NASBA
National Association of State Boards of Accountancy
150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880-4290 ♦ Web www.nasba.org

February 22, 2016

Honorable Steve Cassano, Chair
Government Administration & Elections Committee
Legislative Office Building – Room 2200
Hartford, CT 06106

Dear Chairman Cassano:

Founded in 1908, the National Association of State Boards of Accountancy (NASBA) has served as an association dedicated to enhancing the effectiveness of the boards of accountancy from 55 states and jurisdictions, for more than 100 years. We join you and your goal of restricting state government by making it leaner, cheaper and a better partner to business. We are concerned, however, that eliminating the stand-alone Connecticut State Board of Accountancy will neither forward that goal nor provide the public protection which has been consistently afforded the good people of your state by the Board. The Connecticut State Board of Public Accountancy was created in 1907 and in that time has effectively licensed and regulated Certified Public Accountants on whom the public, and in particular the business community, have been able to rely. The impartial, professional, technical knowledge the Accountancy Board members and staff have contributed to the protection of the citizens of Connecticut is not like that being afforded by any other state agency.

The Connecticut State Board of Accountancy members and staff have shared their knowledge and insights with members and executives of other Accountancy Boards throughout the country via our organization, the National Association of State Boards of Accountancy (NASBA). Combined, the State Boards regulate over 660,000 CPAs—making them the world's largest regulator of licensed public accountants. NASBA's ongoing ever-green mission is in accord with your own: "Enhance the effectiveness and advance the common interests of Boards of Accountancy."

What does the Connecticut Accountancy Board do to protect the public? It sets the regulatory requirements for obtaining a license to practice public accountancy and ensures that those education, examination and experience requirements are met by all candidates before a license is awarded. The Board will renew a licensee's permit to practice public accountancy, only if the licensee completes 40 hours of continuing professional education each year, and the Board audits such compliance. For a CPA firm to maintain its permit to practice, it must undergo a peer review to determine compliance with technical standards, and submit a report testifying to successfully passing such a review to the Board. Despite these measures, should there be a complaint about the performance of a CPA, be in technical or ethical, the Board will investigate, and hold a formal hearing or negotiate a settlement that may result in suspension, probation, reprimand and even revocation—with civil penalties up to $50,000 per violation. The Board also has the authority to impose remediation as a means to correct a problem. Fiscal year 2014 showed revenues in excess of $2,683,293 for the Board of Accountancy, including fines of more than $16,565, while operating on an expense budget (including salaries) of $269,120.

Only State Boards of Accountancy can revoke an individual's right to practice public accountancy. This regulatory authority is reserved to the states. On the federal level, the Sarbanes-Oxley Act of 2002 created the Public Company Accounting Oversight Board (PCAOB) to monitor auditors of companies that register with the Securities and Exchange Commission. But what about those many private companies that make up the larger percentage of the American economy and Connecticut's economy? They especially depend on the State Board to effectively regulate CPAs. And even if the SEC were to ban a CPA from practice before the Commission—– it would remain up to the State Board to revoke that CPA's ability to practice public accountancy.

Economic challenges are still being faced by many states. In fact, the State of Washington also considered merging its Accountancy Board within a larger department, but first it requested an independent consultant's study. In December 2010 the consulting firm released its report which stated: "Our analysis indicates that, as to efficacy and economy of operating the Washington Board of Accountancy (WBOA), there are no significant reasons to warrant a merger of the WBOA into the Washington State Department of Licensing....Given that the stated reason for the creation and existence of the WBOA is to promote the dependability of financial information and to protect the public interest, a reduction in the accountability of WBOA to the public and the profession would be a failure of WBOA's statutory purpose."[1] The report further stated that in an October 2008 report issued by the U.S. Department of Treasury, the Advisory Committee states the following:

> "The Committee is concerned about the financial and operational independence of state boards of accountancy from outside influence, such as other state agencies, and the possible effect on the regulation and oversight of the accounting profession. A number of state boards are under-funded and lack the wherewithal incur the cost of investigations leading to enforcement. In addition, some other state boards fall under the centralized administrative "umbrella" of other state agencies and lack control of financial resources and/or operational independence necessary to carry out their mandate of public protection...The Committee believes that greater independence of state boards of accountancy would enhance their regulatory effectiveness. The committee recommends that, working with NASBA, states evaluate and develop means to make their respective state boards of accountancy more operational and financially independent of outside influences."

Based on a recent conversation with John Schuyler, chair of the Connecticut State Board of Accountancy, his current staff continues to do an excellent job preparing the Board for each meeting so it can carry out its duties and responsibilities to enforce the statutes and rules. The professional community is extremely pleased with the work, in particular with improvements the staff as a whole has made within the current administration and with the Board's lead counsel and executive director, Sonia Asare. It is our understanding that the Secretary of the State has expressed interest in maintaining the Board under her authority.

At a time when the State of Connecticut is going through steps to have a leaner, more effective government, your efforts will need to have all the commitment and energy that can be gathered. The Connecticut State Board of Accountancy is committed to the protection of the public and its direct accountability to the public should be preserved so that not only perception of independent, professional oversight exists but that the reality of effective, quality care is extended to a trusting public. We are pleased to assist you and your staff in any plausible manner in supporting the Connecticut State Board of Accountancy's stand-alone effectiveness.

Sincerely,

Ken L. Bishop

Ken L. Bishop
NASBA
President & CEO

cc: John H. Schuyler, CPA, Chair of the Connecticut State Board of Accountancy
Connecticut State Board of Accountancy
Arthur J. Renner, Executive Director, Connecticut Society of CPA's

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[1] See "Merger Report," December 2010, Zwillinger Greek Zwillinger & Knecht, www.cpaboard.wa.gov/Home/Wboa_News/RFP_No1_alert.shtml