

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – JANUARY 21-22, 2010

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## AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## BOARD OF DIRECTORS

MINUTES OF MEETING – JANUARY 21-22, 2010

A meeting of the AICPA Board of Directors was held Thursday, January 21 and Friday, January 22, 2010 at the AICPA's New York Office. The meeting convened at 8:30 a.m. on Thursday, January 21.

Attendance

The following Board members were present:

Robert Harris, Chairman  
Paul Stahlin, Vice Chairman  
Ernie Almonte  
Wynne Baker  
Allyson Baumeister  
Rich Caturano  
Tim Christen  
Patricia Cochran  
Bob Graham  
Paula Hanson  
Rodney Harano  
Carter Heim  
Mark Hildebrand  
Jeff Hoops  
Ken Hughes  
Henry Keizer  
Bob Laux  
Bill McKenna  
Barry Melancon  
Karen Pincus  
Bill Schneider  
Jimmy Williams

## Also present:

Greg Anton, Chairman  
 FASAB Rule 203 Review Panel  
 Betsy Adrian, Chief Staff Executive  
 Minnesota Society of CPAs  
 Cindy Fornelli, Executive Director  
 Center for Audit Quality  
 Tom Hood, Chief Staff Executive  
 Maryland Association of CPAs

Joel Allegretti, Director  
 Media Relations  
 Erik Asgeirsson, Chief Executive Officer  
 CPA2Biz  
 Lillian Ceynowa, Director – Professional Practice and Member Relations  
 Center for Audit Quality  
 Susan Coffey, Senior Vice President  
 Member Quality and International Affairs  
 Joanne Fiore, Publisher of Magazines &  
 Newsletters  
 Mary Foelster, Director – Governmental Auditing and Accounting  
 Chuck Landes, Vice President – Assurance and Accounting  
 Cynthia Lund, Vice President  
 State Society Affairs  
 Janice Maiman, Vice President – Communications and  
 Media Channels  
 Jim Metzler, Vice President – Small Firm Interests  
 Richard Miller, General Counsel and Secretary (Friday only)  
 Dan Noll, Director – Accounting Standards  
 Tom Ochsenschlager, Vice President - Taxation  
 Jeannie Patton, Vice President – Students,  
 Academics and Membership  
 Tony Pugliese, Senior Vice President –  
 Finance, Membership & Operations  
 Cheryl Gravis Reynolds, Director  
 Communications  
 Bill Roberts, Director – Media Relations  
 Jay Rothberg, Vice President – Office of the CEO  
 Carol Scott, Vice President  
 Business, Industry and Government  
 Scott Spiegel, Chief Financial Officer  
 Arleen Thomas, Senior Vice President  
 Member Competency and Development  
 Victor Velazquez, Vice President  
 Strategy and Human Resources

## Introduction and Chairman's Report

Robert Harris, Chairman of the Board, opened the meeting by welcoming the Board members and introducing Mark Hildebrand, a Board member, attending his first meeting. He introduced Betsy Adrian, President of the Minnesota Society of Certified Public Accountants and Tom Hood, Executive Director and Chief Executive Officer of the Maryland Association of Certified Public Accountants.

Mr. Harris reported on his activities since the November 2009 Board meeting, which included presentations to the AICPA SEC/PCAOB Conference and the Major Firms Group and attendance at the IFAC and GAA meetings.

Mr. Harris said that the Board had three vacancies on several senior committees that needed consideration. He recommended the appointment of Charles Harris and Richard Paul to the Assurance Services Executive Committee and Accounting Standards Executive Committee, respectively. He also recommended the appointment of Robert Rohrweder to the Peer Review Board. After discussion, upon a motion duly made and seconded, the Board approved all three appointments. Messrs. Harris and Paul will now be able to assume their committee responsibilities, while Mr. Rohrweder's nomination will need to be approved by the AICPA's governing Council.

Mr. Harris also said that the Board of Examiners had asked for an extension of service of one month to November 2010 for the current members. After discussion, upon a motion duly made and seconded, the Board approved the extension.

### Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the August 12-13, 2009 meeting were approved.

The minutes were authorized for placement on the AICPA's web site.

### Report from the President and CEO

Barry Melancon, President and CEO, briefed the Board members on a number of professional and organizational issues. He said he and Paul Stahlin attended the Accounting Associations' Summit meeting. Messrs. Stahlin and Melancon reviewed the highlights of the meeting.

Mr. Melancon said the Chairman and he discussed recommending Robert Mednick for IFAC's prestigious Sempier Award.

After discussion, upon a motion duly made and seconded, the Board approved the following resolution supporting Mr. Mednick's nomination for the Sempier Award:

WHEREAS Robert Mednick, CPA, has maintained a long and exemplary professional international career in public accounting that is worthy of consideration for the prestigious Robert Sempier Award, sponsored by the International Federation of Accountants (IFAC). Among the highlights of his career are:

- Bob spent his entire professional practice career with the international accounting firm, Arthur Andersen (AA), which he joined in 1962 upon graduation from Roosevelt University in Chicago. He was admitted to the partnership in 1971 and served in the following leadership positions at AA until his retirement in 1998:
  - Director of SEC Policies (1974)
  - Managing Director of Auditing Practices (1977)
  - Vice Chairman of worldwide Committee on Professional Standards (1979)

- Chairman of worldwide Committee on Professional Standards (1982)
- Worldwide Managing Partner -- Professional and Regulatory Matters (1993)
- Extremely active in the AICPA throughout his career, Bob served on and chaired numerous boards, committees and task forces including:
  - SEC Regulations Committee
  - Auditing Standards Board (chaired several task forces)
  - Strategic Planning Committee
  - Finance Committee (chair)
  - Special Committee on Governance and Structure
  - Political Leadership Cabinet
  - Accountants Legal Liability Committee (chair)
  - SEC Practice Section Executive Committee
  - International Strategy Committee
  - Special Committee on Enhanced Business Reporting
- In 1996-1997 Bob served as Chairman of the AICPA and initiated a number of new programs to encourage the positive reengineering of the accounting profession as it moved toward the 21st century. In 1998 Bob was awarded the Gold Medal for Distinguished Service from the AICPA.
- Bob has also served on a number of committees of the Illinois CPA Society, including its Regulation and Legislation Committee on which he currently serves. In addition, he has served on the Financial Accounting Standards Advisory Council (FASAC).
- The number of professional awards and honors Bob has received over the years is impressive, including:
  - Silver medal for the second highest grade in the CPA examination in the State of Illinois in 1962
  - Rolf A. Weil Distinguished Service Award from Roosevelt University in 1983
  - Max Block Literary Award from the New York State Society of CPAs in 1984 for the best article of the year in its monthly publication, *The CPA Journal*
  - Annual Literary Award from the *Journal of Accountancy* in 1986 & 1988 for best article of the year
  - Andrew D. Braden Award for distinctive contributions to the knowledge and advancement of accountancy from Case Western Reserve University in 1996
  - Distinguished Alumni Award from the Roosevelt University Walter E. Heller College of Business Administration in 1997
  - Commencement speaker at first graduation ceremony for the Masters Degree in Professional Accountancy at the University of Texas at Austin

- Honorary degree from the College of Management in Rishon Litzion, Israel in recognition of his advancement of the accounting profession in 2005
- Since 2003, Bob has served as a senior consultant to the World Bank assisting in the establishment of its ROSC Program and serving as a peer reviewer on 18 ROSC accounting & auditing and corporate governance reviews in developing nations throughout the world.
- Beginning in the 1990s, Bob served IFAC extremely well on its Compliance Committee and Accountants Legal Liability Task Force for many years. His most significant contribution to IFAC occurred in the last six years when he served two consecutive terms as Chair of the newly established Compliance Advisory Panel (CAP). The establishment of the Public Interest Oversight Board (PIOB) and CAP clearly demonstrate and achieve IFAC's enhanced commitment to the public interest. Under his leadership, the CAP Compliance Program has moved IFAC member bodies closer to convergence of international standards and significantly increased their levels of performance.

In light of these accomplishments,

NOW THEREFORE BE IT RESOLVED that the Board of Directors of the AICPA unanimously recommends Robert Mednick, CPA, to receive the prestigious Robert Sempier Award which is intended to recognize outstanding contributions to the international accounting and auditing profession. As can be seen from the above listing of his accomplishments, he is most worthy of this award, and we urge you to bestow it upon him.

Mr. Melancon next discussed recent developments regarding the Blue Ribbon Panel on Private Company Financial Reporting, the SEC and IFRS, the PCAOB, XBRL and state legislative and regulatory developments, including the mobility issue. He said the AICPA has been working with the Society for Human Resource Management and the President's Advisory Council on Financial Literacy to establish a workplace honor roll of employers who have implemented successful financial education programs for their employees. It is hoped that the first honor roll selections can be announced in late 2010.

He also updated the Board on the exam contracts and the LETS project. He said the latter would have a Beta launch in February 2010 and the full launch after tax season in 2010.

#### Report from the Chair of the Audit Committee

Patricia Cochran, Chair of the Audit Committee, reported that the committee received an update from Diana Didia, Vice President – Information Technology, on the Institute’s major Information Technology initiatives. These included the PRISM, LETS and LMS projects. She said the committee received a status report on the SAS 112 open items in the Management Letter. She said progress was being made to remediate and close these items.

Ms. Cochran said the committee received a report from JH Cohn LLP and the AICPA management on the status of the external audits of the AICPA and its related entities for 2010 and the AICPA Insurance Trust for 2009. She also said that Karen Percent, the Director – Internal Audit, provided an educational session to the committee on the standards for risk assessment in the development of the internal audit plan.

Ms. Cochran said the committee met privately with representatives of JH Cohn, LLP, the AICPA President, Senior Vice President- Finance, Membership and Operations, and the Director of Internal Audit, and discussed various operational matters.

## Discussion of the Agenda for the March 2010 Regional Meetings of Members of Council

Bob Harris, Barry Melancon and Jay Rothberg, Vice President – Office of the CEO, discussed the proposed agenda for the regional meetings of Council and received input from members of the Board.

## Center for Audit Quality Annual Update

Cindy Fornelli, Executive Director – Center for Audit Quality, presented the Center's annual update to the Board. She reported on the results of the Center's recent Individual Investor Survey and the Center's view of public policy and regulatory challenges facing audit quality. Ms. Fornelli concluded by highlighting the Center's 2010 Guiding Principles.

Ms. Fornelli answered questions from the members of the Board of Directors.

## Strategic Plan Review

Mr. Melancon and Victor Velazquez, Vice President – Strategy and Human Resources, provided the Board members with the background on the development of the AICPA's Strategic Plan and the processes used in its development. Mr. Velazquez reviewed the key accomplishments of Fiscal 2009.

Individual members of the senior management team reviewed the environment and initiatives for each of the eight priorities in the AICPA Strategic Plan.

The Board members provided their observations and input. Mr. Melancon said the next steps would be a high-level review of the feedback at the planned June 2010 senior management meeting and incorporation of the observations in the full cycle exercise to take place in October 2010. It is anticipated that the Board will be asked for input on the strategic plan annually each January.

#### Report from the Finance Committee

Richard Caturano, Chairman of the Finance Committee, reported on the Institute's current financial results. He said at the last Board meeting, the forecast was a net operating profit of \$600,000 versus a budget of \$2.1 million. He said the executive management team had worked to close the gap and now forecasts a net operating profit of \$2.0 million.

Mr. Caturano said management continues to monitor cash flow projections and is currently projecting a maximum draw of \$13.5 million in May 2010 on its \$27 million line of credit, which is \$4.5 million less than the actual draw in May 2009.

Mr. Caturano said the Institute's long-term investments and pension plan portfolios continue to outperform their respective benchmarks. He said through January 14, 2010, the long term portfolio had fiscal year to date gains of \$9.4 million. Mr. Caturano said the Investments Committee was scheduled to meet in February for a strategic planning session on its long-term securities, to review its asset allocation and discuss any impending inflation risk for the portfolio. He said

he and Jimmy Williams, the Board Liaison to the Investments Committee, planned to attend that meeting.

Mr. Caturano reported on the CPA Exam revenues. He said the current forecast is \$12.2 million in excess of expenses, which is \$3.9 million favorable to budget. This is due primarily to an additional unbudgeted true up from Prometric of \$3 million. Mr. Caturano concluded by saying that he expected the AICPA and CPA2Biz to finalize and sign the amended exam contract in February 2010.

### Executive Session

The Board convened into executive session at 2:45 p.m. after which the regular Board meeting reconvened on Friday, January 22 at 9:00 am.

### Washington Update

Mr. Melancon briefed the Board on a number of issues in which the profession was involved with in the House, Senate and with regulators. These included the Consumer Financial Protection Act, the FTC “Red Flag” issue, interstate tax mobility, tax strategy patents, XBRL, pension funding and the aiding and abetting legislation sponsored by Senator Spector.

Tom Ochenschlager, Vice President – Taxation, updated the Board on recently released guidance on Section 7216 and the IRS’ regulations to regulate tax preparers. The Board discussed various ramifications of the proposal, and agreed to include a discussion of the issue on the Regional Council meetings agenda.

### Membership/Future Possibilities

Jeannie Patton, Vice President – Students, Academics and Membership, discussed with the Board a possible restructuring of the AICPA's various membership categories, including its associate and affiliate categories. She received feedback from the members of the Board and it was agreed that Ms. Patton should present these possible scenarios to the governing Council at its regional meetings in March.

### FASAB Update on Activities Related to Re-Approval as a Standard-Setter

Mary Foelster, Director – Governmental Auditing and Accounting, presented the history, composition and background of the Federal Accounting Standards Advisory Board (FASAB) and its activities relative to Rule 203 of the AICPA's Code of Conduct. She said the AICPA conducted its last Rule 203 review of FASAB in 2003.

Greg Anton, Chairman of the AICPA Rule 203 Review Panel, reported on the composition of the Review Panel and its activities over the past several months. He said the panel members felt that FASAB had made some real improvements since its last review. He reviewed the panel's preliminary findings, recommendations and next steps. He said he anticipated reporting back to the Board at its April 2010 meeting.

### Legal Update and Secretary's Report

Richard Miller, General Counsel and Secretary, provided the Board with a Legal Update.

Mr. Miller then delivered the Secretary's Report. Membership ballots No. 899 and 900 for the time period of November 3, 2009 to January 15, 2010 admitting 2261 members, accepting 241 resignations, 438 reinstatements and 12 advances of dues, were received and approved.

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

Mr. Miller said that according to the AICPA Bylaws Section 2.3 the AICPA's governing Council has delegated to the Board of Directors or a body designated or appointed by it the authority to "grant exceptions for reasons such as retirement, inactive dues status, health, military service, foreign residency or any other reason it deems appropriate" to compliance with the AICPA's CPE membership requirements. The management team believes that rather than bring these individual requests to the Board that specific staff members should be given this responsibility. After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

BE IT RESOLVED that the President and CEO, the Senior Vice President – Finance, Membership and Operations, Vice President – Office of the CEO, are hereby appointed and empowered as the body to consider and grant waivers of the CPE requirements for members.

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

AcSEC Name Change

Dan Noll, Director – Accounting Standards, discussed the current and past roles of the Accounting Standards Executive Committee. He said the committee discussed reasons for and against a possible name change, which he shared with the Board. After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

BE IT RESOLVED that the Board of Directors hereby recommends that Council approve a change in the name of the Accounting Standards Executive Committee to the Financial Reporting Executive Committee.

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There being no further business, the meeting adjourned at 12:20 p.m. on Friday, January 22, 2010.