federal tax law updates, two hours of ethics and 10 hours of federal tax law, all obtained from approved providers. An approved provider can be an accredited educational institution, a provider recognized by a state's licensing body, a provider recognized by an accrediting organization or recognized by a professional organization recognized by the IRS. The IRS wants to create a process so that, if an organization is providing courses, it can directly feed into the IRS the names of those who have taken the courses, Ms. Ruf said. More information about the PTIN program is available at [IRS.gov/ptin](http://IRS.gov/ptin). ♦

### NASBA 2012 Meetings

March 11-13, 2012

#### **17th Annual Conference for State Board Legal Counsel**

San Antonio, Texas

March 11-14, 2012

#### **30th Annual Conference for Executive Directors and State Board Staff**

San Antonio, Texas

June 13-15, 2012

#### **2012 Eastern Regional Meeting**

Philadelphia, Pennsylvania

June 27-29, 2012

#### **2012 Western Regional Meeting**

Anchorage, Alaska

October 28-31, 2012

#### **105th Annual Meeting**

Orlando, Florida

## CPE Comments Due December 1

Comments on the revised "Statement on Standards for Continuing Professional Education Programs" (Uniform Accountancy Act Appendix B) should be sent to [jluttrull@nasba.org](mailto:jluttrull@nasba.org) by December 1, stated CPE Advisory Committee Chair Ted Lodden (IA) at the Annual Meeting. The exposure draft, originally released on August 15, 2011, can be found on [www.nasba.org](http://www.nasba.org).

"These standards are for providers – the people who put together the programs," Mr. Lodden underscored. They were last revised in 2002, and after that time the NASBA CPE Sponsor Registry's "Frequently Asked Questions" and checklists were being used to provide guidance to course sponsors. Following requests received at NASBA's May 2010 Sponsor Open Forum, work on revising the standards began.

"We tried to simplify and clarify the standards. Then we looked at innovation and providing room for future learning techniques," Mr. Lodden said. Among the areas included in the proposed changes are: standard added for group-internet-based delivery method; alternative method for pilot-testing of self-study based on word count formula; and granting of half credits. The joint AICPA/NASBA CPE Standards Committee will make its final recommendations to the AICPA and NASBA Boards of Directors in January. It is anticipated the effective date for the new standards will be March 1, 2012. ♦

## PCAOB Considers Names on Reports

As promised by Public Company Accounting Oversight Board Chair James Doty this summer, the PCAOB has sent out another group of proposals aimed at giving investors more information about what auditors do. In PCAOB Release No. 2011-007, released on October 11, amendments are proposed to require accounting firms registered with the PCAOB to have to disclose the name of the engagement partner in the audit report and on the PCAOB Annual Report Form 2. In addition, the proposal calls for disclosure in the audit report of other accounting firms and other persons who were not employed by the auditor but who took part in the audit. Comments are due by January 9, 2012 to [comments@pcaobus.org](mailto:comments@pcaobus.org).

In presenting the proposal, Chair Doty pointed out that the PCAOB has been discussing the need for requiring engagement partner signatures since its July 2009 concept release. Many countries require such disclosures and Mr. Doty questioned why shareholders in France should be favored over shareholders in the United States. He also said, "I am concerned about investor awareness. I have been surprised to encounter many savvy business people and senior policy makers who are unaware of the fact that an audit report that is signed by a large U.S. firm may be based, in large part, on the work of affiliated firms. Such firms are generally completely separate legal entities in other countries."

Small U.S. accounting firms are auditing foreign companies with most of their operations in emerging markets, by contracting with accounting firms in the home countries to do significant parts of the audits, PCAOB Member Daniel L. Goelzer said. "Disclosure of participating firms would shine a light on these relationships and give investors a better idea of whose work supports the audit report they are relying on. It would also let them determine whether particular participating firms have had PCAOB inspections and, if so, what the results were."

While the PCAOB members all supported the release of the



(Left to right): NASBA President & CEO David Costello, PCAOB Chair James Doty and NASBA Executive Vice President Ken Bishop

proposals, Mr. Goelzer questioned if requiring the audit partner's signature is needed: "Improving audit quality is certainly at the core of the Board's mission, but the concept release comment record is mixed on whether naming engagement partners would actually have a positive impact on audit quality... In my view, the Board would need more evidence than it has now to conclude that partner identification would improve audit quality. I hope those who comment on the proposal will focus on that question."

During the past few weeks the PCAOB has moved ahead in establishing relationships with regulators in other countries to improve oversight of foreign auditors. On October 12 they announced a cooperative arrangement with the Japan Financial Services Agency, and the Certified Public Accountants and Auditing Oversight Board of Japan. This will provide a basis for the PCAOB to conduct on-site visits to firms in Japan in close cooperation with the Japanese regulators. Then on October 31 the PCAOB entered into a cooperative agreement for the exchange of confidential information with the Israel Securities Authority. This agreement will permit the PCAOB and ISA to share confidential information about firms that operate in both countries. ♦

## 3 Accounting Orders Agree in Quebec

The boards of directors of the CA Order, the CGA Order and the CMA Order have all voted to move ahead with unifying the accounting profession in Quebec, Canada. The merger of the three groups was recommended by the Office Des Professions Du Quebec. The combined organization will represent over 34,000 accounting professionals. At the national level in Canada, talks are going on about combining only two groups, the CAs and CMAs.

Quebec sees itself as a forerunner in bringing together the Certified General Accountant (CGA), Chartered Accountant (CA) and Certified Management Accountant (CMA) in Canada. "At a time when the practice of the profession is tied more and more to the developments in the global economy, when standards are increasingly set by international organizations and when the unique attributes of the three existing accounting designations are blurring, uniting the accounting profession seems like the way of the future.

Quebec's three accounting orders are convinced that it will allow them to increase the influence of professional accountants both nationally and internationally, make the profession more attractive to students than other careers, earn the profession more recognition from employers, investors and opinion leaders, and better protect the public," the three orders' joint press release states. ♦

Check [www.nasba.org](http://www.nasba.org) for more about the 104th Annual Meeting.



Find more photos, videos and PowerPoints from this memorable event on NASBA's Website.

## 2011-2012 NASBA Committee Chairs

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