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ARKANSAS AND INDIANA BECOME THE 28TH AND 29TH MANDATORY CPE STATES

Arkansas became the 28th state to adopt mandatory Continuing Professional Education. The legislation, signed into law on March 20 by Gov. Bill Clinton, was initiated by the Arkansas Society of CPAs. Indiana became the 29th when both houses of the legislature passed the Indiana Association of CPA's bill.

CPE legislation, setting a specific number of hours of post-entry education as a precondition to CPA license renewal, is under consideration in at least 16 other jurisdictions through the cooperative efforts of accountancy boards and the state CPA societies. Similar legislation has been introduced in Arizona, Illinois, Louisiana, Maine, Mississippi, Missouri, Montana, New York, North Carolina, Puerto Rico, Rhode Island, Tennessee, Utah, West Virginia and Wisconsin.

GRASS ROOTS LOBBYING GROWS IN STATE CAPITOL

Grass roots lobbyists representing many different viewpoints are descending on at least one state capitol in ever increasing numbers. In a random series of interviews with staff of members of the New York State Legislature, *Legislative Report* learned that the number of people involved in grass roots lobbying efforts at the state capitol in Albany has been steadily increasing.

The success or failure of a grass roots lobbying effort is dependent on the degree of sophistication and organization with which it is undertaken, according to a spokesman for the New York Assembly speaker's office. Merely visiting the state capitol en masse and descending on their representatives one time is not as effective as maintaining a well coordinated effort in concert with a professional lobbyist who is at the capitol every day, according to the spokesman.

It isn't only the emotional, highly charged issues that make people organize their personal lobbying efforts. An assemblyman's staff person told *Legislative Report* that two recently passed major pieces of legislation had been rescued from almost certain oblivion and enacted into law by organized grass roots lobbying efforts. The bills concerned anti red-lining, and generic drug substitutions. The red-lining issue had to do with mortgage institutions refusing to lend money in certain areas. In both cases sophisticated grass roots efforts were credited with reviving these bills and insuring their passage into law.

The success or failure of an organized grass roots lobbying effort depends on its organization and whether or not the action sought is within the bounds of a practical resolution of the demands of the interest groups represented. In some cases the efforts of amateur lobbyists have foundered due to a lack of knowledge of how the legislative system works and a failure to appreciate the difficulties that a member of the legislature faces when he tries to balance the best interests of his constituents against conflicting versions of the good or bad effects that a particular bill will have on them. A staff person in the Assembly speaker's office said that effective grass roots efforts provided members of the legislature and their staffs with a means of judging their own effectiveness particularly when the people who are lobbying them are their constituents.

CANADIAN STUDY CALLS FOR SOME SWEEPING CHANGES IN THE REGULATION OF THE ACCOUNTING PROFESSION IN ONTARIO

A recently released staff study of professional regulation in the province of Ontario calls for some sweeping changes in the way accountants are regulated and do business.

One of the highlights of the recommendations on accountancy is a proposal that the Institute of Chartered Accountants of Ontario be made the exclusive accounting licensing body and that the present Public Accountants Council be abolished.

The two-year study reviewed the provincial statutes governing architects, engineers, public accountants, lawyers, and notaries. It was commissioned by the Professional Organizations Committee within the Ministry of the Attorney General.

Currently the licensing of accountants in Ontario is administered within the framework of the Public Accountants Council which has regulatory authority similar to that of a state accountancy board in the United States. "It appears to us that the Public Accountants Council has proven to be an impractical attempt to provide a 'buffer' between C.A. and non-C.A. licensees," the report states. The Chartered Accountant or C.A. designation is conferred by the Institute of Chartered Accountants. In addition to the C.A. designation, there are six other accountancy titles in use within the Province. The report further recommends that licensing should be restricted to those who perform statutory audits. Current non-Chartered Accountants would be "subsumed" into membership in the Institute.

"It is more appropriate that the public accountancy function be rationalized through an organization with the resources to control it effectively; the Institute of Chartered Accountants. We therefore suggest that all non-C.A. licensees should be subsumed under the Institute and the Public Accountants Council should be abolished. Henceforth the Institute of Chartered Accountants would be the licensing body in public accountancy as well as the qualifying body." The report found that the Institute "can best be relied upon to develop, maintain and enforce standards." The study indicated that over 90 per cent of those currently licensed to perform statutory audits are Institute members. It was suggested that a non-C.A. admitted to membership in the Institute be designated as an "Associated Chartered Accountant" or be afforded the C.A. designation.

It was emphasized that in regard to the professions of accounting, architecture and engineering, "third party interests" pose unique challenges in providing regulatory strategies that "will ensure not only that professional services purchased are of an appropriate quality, but also that an appropriate quantity of services is purchased to protect third party interest." The authors observed that such parallel regulation of the demand for and supply of professional services is an issue that has "been little addressed" in previous analyses of the professions.

The report endorsed "tempored" self-regulation as a preferable alternative to direct state regulation. "We see this endorsement of the concept of self-regulation as essential to the protection and promotion of trust relationships between professionals and their clients." While recognizing that it is possible to have "too much regulation or government as it is to have too little," the report identified several areas of activity where more stringent regulation is called for as in the area of post-entry competence. In cautioning against excessive restrictions on the right to practice the report reasoned that licensure is justified solely under the most "compelling circumstances." "Where licensing and certification regimes are really needed, they must be treated as serious governing instruments," the report stated in emphasizing the importance of public accountability.

General recommendations for professional self-regulatory bodies include calls for "clear and comprehensible" structures and processes for the governance, registration, discipline, and the handling of complaints and appeals. Governing councils of the professional bodies should include representatives both within and outside the profession. It was stressed that the ultimate regulatory power continues to lie with the legislature and executive branches. Also, Canadian citizenship should be required of all members of the governing councils, but should not be a requirement for membership in any professional body.

The report found "no case for formal specialty certification/accreditation programs in any of the four professions. Removal of existing restrictions on non-price advertising was recommended; current restrictions on price advertising were criticized as having "significantly contributed to consumer ignorance and confusion."

In regard to post-entry competence, the report urged that a "wide and flexible range of sanctions should be placed at the disposal of each profession." Included are the power to suspend and revoke a license,

limit practice, and the power to order re-examination or compulsory continuing education.

Finally, after reviewing the area of firm structure, the report concluded that professional firms should be permitted to incorporate.

Requests for information on the study should be directed to: Ms. Linda Kahn, Executive Secretary, Professional Organizations Committee, 102 Bloor St. West, Suite 320, Toronto, Ontario, M5S1M8.

“KEY PERSON” PROGRAM FORMS VITAL LINK IN WEST VIRGINIA’S LEGISLATIVE PROGRAM

How does a small state society manage its state legislative program without the services of a professional lobbyist? “The West Virginia Society does not use a paid lobbyist when bills are introduced which we feel are detrimental to the profession. Instead, we rely on our members to do the lobbying,” explains West Virginia CPA Society executive director Mary Neale.

Active members of the society’s “Key Person” program are performing a task that has become an annual event in West Virginia. They are contacting their state legislators asking them to oppose legislation to reopen registration of non-CPAs. Similar measures have been introduced almost every year since 1966.

This year society members were polled to update information on the entire House of Delegates and State Senate. “It is essential that we know who you know,” Neale further explained to society members. Once the information is at hand, assignments are made whereby members agree to contact their “Key Person” legislator at the direction of the society’s Legislative Steering Committee.

“The approach was developed by the AICPA and has been highly successful in other states. It has also been given the ‘acid’ test by our own Society and it works,” stated Neale.

OKLAHOMA STATE AUDITOR EXAMINER CALLS FOR \$5 MILLION STATE AUDIT

The head of Oklahoma’s new office of Audit Examiner has asked the legislature to approve funds for a thorough audit of state agencies.

“I almost fell to the floor,” commented House Speaker Dan Draper upon receiving the audit proposal, estimated to cost \$5 million. Tom Daxon, a CPA who was recently elected to the new post of Auditor Examiner, feels that money spent for a professional examination of the state’s money management practices would be a bargain. According to Daxon, the “one time” audit would be the first complete audit of state agencies in modern times. Daxon has already instituted a competitive bidding arrangement for engaging the services of outside independent auditors. State agencies have been classified by the size of their fiscal operation and prospective outside auditors must demonstrate that they have audit experience with entities of comparable size.

LAWYERS MUST DO MORE TO ELIMINATE BARRIERS TO PRACTICE SAYS LAW PROFESSOR

A New York law professor has warned that a federal bar examination could be imposed upon the legal profession unless lawyers do more to eliminate barriers to interstate practice.

“The pressure is to permit free movement but local bar associations are very jealous of their turf,” stated New York University associate law professor Stephen Gillers.

Critical of the recent Supreme Court decision in *Leis v. Flynt* which held that a lawyer does not have a constitutional right to represent a client in a state where he is not licensed to practice, Gillers stated that the opinion “provides the potential for a lawyer protection act.”

Gillers explained that while most states provide for temporary practice (*pro hac vice*) whereby a lawyer may rely on the good will of the courts for permission to practice only for a particular case, the granting of a reciprocal license is often a “yes or no” proposition. Gillers does not think that federal intervention is the solution. “Lawyers have to do more at the local level by lobbying the legislature. It’s not an active area for lawyers but that’s where changes can be made,” he stated.

DIGEST OF STATE ACCOUNTANCY LAWS AND REGULATIONS AVAILABLE

Prentice-Hall, Inc. has published *Digest of State Accountancy Laws and State Board Regulations 1979* for the National Association of State Boards of Accountancy. This publication contains summaries and compilations of the principal statutory provisions of state accountancy laws in the United States, Guam, Puerto Rico, the U.S. Virgin Islands and the District of Columbia. Copies are available at \$20.00 each from the publisher, Prentice-Hall, Inc., Englewood Cliffs, NJ 07632, Attention T.M. Bernston.

NEWS NOTES

"New Initiatives '79" is the theme of the Illinois CPA Society's legislative program this year. The main thrust of the program is enactment of mandatory CPE legislation.

Nebraska CPAs are again giving their full support to legislation that would require the state auditor to be a CPA.

Under a new Michigan statute the board of medicine may impose both 150 hours of CPE and "evidence of continuing competence" as a condition of physician license renewal.

Louisiana CPAs, concerned that the state's current law on confidential communications may hamper peer review programs, intend to seek an amendment that would allow for peer review. Until the change is effected, the state CPA society has suggested that participants in peer review programs either obtain a written release from affected clients or include such a release in engagement letters.

The Oregon CPA society has just distributed its legislator's tax guide. The society also reports that it hosted legislative leaders at a recent reception and that final plans are underway for a political action committee.

The Tax Foundation reports that taxes paid to state and local governments topped \$200 billion in fiscal 1978. The figure was 10% above the previous year. On the other side of the ledger, Data Resources Inc., reports that state and local government deficits will soar to \$4 billion in 1980. The projected deficit this year is put at a more modest \$500 million.

The AICPA Legislative Reference Service is currently conducting a survey to identify CPAs in elective and appointive office in the executive and legislative branches of state government. Thus far the survey has revealed that at least 16 states have elected or appointed state auditors who are CPAs. Results of the survey will be reported in an upcoming issue of the *Legislative Report*.

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