



STATE OF WISCONSIN

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**Accounting Examining Board
Live Virtual Meeting
Room 121A, 1400 E. Washington Avenue, Madison
Contact: Mojgan Hall - 608-261-4486
November 29, 2012**

The following agenda describes the issues that the Board plans to consider at the meeting. At the time of the meeting, items may be removed from the agenda. Please consult the meeting minutes for a description of the actions and deliberations of the Board.

**FULL BOARD MEETING
9:00 A.M.**

OPEN SESSION – CALL TO ORDER – ROLL CALL

- A. Adoption of Agenda (1-3)**
- B. Approval of Minutes – September 20, 2012 (5-6)**
- C. Executive Director Matters (7-8)**
 - 1) 2013 Meeting Dates (7-8)
- D. Presentation of Proposed Stipulations, Final Decisions and Orders by the Division of Legal Services and Compliance (DLSC) including any received after printing of the agenda**
 - 1) 11 ACC 013 – Robert Link (53-58)
Attorney: Laura Varriale
Case Advisor: Lucretia Mattson
 - 2) 12 ACC 007 – Michael Cuccia (59-64)
Attorney: Laura Varriale
Case Advisor: Kim Tredinnick
- F. National Association of State Boards of Accountancy (NASBA)**
 - 1) NASBA Quarterly Communications – 11/9/2012 (9-44)
 - 2) Update on Accountancy Licensee Database (45)
 - 3) Discuss Department Policy Regarding NASBA Focus Questions
- G. Discuss Question Regarding Requirements for Reinstatement of License. (49)**
- H. Items Received After Printing of the Agenda:**
 - 1) Introductions, Announcements and Recognition
 - 2) Presentations of Petition(s) for Summary Suspension
 - 3) Presentation of Proposed Stipulation(s), Final Decision(s) and Order(s)
 - 4) Presentation of Proposed Final Decision and Order(s)
 - 5) Informational Item(s)
 - 6) DLSC Matters

- 7) Status of Statute and Administrative Rule Matters
- 8) Education and Examination Matters
- 9) Credentialing Matters
- 10) Practice Questions/Issues
- 11) Legislation/Administrative Rule Matters
- 12) Liaison Report(s)
- 13) Speaking Engagement(s), Travel, or Public Relation Request(s)

I. Informational Items

J. New Business

K. Public Comments

CONVENE TO CLOSED SESSION to deliberate on cases following hearing (s. 19.85(1) (a), Stats.; consider closing disciplinary investigation with administrative warning (s. 19.85(1)(b), Stats. and 440.205, Stats., to consider individual histories or disciplinary data (s. 19.85 (1)(f), Stats.; and, to confer with legal counsel (s. 19.85(1)(g), Stats.)

L. Deliberation of Proposed Stipulations, Final Decisions and Orders including any received after printing of the agenda

11 ACC 013 – Robert Link (51-56)

Attorney: Laura Varriale

Case Advisor: Lucretia Mattson

12 ACC 007 – Michael Cuccia (57-62)

Attorney: Laura Varriale

Case Advisor: Kim Tredinnick

M. Monitoring

Diane K. Wollack (63-79)

N. Division of Legal Services and Compliance

- 1) Case Status Report
- 2) Case Closings
 - a) 12 ACC 010 (81-85)

O. Deliberation of Items Received After Printing of the Agenda:

- 1) **Application Issues and/or Reviews (87)**
- 2) Professional Assistance Procedure (PAP)
- 3) Monitoring Matters
- 4) Proposed Stipulations, Final Decisions and Orders
- 5) Administrative Warnings
- 6) Review of Administrative Warning
- 7) Orders Fixing Costs/Matters Related to Costs
- 8) Proposed Final Decisions and Orders
- 9) Petitions for Summary Suspension
- 10) Petitions for Re-hearings
- 11) Examination Issues
- 12) Credential Issues
- 13) Appearances from Requests Received or Renewed
- 14) Motions

P. Consulting with Legal Counsel

RECONVENE TO OPEN SESSION IMMEDIATELY FOLLOWING CLOSED SESSION

Q. Vote on Items Considered or Deliberated Upon in Closed Session, if Voting is Appropriate

R. Other Board Business

S. Next Meeting Date: April 30, 2013 (in-person meeting in Madison)

ADJOURNMENT

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**ACCOUNTING EXAMINING BOARD
MEETING MINUTES
September 20, 2012**

Present by Live Meeting: Lucretia Mattson, Karla Blair, Tom Kilkenny, Glenn Michaelsen, Kim Tredinnick and Marion Wozniak and Steven Corbeille.

Staff: Mojgan Hall, Bureau Director; Yolanda McGowan, Legal Counsel; David Carlson, Bureau Assistant; and other Department staff

Karla Blair, Board Chair, called the meeting to order at 9:09 a.m. A quorum of 7 members was confirmed.

ADOPTION OF AGENDA

MOTION: Steven Corbeille moved, seconded by Tom Kilkenny, to adopt the agenda as amended. Motion carried unanimously.

APPROVAL OF MINUTES

MOTION: Glenn Michaelsen moved, seconded by Marion Wozniak, to approve the minutes of June 27, 2012 as published. Motion carried unanimously.

CLOSED SESSION

MOTION: Marion Wozniak moved, seconded by Tom Kilkenny, to convene to closed session to deliberate on cases following hearing (s. 19.85(1) (a), Stats.; consider closing disciplinary investigation with administrative warning (s. 19.85(1)(b), Stats. and 440.205, Stats., to consider individual histories or disciplinary data (s. 19.85 (1)(f), Stats.; and, to confer with legal counsel (s. 19.85(1)(g), Stats.). Roll Call Vote: Karla Blair - yes; Steven Corbeille-Yes; Tom Kilkenny - yes; Lucretia Mattson - yes; Glenn Michaelsen - yes; Kim Tredinnick - yes; Marion Wozniak - yes. Motion carried unanimously. Open session recessed at 10:59 a.m.

RECONVENE TO OPEN SESSION

MOTION: Tom Kilkenny moved, seconded by Steve Corbeille, to reconvene in open session at 11:50 a.m. Motion carried unanimously.

VOTING ON ITEMS CONSIDERED/DELIBERATED IN CLOSED SESSION

PROPOSED STIPULATIONS, FINAL DECISIONS AND ORDERS

MOTION: Glenn Michaelsen moved, seconded by Marion Wozniak, to adopt the Findings of Fact, Conclusions of Law, Stipulation and Order, in the matter of 11 ACC 001 – James Stearns and Stearns CPA Solutions Ltd. Motion carried unanimously.

MOTION: Tom Kilkenny moved, seconded by Lucretia Mattson, to adopt the Findings of Fact, Conclusions of Law, Stipulation and Order, in the matter of 11 ACC 006 – James Thompson. Motion carried unanimously.

EXAMINATION MATTERS

MOTION: Steven Corbeille moved, seconded by Glenn Michaelsen, to note that the Board received and considered the request of H.R. to extend the 18 month test window. The Board determined it could not grant the request since it lacks the authority to do so based on ACCY 3.06 (4). Motion carried unanimously.

APPLICATION MATTERS

MOTION: Kim Tredinnick moved, seconded by Tom Kilkenny, to act upon the applications reviewed for today's meeting as noted in the application file. Motion carried unanimously.

OTHER BUSINESS

MOTION: Steven Corbeille moved, seconded by Lucretia Mattson, to schedule the April and October 2013 meetings as "in-person" meetings. Motion carried unanimously.

MOTION: Steven Corbeille moved, seconded by Kim Tredinnick, to direct Department staff to include the following question and answer on the accounting web page as a frequently asked practice question.

Q: Does my out of state firm need a license for our CPA to exercise practice privileges in Wisconsin?

A: No Wisconsin firm license is needed for a CPA member of an out of state firm to exercise practice privileges in Wisconsin so long as the out of state firm is licensed and in good standing in its home jurisdiction. See Wis. Stas. §442.025(4) and Wis. Admin. Code §§ Accy 4.0 and 4.03.

Motion carried unanimously.

ADJOURNMENT

MOTION: Glen Michaelsen moved, seconded by Kim Tredinnick, to adjourn the meeting at 12:09 p.m. Motion carried unanimously.

**State of Wisconsin
Department of Safety & Professional Services**

AGENDA REQUEST FORM

| | | | |
|--|---|---|--|
| 1) Name and Title of Person Submitting the Request: Kimberly Wood, Program Assistant Supervisor | | 2) Date When Request Submitted: 10/15/2012 Items will be considered late if submitted after 4:30 p.m. and less than: <ul style="list-style-type: none"> ▪ 10 work days before the meeting for Medical Board ▪ 14 work days before the meeting for all others | |
| 3) Name of Board, Committee, Council, Sections: Accounting Examining Board | | | |
| 4) Meeting Date: 11/29/2012 | 5) Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 6) How should the item be titled on the agenda page? 2013 Meeting Dates | |
| 7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session <input type="checkbox"/> Both | | 8) Is an appearance before the Board being scheduled? If yes, who is appearing? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9) Name of Case Advisor(s), if required: N/A |
| 10) Describe the issue and action that should be addressed: <p>The Board should review and note its meeting dates scheduled for 2013. Please advise your Executive Director of any existing conflicts.</p> | | | |
| 11) Authorization | | | |
| <i>Kimberly Wood</i> | | 10/15/2012 | |
| Signature of person making this request | | Date | |
| Supervisor (if required) | | Date | |
| Executive Director signature (indicates approval to add post agenda deadline item to agenda) | | Date | |
| Directions for including supporting documents: 1. This form should be attached to any documents submitted to the agenda. 2. Post Agenda Deadline items must be authorized by a Supervisor and the Policy Development Executive Director. 3. If necessary, Provide original documents needing Board Chairperson signature to the Executive Assistant prior to the start of a meeting. | | | |

MEMO

TO: Accounting Examining Board

FROM: Kimberly Wood, Program Assistant Supervisor

DATE: October 18, 2012

RE: 2013 Meeting & Screening Dates

Board meeting and screening panel sessions have been scheduled as follows. If a Board meeting is not held and there are cases to be screened, the Division of Legal Services and Compliance will conduct the screening panel session via telephone.

For the screening panel sessions that are not connected to a Board meeting, the Division of Legal Services and Compliance will be setting up the screening panel dates at a later date.

| | | | |
|-------------|-----------------------|-----------|-----------|
| April 30 | Screening and Meeting | 8:30/9:00 | Room 121A |
| June 26 | Screening and Meeting | 8:30/9:00 | Room 121A |
| September 5 | Screening and Meeting | 8:30/9:00 | Room 121A |
| November 21 | Screening and Meeting | 8:30/9:00 | Room 121A |

Keep an eye out for additional information regarding screening meetings for those months where no board meeting is scheduled.

For any complaint intake or screening panel matters, please contact Patara Horn at 608-261-0134 or at patara.horn@wisconsin.gov.

**State of Wisconsin
Department of Safety and Professional Services**

AGENDA REQUEST FORM

| | | | |
|---|--|--|------|
| Name and Title of Person Submitting the Request: Mojgan Hall | | Date When Request Submitted: 11/16/2012 | |
| | | Items will be considered late if submitted after 5 p.m. and less than: <ul style="list-style-type: none"> ▪ 10 work days before the meeting for Medical Board ▪ 14 work days before meeting for all other boards | |
| Name of Board, Committee, Council: Accounting Examining Board | | | |
| Board Meeting Date: 11/29/2012 | Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | How should the item be titled on the agenda page? NASBA Quarterly Communications - 11/9/2012 | |
| Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session <input type="checkbox"/> Both | Is an appearance before the Board being scheduled? If yes, by whom? <input type="checkbox"/> Yes by _____ (name) <input checked="" type="checkbox"/> No | Name of Case Advisor(s), if required: | |
| Describe the issue and action the Board should address: Please see the attachment. | | | |
| If this is a "Late Add" provide a justification utilizing the Agenda Request Policy: | | | |
| Directions for including supporting documents: 1. This form should be attached to any documents submitted to the agenda. 2. Late Adds must be authorized by a Supervisor, DOE Division Administrator, and Bureau Director. 3. Provide original documents needing Board Chairperson signature to the Bureau Director or Program Assistant prior to the start of a meeting. | | | |
| Authorization: | | | |
| Signature of person making this request | | | Date |
| Supervisor (if required) | | | Date |
| Division Administrator (if required) | | | Date |
| Bureau Director signature (indicates approval to add late items to agenda) | | | Date |

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

MEMORANDUM

November 8, 2012

To: State Board Chairs, Presidents, Members and Executive Directors
NASBA Committee Chairs
NASBA Board of Directors

From: Ken L. Bishop – President and Chief Executive Officer

Re: Quarterly Communications

Continuing our recent practice, we are e-mailing our quarterly communication bundle of materials to you and request that you forward the documents to others who would find them of interest. If e-mail proves inconvenient, just notify my executive assistant, Anita Holt (aholt@nasba.org or (615) 880-4202), and a hard copy of these documents will be mailed to you. The attached files include:

- Regional Directors' Focus Question Response Report
- Executive Summary of Focus Question Report
- Minutes of the July 27, 2012 meeting of the Board of Directors
- Highlights of the October 26, 2012 Board of Directors' meeting

Our 105th Annual Meeting and the Fifth NASBA International Forum were terrific, and my first at NASBA's helm. You can see video highlights of them on our Web site www.nasba.org.

NASBA is looking ahead to the State Board Legal Counsel Conference, March 3-5 in Tucson, and the 30th Annual Conference for Executive Directors and State Board Staff, March 3-6 in Tucson. We hope your state will be represented at these events. If your Board cannot afford to send a delegate to either conference or both, NASBA will provide scholarships covering travel, lodging and conference fee to enable your state to participate. Just contact NASBA Communications Director Thomas Kenny (tkenny@nasba.org) to arrange for this assistance. Our goal is to have all states represented at both these meetings.

As always, we thank the Executive Directors for ensuring this information is distributed to all Board members. The Executive Directors' help is vital to our communications efforts.

Please do not hesitate to give us a call if you have any questions.

NASBA REGIONAL DIRECTORS' REPORT

The following is a summary of the written responses to focus questions gathered from the member boards by NASBA's Regional Directors between August 2, 2012 and October 9, 2012. Responses which indicated nothing to report have not been included in this summary.

Respectfully submitted,

*Telford ("Ted") A. Lodden (IA) – Chair, Committee on Relations with Member Boards,
Central Regional Director*

Jimmy E. Burkes (MS) – Southeast Regional Director

Jefferson Chickering (NH) – Northeast Regional Director

Miley ("Bucky") W. Glover (NC) – Middle Atlantic Regional Director

Janice L. Gray (OK) – Southwest Regional Director

Raymond Johnson (OR) – Pacific Regional Director

Kim Tredinnick (WI) – Great Lakes Regional Director

Karen Forrest Turner (CO) – Mountain Regional Director

1. (a) In the last three years, what organizations have been your Board's top three referral sources of disciplinary cases? (State Society? HUD? SEC? etc.) (b) About how many cases have been referred by each of these in the last year?

Alabama – (a) & (b) Most of Alabama's disciplinary cases have resulted from complaints filed by individual members of the public. In 2008-2009 IRS filed the only referral. In 2009-2010 the Tennessee State Board of Accountancy filed the only referral. In 2010-2011 the DOD filed the only referral and in 2011-2012 to date HUD has filed the only referral.

Alaska – (a) Complaints filter directly to the Board investigator, so it is hard to pinpoint the source of referral. The State society does forward inquiries/complaints to the Division. (b) Do not have this information.

Arizona – The AICPA, PCAOB, and other state boards. We don't keep track of the number of referrals or from what entity so we are unable to report an exact count.

Arkansas – We get almost all of our referrals from one organization – the Arkansas State Contractor's Board. We have received around 10 referrals from them in the past year. We have received referrals from HUD, the SEC, and Legislative Audit in the past, but these are rare.

California – (a) In the past three years, the top three organizations that have made referral to the CBA that resulted in disciplinary action are the California Department of Justice (CA DOJ), the Public Company Accounting Oversight Board (PCAOB) and the Securities and Exchange Commission (SEC). (b) In the past year, the CA DOJ has filed 130 referrals, the PCAOB has filed 4 referrals, and the SEC has filed 2 referrals.

Colorado – (a) Based on data from the last 3 fiscal years, here are the total cases the Board received and handled. Unfortunately, it is not possible at the moment to determine the referral source of the complaints for each fiscal year. In FY12, the Board experienced an increase in cases based on CPA's

self reporting that they failed to comply with CPE. Typically, HUD, SEC, IRS referrals low for Colorado. (b) FY 10 – 220; FY 11 – 332; FY12 – 437.

Connecticut – AICPA – 3 cases; IRS – 2 cases; Connecticut Society of CPAs – 3 cases.

Guam – None. One complaint filed directly with the Board by a client.

Hawaii – (a) The Hawaii Society of CPAs. (b) 3 -5.

Idaho – In the last three years, the Idaho State Auditor’s office has referred one case to our Board. We have also had one disciplinary case that came from an SEC violation but we found out about the infraction and took action before being notified by the SEC. The remaining cases have come from either the general public or other CPA’s.

Indiana – Indiana has a compliance director who investigates and refers disciplinary cases to the Office of the Attorney General (OAG). The OAG investigates the complaints and files the formal complaint. We do not have many cases referred by outside organizations.

Kentucky – (a) Practically all disciplinary cases arise from complaints filed by clients or the CPA reports a criminal conviction. Over the years we have had some referrals from some organizations but none within the last 3 years. (b) None.

Louisiana – The number of referrals from organizations has been very low in the last three years. The only referrals have come from the FBI in connection with its investigations. This was the source of two referrals within the last year. In previous years, HUD and the U.S. Dept. of Education were the most common sources.

Mississippi - Top three have been (1) CPA clients= 11, (2) HUD= 2, and (3) staff reported noncompliance issues= 329. (See listing below.)

| | |
|---|-----|
| Illegal Holding Out | 21 |
| Peer Review noncompliance | 4 |
| Firm Rules violations (firm permit, name/ownership, etc..) | 4 |
| Advertising violations (false, website, etc. . .) | 2 |
| Felony Convictions (CPA was revoked; case on firm dropped) | 2 |
| Auditing Standards violation - 1 | 1 |
| Untrue statement on application or renewal | 1 |
| CPE noncompliance (deficits, 3 rd strikes, late reporting, etc. .) | 294 |

| | |
|--|------------|
| TOTAL Staff-initiated Complaints in last 3 years | <u>329</u> |
|--|------------|

Missouri – (a) SEC, IRS, HUD. (b) We have had about 4 SEC cases, 3 IRS cases and 2 HUD cases.

Montana – (1) Public; (2) Board.

Nebraska – (a) We have overviewed one SEC case/ Most of our cases involve civil filings that we monitor. (b) As a small jurisdiction, none.

Nevada – (a) Nevada’s top three organizations for referrals of disciplinary cases would have to be SEC, Mortgage Division of the State and HUD. However, the SEC information is generally sent to the Board through the self-reporting of the licensee. Most complaints are from the public.
(b) In the last year Nevada has received one complaint referral from an agency other than the public.

New Hampshire – (a) All of the complaints received by the New Hampshire Board have been filed by the general public. (b) No cases have been referred by any organization.

New Mexico – We have received one referral from the Department of the Interior and one from the New Mexico Community Foundation. All of the other complaints have been filed by individuals.

New York – All referrals of disciplinary matters are sent to an investigator at the Office of Professional Discipline.

North Carolina – The Board’s top three referral sources of disciplinary cases in the last three years are the IRS (8 cases), the North Carolina Office of the State Auditor (5 cases) and the SEC (3 cases). We do not receive cases from our state CPA association and only receive information from the AICPA on actions taken against AICPA members for ethics violations.

Ohio – Since 2009, there have been five SEC referrals and one IRS referral. This year, there has been one SEC referral and one IRS referral.

Oklahoma – Insurance Commission (4); Other state agencies (4); SEC (2).

Puerto Rico – (a) State Society. (b) 11.

South Dakota – (a) Our office has not received a referral from an outside agency in the past three years. (b) Zero.

Tennessee – (a) & (b) Board Office/Staff – 65; Public – 21; Tennessee Department of Revenue – 4.

| | |
|--|----|
| Texas – Texas Dept. of Transportation | 11 |
| Texas Secretary of State | 5 |
| HUD | 3 |
| Dept. of Education | 2 |
| Texas Education Agency | 2 |

Washington –

| | 2010 Action Taken | 2010 <i>Received No Action Required</i> | 2011 Action Taken | 2011 <i>Received No Action Required</i> | 2012 Action Taken | 2012 <i>Received No Action Required</i> |
|--|-------------------------|--|-------------------------|--|-------------------------|--|
| AICPA | | | | 1 | | |
| WSCP | | | | | | |
| SEC | | | | | | |
| Other Federal | | | | | | |
| PCAOB Inspection Reports | 1 | 13 | | 25 | | 15 |
| Dept of Labor | | | 1 | | | |
| Indian Tribes | | | | | | |
| Other state boards of accountancy: | 1 | | | | | |
| State Agencies | | | | | | |
| Dept of Financial Institutions | | | 1 | | 1 | |
| Oregon Dept of Consumer & Business Services | | | | | 1 | |

Wyoming – Cases generally result from either complaints filed by members of the public or on the Board’s own motion resulting from non-compliance with state statutes and rules and regulations.

2. (a) Can a community college in your state provide sufficient accounting/business courses (excluding principles or introductory accounting courses) to enable an individual holding a baccalaureate in drama, for example, to qualify to sit for the Uniform CPA Examination or for licensure as a CPA? (b) If so, are there qualifications the community college must meet to have its accounting and business courses acceptable to the Board?

Alabama – (a) & (b) No and such an educational scheme should never be allowed.

Alaska – (a) For the exam, it is possible that that a person could apply/sit without having an accounting concentration if they completed their degree from a nationally or regionally accredited institution or even a foreign degree, evaluated by and approved credential evaluator & had the required accounting experience (AS 08.04.130). (b) The Board has defined acceptable education in 12 AAC 04.185(e).

Arizona – No. The challenge for community colleges in Arizona is the ability to offer a sufficient number of upper credit accounting hours. Arizona’s law requires at least 24 semester hours in accounting of which twelve semester hours must be upper division. The Maricopa Community College District which is one of the largest community college districts in Arizona in the Phoenix metropolitan area, only offers two three hour upper division courses for a total of six hours which would leave community college students short by 6 hours of upper level to apply to sit for the Uniform CPA Exam in Arizona.

Arkansas – Under Arkansas rules we would accept accounting or other hours from a community college if it was accredited.

California – (a) Yes, an individual holding a non-accounting degree can complete all 24 semester units of accounting and 24 semester units of business-related subjects at a California community college. (b) The community college must be regionally or nationally accredited.

Colorado – (a) Yes, until 6/30/15. (b) There may be. The Colorado Board is considering whether to have a separate approval process for all community colleges after 7/1/15.

Connecticut – An applicant shall be eligible to apply for the examination for the first time on or after May 26, 2007, if he or she is a graduate of an accredited college with a degree of bachelor. The college shall be accredited by the regional accrediting commission subscribing to the national policies and procedures established by the federation of regional accrediting commissions of higher education; or a college of equivalent accreditation as determined by the Connecticut State Board of Accountancy. The candidate shall have received credit for at least 46 semester hours from such an accredited college in the study of accounting and related subjects, including, but not limited to business law, economics, and finance; of which at least twenty-four semester hours shall be in the study of accounting.

Florida – No, a community college could not provide sufficient accounting/business courses to meet Florida's education requirements to sit for the examination and to qualify for licensure.

Guam – NO. Guam law requires "upper division" (junior or senior level) courses to qualify to sit for the CPA exam; our Guam Community College does not provide these "upper level" courses, the University of Guam does.

Hawaii –No.

Idaho – Community Colleges in our area of jurisdiction. All of these colleges only offer associate degrees and at this time none of them offer enough Accounting courses which would qualify a candidate to sit for the CPA exam and/or licensure. Three of these schools, however, are regionally accredited.

Illinois BOE – There are a number of community colleges that offer courses that will meet the accounting requirement and the business requirement to sit for the CPA in Illinois. The community college must have a regional accreditation and submit to the IBOE a template of course offerings which outline how they meet the accounting and business requirements. If a college or community college fails to submit a template for approval, course descriptions and/or syllabi must be submitted along with the transcripts for review and approval.

Indiana – No, they would not have the required hours in the field of accounting to qualify to sit for the exam.

Kentucky – (a) I am unsure as to my answer to this question since I am not aware of all of the different type of accounting and business courses offered by the community colleges in KY. We also allow for any accounting courses to count toward the 27 semester hours needed to sit for the exam and to become licensed. In addition the hours necessary to satisfy the 150 hour requirement may come from community college courses. (b) No.

Louisiana – The community colleges in Louisiana do not offer enough accounting courses to qualify. If the bachelor's degree university, to which the applicant transfers, accepts the accredited community college's accounting courses that the candidate has completed, the Board will also accept them.

Mississippi – (a) No. All accounting/business courses must be upper or graduate level courses, which are not available at the community college level; (b) N/A.

Missouri – No, they cannot as we require 18 hours of upper level courses in accounting. (b) N/A.

Montana – (a) No; cannot meet upper division requirements. (b) N/A.

Nebraska – (a) It would appear this scenario would be unlikely; however, the Board has not determined if this would be acceptable and would be interested in any findings NASBA could provide. It is a good question. (b) Usually, before a baccalaureate degree is awarded, only if the courses are transferred and accepted by an accredited four year institution. The Board could entertain this requirement but some discussion previously lends to allowing the courses to count if accepted before by a four year institution.

Nevada – (a) No generally the education received from a community college will have some of the course work required. However, they do not offer the advanced required courses such as auditing or advanced accounting. (b) The community college must be regionally credited.

New Hampshire – (a) Yes. (b) No.

New Mexico – Provided the community college is regionally accredited, course work taken at such an institution is acceptable toward meeting the requirements to sit for the Uniform CPA Examination. New Mexico has only one community college that offers the 30 semester hours in accounting.

New York – Yes, a community college can provide enough courses to meet the required number of semester hours required for licensure in New York State. The community college must be an accredited school for the Board to accept the course work.

North Carolina – The North Carolina Community College System schools have sufficient accounting courses to enable an individual with a non-accounting baccalaureate degree to complete a concentration in accounting, 30 semester hours of accounting coursework, in order to qualify to sit for the Uniform CPA Examination and to qualify for licensure as a CPA. The North Carolina Community College System accounting courses qualify because they are accredited by the Southern Association of Colleges and Schools Commission on Colleges which is a Board approved accreditation organization.

Ohio – (a) Yes. (b) Accreditation by an organization recognized by CHEA.

Oklahoma – Generally in Oklahoma community colleges cannot offer sufficient upper level courses to allow an individual to sit for the exam.

Puerto Rico – (a) Yes. (b) Be accredited by the Department of Education.

South Dakota – (a) Yes. (b) The school must be regionally accredited.

Tennessee – No.

Texas – In Texas, the Board has agreements with four community colleges to offer a comprehensive accounting and business program that meets the education requirements to take the CPA exam. The student can enroll at one of these community colleges after earning a baccalaureate degree. This program was developed in 2003 to assist adults who were making a career change and did not want to return to a university for a second degree. It has also been helpful in deferring the cost of education because tuition for community college courses is typically less than at a university.

The Board reevaluates the community colleges periodically to insure that the required courses are as rigorous as similar courses offered at a university, and that the faculty members teaching the courses have completed graduate accounting courses and hold a masters or doctoral degree.

A copy of the Texas standards for community colleges will be made available to any interested Board.

Washington – (a) Community College courses may satisfy (1) all or any portion of the undergraduate components of the required accounting and business 24 hours concentrations and (2) CC courses will satisfy the additional 30 hours of college education in addition to a baccalaureate degree in drama to meet the 150 hour requirement. (b) The Community College must be accredited by one of the Board recognized accrediting agencies.

Wyoming – No. None of the community colleges in the state offer the upper level or graduate accounting course work required to meet minimum requirements. One of the minimum requirements in Wyoming is that the candidate must have earned a degree with an accounting concentration. No community college in the state offer Bachelor's or graduate degrees.

3. (a) What services can a “CPA-Inactive” or “CPA-Retired” perform as a volunteer for a charity in your jurisdiction? (b) Does it matter if those services are done for compensation or pro bono? If so, please explain.

Alabama – (a) An inactive or retired CPA cannot legally practice public accounting in Alabama and this should be public policy nationwide. (b) Compensation or pro bono should not even be a part of the equation in this matter.

Alaska – (a) Alaska only has an “inactive” status currently and a person who is inactive may not practice public accounting. (b) No, there is no distinction made for pro bono work.

Arizona – Arizona currently does not have a CPA-Retired status. A CPA-Inactive is not allowed to use the CPA designation and the registrant shall not engage in the practice of accounting for fee or other compensation while on inactive status including recording and summarizing financial transactions, analyzing and verifying financial information, reporting financial results to an employer, client, or other party; and rendering tax and management advisory services. As such, as long as the services are performed as a volunteer and not for a fee or other compensation it would be permissible.

Arkansas - Currently our laws and rules do not differentiate between services provide for a fee or those provided pro bono. Inactive and Inactive/Retired CPAs are not allowed to perform accounting services to the public. This may be changed during our rule making process this winter/spring.

California – (a) In general, a CPA-Inactive and a CPA-Retired are not allowed to practice public accountancy.

(b) Business and Professions Code section 5051 defines the practice of public accountancy. This section states that activities detailed in subsection (a), (c), or (e) are not deemed to be in the practice of public if they are performed without compensation. Section 5051 states:

Except as provided in Sections 5052 and 5053, a person shall be deemed to be engaged in the practice of public accountancy within the meaning and intent of this chapter if he or she does any of the following:

- (a) Holds himself or herself out to the public in any manner as one skilled in the knowledge, science, and practice of accounting, and as qualified and ready to render professional service therein as a public accountant for compensation.
- (b) Maintains an office for the transaction of business as a public accountant.
- (c) Offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an audit, examination, verification, investigation, certification, presentation, or review of financial transactions and accounting records.
- (d) Prepares or certifies for clients reports on audits or examinations of books or records of account, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports that are to be used for publication, for the purpose of obtaining credit, for filing with a court of law or with any governmental agency, or for any other purpose.
- (e) In general or as an incident to that work, renders professional services to clients for compensation in any or all matters relating to accounting procedure and to the recording, presentation, or certification of financial information or data.
- (f) Keeps books, makes trial balances, or prepares statements, makes audits, or prepares reports, all as a part of bookkeeping operations for clients.
- (g) Prepares or signs, as the tax preparer, tax returns for clients.
- (h) Prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans.
- (i) Provides management consulting services to clients. The activities set forth in subdivisions (f) to (i), inclusive, are "public accountancy" only when performed by a certified public accountant or public accountant, as defined in this chapter.

A person is not engaged in the practice of public accountancy if the only services he or she engages in are those defined by subdivisions (f) to (i), inclusive, and he or she does not hold himself or herself out, solicit, or advertise for clients using the certified public accountant or public accountant designation. A person is not holding himself or herself out, soliciting, or advertising for clients within the meaning of this section solely by reason of displaying a CPA or PA certificate in his or her office or identifying himself or herself as a CPA or PA on other than signs, advertisements, letterhead, business cards, publications directed to clients or potential clients, or financial or tax documents of a client.

5052. Nothing in this chapter shall apply to any person who as an employee, independent contractor, or otherwise, contracts with one or more persons, organizations, or entities, for the purpose of keeping books, making trial balances, statements, making audits or preparing reports, all as a part of bookkeeping operations, provided that such trial balances, statements, or reports are not issued over the name of such person as having been prepared or examined by a certified public accountant or public accountant.

Nothing contained in this chapter shall affect, limit or be construed as affecting or limiting the rights of any public accountant who met the requirements of prior statutes and who was registered with the board as a public accountant on or before December 31, 1955.

5053. Nothing contained in this chapter precludes a person who is not a certified public accountant or public accountant from serving as an employee of, or an assistant to, a certified public accountant or public accountant or partnership or a corporation composed of certified public accountants or public accountants holding a permit to practice pursuant to this chapter if the employee or assistant works under the control and supervision of a certified public accountant, or a public accountant authorized to practice public accountancy pursuant to this chapter and if the employee or assistant does not issue any statement over his or her name.

This section does not apply to an attorney at law in connection with his or her practice of law.

Colorado – (a) Inactive CPA’s are prohibited from holding out as an Active CPA and from performing any service for which an Active certificate is required pursuant to Section 12-2-120(6), C.R.S. Retired CPA’s are prohibited from performing any service for which an Active certificate is required pursuant to Section 12-2-120(6), C.R.S. (b) Yes, the Inactive CPA or the Retired CPA may be subject to disciplinary action for providing public accounting services to the public for a fee without an active certificate.

Connecticut – The State of Connecticut does not distinguish between active CPAs versus retired and inactive CPAs.

Florida – In order to practice public accounting in Florida, the individual must hold an active CPA license. It doesn’t matter whether they are compensated for services or if they are performed pro bono.

Guam – Guam has no restrictions on "volunteer" services providing such services do not constitute "holding out" or practicing public accounting.

Hawaii – N/A; Hawaii has no “CPA-Inactive” or “CPA-Retired status.

Idaho – A retired CPA can perform as a volunteer for a charity and provide, within their position of the charity, provide tax services but must use the appropriate title of CPA-Retired, for example.

Indiana – Indiana does not have a “retired” status, only an “inactive” status. If they do not have an active license they cannot perform any accounting services.

Kentucky – (a) Kentucky does not have an inactive status and does not allow former CPAs to use “CPA-Retired”. A CPA who is completely retired from public accounting may use the CPA title and not have to obtain any CPE but they are not allowed to provide any type of public accounting services regardless of whether compensation is involved.

(b) Compensation is not an issue.

Louisiana – Under Board Rule §1707(C), any accounting, financial, management tax or consulting services (other than attest) may be performed provided that the title “CPA” or “CPA Inactive” may not be used in connection with the volunteer services or in connection with any other concurrent employment of any nature. It does not matter if the services are *pro bono* or for compensation (which would, incidentally, change the “volunteer” aspect). However, if these services are performed as an actual employee of the charity, the “CPA-Inactive” title may be used (as would be the case for any

CPA Inactive working as an employee in industry). Louisiana regulations do not provide for a CPA-Retired title.

Mississippi – (a) A CPA (retired) must be retired and perform no services regulated by the Board whether paid or not. Mississippi does not have CPA (inactive) status. (b) See above. Compensation is not a factor in considering services.

Missouri – (a) As long as they do not use their credential initials they may belong on a finance committee or be a treasurer. They cannot do anything that is public accounting. (b) Compensation would not be acceptable.

Montana – (a) None as long as they are signing at a CPA. (b) No.

Nebraska – (a) None, cannot practice public accountancy. (b) No, only Active Permit Holders/ CPAs can practice public accountancy.

Nevada – If an individual is Inactive or Retired they are precluded from providing any accounting functions of business where they would be utilizing their expertise as a CPA. This includes volunteer work and charity organizations. If the individual performs these functions while on inactive or retired it would be a violation of the status. (b) It does not matter whether the work is performed pro-bono or with compensation.

New Hampshire – (a) A CPA-Inactive cannot perform any CPA services. (b) N/A.

New Mexico – A person with an inactive license may not provide any type of financial services as a volunteer for a charity. In the past, individuals whose licenses were inactive frequently volunteered to serve as treasurers and the like, but the Board determined that this was misleading to the public, as the general population does not necessarily understand the difference between an inactive and an active license.

New York – New York does not have a status for Retired CPAs. If a CPA has an Inactive status they can serve on a Board so long as they are not the financial or accounting expert for the board. If an Inactive CPA serves on a Board and uses their designation they have to clearly indicate that they are not currently an active CPA and are not registered to practice as a CPA.

North Carolina – A CPA who has elected to be on inactive status may perform any services, as a volunteer or as a paid employee or contractor, for any entity. However, a CPA on inactive status may not use the title “certified public accountant” or “CPA” or let anyone else refer to him or her as such. A CPA who has elected to be on retired status may not perform any services of any kind for any earned compensation. A CPA on retired status may perform volunteer services for which he or she receives no direct or indirect compensation and does not sign any documents related to the services as a CPA.

Ohio – (a) Our statute does not designate such services, but the Good Samaritan laws are somewhat flexible on volunteer work. (b) Our law does not address this issue.

Oklahoma – A retired or inactive CPA may provide pro bono services for a charity so long as no documents are signed using the CPA designation. They may not offer any services for compensation.

Puerto Rico – (a) Consultant. (b) Yes, he must not be in the active practice of his profession.

South Dakota – (a) Inactive or Retired CPAs may provide their opinions and knowledge as a volunteer for charity. They cannot perform attest services or accounting services that would require them to be in an active status. (b) No.

Tennessee – (a) Technically, none. (b) No.

Texas – We do not have an inactive status. A retired CPA may perform for a charity without compensation and maintain the retired status.

Washington – (a) By Rule, WAC 4-30-058, CPA Retired, is a permitted “Designation” for certain individuals who choose to retire licensed status with the Board. This designation is not available to CPA-Inactive certificate holders. These retired licensees essentially have the same restrictions and rights as CPA-Inactive certificate holders. (b) By statute, CPA-Inactive certificate holders granted inactive certificate status by the Board in Washington state:

- i. cannot practice public accounting, i.e. represent themselves as a licensee (CPA without the words “Inactive” following that restricted title);
- ii. offer or issue any report prescribed by professional standards over his or her name; or
- iii. hold out as an “auditor” to the public, with or without any other description or designation by use of the “auditor” on any sign, card, letterhead, or in any advertisement or directory
- iv. However, CPA Inactive certificate holders may perform any of the services permitted by RCW 18.04.350, subsections (9) through (13) provided that the services are not performed or offered to the general public, i.e. any services not restricted to licensees provided such services are not otherwise restricted by state or federal law.
- v. For purposes of the Public Accountancy Act in Washington State, the Executive Director’s view is that “charitable volunteer service” by a CPA-Inactive certificate holder or an individual recognized by the Board to utilize the designation CPA Retired is equivalent to that of an employee, officer, or board member in a commercial business enterprise. Accordingly, both sets of individuals would be permitted to perform any services permitted by RCW 18.04.350, subsections (9) through (13) provided that the services are not performed or offered to the general public.

(c) Neither the Washington State Public Accountancy Act (RCW 18.04 or Board Rules WAC 4-30 address pro bono services.

Wyoming – There are no specific provisions in the law in Wyoming to provide for CPA Inactive or Retired holders to provide services to charity organizations. Board rules and regulations, however, do provide authority for the Board to approve exceptions on a case-by-case basis.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know?

Alabama – Alabama’s Governor has announced that the administration is considering consolidation of several agencies and that the professional and occupational boards may be a focus of their efforts.

Alaska – Board is currently dealing with travel budget issues which are likely to hamper Board participation/representation at all NASBA events for the rest of the fiscal year (through the end of June 2013). The biometrics issue is likely to be presented again in the upcoming legislative session; this would affect the ability for the CPA exam to be offered in Alaska.

Arizona – Arizona officially released an on-line renewal system in July 2012.

Arkansas – Our board will be pursuing law changes in the 2013 legislative session beginning in January, as well as rule changes this winter and spring.

California – New Requirements for CPA Licensure

As noted in the CBA's response to the NASBA focus questions from March 2012, beginning January 1, 2014 the educational requirements for CPA licensure will change dramatically. Applicants will need to demonstrate completion of 150 semester units, including 30 semester units beyond the presently required 24 semester units of accounting subjects and 24 semester units of business-related subjects. The additional education will be comprised of 20 semester units of accounting study and 10 semester units of ethics study. The CBA is continuing its efforts to achieve widespread dissemination of information to licensure and examination applicants, licensees, students, faculty, and colleges and universities both in California and out-of-state as the new education requirements will have a profound effect on all parties involved.

Legislation

At its July meeting, the CBA adopted a Support Position on SB 1405. This bill eliminates the notice and fee requirements of practice privilege effective July 1, 2013 and reinstates them on January 1, 2019, unless the legislature decides to extend the program. The Legislature's decision will be based, in part, on a report prepared by the CBA on the consumer protections provided by this new program and whether or not other state boards timely address referrals by the CBA and the outcomes of those investigations.

SB 1405 authorizes out-of-state licensees to do certain audit and review services through a firm licensed in California. It requires a practice privilege holder to cease practice and notify the CBA if certain conditions apply, and CBA authorization would be required to resume practice. The bill would require individuals who have met any of certain criteria within the prior seven years to give notification to the CBA regarding their intent to practice and would require CBA authorization to practice prior to commencing practice in California. This bill authorizes the CBA to revoke a practice privilege under certain circumstances including specified disqualifying conditions. If the practice privilege is revoked, the bill requires the CBA to notify the individual's licensing boards and other entities. The bill allows the CBA to administratively suspend a practice privilege for specified reasons. SB 1405 also requires the CBA to add information to its website in order to expedite a consumers' ability to find information regarding the license status of practice privilege holders.

Colorado – The Board is revising all its rules. The rule making hearing is scheduled for October 17, 2012 and the Board expects to have an effective date of January 1, 2013.

Connecticut – Connecticut recently enacted House Bill 5025, permitting non-CPA ownership of a public accounting firm permitted to practice in Connecticut. The amended statute (Conn. Rev. Stat.

section 20-281e(c)) requires that only a simple majority of the partners or members of the firm hold CPA licenses. The minority owners must be employed by the firm.

Florida - The Board is working to make all applications for examination and licensure available online by December 31, 2012. Also, we are working to convert the meetings of the Board's various committees to an electronic agenda format, and expect to provide online licensure verifications by December 31, 2012. Legislation passed in the 2012 session allows inactive and delinquent CPAs to reactivate their Florida license with a maximum of 120 hours of CPE provided the licensee notifies the Board of their intent by December 31, 2012 and completes reactivation of the license by June 30, 2014.

Guam – Guam Computer Test Center revenues have decreased more than 20% year to date (ytd) in FY2012 (Oct 2011 - Sept 2012) due to a more than 58% decrease in Japanese testing in Guam. This is a loss of 2,030 Japanese test events equating to a loss of at least 1,091 Japanese candidates traveling to Guam (using our year to date average of 1.86 events per candidate), resulting in a loss of about \$1,200,000.00 in tourism revenues to the Guam community. When coupled with a loss of 307 Korean test events, the June 30, 2012 year to date revenue loss to the Guam Board amounts to \$83,285, with the total revenue loss to the Guam Computer Test Center being at least \$166,570, chiefly due to international testing in Japan. We would like to know how much incremental revenue NASBA has received from the international administration of the CPA exam in Japan and how it compares with the Guam Board's lost revenues?!?

Hawaii – Mobility Legislation; Single-tier licensing model; Peer review implementation.

Illinois BOE – The Public Accounting Act is entering sunset in 2013 and a bill has been submitted to extend the profession another 10 years. As of July 1, 2012, Illinois became a one tier state with licensing only. The Registered CPA was eliminated except for those already registered. The Board of Examiners is in the process of moving its offices from Champaign to Naperville on the campus of Northern Illinois University.

Indiana – Indiana is towards the end of completing a CPE audit on nearly one thousand (1,000) licensees.

Kentucky – Finally able to renew firm licenses online this year. Hereafter all firms will renew their licenses every two years as opposed to one half doing so each year. We continue to provide the funding for an enhanced accounting program offered in Kentucky high schools and for an accounting program offered in the Governor Scholars Program which is for those students entering their senior year of high school.

Louisiana – The Board plans to hold its next meeting, which will be in November, on a university campus. This is the first time the Board will meet outside of our offices, and we hope to continue the practice on occasion at other universities in other cities. This idea came from the NASBA Communications Committee to create more public visibility for the state boards. Coincidentally, the first university where we will meet is Dillard University, a historical black college, which creates an opportunity to encourage communication with constituencies underrepresented in the profession. The state society is assisting in this effort. We have also invited AICPA representatives, and they will make presentations on diversity initiatives in the profession and also on the CPA examination.

Mississippi - Mississippi is performing a review of its rules and regulations for possible amendments primarily to provide clarification

Missouri – We are discussing a rule change to go from requiring 120 hours of CPE with 2 hours of ethics with a minimum of 20 hours each calendar year in the 3 calendar years prior to the renewal of your license to requiring 80 hours of CPE with 4 hours of ethics with a minimum of 20 hours a calendar year in the 2 calendar years prior to the renewal of your license.

We will be participating in a pilot CPE auditing proposal with NASBA for the 2012 renewal period.

Montana – PMP program being eliminated. Peer review is taking its place. Society pursuing independence. Legislation to eliminate 2-tier. Eliminate CPE reporting. Audit department reorganization.

Nebraska – The Board is changing: Three new Board members have arrived and longtime staff employee Kelly Ebert has left and accepted a new position with the Legislative Accounting office. The Board is in the process of hiring a new employee.

Nevada – The Board is getting ready for the upcoming legislative session even though a bill will not be submitted. The Board is preparing to update its regulations and cleanup outdated language.

New Hampshire – New Hampshire increased its fining authority for disciplinary action from a maximum of \$1,000 per offense to \$2,000 per offense or \$200.00 per day whichever is greater through legislation in the 2011 legislative session.

Ohio – We're working on a Board newsletter and we recently received word that our website will be updated to reflect the new State of Ohio website design.

Oklahoma – Peer review will now be required for attestation engagements. Implementation of state-wide licensing system.

Puerto Rico – We have finally a law requiring one year of experience before issuing the State License to practice.

South Dakota - The Board is reviewing firm fee structure and will possibly have legislation in the upcoming session.

Tennessee – Legislation has not yet been passed to extend the Board of Accountancy beyond its sunset date of June 30, 2013.

Texas – A small group of CPAs is attempting to eliminate the peer review requirement for compilations.

Washington –

- Discussion of proposed amendment to the state's Public Accountancy Act to license Foreign Public Accounting Firms to provide Attest Services for registered foreign companies with "home offices"

in Washington state under conditions similar to the SEC's guidance in 15 USC and the consents applicable to out-of-state firms under mobility;

- Proposed Rule change to clarify that the confidentiality requirements require consents in the case of "registered domestic partnership" in the preparation of tax returns; and
- A change in Governor that creates some uncertainty about the continued appointment of the agency's current Executive Director by the newly elected Governor.

Wyoming – There was question recently from the Wyoming Society of CPAs with respect to webinar CPE course work. The Society suspects there may be firms in Wyoming that purchase one "admission" to the webinar courses offered through the Society and then offers the training as "in-firm" CPE to multiple practitioners employed by the firm. By doing this, the firm is circumventing paying for the training that is supplied to more than one practitioner. There is a concern that this is not ethical and may be something that should be monitored. The Board, in its rules, currently allows for firms to provide "in firm" CPE training sessions and accepts rosters of practitioners (signed by a firm partner, shareholder or designated certificate holder) in attendance as evidence of completion. There is, however, no question currently being asked about the CPE course format. Board staff would not know if the CPE training was webinar based or if one of the firm partners offered technical training to a group or whatever.

Are there other jurisdictions facing this issue? As more and more CPE is offered in the webinar format, this might become a problem.

5. Are there any issues with which NASBA can help your Board?

Alabama – NASBA'S help will be needed to fight off the Governor's efforts to consolidate the Alabama State Board of Public Accountancy into some type of umbrella agency and the potential seizure of Board funds.

Alaska – The biometrics issue is likely to arise and the Board will need NASBA support.

Arkansas – Recently we have had a few issues with licensed CPAs in our state owning a non licensed firm and performing non attest services through that firm. We are struggling with the question of whether we should allow CPAs to take off their "CPA hat" and provide certain accounting services through the non licensed entities. In certain cases it appears that the CPAs have set up these non registered entities to avoid having to abide by the board's firm name rules as well as other regulations. We are curious if other states have faced and/or addressed this issue in the past.

California – NASBA is in the unique position of having the attention of college and university accounting programs in every state. The CBA website, www.cba.ca.gov, contains a wealth of information regarding the new educational requirements and distributing this information on a national level would go a long way toward ensuring as many applicants, students, faculty, and colleges and universities as possible are informed of the impending changes to California's CPA licensure requirements.

Guam – See #4 above.

Hawaii – Implementation of our recently-enacted peer review statute; Proposed mobility legislation; Continuing to assist and support the Hawaii Board with scholarships to attend NASBA meetings.

Idaho – We would like to see some direction from NASBA involving schools who are ‘nationally’ accredited. Right now, we accept only regionally accredited institutions but have had multiple requests from some schools who are nationally accredited. We don’t feel that we are qualified to determine if the national accreditation is adequate or inadequate. We would encourage some assistance and direction from NASBA on how to approach these requests or possibly see if NASBA has looked into certifying particular accrediting agencies and therefore schools.

Montana – Assist Society as a resource for an attempt for independence.

Nebraska – Guidance on Question #2 would be helpful.

Ohio – NASBA is currently helping us develop the newsletter.

Oklahoma – Research regarding how many states allow students to sit for the exam prior to earning 150 credit hours (example: Student has acquired 144 hours and is enrolled and attending classes to earn final 6 hours).

6. NASBA’s Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

Input only from Board Chair: FL

Input only from Executive Director: AZ, AR, IN, KY, MO, NE, NM, OH, TN, WA

Input only from Board Chair and Executive Director: AK, CO, CT, GU, IL BOE, LA, NC, NY, TX

Input from all Board Members and Executive Director: AL, CA, ID, MS, MT, NH, NV, OK, SD, WY

Input from some Board Members and Executive Director: HI

Input from all Board Members: PR

Input from some Board Members

Other (please explain):

10.25.12

Executive Summary
August 2, 2012 – October 9, 2012
Regional Directors’ Focus Question Responses

32 State Boards Responding

1. In the last three years, what organizations have been your Board’s top three referral sources of disciplinary cases? (State Society? HUD? SEC? etc.)

Most frequently mentioned – AICPA, Board Staff, IRS, State Society, IRS, PCAOB, Department of Justice.

2. (a) Can a community college in your state provide sufficient accounting/business courses (excluding principles or introductory accounting courses) to enable an individual holding a baccalaureate in drama, for example, to qualify to sit for the Uniform CPA Examination or for licensure as a CPA?

(a) No – 15; Yes – 16; Unlikely – 1.

(b) If so, are there qualifications the community college must meet to have its accounting and business courses acceptable to the Board?

(b) Most frequently mentioned: Must be accredited; Courses must be accepted by 4-year institutions.

3. What services can a “CPA-Inactive” or “CPA-Retired” perform as a volunteer for a charity in your jurisdiction?

Frequently mentioned: Can’t legally practice or perform public accounting or other services – 16; Not allowed to use CPA designation, but can perform services as volunteer without compensation – 3; Retired or inactive CPA can do pro bono for charity without compensation – 3.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know?

Among responses:

TX – Small group of CPAs attempting to eliminate peer review for compilations;

WY – Concern about offering webinars as “in firm” courses;

PR – Finally passed law requiring one year experience before licensure;

OK – Peer review now required for those doing attestation engagements.

5. Are there any issues with which NASBA can help your Board?

Among responses:

AL – Help fight Governor’s consolidation efforts;

AR – CPAs owning non-licensed firms through which they perform non-attest services;

ID – Assistance in determining if national accreditation adequate.

See Regional Directors’ Focus Question Report for details.

National Association of State Boards of Accountancy, Inc.

**Meeting of the Board of Directors
July 27, 2012 – Newport, RI**

1. Call to Order

A duly scheduled meeting of the Board of Directors of the National Association of State Boards of Accountancy was called to order by Chair Mark Harris at 8:36 a.m. on Friday, July 27, 2012 at the Hyatt Regency in Newport, RI.

2. Report of Attendance

President Ken Bishop reported the following were present:

Officers

Mark P. Harris, CPA (LA), Chair
Gaylen R. Hansen, CPA (CO), Vice Chair
Michael T. Daggett, CPA (AZ), Past Chair
E. Kent Smoll, CPA (KS), Treasurer, Director-at-Large
Kenneth R. Odom, CPA (AL), Secretary, Director-at-Large

Directors-at-Large

Donald H. Burkett, CPA (SC)
Walter C. Davenport, CPA (NC)
Richard Isserman, CPA (NY)
Carlos E. Johnson, CPA (OK)
Theodore W. Long, Jr., CPA (OH)
Harry O. Parsons, CPA (NV)
Laurie J. Tish. CPA (WA)

Regional Directors

Jim Burkes, CPA (MS), Southeast
Jefferson Chickering, CPA (NH), Northeast
Bucky Glover, CPA (NC), Middle Atlantic
Janice Gray, CPA (OK), Southwest
Raymond Johnson, CPA (OR), Pacific
Telford A. Lodden, CPA (IA), Central
Karen F. Turner, CPA (CO), Mountain
Kim Tredinnick, CPA (WI), Great Lakes

Executive Directors' Liaison

Pamela Ives Hill, CPA (MO)

Guests

Maria Caldwell, Esq. – Director, Compliance Services
Sandra Wilson, CPA (AK), Chair, Examination Review Board
Onita Porter, Audit Manager, ERB

Staff

Ken L. Bishop, President and Chief Executive Officer
Colleen Conrad, CPA, Executive Vice President and Chief Operating Officer
Michael R. Bryant, CPA, Senior Vice President and Chief Financial Officer
Louise Dratler Haberman, Director - Information and Research
Thomas G. Kenny, Director – Communications
Noel L. Allen, Esq., Legal Counsel

3. Approval of Minutes

NASBA Secretary Odom presented the minutes of the Board’s April 27, 2012 meeting. Mr. Burkett moved to approve the minutes with a change from Ray Johnson. The motion was seconded by Carlos Johnson and all approved except Ms. Gray, who recused herself as she had not been present at that meeting.

4. Chair’s Report

Chair Harris reported the Executive Committee had met the previous day. NASBA leaders will attend a summit meeting with AICPA and CICA (Canadian Institute of Chartered Accountants) leaders on August 14 in New York City. Issues to be discussed will include: the foreign auditors issue, the financial reporting framework being drafted by AICPA, and the CGMA as to who is eligible to become one (only licensees or certificate holders as well).

The agendas for the upcoming Annual Meeting and International Forum are being reviewed, Chair Harris said.

Appointments to the Examination Review Board, Chair Harris announced are: Nicholas J. Mastracchio, Jr. (NY) – Chair, O. Whitfield Broome, Jr. (VA), Ronald E. Nielsen (IA), David A. Vaudt (IA), Sandra R. Wilson (AK). Mr. Harris expressed NASBA’s appreciation to Charles L. Talbert, III (SC) and Wesley P. Johnson (MD) for their service on the ERB. An ERB vice chair has not yet been named.

The Center for the Public Trust had requested a NASBA Board member be appointed as a voting member on the CPT Board. Mr. Glover has been recommended for that appointment.

Ms. Conrad reported NASBA had also submitted nominations for members of the Auditing Standards Board, the Standing Advisory Group for the Public Company Accounting Oversight Board, the AICPA Professional Ethics Executive Committee, the Financial Accounting Standards Board’s new Private Company Council, the Board of Examiners and the Financial Accounting Foundation. Chair Harris thanked Ms. Conrad and Linda Biek, Director of Governmental, International and Professional Relations, for their assistance with the nomination process for these posts.

The Strategic Planning Task Force met on May 31 and June 1 and will next meet September 4-5 in Dallas. Chair Harris anticipates the Task Force will have a document distributed to the members of the Board of Directors in advance of the October 26 meeting.

Chair Harris congratulated the Regional Directors, Mr. Kenny and Ms. Haberman on the June Regional 2012 Meetings. The 2013 Regional Meetings will be in Chicago and New Orleans.

A dinner hosted by the Financial Accounting Foundation in Washington, DC, was attended by Mr. Harris, Mr. Bishop, Past Chair Billy Atkinson and Ms. Conrad and “a number of notable people,” Mr. Harris said. He noted a wonderful relationship has developed between NASBA and the FAF over the last two years. Mr. Harris also thanked President Bishop for hosting at his home a dinner with Prometric CEO Michael Brannick.

The Awards Committee selections for the 2012 NASBA awards were announced by Mr. Harris as:

Michael D. Weatherwax (CO) – William H. Van Rensselaer Public Service Award
Charles W. Taylor (MS) – NASBA Distinguished Service Award
Robert N. Brooks (NC) – Lorraine P. Sachs Standard of Excellence Award

5. Executive Session

From 9:10- 9:45 a.m. the Board went into a closed executive session to discuss executive compensation.

At the conclusion of that session, Chair Harris announced that having heard no objections to the report of the Chair, the actions are ratified by the Board of Directors. The recommendations made on appointees will be deemed ratified.

The Board of Directors in executive session ratified certain Executive Committee recommendations related to confidential (personnel) matters.

6. Report of the Vice Chair

Vice Chair Hansen reported his planning meeting on May 24-25 had focused on placing current State Board members on NASBA committees 2012-2013. Special expertise was taken into consideration on making committee appointments, but preference was given to current State Board members, he said. In addition, he had tried to minimize the number of individuals serving on multiple committees and he tried to make the committees smaller, with regional representation. Mr. Hansen said one State Board had raised a concern that the same individuals had been serving on committees for a long time. Mr. Hansen said NASBA does not want to be inflexible on rotation, but it also is necessary for individuals to recognize that serving on a committee is not a permanent appointment.

7. Report of the President

President Bishop said NASBA staff is working to enhance efficiency, accountability and effectiveness including completing projects on time and on budget. The costs associated with recent staff reductions have been recouped and NASBA will exceed the budgeted operational income by \$100,000.00, he said. He told the Board of Directors that staff is striving to make NASBA’s financial statements be more intuitive so that it is easier to ascertain the direct support for the State Boards. For 2013 NASBA’s goal is \$1.3 million operating income with an increased amount being spent directly on State Boards.

Renovations have resulted in improvements and a new conference space in the New York City office which has greatly improved that facility. Work in Nashville has created attractive reception areas on all three floors, President Bishop reported. The strategic relocation of people doing similar types of work has resulted in NASBA working smarter.

COO Conrad reported John Johnson had started work as NASBA's Director of Legislative Affairs on June 1. He has hit the ground running and is making contacts with legislators, AICPA, state societies and the Accountants Coalition, she reported. He has already been working with the Alabama and Georgia Boards and is looking at legislative tracking software. In California the Board is overwhelmingly supporting mobility legislation, which has passed the Senate and is pending in the House. Mr. Johnson is also working with Guam and the Virgin Islands, Ms. Conrad said.

President Bishop said NASBA representatives are also meeting with groups opposed to mobility legislation in Hawaii. He reported NASBA Vice President-State Board Relations Dan Dustin is scheduled to meet with Boards in Rhode Island, Vermont, Florida, Indiana, Maine, California, Pennsylvania and Maine in the coming months. Mr. Dustin has already met with Boards in Utah, Georgia, Delaware, Alaska and Arkansas.

Ms. Biek will be leaving NASBA on August 16 to become Director of Compliance with the Hong Kong Institute of CPAs. Her responsibilities as Director of Legislative Governmental, International and Professional Relations will be handled by Vice President Dustin, Director Johnson and other staff members, President Bishop announced.

NIES was officially launched on July 1, 2012, Ms. Conrad said. Washington, Kansas and Illinois were the first states to sign on for the service. The Illinois Board is particularly appreciative of the new service as they had an unexpected staff resignation in the international evaluation area and are currently busy preparing to move their office to Northern Illinois University, she reported. President Bishop added that New Jersey had decided NIES will be their exclusive international transcript evaluator and New Hampshire will begin to use the service on August 1.

Director-at-Large Davenport asked if NASBA has liability coverage for this new evaluation area. Mr. Bishop explained that NASBA will only be making recommendations to the State Board and it will be up to the Board whether or not to license that person, so the decision is covered by the Board's sovereign immunity. President Bishop thanked Regional Director Turner for assisting James Suh, NASBA Continuous Improvements & Analytics Director, in developing this service.

NASBA has been developing candidate performance data products to furnish school specific reports. Mr. Suh has been meeting with universities and professors to get their ideas on what would be useful to them. Mr. Suh, Dr. Turner and Dr. Carlos Johnson will be attending the American Accounting Association's Annual Meeting in August, Ms. Conrad said.

Negotiations are going on to extend the international examination sites for the Uniform CPA Examination, Ms. Conrad reported. No security problems have been reported at the international sites, and volume at these sites continues to increase. Additional sites and countries are under consideration for expansion.

The Examination Contract Steering Group met in July and voted to allow testing for International Qualifications Examination candidates two months per quarter, which is the same as the testing window for Uniform CPA Examination candidates, Ms. Conrad reported.

Enhancements for NASBA's meetings are being made, President Bishop said. Teleprompters have been purchased and speaking coaches are being interviewed. Future meetings will include breakout sessions for those who do not attend the State Board member-only sessions. More will be done to bring first-time NASBA meeting attendees into the conversation, he stated.

8. Report from Director of Compliance Services

Ms. Caldwell, NASBA Director of Compliance Services and In-House Counsel, explained that NASBA looks at every line of business in terms of it being "mission driven – member focused."

The CPE Sponsor Registry has had a great year, Ms. Caldwell reported. Revenue from initial applications and renewal fees is up. New applications are up from 209 last year to 300 this year and ADMs are up to 240 this year from 204 last year. Numerous government agencies and large private sector companies have decided to join the CPE Sponsor Registry because of the many CPAs they have on their staffs. With the same number of employees, the NASBA Compliance Services division has done more. They have adopted a policy of "standardize, automate, innovate and quantify results," she explained. "We want to position NASBA as the thought leader for corporate learning," Ms. Caldwell said. The CPE Sponsors Conference will be held September 23-24 in Nashville, and it is hoped 175 sponsors will attend, she stated.

The Accountancy Licensee Database is up to 36 states with eight others heading toward implementation this year. Only four jurisdictions have not committed to become part of the ALD. Then in October 2011 NASBA launched CPAVerify and 31 Boards are on with 14 implementing this year. The plan is to get all 55 Boards using the ALD and CPAVerify.

CPE Audit Service is the next project to be tackled by the division. NASBA has the on-line application technology, the ALD data feeds and those can be put together with the CPE Tracking rules engine. This will enable NASBA to show compliance for the entire population, Ms. Caldwell said.

9. Report from the Administration and Finance Committee

Treasurer Smoll reported the A&F Committee's Investment Committee met on July 25 and discussed NASBA's investment's performance and the investment policy statement. He noted that NASBA's investment adviser, Jim Meeks, had produced excess returns over benchmarks since NASBA went to the discretionary investment model. The A&F Committee is asking the Board for approval of the investment policy changes, as well as the operating and capital budgets for Fiscal 2013, all of which were approved by the A&F Committee on July 26, Mr. Smoll said.

Senior Vice President and CFO Bryant explained that the year coming to a close, Fiscal 2012, had been a challenging budget year with the transitioning to a new chief executive officer. However, with the exception of investment income, the budgeted results approved in the prior year were anticipated to be achieved. He credited Director of Finance and Controller Troy Walker for his work in this effort.

Mr. Smoll made a motion to approve the budgets. Mr. Isserman made a motion that the operating budget be amended to reflect an estimate of what might be expensed in the following

year for staff bonuses. After discussion, the general consensus was that the estimate should be the same as the amount approved in the prior year. The motion to approve the amended budget was carried with only one negative vote.

Mr. Smoll made a motion to accept the investment policy as presented. Mr. Lodden seconded and all approved.

CFO Bryant distributed the prior year's audit report on the NASBA retirement plan at the request of Chair Harris.

The Professional Credential Services board of directors met on June 21, Mr. Bryant, who is chair of the PCS audit committee, reported. PCS, formerly a wholly-owned NASBA subsidiary, is expected to have net income at the breakeven point this year. Although no formal decision has been reached, Mr. Bryant believed PCS's intention will be to pay the \$2.5 million note to NASBA in lieu of any conversion to equity.

10. Report of the Audit Committee

Audit Committee Chair Tredinnick said the Committee last met at the end of April and may meet again at the end of August, but has a definite meeting with the auditors scheduled for September 25-26 in Nashville. He noted that at the last Board meeting a question had been raised about NASBA and PCS having the same auditors and, subsequently, discussions with PCS management, the other equity investor and the independent audit firm have occurred. The fact that CFO Bryant is the chair of PCS's audit committee provides the avenue for communication from the auditors as to any significant matters regarding PCS and the determination of any impact on NASBA's equity interest.

With regard to a formal agreement between the CPT and NASBA as to the NASBA Audit Committee functioning as the CPT's audit committee, Mr. Bryant said the CPT Board had ratified in their minutes that the NASBA Audit Committee would act as the CPT's audit committee. In addition, Mr. Bryant continued, a separate audit engagement letter will be obtained in the future for the CPT audit.

11. Report of the Nominating Committee

Nominating Committee Chair Daggett reported the Nominating Committee had met in Anchorage and selected the following slate:

Directors-at-Large (three-year terms):

Telford A. Lodden (Delegate – IA)

E. Kent Smoll (Delegate – KS)

Raymond N. Johnson (Associate – OR)

Regional Directors (one-year terms):

Middle Atlantic – Miley (Bucky) W. Glover (Delegate – NC)

Great Lakes – Kim L. Tredinnick (Delegate – WI)

Southwest – Janice L. Gray (Delegate – OK)

Southeast – Jimmy E. Burkes (Delegate - MS)

Mountain – Karen F. Turner (Delegate – CO)

Central – Douglas W. Skiles (Delegate – NE)

Pacific – Donald Aubrey (Delegate –WA)

Northeast – Jefferson M. Chickering (Delegate – NH)

Mr. Daggett also reported that at the Regional Meetings members were chosen for the Nominating Committee: Jeffrey A. Leiserowitz (KS) and Thomas T. Ueno (HI) were elected, and Lisa Mays Stickel (TN) and Bobby R. Creech, Jr. (SC) were re-elected. Mr. Daggett praised the Nominating Committee for their careful consideration of the candidates for the Board.

12 . Report of the Global Strategies Committee

Committee Chair Tish reported Mr. Hansen and Ms. Conrad had attended the IAESB meeting in New York in April, and that Past NASBA Chair Diane Rubin had addressed an ethics summit of the European Federation of Accountants and Auditors (EFAA) held in Italy in May. In turn, a representative of the EFAA will speak at NASBA's 2012 International Forum. Ms. Tish reported the Global Strategies Committee has been busy assembling speakers for the Forum. Among the confirmed speakers for the event, to be held October 31- November 1 in Orlando, FL, are: Anton Colella, Chair of the Global Accounting Alliance; Philip Johnson, Chair of the Federation des Experts Comptables Europeens; Frederico Diomeda, CEO of the EFAA; and Kevin Dancey, President and CEO of the Canadian Institute of Chartered Accountants.

Ms. Tish said the Forum will include a panel on corporate sustainability as it relates to auditors opining on this new service line in the U.S., although it is not new to the rest of the world. Ms. Tish will be a speaker on that panel. The Committee has some concern that attendance at this year's Forum may be lower than other years', since competing conferences will be taking place on the same dates in Latin America and Europe.

13. Report of the Examination Review Board

ERB Chair Wilson introduced Ms. Porter, who is manager of audit for the ERB. Ms. Wilson reported the ERB has established better communication with the AICPA over the past year, including providing them a written audit plan, as well as to the other organizations with whom the ERB deals. On July 26 Ms. Wilson and Ms. Porter had met with the AICPA Exams Team in New York City to acknowledge the changes and accomplishments of the last year.

During the last year NASBA ERB Director Toerien DeWit visited the international examination administration sites in the Middle East and ERB Senior IT Auditor Shawn Jackson visited the sites in Japan. ERB Chair Wilson reported they found the security was very good at the international sites and concluded these were quality locations.

A video on the work of the ERB was produced for the Regional Meetings this year by the ERB with NASBA staff. Two ERB members, Wesley Johnson and Charles Talbert, were the featured players in the video. As Messrs. Johnson and Talbert will be rotating off the ERB, an orientation session for the new members, Messrs. Broome and Nielsen, will be held in Nashville and a meeting for the entire ERB will be held in Chicago. Mr. DeWit will be leaving the ERB, and two staff members will continue to support the committee, Ms. Wilson reported.

Ms. Wilson reviewed the issues in the management letters sent to the AICPA and NASBA. No issues rose to the level of a management letter to Prometric this year, Ms. Porter noted.

Mr. Glover asked what a State Board is to do with someone who keeps taking the Uniform CPA Examination. Mr. Davenport responded that the CBT Examination Administration Committee had considered this issue when they met in May and found that less than one percent of the examination candidates since 2005 were frequent re-takers. A mechanism has been developed to let Boards know when they have such a re-taker, he pointed out. This issue will be reconsidered at the CBT Examination Administration Committee's next meeting in September, he said, as it relates to the potential harvesting of questions. Ms. Conrad said it is possible to monitor how long an individual looks at each question and their key strokes while viewing the question. Ms. Porter said repeat candidates who take the examination in different states would be of interest.

14. Report of the Bylaws Committee

Bylaws Committee Chair Burkes reported the Committee had met several times, most recently in July, plus they had held several conference calls. They are striving to complete two projects this year: (1) respond to a Bylaws amendment proposed by one State Board last year; (2) compile items to serve as examples of what would compose a "resource handbook" for NASBA Board members.

Considering the amendment proposed by the State Board, the Bylaws Committee unanimously agreed not to recommend the proposed Bylaws change, which would have limited NASBA committee membership to six years for a non-standing committee and four years for a standing committee. Instead the Bylaws Committee proposed a three-part resolution, which would not restrict but which encourages action by the NASBA Chair. Mr. Burkes presented as a motion for the Board's approval:

"Whereas: the NASBA Board of Directors desires to encourage broader participation in NASBA's standing and other committees:

"Resolved that the NASBA Board of Directors encourages the Chair to appoint chairs and members of committees with a preferred goal of having standing and other committees' memberships comprised of at least a majority of delegates, unless otherwise specified by the Bylaws or applicable Board resolutions.

"Resolved further, that the NASBA Board of Directors encourages the Chair to appoint chairs of standing and other committees who are members of the Board of Directors unless otherwise specified by the Bylaws or applicable Board resolutions.

"Resolved further, that the NASBA Board of Directors encourages the Chair to appoint members and chairs of committees with a view toward seeking routine rotation or turnover in those who serve as committee members or chairs."

Mr. Daggett seconded the motion. After discussion of whether or not these should be Bylaws changes, the Board voted to approve the three – part resolution as proposed by the Bylaws Committee.

Mr. Burkes said the minutes of the Board of Directors have been researched and a number of Board resolutions were extracted, which the Bylaws Committee proposed be placed in a handbook. Mr. Allen suggested it might be called "Appendix to Bylaws" and would simply be

a collection of important documents. Some of the topics that were not in the minutes but could be in the appendix would be ascertaining the amount of dues, associate members' fees, the process for vetting of NASBA positions, etc. Mr. Glover suggested this might be on the Web site available through a portal for the Board of Directors. This would be an evergreen handbook, Mr. Burkes said, and he asked if the Bylaws Committee should continue to pursue this project?

Ms. Gray said the Oklahoma Board had done something similar and it worked very well, although it did initially take time to develop.

Chair Harris directed Mr. Burkes to work with Mr. Alexander to determine that this proposed Bylaws Committee project would not be cost prohibitive.

15. Report of the Uniform Accountancy Act Committee

UAA Committee Chair Carlos Johnson summarized the Committee's work: has a recommendation from the Retired CPA Task Force; has a recommended definition of "independence"; a definition of "attest" white paper has been prepared by the AICPA for discussion at the AICPA/NASBA August summit; similarly a discussion of registration of foreign auditors will be discussed at that summit; and rules on "confidentiality/whistleblowing" are being worked on by Mr. Allen and Task Force Chair Michael Weatherwax.

Mr. Johnson reported the NASBA/AICPA UAA Committee had met May 14-15 in Washington, DC, and recommended using only the term "inactive," not "retired," in the Model Rules. Mr. Allen explained the UAA does not refer to "retired," so the proposed change would bring the Rules in line with the Act.

Mr. Johnson made a motion to change the word "retired" in Model Rule 6-7(a) and replace it with "inactive." Mr. Tredinnick seconded.

Mr. Hansen questioned if it is helping the public to allow a person to use the term "CPA-Inactive." Mr. Odom pointed out that is already accepted in the statute, but Mr. Hansen thought the use of "retired" was much more specific. Mr. Glover noted that in North Carolina there are both a "retired" and an "inactive" status. He commented, "You cannot hold yourself out as a CPA if you are inactive. A CPA is a CPA to a layman."

Similarly Messrs. Daggett and Parsons said their states have both "inactive" and "retired." Committee Chair Johnson said those states are in the minority.

Ray Johnson said: "I don't think this solves the question of what an inactive CPA vs. a retired CPA can do. I think it is worth exploring as to what each can do." Mr. Lodden asked Chairman Johnson if this is an issue that the UAA Committee was going to pursue, and he responded that the Committee was going to leave it alone.

Mr. Odom made a motion that the UAA Committee should relook at this issue. Mr. Tredinnick seconded. The motion passed with 12 in favor, six opposed and one abstention. Chair Harris asked that the recommendation be taken back to the UAA Committee for their consideration of what an "inactive CPA" can do.

Next, Committee Chair Johnson presented the UAA Committee's recommended change for the definition of "Independence" as it appears in Model Rule 10-4:

VII. PRINCIPLE: INDEPENDENCE:

Independence, where required by professional standards, is essential to establishing and maintaining the public's faith and confidence in, and reliance on, the information reported on by the licensee.

A licensee in the practice of public accounting should be independent in fact and in appearance when engaged to provide services where independence is required by professional standards. Independence in fact is the state of mind that permits a licensee to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing the licensee to act with integrity and exercise objectivity and professional skepticism. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, to reasonably conclude that the integrity, objectivity or professional skepticism of a licensee had been compromised.

A licensee shall comply with the independence requirements adopted by recognized standards setting bodies (such as those described in UAA Section 3(b)) that are applicable to the particular engagement performed by the licensee.

Comment: Rule 10-3 includes an extensive but non-exclusive list of such “applicable standards.” Some states’ laws require that applicable standards must be adopted by reference. Some also require that particular dated versions must be specified when adopted by reference. Otherwise, when possible, state boards should make generic references to various sets of standards, so that the most current version at the time of an alleged offense is the “applicable” version.

The motion was seconded by Ms. Turner.

Mr. Hansen asked how this proposed change matched with the AICPA Code of Conduct’s definition of independence. Mr. Parsons pointed out that the definition in the AICPA Code and international standards points to independence “in mind,” rather than “in fact.” Committee Chair Johnson said the UAA Committee’s suggestion is not to change the existing Model Rule, but to add to the “independence” rule to more closely reflect that of other authoritative bodies (such as the SEC). The proposal is for the Board to adopt the words added.

Mr. Hansen said he thought it would create confusion if the AICPA refers to “mind” and the Model Rules refers to “fact.” He pointed out Past Chair Billy Atkinson had recommended that both the Model Rules and the AICPA Code have exactly the same definition.

Mr. Hansen asked to amend the motion to replace the word “fact” with “mind.” Ray Johnson seconded. Committee Chair Carlos Johnson said the UAA Committee had repeatedly stated that they believed “fact” was better for public protection.

Mr. Smoll moved to table the motion. All agreed. Mr. Allen explained that with the motion tabled it could go back to the UAA Committee.

The non-U.S. auditor issue will go to a discussion leadership will have with the SEC, Chair Johnson said.

Following through on a concern raised by NASBA Past Chair Nathan Garrett at the 2011 Annual Meeting, the Acts Discreditable Task Force and the full UAA Committee agreed that there was no need to change either the UAA or the Model Rules to cover employment discrimination as that is already covered by the professional literature.

16. Report of the Executive Directors Committee

Executive Directors Committee Chair Hill reported the Committee had met on June 30 in Anchorage, following the Western Regional Meeting, and prepared a rough agenda for the March 3-6, 2013 Executive Directors Annual Meeting in Tucson, AZ. The next session of NASBA U will be held September 13-14 in Nashville.

Ms. Hill reported Cori Hondolero has become the executive director of the Alaska Board. Michael Barham (NC), Patty Soukup (NM) and Ron Rotaru (OH) are all retiring.

The second edition of the executive directors' newsletter has been released and will be sent to all the members of the NASBA Board, Ms. Hill said.

17. Report on the Relations with Member Boards Committee

Committee Chair Lodden reported the Committee had been working on giving the Committee some structure, so they had rewritten the Committee's charge, as requested by Chair Harris. In the redrafted charge they defined what the Regional Directors are supposed to be doing. During the July 26 meeting this was discussed further. Between the April and July meetings the Committee developed talking points and a schedule for calling on the State Boards. The Committee is working out how the Regional Directors and Vice President Dan Dustin should best communicate to ensure their visits to the State Boards are coordinated.

The Regional Directors developed questions that were used at the Regional Meetings. During their July 26 meeting they discussed how future meetings could be improved. Suggestions included: Update the "Not Quite Masterpiece Theater" skit for the new board member orientation session; Adding Noel Allen's introduction at the Western Regional Meeting made the skit more meaningful. Add a Regional Meeting breakout session for the state society and AICPA representatives and other guests who are excluded from the Regional Breakout sessions. Have a legislative session that focuses on 2-3 key issues that are arising in the states, such as the military education initiative.

Questions for this quarter's "Focus Questions" were developed and Mr. Lodden asked other Board members to contribute suggestions. Also questions to be posed at the Annual Meeting were suggested. Questions such as: How does your state deal with enforcement around Circular 230? What are the top three sources of discipline referrals in your state? Is there a certificate program in your state similar to the one offered in Texas?

18. Report on the Education Committee

Education Committee Chair Turner reported the education research grants approved at the April Board meeting had been accepted by all those named as recipients.

The American Accounting Association Annual Meeting will be held during the first week of August and Dr. Turner will be there, as well as James Suh and Carlos Johnson. Mr. Suh is working with the candidate performance statistics and will be meeting with professors from Notre Dame and the University of Tennessee to see how those statistics can be used to be more useful to the educators.

At the October Board meeting, Ms. Turner said she will talk about the Education Committee's request for proposals for 2013.

19. Report of the Compliance Assurance Committee

Committee Chair Gray reported a presentation on the value of the Peer Review Oversight Committee will be given to the Arkansas and Arizona Boards in August. The Committee will meet on August 23. Ms. Gray reported the Committee had been asked to consider a change being proposed by the standards task force on recalling of peer review documents. This relates to a situation where information becomes apparent so that the peer review is recalled, but it is more than 120 days after the completion of the review. There is nothing presently in the guidance about notifying the State Board about the recall, Ms. Gray explained, and what is being proposed would be notification of the State Board and having the administering entity report to the State Board.

Ms. Gray will be attending the Peer Review Conference to be held August 5-7, as well as the open session of the Peer Review Board.

The annual joint meeting with the Peer Review Board Oversight Committee and select members of the NASBA Compliance Assurance Committee is scheduled for August 17 in Raleigh, NC.

20. Report of the Ethics & Strategic Professional Issues Committee

Ethics Committee Chair Ray Johnson reported the Committee had obtained good information at breakout sessions held jointly with the CPE Committee at the Regional Meetings. Two issues are the focus of the Ethics Committee's work: the efficacy of ethics CPE and the codification of the AICPA's Professional Code of Conduct, which is to be released in exposure draft format in April 2013. This version of the code will feature a threats and safeguards approach to ethics.

Mr. Johnson said the Committee will be speaking to the State Boards about how to be prepared for the new Code.

21. Report of the Communications Committee

The Communications Committee met in May in Las Vegas, Committee Chair Chickering reported. They developed programs for the Regional Meetings' communications breakout sessions and the Communications Officers' breakfast meeting at the Regional Meetings. A slick describing what the Board's Communications Officer does was distributed at those meetings.

Mr. Chickering asked Mr. Burkett to describe the work of his task force on enhancing NASBA's meetings. Mr. Burkett reported the table topics used for the Regional Meetings' luncheons were suggested by the task force. Ideas suggested by NASBA leadership have been included in the task force's recommendations. Some of the recommendations have been tried in the past and did not work. However, the task force believes they are worth trying again. One suggestion is to bring in more technology, to have the meetings appeal to other generations. Chair Chickering said that could happen through polling via social media.

The annual report for the South Carolina Board, as developed by Committee member Mark Hobbs, was shown to the group. Mr. Chickering suggested it might be a useful model for

the State Board Relevance and Effectiveness Committee. The printing for the SC report was done on the state's prisoners' printing press. The Communications Committee has talked about annually recognizing good Board practices.

22. Report of the State Board Relevance and Effectiveness Committee

Committee Chair Glover said the Committee hopes to have a report to present as part of the 2012 Annual Meeting information. The Committee members are analyzing the survey information that was collected on Board performance to determine if there is any correlation between a Board's effectiveness and its organization.

The Committee had met on May 10 in Dallas to discuss the information received from the Boards. Members from Illinois reported at that time that they had been told by the state society's lobbyist they would need to show more data that correlated effectiveness with independence if they want to convince legislators a semi-independent Board is best.

The report under development should also provide benchmarking tools to assist the Boards in evaluating their own performance. Chair Glover thanked Vice President Ed Barnicott for his assistance with pulling the surveys together.

23. Report of the Enforcement Resources Committee

Committee Chair Parsons said the enforcement guide had been released in June at the Regional Meetings. It was given to the Boards' executive directors for the states to determine how best to use the guide in the most efficient way. It remains an "evergreen" document with a subcommittee working to present updates. The Committee is requesting State Boards send them suggestions for improvements on the guide.

The investigator resource project task force will meet on August 7 in Nashville. Three groups are working on this, Mr. Parsons said, subject matter experts, NASBA staff and the Enforcement Resources Committee. They would like to have the project ready for the Annual Meeting. Ms. Biek's leaving NASBA may slow the work down, but there is positive movement, he said.

Audit Analytics, a data mining tool that is being used by the FBI, IRS, SEC and the Department of Defense, will also be used by NASBA, Mr. Parsons said.

24. Report of the Legislative Support Initiative Committee

Committee Chair Burkett reported he had met with Chair Harris, President Bishop, Executive Vice President Conrad and Legislative Affairs Director Johnson on July 9 to discuss what the Committee can accomplish. Mr. Johnson had already created a list of major stakeholders. Vice Chair Hansen has given Mr. Burkett a list of potential committee members. The Committee will meet in September to write their charge, Mr. Burkett said.

25. Report of the Regulatory Response Committee

Committee Chair Isserman reported the Regulatory Response Committee was preparing a letter to go to both the AICPA Professional Ethics Executive Committee and the Accounting and Review Standards Committee commending them on amicably settling their differences on Interpretation No. 101-3.

The first articulation of the new accountant's report is being exposed by the International Auditing and Assurance Standards Board ("Improving the Auditor's Report"). Mr. Isserman anticipates the Response Committee will have some fairly significant remarks on that document. He also reported the Financial Accounting Standards Board has issued an interesting document on plans for disclosures. In addition, the International Federation of Accountants has released "Issue Policy Position Paper 5, A Definition of the Public Interest." They are defining it in the way an accountant will define a philosophic issue, Mr. Isserman observed, and he has asked Ethics Committee Chair Ray Johnson to do the initial drafting on the response to that paper.

Mr. Isserman asked the Board for their guidance on the need for NASBA to submit a letter of comment on the SEC Staff's paper on "Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers." That report includes two quotes from a letter of comment that NASBA had submitted on the SEC's previous IFRS "Roadmap." The SEC Staff's commentary supports what NASBA believes, Mr. Isserman said. His recommendation was to submit no additional response at this time.

Vice Chair Hansen said one course of action would be to wait for the SEC to make their final decision on IFRS, and then to delete the questions about IFRS from the Uniform CPA Examination.

Executive Vice President Conrad suggested one appropriate time to bring up deleting IFRS from the Examination would be when the next practice analysis occurs. She pointed out that IFRS is recognized in the U.S. as an approved method of accounting, so it is fair to ask questions about it on the Uniform CPA Examination. It is not uncommon for CPAs, even at the entry level, to have to deal with IFRS in some way, Ms. Conrad said.

Ray Johnson noted that the SEC paper says that the FASB will remain the standard setter in the U.S., even if jurisdictional IFRS is adopted. Mr. Hansen agreed and commented that by including IFRS, the Examination had "jumped the gun." Mr. Daggett reported that he was one of the NASBA representatives on the Board of Examiners when it was decided to include IFRS questions and they were told "the train had left the station," on IFRS and they should push that topic along.

Chair Harris said that he believed Ms. Conrad's point on waiting for the practice analysis was a good one, and he asked that be included in the minutes.

26. Report of the Continuing Professional Education Committee

CPE Committee Chair Lodden reported the new standards for CPE sponsors went into place on July 1, 2012. A best practices manual is being created to give guidance to sponsors on how to develop courses. It will be ready early in August and will be on the CPE Web site, Mr. Lodden stated.

The CPE Committee met on April 30 in Nashville to consider what falls within their charge beyond the CPE standards. The Committee set up subcommittees to: 1- Develop a

message addressed to State Boards and the state societies to promote the mission of the CPE Sponsor Registry. A subcommittee is considering how to better market the Registry to get more of the state societies on the Registry. 2- Consider outcomes-based learning (rather than hours based), which the AICPA is interested in. 3- Monitor international CPE standards and compare them with U.S. standards. Coordinate efforts with the Ethics Committee, building on the helpful feedback that was received at the joint breakout sessions at the Regional Meetings. 4- Study the learning styles of millennials and others by an educational relevance and effectiveness subcommittee. Basically there are many standards for self-study programs, Mr. Lodden said, but not as many for making group live programs more effective.

The National Registry Summit will be held September 23-24, 2012 in Nashville and will be a standalone conference each year, Mr. Lodden announced. The plan is to have the conference in Nashville one year and then rotate to another major city the next year. Elliott Massey and Tim Moore will be featured speakers at this year's conference, which will also include speakers from the EDMAX group and the IRS.

27. Report of the International Qualifications Appraisal Board

IQAB member Ray Johnson reported IQAB had met on April 30 – May 1, 2012 in Washington, DC. A joint meeting was held with the CICA's IQAB on the morning of May 1, to assist U.S. IQAB in understanding the efforts to unify the Canadian accounting profession. IQAB concluded that the MRA with CICA should be extended until December 2015, when the CICA expects to have its new CPA program and final examination in place. Ray Johnson moved that the Board accept U.S. IQAB's recommended extension. Mr. Daggett seconded the motion and it was passed unanimously.

IQAB continues to work on developing mutual recognition agreements with the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Scotland, and the South African Institute of Chartered Accountants. Agreements with the ICAEW and ICAS were hoped for by October, but Mr. Johnson said that does not seem likely. The completion of an agreement with South Africa is not anticipated until 2014, when their revised training program will be in place.

28. Report on the AICPA Task Force for SME Framework

Mr. Odom reported he has been appointed to the AICPA's task force looking at a framework for small to medium-size entities. AICPA staff is drafting a document and the task force is to meet in September to discuss the proposal. The task force has already held a four-hour conference call. The goal is to have an exposure draft out in the first quarter of 2013. Mr. Odom said David Morgan is chairing the task force and it is on a fast track.

29. Next Meeting

The next meeting of the Board of Directors will be held on October 26 in Orlando, FL, Chair Harris announced.

30. Adjournment

The meeting was adjourned at 4:30 p.m.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

**Highlights of the Board of Directors Meeting
October 26, 2012 – Orlando, FL**

At a duly called meeting of the Board of Directors of the National Association of State Boards of Accountancy, Inc., held on Friday, October 26, 2012 at the Walt Disney World Swan in Orlando, FL, the Board took the following actions:

▫ Approved NASBA's new strategic plan, as presented by Chair Mark P. Harris (LA), including the amended NASBA mission statement: "Enhance the effectiveness and advance the common interests of the Boards of Accountancy." The plan contains eight objectives with 27 specific strategies that will be appropriately aligned by staff to all of NASBA's operations. He thanked NASBA Vice President Ed Barnicott for his work with the 15-member volunteer and staff task force that developed the plan.

▫ Heard from Chair Harris that the following NASBA nominees had been appointed: Billy Atkinson (TX) and Diane Rubin (CA) to the FASB's Private Company Council; Bucky Glover (NC) to the Board of Directors of the Center for the Public Trust; David Vaudt (IA) Vice Chair of the Examination Review Board; Mark Hobbs (SC) to the National Peer Review Committee; Hunter Cook (NC) and David Miller (MS) to the AICPA Auditing Standards Board; Janice L. Gray (OK) to the AICPA Accounting and Review Services Committee; Raymond Johnson (OR) to the AICPA Professional Ethics Executive Committee.

▫ Approved the rewording of the definition of "independence" in the Uniform Accountancy Act's Model Rule 10-4, as presented by UAA Committee Chair Carlos E. Johnson (OK). The revised definition includes the words "should be independent in mind," which brings the definition closer to the one contained in the AICPA Code of Professional Conduct.

▫ Approved three motions brought by Audit Committee Chair Kim L. Tredinnick (WI): (1) Reappointed Lattimore Black Morgan & Cain, LLC, as NASBA's independent auditors for the year ending July 31, 2013; (2) Accepted proposed changes to the Audit Committee's charter; and (3) Accepted the fiscal 2012 financial statement and auditor's reports for NASBA, the Center for the Public Trust and the NASBA employee 401K benefits plan.

▫ Received a report from NASBA President and CEO Ken L. Bishop that with the legislative success in California and the District of Columbia the entire continental United States now has passed mobility legislation. He noted that a mobility bill has been drafted for the Virgin Islands and meetings are going on with Guam and Puerto Rico to have similar legislation. He reported that Dan Dustin, VP of State Board Relations, has visited 15 states since July 1 and, as a result, NASBA is seeing an increased level of participation.

- Heard from Treasurer E. Kent Smoll (KS) that NASBA had a “great year,” with increases in unrestricted net assets of \$1.3 million. Investment income was less than budget due to challenging market conditions, but NASBA’s operating income exceeded the prior year’s by \$500,000.
- Learned from NASBA Executive Vice President and COO Colleen Conrad that 17 State Boards have approved NASBA International Evaluation Services as a provider. She also reported that international delivery of the CPA Examination is doing well.
- Received a report from NASBA Legislative and Governmental Affairs Director John Johnson on his new office’s activities. He stated that NASBA has acquired CQ Roll Call Legislative Tracking software that will allow him to monitor legislative activity for the Boards. NASBA is engaged in building relationships with other organizations, he stated.
- Heard from Vice Chair Gaylen Hansen (CO) that all the 2012-13 Committee members had been contacted. He explained that he had emphasized opportunity and diversity in making his Committee assignments for the year.
- Learned from Director-at-Large Kenneth R. Odom (AL) that the AICPA’s Financial Reporting Framework for Small- and Medium-Sized Entities would be released on October 30, 2012 for comment. The Framework is intended to replace OCBOA (Other Comprehensive Basis for Accounting). Comments are due at the end of December and Vice Chair Hansen said NASBA would be submitting comments.
- Were informed by Chair Harris that, based on the recommendations submitted in response to the “Goldfish Bowl Contest,” a NASBA Diversity Task Force is being assembled to rank and describe any potential barriers to minorities and women becoming active in NASBA and to formulate a plan to increase their participation in the association.
- Received a report from Continuing Professional Education Committee Chair Telford A. Lodden (IA) on the success of the National CPE Registry Summit, held September 23-24, 2012, in Nashville with 143 attendees.
- Learned from Enforcement Resources Committee Chair Harry O. Parsons (NV) that the Enforcement Resources Guide has been launched on-line for the Boards’ executive directors. Also an investigator portal has been created by NASBA that will assist Boards in finding investigators to help them, he said.
- Thanked Chair Harris, retiring Director-at-Large Walter C. Davenport (NC), Past Chair Michael T. Daggett (AZ) and executive directors' liaison Pamela Ives Hill (MO) for their service to NASBA.

The next meeting of the NASBA Board will be on January 25, 2013 in Key West, FL.

Distribution: State Board Members and Executive Directors, NASBA Committee Chairs, NASBA Board of Directors

**State of Wisconsin
Department of Safety and Professional Services**

AGENDA REQUEST FORM

| | | | |
|---|--|--|------|
| Name and Title of Person Submitting the Request: Mojgan Hall | | Date When Request Submitted: 11/12/2012 | |
| | | Items will be considered late if submitted after 5 p.m. and less than: <ul style="list-style-type: none"> ▪ 10 work days before the meeting for Medical Board ▪ 14 work days before meeting for all other boards | |
| Name of Board, Committee, Council: Accounting Examining Board | | | |
| Board Meeting Date: 11/29/2012 | Attachments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | How should the item be titled on the agenda page? Update on Accountancy Licensee Database | |
| Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session <input type="checkbox"/> Both | Is an appearance before the Board being scheduled? If yes, by whom? <input type="checkbox"/> Yes by _____ (name) <input checked="" type="checkbox"/> No | Name of Case Advisor(s), if required: | |
| Describe the issue and action the Board should address: | | | |
| If this is a "Late Add" provide a justification utilizing the Agenda Request Policy: | | | |
| Directions for including supporting documents: 1. This form should be attached to any documents submitted to the agenda. 2. Late Adds must be authorized by a Supervisor, DOE Division Administrator, and Bureau Director. 3. Provide original documents needing Board Chairperson signature to the Bureau Director or Program Assistant prior to the start of a meeting. | | | |
| Authorization: | | | |
| Signature of person making this request | | | Date |
| Supervisor (if required) | | | Date |
| Division Administrator (if required) | | | Date |
| Bureau Director signature (indicates approval to add late items to agenda) | | | Date |

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**State of Wisconsin
Department of Safety and Professional Services**

AGENDA REQUEST FORM

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| Name and Title of Person Submitting the Request: Mojgan Hall | | Date When Request Submitted: 11/16/2012 | |
| | | Items will be considered late if submitted after 5 p.m. and less than: <ul style="list-style-type: none"> ▪ 10 work days before the meeting for Medical Board ▪ 14 work days before meeting for all other boards | |
| Name of Board, Committee, Council: Accounting Examining Board | | | |
| Board Meeting Date: 11/29/2012 | Attachments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | How should the item be titled on the agenda page? Discuss Department Policy Regarding NASBA Focus Questions | |
| Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session <input type="checkbox"/> Both | Is an appearance before the Board being scheduled? If yes, by whom? <input type="checkbox"/> Yes by _____ (name) <input checked="" type="checkbox"/> No | Name of Case Advisor(s), if required: | |
| Describe the issue and action the Board should address: | | | |
| If this is a "Late Add" provide a justification utilizing the Agenda Request Policy: | | | |
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| Authorization: | | | |
| Signature of person making this request | | | Date |
| Supervisor (if required) | | | Date |
| Division Administrator (if required) | | | Date |
| Bureau Director signature (indicates approval to add late items to agenda) | | | Date |

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