EXHIBIT #1
DATE 3/15/2013
HB 582

HB 582

Chairman Berry and members of the Committee. Thank you for the opportunity to present testimony in support of HB 582.

My name is Rick Reisig. I am a CPA from Great Falls, and I also serve on the Montana Board of Public Accountants, twice serving as its chairman. In addition, I serve on the National Association of State Boards of Accountancy's Compliance Assurance Committee (which deals with state board standard setting and oversight of mandatory peer review) and the American Institute of CPAs Board of Examiners (which deals with development and monitoring of the Uniform CPA Exam). Hopefully, you can tell I'm heavily involved with issues of the CPA profession.

I present testimony to you today in support of HB 582, not as a member of the Montana Board of Public Accountants, but as a private citizen and a CPA who's personally invested in maintaining the integrity of the CPA profession.

This bill is simple enough as it assures the Board will continue to have a separate special revenue fund for its use, but more importantly, it transfers more budgetary oversight to our State Board and the Department of Labor and Industry by granting the Board statutory budget designation. I'm here today to discuss the merits of this bill and convince you that it is the right thing to do. I believe it's very telling that the regulators of a profession as well as those being regulated both feel so strongly about the success of this bill.

I suspect each of you know a CPA or have dealings with a CPA in some context. Either they prepare a tax return for you to send into the I.R.S. and the Montana Dept. of Revenue, a financial statement for you to give to your banker to secure a loan, or provide you advice on how to provide for your retirement or your beneficiaries upon your death. From what I've described to you, it is obvious the CPA profession is extremely broad, not only in the services the CPA provides, but also in the various 3rd-parties who rely on the CPA's work. The services provided to the client are relied upon by taxing authorities, banks and other lending institutions, investors, governmental entities providing grants, donors, boards of directors, family beneficiaries, etc.

This reliance on the services of CPAs by outside 3rd-parties is what sets this profession apart from all others. It amplifies the importance of the profession's ethical obligations for independence, integrity, and objectivity that directly relate to serving the public interest. Another aspect unique to the CPA profession is the ability/demand for CPAs to "cross" state lines to provide the services their clients need. The internet-age has made interstate, and sometime international, delivery of goods and services common place, and the CPA must respond in kind.

Just as the CPA profession is broad, the responsibilities that the Board of Public Accountants has in regulating the profession, in protecting the public interest, is equally as broad. The responsibilities of the Board include establishing post-secondary educational requirements for students wanting to get into the profession, the examination requirements those students must pass before they can be licensed to serve the public, the experience requirements accountants must achieve before they can be licensed to serve the public, and the continuing educational requirements our licensees must meet in order to maintain their license to serve the public.

TEXAS
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(SIP)

The aspect of the CPA profession that makes the task of regulation the most challenging is that it is ever-changing:

- As you know, federal and state tax laws are constantly changing.
- Financial reporting standards, as well as auditing standards, are constantly changing, to meet the needs of the times.
- Beginning in late summer 2011, for the first time, the CPA Exam was delivered to foreign candidates outside of the United States, and many of these candidates have elected to take the CPA Exam under the Montana rules and regulations and agreed to be monitored by our board.
- Soon, there will likely be an option, and maybe even a requirement, for Montana businesses to report its financial information under International Financial Reporting Standards, which in some circumstances, is very different from U.S. reporting standards.
- Our Montana students are now required to learn these additional standards, and are being tested on them on the CPA Exam.

Of course, as the CPA profession changes, the Board of Public Accountants has to change in order to properly regulate. This bill will allow us to make those changes efficiently and effectively, both vital components for us to adequately protect the public.

The type of fiscal independence this bill would provide is not a new concept for licensing boards in general, and state boards of accountancy in particular. Other states, as well as Canadian provinces, have been fiscally independent for many years. Of course, under the system being proposed under this bill, the board continues to be linked to the Department of Labor and Industry, subject to all the costs allocated to it by the Department. The board remains subject to the administrative rules process and to the laws passed by the legislature, primarily under Title 37, Chapter 50, of the Montana Code Annotated. Board members would continue to be appointed by the Governor and be part of the Executive Branch of State Government. The board would continue to get its funding from the fees and assessments of licensees. **None of that will change under this bill.**

The bill does not ask for any funds from the taxpayers. We are not asking for any additional fees from licensees. Rather, this bill would allow us to spend the funds we are already receiving for programs and projects that have been planned and budgeted for. The bill would allow us to easily and quickly make adjustments to programs and projects to adapt to changes in the profession. It will help us provide much-needed consistency to the services we offer to our constituents - our licensees and the public - by allowing us to have a say in the level of staffing we need for the efficient and effective operation of our board.

By no means does my support for this bill suggest any dissatisfaction with the service we receive from the employees of the Department of Labor and Industry. They give us everything they've got when they are with us. They are dedicated professionals. The problem is how these employees are rotated around amongst the various boards, as if all boards and the professions they oversee are exactly alike. Well, they are not. Each board and each profession is unique, with unique requirements. At the beginning of my testimony, I described how different the CPA profession is from any other profession – try to come up with another example of a profession for which so many 3rd-parties rely on its work. There may be some, but not many. Maintaining the integrity of this profession, and providing the tools to those who endeavor to do just that, is vital.

The demand of the public and "interested" 3rd-parties for CPA services is growing, forcing the CPA profession to constantly change and adapt. This bill would give the board the flexibility to quickly react to these changes in the profession and provide adequate protection to the public.

Thank you for your consideration.

Rick Reisig, CPA

Attachments:

Letter from North Dakota State Board of Accountancy
Letter from Wyoming Board of Certified Public Accountants
Email from Idaho State Board of Accountancy
Email from South Dakota Board of Accountancy
Excerpts from U.S. Dept. of Treasury's report from Advisory Committee on the Auditing Profession

NORTH DAKOTA STATE BOARD OF ACCOUNTANCY

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February 4, 2011

Rick Reisig, CPA
Chairman
Montana Board of Public Accountants
301 S. Park – 4th Floor
Box 200513
Helena MT 59620-0513

Mr. Reisig,

This letter is to explain the operation of the North Dakota State Board of Accountancy (NDSBA).

The NDSBA is an agent of the State of North Dakota, with relatively autonomous operations. The Governor appoints each of the five board members, who serve a five year term, and may be reappointed to one additional term. The Governor has the authority to remove a board member for just cause. The Board oversees the agency and its executive director.

Financially, the NDSBA is statutorily independent of the State; it is not to be a draw on the State Treasury, nor are its funds to revert to the State. Its funding is primarily through application and license fees. The annual fee for CPA licensure is $75, and may be adjusted by the Board within specific limits. Adjustments beyond the regulated ceiling must go through the State's rule change process. The Board is able to accumulate funds over time, which provide resources to handle an extraordinary expense such as a substantial investigation of a member of the accounting profession. Board members receive an annual stipend in recognition of their time commitment; the amount is limited by regulation, and requires a rule change to alter. Each year, the Board develops its own budget and engages a public accounting firm to conduct a financial audit.

The NDSBA performs all the customary functions of a regulatory agency. It screens applicants to ensure that each meets the requisite education, experience and examination conditions. It reviews renewal applications including the ongoing professional education reported by licensees. It also investigates concerns raised by members of the public, which sometimes includes the retaining of expertise from beyond the state.

Various safeguard features are in place:

1. The Governor has the power to remove board members for just cause.

2. Board member terms are limited by statute, as are board stipends.

3. The Board has authority to engage and / or remove the agency director.

4. The Board's operations are governed by statute and regulation, so their regulatory reach is limited to the powers granted in those documents. Changes must be approved.

5. The Board is also limited indirectly by the goodwill of the public and the acceptance of the regulated community. Either party could initiate negative attention and potential review by appealing to the Governor, any legislator, or the media. As a result there are invisible restraints on the Board against being too heavy-handed or too lenient in its regulation.

Feel free to contact me, or a board member, with questions.

Jim Abbott
Executive Director

State of Wyoming
Wyoming Board of Certified Public Accountants

Tracy C. Boner, CPA
Kenneth C. Kehn, CPA
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February 7, 2011

Mr. Rick Reisig, C.P.A.
Hamilton Misfeldt & Company PC
21 10th Street South
Great Falls, MT 59401

Dear Rick,

Please accept this letter as an explanation regarding how the Wyoming Board of CPAs operates in a semi-autonomous way.

All board members are appointed by the Governor of the State of Wyoming. Therefore, all board members are subject to removal by the Governor, should he/she deem it necessary. I, as the Executive Director, am an "at will" position, serving at the pleasure of the Board. If at any time the Board or the Governor feel that I need to be let go for any reason, or no reason at all, my position will be vacant and I would, likely, be replaced.

All agency revenues are derived from license fees and no funding is received from the State's general fund. All revenues and expenditures are accounted for in a "Special Revenue" fund the balance of which rolls forward each fiscal year.

After Board adoption and legislative review, the Governor ultimately approves all budgets. The Executive Director is responsible for tracking revenues and expenditures and reports out to the Board on a periodic basis.

The Board and its mission exist because of Wyoming statutes and Rules and Regulations promulgated by the Board. The Board has operated for over 30 years and, to my knowledge, the structure has remained the same. Because this Board has not experienced any other type of structure, it is difficult for me to contrast autonomous operations with any other type.

I hope this is helpful to you and we wish you well.

Sincerely,

Pamela Ivey

Pamela Ivey
Executive Director

Rick Reisig - Montana Board's proposed legislation

From: "Barbara R. Porter" <Barbara.Porter@isba.idaho.gov>
To: "Rick Reisig (RickR@hamilton-misfeldt.com)" <RickR@hamilton-misfeldt.com>
Date: 2/4/2011 1:18 PM
Subject: Montana Board's proposed legislation

Hi Rick: Great to hear from you. How exciting for your Board to pursue semi-independence status!
The Idaho Board is considered "Self-Governing" as are all the regulatory boards in Idaho. We have a lot of latitude in how we operate.
This fiscal year, the Legislature gave us a "lump sum appropriation" which means we can decide how much of the total spending authority we want to allocate to Personnel, Operating, and Capital Outlay. But we can't spend more than the maximum amount that they set, regardless of how much money is in our account. The Governor's Budget Office still has to approve how we allocate the funds. I hear that next fiscal year we will probably go back to the usual type of appropriation, which sets the amount by expenditure class that we can spend.
The Board has to comply with most restrictions placed on State Agencies. Our employees are governed by all the Human Resource policies; our IT is directed by the state's central service agency; we have to follow Purchasing regulations; we undergo Legislative Audits once every 3 years.
We are able to hire outside legal counsel rather than go through the AG's Office. Our expenditures are processed by the State Controller's Office, but we have tremendous flexibility about the items we spend money on. The Legislative Auditors do not question the type of expenditures we make. They just make sure we have internal controls to track our receipts and expenses.
I hope this summary helps. I'll be here today if you have any more questions.
Best of luck w/ your legislation. I'd love to see your Board get it passed! Barb

Barbara Porter
Executive Director
Idaho State Board of Accountancy
barbara.porter@isba.idaho.gov
208-334-2490 Phone
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Rick Reisig (AZ)

From: <Nicole.Kasin@state.sd.us> <Nicole.Kasin@state.sd.us>
Sent: Thursday, February 10, 2011 8:40 AM
To: <RickR@hamilton-misfeldt.com>
Subject: FW: Montana Board's proposed legislation

Rick,

We are more semi-autonomous. Our budget is drafted annually by the Board, submitted to the Secretary of Labor and Regulation for review and adjustments, then from her office it is sent to the Governor's office for review and adjustments. Our Board operates in this manner from statute; SDCL 36-20B-6 and 36-20B-7. Here is the link to our statutes for review: http://legis.state.sd.us/statutes/DisplayStatute.aspx?Statute=36-20B&Type=Statute
The second statute listed addresses how our money is deposited with the State Treasurer. We utilize the state agencies to process our vouchers/payroll/warrants, etc. and are assessed fees by that agency for their process. The Board reviews the financial statements monthly at our board meetings and we hire an outside firm to perform a two-year ending audit, every two years. We do follow state guidelines for IT projects and RFP processes for larger purchases.

I would be more than happy to address specific areas or questions once I am back in the office on February 22.

Good Luck with HB385.

Nicole Kasin, MBA
Executive Director
South Dakota Board of Accountancy
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www.accountancy.sd.gov

eration to ensure harmonized regulation and licensure.[21]

The Committee recommends mandating regular and formal roundtables of the PCAOB, the SEC, the DOJ, the state boards of accountancy, and the state attorneys general, to periodically review the overall enforcement regimes applicable to the public company auditing profession.[22] These roundtables also should focus on regulatory coordination, improvement, and consistent approaches to enforcement to minimize duplicative efforts. Because of the difficulty and cost of bringing together many different state agencies on a regular basis, the Committee recommends that NASBA assist states by taking a leadership role in coordinating their responsibilities and interests.[23]

(c) Urge the states to create greater financial and operational independence of their state boards of accountancy.

The Committee is concerned about the financial and operational independence of state boards of accountancy from outside influences, 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[24] and lack the wherewithal to incur the cost of investigations lead-

that, "it would be useful to evaluate the possibility of an interstate commission for the whole of the audit profession. Such a commission would bring together state licensing authorities, the PCAOB, and appropriate professional organizations. It would be the means to rationalize existing disparities in licensing qualifications, continuing education requirements and peer review for non-public company audit practices. It would also enable enforcement of common regulations and license discipline across state and federal jurisdictions.").

21 Record of Proceedings (Dec. 3, 2007) (Written Submission of Dennis M. Nally, Chairman and Senior Partner, PricewaterhouseCoopers LLP, 5), *available at* http://www.treas.gov/offices/domestic-finance/acap/submissions/12032007/Nally120307.pdf.

22 *See e.g.*, Joseph V. Carcello, Chair, American Accounting Association Task Force to Monitor the Activities of the Treasury Advisory Committee on the Auditing Profession, Ernst & Young Professor, and Director of Research, Corporate Governance Center, University of Tennessee, Jean C. Bedard, Timothy B. Harbert Professor of Accountancy, Bentley College, Dana R. Hermanson, Dinos Eminent Scholar Chair of Private Enterprise and Professor of Accounting, Kennesaw State University, Comment Letter Regarding Draft Report and Draft Report Addendum 6 (May 15, 2008), *available at* http://comments.treas.gov/_files/ACAPCommentLetterMay152008.pdf (supporting this Recommendation); Samuel K. Cotterell, Chair, National Association of State Boards of Accountancy, and David A. Costello, President and Chief Executive Officer, National Association of State Boards of Accountancy, Comment Letter Regarding Draft Report and Draft Report Addendum 3 (June 27, 2008), *available at* http://comments.treas.gov/_files/June2908LetterheadTreasuryAdvisoryCommitteeontheAuditingProfession.pdf (supporting this Recommendation); Mayer Hoffman McCann P.C., Comment Letter Regarding Draft Report and Draft Report Addendum 2 (June 13, 2008), *available at* http://comments.treas.gov/_files/MayerHoffmanMcCannCommentLetter.pdf (suggesting that all meetings be made public); *but cf.* Frank Frankowski, Chief Financial Officer, Airborne Systems, Comment Letter Regarding Draft Report and Draft Report Addendum 1 (June 2, 2008), *available at* http://comments.treas.gov/_files/FrankowskiLetter.pdf (stating that the Recommendation "will only add to the confusion and lack of focus on the underlying issues").

23 Samuel K. Cotterell, Chair, National Association of State Boards of Accountancy, and David A. Costello, President and Chief Executive Officer, National Association of State Boards of Accountancy, Comment Letter Regarding Draft Report and Draft Report Addendum 3 (June 27, 2008), *available at* http://comments.treas.gov/_files/June2908LetterheadTreasuryAdvisoryCommitteeontheAuditingProfession.pdf (supporting this Recommendation).

24 National Association of State Boards of Accountancy, Submission in Connection with the December 3, 2007 Meeting of the Advisory Committee on the Auditing Profession (Jan. 2008)

ing to enforcement. In addition, some 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.[25] In some cases, board members are nominated by private associations whose constituencies are not necessarily focused on the protection of the public.

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 operationally and financially independent of outside influences.[26] The Committee notes that this Recommendation to ensure the independence of state boards of accountancy is not meant to limit in any way the efforts of regulators and other governmental enforcement bodies to coordinate their regulatory and enforcement activities as recommended in Recommendation 2(b).

Recommendation 3. Urge the PCAOB and the SEC, in consultation with other federal and state regulators, auditing firms, investors, other financial statement users, and public companies, to analyze, explore, and enable, as appropriate, the possibility and feasibility of firms appointing independent members with full voting power to firm boards and/or advisory boards with meaningful governance responsibilities to improve governance and transparency of auditing firms.

In response to the recent corporate accounting scandals, related legislative and regulatory requirements and best practices, public companies enhanced their corporate governance. One of the most prominent alterations to the corporate governance scheme was the increased representation and strengthening of independent members of boards of directors. The New York Stock Exchange and the Nasdaq enhanced their public company listing standards to call for a majority of independent board members.[27] Best practices have gone even further, calling for a "substantial majority" of independent directors.[28]

(documenting the wide spectrum of funding for individual state boards of accountancy and noting the number of full-time staff per state boards of accountancy office).

25 Statement of Ronald J. Rotaru, Executive Director, Accountancy Board of Ohio, before Ohio H. Finance Committee of the Ohio House of Representatives 1 (Mar. 18, 2005) ("The evidence shows that 'consolidated' states have difficulty in effectively enforcing the statutes governing the profession under their central agency umbrella.").

26 *See* Samuel K. Cotterell, Chair, National Association of State Boards of Accountancy, and David A. Costello, President and Chief Executive Officer, National Association of State Boards of Accountancy, Comment Letter Regarding Draft Report and Draft Report Addendum 3 (June 27, 2008), *available at* http://comments.treas.gov/_files/June2908LetterheadTreasuryAdvisoryCommitteeontheAuditingProfession.pdf ("There is a need to ensure all State Boards of Accountancy have adequate funding to maintain a healthy regulatory environment, which includes the ability to fund the costs of investigations and disciplinary enforcement."); Ernst & Young LLP, Comment Letter Regarding Draft Report and Draft Report Addendum 25 (June 27, 2008), *available at* http://comments.treas.gov/_files/EYACAPCommentLetterFINAL.pdf (agreeing that appropriate operational support is needed to allow regulators the resources to monitor the profession).

27 New York Stock Exchange, Listed Company Manual § 303A.01 (2003); Nasdaq, Manual, Rule 4350(c).

28 *See, e.g.,* THE BUSINESS ROUNDTABLE, PRINCIPLES OF CORPORATE GOVERNANCE (May 2002) (recommending, among other things, a substantial majority of independent directors and fully independent audit, corporate governance/nominating, and compensation committees); THE CONFERENCE BOARD, COMMISSION ON PUBLIC TRUST AND PRIVATE ENTERPRISE (Jan. 9, 2003) (recommending, among other things, a substantial