
American Institute of Certified Public Accountants

Board of Directors

Minutes of Meeting: January 23 – 24, 2014

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Minutes of Meeting: January 23 – 24, 2014

A meeting of the AICPA Board of Directors was held Thursday, January 23 and Friday, January 24 at the AICPA's New York City office. The meeting convened at 9:00am on Thursday, January 23.

Attendance

The following Board members were present:

Bill Balhoff, Chairman
Tommye Barie, Vice Chair
Grant Ashley
Nancy Bagranoff
Jim Bourke
Steve Christian
Kimberly Ellison-Taylor
Tom Foard
Tracey Golden
Eric Hansen
DeAnn Hill
Tom Hilton
Jean Hobby
Senator Blanche Lincoln (Thursday Only)
Ken Macias
Myriam Madden
Dorri McWhorter
Barry Melancon
Faye Miller
David Morgan
Representative Anne Northup
Gary Reynolds

Also present:

Joanne Barry, Executive Director and Chief Executive Officer
New York State Society of CPAs

Jim O'Hallaron, Chief Executive Officer
Missouri Society of CPAs

Bill Ezzell, Pathways Commission

Rick Reeder, Chair
Peer Review Board

Brian Schebler, Chair
Governmental Audit Quality Center Executive Committee

Alice Wunderlich, Chair
Employee Benefit Plans Audit Quality Center Executive Committee

Russ Golden, Financial Accounting Standards Board

Terri Polley, Financial Accounting Foundation

Chris Almonte, Manager
Communications

Jim Brackens, Vice President
Ethics & Practice Quality

Michael Buddendeck, General Counsel and Secretary

Catey Bullard, Manager
Governance

Lawson Carmichael, Senior Vice President
Strategy, People and Innovation

Susan Coffey, Senior Vice President
Public Practice and Global Alliance

Heather Collins, Director
Governance

Mary Foelster, Director
Governmental Auditing & Accounting

Audrey Foster, Director
Internal Audit, Security & Privacy

Gary Freundlich, Technical Director
Peer Review

Ellen Goldstein, Senior Manager & Editor
Communications

Jeannette Koger, Vice President
Member Specialization & Credentialing

Tim Laspaluto, Controller
Controllershship

Cynthia Lund, Vice President
State Society Affairs
Ian MacKay, Director
Federal Regulatory Affairs
Peggy McIntyre, Vice President
Membership
Hem Nerkar, Vice President
Information Technology
Mark Peterson, Senior Vice President
Government and Public Affairs
Anthony Pugliese, Senior Vice President and Chief Operating Officer
Finance, Operations and Member Value
Scott Spiegel, Chief Financial Officer
Finance, Operations & Member Value
Arleen Thomas, Senior Vice President
Management Accounting & Global Markets
Mat Young, Vice President
State Regulatory and Legislative Affairs

Introduction and Chairman's Report

Bill Balhoff, Chairman of the Board, opened the meeting by welcoming the Board members. Mr. Balhoff also welcomed CPA/SEA representatives present at the meeting, Jim O'Hallaron, CEO of the Missouri Society of CPAs and Joanne Barry, Executive Director and CEO of the New York State Society of CPAs.

Mr. Balhoff reported that he recently attended the PCPS meeting in San Diego where there was considerable discussion on issues facing member firms. He also reported that he attended the Major Firms Group meeting in early January where he provided an update with Barry Melancon, President and CEO of AICPA.

Approval of the Minutes

After discussion, upon a motion duly made and seconded, the Board approved the minutes of the November 21, 2013 executive session and November 21-22, 2013 Board Meeting.

The regular meeting minutes were authorized for placement on the AICPA's website.

Report from the President and CEO

Barry Melancon briefed the Board on a number of organizational and professional issues.

He began by highlighting relevant topics covered at the Accounting Association Summit in December.

Mr. Melancon updated the Board on the recent CPA/SEA meeting, and emphasized the strong collaborative relationship between the AICPA and state societies.

Mr. Melancon discussed the tax reform proposals relating to the potential prohibition on the use of cash basis for some accounting and other professional services firms, and gave an overview of the tax extenders issues and implications for 2014 and beyond.

Mr. Melancon noted that the U.S. House passed the Digital Accountability and Transparency Act (DATA Act) with a strong bipartisan vote. He also briefed the Board on the European Union's upcoming vote requiring firm rotation, and the ramifications that it would have for companies with dual listings in Europe and the U.S.

Mr. Melancon updated the Board on patent trolls and mobile workforce initiatives, and noted the AICPA's extensive advocacy involvement in various issues.

Mr. Melancon also noted the successful launch of the Center for Plain English Accounting at the end of 2013

Pathways Commission Update

Bill Ezzell, member of the Pathways Commission, presented an update on the implementation of the Pathways Report recommendations for the future of accounting education. He outlined the seven specific recommendations in the report, and noted the importance of creating a continuous, sustainable process that will encourage and reward change in accounting education.

Mr. Ezzell concluded his presentation by answering questions from the Board.

Exploring Firm Certification

Jeannette Koger, Vice President of Member Specialization and Credentialing, and Jim Brackens, Vice President of Ethics and Practice Quality, presented information about the concept of firm certification.

Ms. Koger and Mr. Brackens discussed the basis for exploring firm certification in the advisory and audit specialty areas, and reviewed the alignment with AICPA strategic priorities. The presentation examined elements to be considered, as well as potential risks associated with the firm certification concept.

Ms. Koger and Mr. Brackens concluded their presentation by highlighting next steps and answered questions from the Board.

Practice Quality

Governmental Audit Quality Center

Mary Foelster, Director of Governmental Auditing and Accounting, and Brian Schebler, chair of the Governmental Audit Quality Center (GAQC), provided the Board with an update on activities of the GAQC.

Ms. Foelster and Mr. Schebler began their presentation with a report of the most recent GAQC statistics, including membership data. They reviewed key technical activities over the past year, and briefed the Board on challenges facing the GAQC.

Ms. Foelster and Mr. Schebler concluded their presentation by informing the Board of future activities, and highlighting that 2014 is the tenth anniversary for the GAQC, and they answered questions from the Board.

Employee Benefit Plans Audit Quality Center

Ian MacKay, Director of Federal Regulatory Affairs, and Alice Wunderlich, chair of the Employee Benefit Plans Audit Quality Center (EBPAQC), provided the Board with an update on activities of the EBPAQC.

Mr. MacKay and Ms. Wunderlich reported on the EBPAQC membership statistics— noting a 2% increase in the past year. They highlighted new EBPAQC resources that are available, and updated the Board on recent advocacy activities.

Mr. MacKay and Ms. Wunderlich shared ideas and input from the EBPAQC Executive Committee on employee benefit plan audit quality, including best practices these specialized audits. They also noted that 2014 is the tenth anniversary for the EBPAQC, and they answered questions from the Board.

Peer Review

Gary Freundlich, Technical Director for the Peer Review Program, Rick Reeder, chair of the Peer Review Board, provided the Board with an update on activities of the Peer Review Board (PRB).

Mr. Freundlich and Mr. Reeder discussed with the Board current trends being seen on peer reviews via a new process designed to capture issues encountered on all peer reviews. They also discussed issues surrounding non-reporting of engagements and the response to this non-compliance.

Mr. Freundlich and Mr. Reeder concluded their presentation with an overview of activities by the PRB Planning Task Force, and answered questions from the Board.

Practice Quality Initiatives

Sue Coffey, Senior Vice President for Public Practice & Global Alliance, and Jim Brackens, Vice President for Ethics & Practice Quality, presented an overview of opportunities to enhance audit quality initiatives throughout the profession.

Ms. Coffey and Mr. Brackens noted key factors in maintaining and enhancing audit quality, as well as possible short-term and long-term activities related to those factors, and ways to help members implement new audit quality improvement measures.

Future of Learning

Lawson Carmichael, Senior Vice President for Strategy, People & Innovation, and Anthony Pugliese, Senior Vice President and Chief Operating Officer, updated the Board on activities of the Future of Learning Task Force.

Mr. Carmichael and Mr. Pugliese first briefed the Board on key activities since November 2013. They proceeded to highlight the case for change in the learning arena, noting that the traditional education model is unsustainable and new models are emerging. Mr. Carmichael and Mr. Pugliese touched on the generational impact, as well as technology's effects on learning models.

Mr. Carmichael and Mr. Pugliese concluded their presentation by sharing emerging themes and next steps for the Future of Learning Task Force, and answered questions from the Board.

CGMA Update

Arleen Thomas, Senior Vice President for Management Accounting and Global Markets provided an update to the Board on recent activities related to the Chartered Global Management Accountant (CGMA) designation.

Ms. Thomas' presentation focused on the next steps for the CGMA designation, and noted that the requirement to successfully complete an exam to earn the CGMA designation will become effective in January 2015. Ms. Thomas shared new designs that will continue to build awareness and brand recognition around the world. Ms. Thomas concluded her presentation by answering questions from the Board.

Financial Accounting Foundation, FASB, IFRS, and PCC Update

Bill Balhoff, Chairman of the Board welcomed Terri Polley, president of the Financial Accounting Foundation (FAF), and Russ Golden, chairman of the Financial Accounting Standards Board (FASB), to provide an update on activities of the FAF and FASB.

In addition to updates on IFRS, Ms. Polley and Mr. Golden also noted that their organizations are closely monitoring the progress made by the Private Company Council (PCC), and they noted that public and private companies face many of the same issues. They also commented that the working relationship between the AICPA, FAF and FASB has resulted in significant progress in the area of private company financial reporting.

Ms. Polley and Mr. Golden concluded their presentation by answering questions from Board members.

Finance Committee Report

Tom Hilton, chair of the Finance Committee, reported that the Finance Committee received a forecast update which reflected results in line with the budget, with no change to the forecast since the previous meeting. The budget and forecast reflect a small profit of \$60,000.

Mr. Hilton delivered an update on the long term investments portfolio, as well as an update on the employee pension plan.

Mr. Hilton reported that although membership renewals are slightly behind last year's levels, the AICPA is still projecting to achieve the budgeted 94.75% retention rate. He also reported that the sections and credentials retention rates are trending consistent with prior years as well.

Mr. Hilton provided an update on cash flow projections, and noted that the AICPA is currently expecting a line of credit usage of approximately \$3.7M, as compared to last year's usage of \$8.4M.

Mr. Hilton concluded by providing the Board with an update on budget preparations for fiscal year 2015.

The financial statements are at **Appendix A** in the official minute records of the AICPA.

Audit Committee Report

Tom Foard, chair of the Audit Committee, reported that the Audit Committee reviewed the structure of the AICPA Internal Audit and Security & Privacy team, received an update from CohnReznick LLP regarding the FY14 audit, and reviewed and approved updates to the FY14 Internal Audit and Security & Privacy Project Plan.

Mr. Foard continued his update by reporting that the Internal Audit and Security & Privacy team recently completed a quality assurance review that is required for compliance with the Institute of Internal Auditors standards. This review was performed by a third-party firm which independently validated and issued an opinion of 'Generally Conforms', which is the Institute of Internal Auditors' highest opinion rating.

Regarding the IT Roadmap project, Mr. Foard stated that the committee received a detailed update, reviewed the current project risks and the steps being taken to mitigate these risks. In addition, the committee gained an understanding of planning efforts for future IT Roadmap phases along with additional key IT projects that are a focus for the Institute.

Definition of Attest and CPA Firm Mobility

Mat Young, Vice President of State Regulatory & Legislative Affairs, presented an update on the definition of attest and CPA firm mobility initiatives.

Mr. Young reviewed the efforts underway to update the definition of attest, including the definition of “attest” in the Uniform Accountancy Act, and he outlined how changes to the definition would protect the public interest

Mr. Young also updated the Board on the concept of firm mobility. He highlighted key aspects of the proposal that would exempt out-of-state firms from registration requirements and fees when providing attest services, while still ensuring that firms remain subject to the oversight of their home state and the state in which services are provided. Mr. Young shared early feedback from the comment period on the proposal, scheduled to conclude January 31, 2014.

Mr. Young concluded his presentation by answering questions from the Board.

Legal Update and Secretary’s Report

Michael Buddendeck, General Counsel and Secretary, provided the Board with a legal update.

Mr. Buddendeck then delivered the Secretary’s Report. Membership ballot Nos. 943, 944 and 945 for the time period of November 5, 2013 to January 14, 2014 admitting 3460 members, accepting 39 resignations, 8 reinstatements and 63 advances of dues, were received and approved.

Upon a motion duly made and seconded, the Board accepted the Secretary’s Report.

The Secretary’s Report is at **Appendix B** in the official minute records of the AICPA.

2014 Regional Meetings of Council Agenda

Bill Balhoff, Barry Melancon, and Heather Collins, Director of Governance, presented the proposed agenda for the 2014 Regional Meetings of Council, and took feedback from Board members.

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There being no further business, the meeting adjourned at 11:55am on Friday, January 24, 2014.