



Officers

David A. Lifson, CPA	President
Sharon Sabba Fierstein, CPA	President-Elect
Rosemarie A. Giovinazzo-Barnickel, CPA	Vice President
John J. Lauchert, CPA	Vice President
Edward J. Torres, CPA	Vice President
Mark Ellis, CPA	Secretary
Richard E. Piluso, CPA	Treasurer
Louis Grumet	Executive Director

March 6, 2008

Philip H. Politziner
President & CEO
Amper, Politziner & Mattia, P.C.

Alan Sellitti
Office Business Line Leader – Assurance
BDO Seidman, LLP

Gregory T. Durant
Vice Chairman
Regional Managing Partner – Northeast
Deloitte LLP

Charles Weinstein
Managing Partner
Eisner, LLP

Mark Manoff
Vice Chairman, Northeast Area Managing Partner
Ernst & Young LLP

Martin E. Cooperman
Regional Managing Partner, Northeast
Grant Thornton LLP

Thomas Marino, CPA
Partner & Chief Executive Officer
J.H. COHN LLP

Robert F. Arning
Managing Partner
KPMG LLP

Don Lipari
Co-Managing Partner
New York Office
McGladrey & Pullen, LLP

Steven J. Mayer
Co-Managing Partner
New York Office
McGladrey & Pullen, LLP

Brendan Dougher
NY Metro Managing Partner
PricewaterhouseCoopers, LLP

Gentlemen:

Thank you for your letter of February 25th, 2008 regarding accountancy legislation in New York State, urging us to support your mobility proposal. You represent national/regional firms with a New York presence who are ten of the largest 26 firms in the Society's membership, but I note that five of the signatories on your letter are not members or supporters of the New York State Society of CPAs and one is not licensed to practice in the State. Accordingly, some of you may

not be aware that the Society has actively supported accountancy reform by the New York State Legislature, including mobility, since 1999.

In each of the last five legislative sessions, the New York State Senate has unanimously passed accounting reform legislation, which was primarily crafted by the Society's Board of Directors. The mobility principles of the Senate bill came directly from the prior language of Section 23 of the UAA. However, that bill has never passed the Assembly mainly due to objections to its Substantial Equivalency provisions, which would establish one-year renewable practice privileges (upon prior notice and payment) for out-of-state CPAs whose principal place of business is in another state. Out-of-state CPAs licensed by states whose licensure criteria was deemed substantially equivalent by the State Education Department would give notice electronically, by fax, or over the internet. The Assembly rejected this provision because it felt it would not adequately protect the citizens of New York by allowing out-of-state CPA's to practice in New York without meeting New York standards for licensure. Your "no notice" mobility proposal lowers the consumer protection bar below a level the Assembly has already rejected.

You note that the CPA license is not a national license, but is granted separately by each of the 50 states. Each state is entitled to exercise its licensing authority under the Tenth Amendment of the United States Constitution. The New York State Legislature has historically taken the Tenth Amendment very seriously in its efforts to provide New Yorkers with the highest standards for consumer protection and professional licensing. Indeed, Al Smith passionately pushed for legislation that provided workers with the highest workplace standards in the country. Governor Thomas Dewey led the nation in civil rights laws. Similar to those New York State icons, the New York State legislature takes consumer protection and New York's role as the world financial center very seriously. Standards will not be compromised. It is in this spirit that the Legislature is now willing to consider our longstanding request for an overhaul of our 111 year old licensing law that was last modernized 61 years ago.

Last year, we were a few mobility details away from a comprehensive proposal that could have been introduced for a vote. As you mention: "it seems that we came closer than ever before in reaching consensus on policy and in working together as a unified profession." Specifically, the Accountants Coalition (TAC) of the largest national CPA firms (who, I understand, is the "representative of a number of the firms signing this letter "that you have referred to in your letter), the Society, and the State Education Department all agreed to a draft of legislation including mobility. The essential elements of that draft are the basis of a bill draft to be considered soon in both houses of the legislature with the approval of the New York State Board of Accountancy and with the support of the State Education Department. The bill draft includes most of the important overhauls that we have all previously called for and a compromise to accommodate different points of view to reach workable mobility provisions: temporary practice permits for attest and compilation services and cross-border practice privileges for non-attest services.

Given all this progress I am concerned that your ten firms will now pursue separate legislation in New York to implement the new Substantial Equivalency "no notice, no fee, no escape" mobility provision of the UAA. Your pursuit of such legislation will send a confusing message to the legislature that your firms have rejected the compromise position proposed last June by all of us. The State Assembly has already rejected legislation with Substantial Equivalency with "notice, fee and no escape", so how could they reasonably be expected to support less stringent practice privileges, more accurately described as "No NY review of qualifications, no notice, no fee and no escape?"

Your only interest appears to be mobility and while I am sympathetic to your needs, the Society's other members and the public have needs too. The bulk of Society members are much more concerned that New York does not have conformity to the UAA with respect to: an expanded scope of practice, expanded experience requirements, CPE requirements for CPAs in industry, expanded subject matter options for CPE, mandatory peer review of attest and compilations services, commission and referral fees for non-attest clients, registration of all CPA firms

regardless of form of legal organization, as well as 49% non-CPA ownership of CPA firms. While the issue of mobility is important for some members, the leadership of the Society was told by interested members last year that the mobility issue must not hold up the other major provisions in current accountancy legislation in New York.

New York legislators are painfully aware of the audit failures in major publicly traded companies, all of whose shares are traded on the New York Stock Exchange, as well as failed audits in school districts, fire districts and not-for-profit entities. They have left change to the regulators for some time now and we are grateful that the regulators are now on board in requesting expanded statutory authority to regulate the CPA profession with the uncompromising standards I referred to previously. In New York, as in many other states, consumer protection is taken seriously. It is not all about punishing the bad guys; it is also about identifying the good ones who are regulated. In New York, any prospective client of a CPA can go on the State Education Department's website to verify whether a CPA is licensed to practice in New York and whether he or she has ever had any professional discipline. This consumer protection information would not cover out-of-state CPAs if they practiced here under a no notification system because the state would have no knowledge that they are practicing here until there is a complaint filed. Why would we want to support a regulation that holds Society members to greater scrutiny and allows out-of-state CPAs to practice opaquely?

We have worked closely with the New York State Board for Public Accountancy and you should know that NASBA's position, as you described it, that notification provides little or no consumer protection, does not appear to be the view of the New York State Board. If it were, New York's State Board would have recommended that the State Education Department and the State Board of Regents seek introduction of legislation for "no notice, no fee, and no escape." It has not made this recommendation. Instead, the New York State Board appears to be supporting legislation that we all developed with the State Education Department for temporary practice permits and cross-border practice privileges for non-attest services.

It is not surprising to see that not one of the signatories of your letter was a managing partner of a small or medium-sized firm. The vast majority of CPAs licensed in New York State and of NYSSCPA members are from small and medium-sized firms. In fact, of the close to 30,000 CPAs the Society represents, 92 per cent do not work for your ten firms. They work in small and medium-sized firms, in industry, government and education. Pursuit of your too narrowly focused agenda could hurt the bulk of the Society's members, delay passage of the current compromise, and could have negative repercussions on the public all CPAs are licensed to serve.

As you know the Society has no firm memberships and is composed of individual CPA members. You may not be aware that every year the Society officers and I travel across New York State to speak with members of the Society's 16 chapters. We have just completed the latest tour. In those meetings we have raised mobility in addition to other issues of importance. While this issue is not as unpopular with the Society's members as is 49% non-CPA ownership, it is perceived as a self-interest driven solution of the larger firms to what is essentially a "public good" problem. In fact, many small firm practitioners view it as an effort by large firms to increase their competitive advantage by bringing out-of-state CPAs into New York to compete with them without being required to meet New York's standards for licensure, a view I have personally disputed. Some of these small firm practitioners point to the inherent large firm bias in the UAA mobility section 23. They point out that big firms are already registered in all or multiple states, whereas the small New York firms do not have the resources to maintain registrations in other states, for occasional audit or examinations work.

Some small firm practitioner members in New York's upstate border cities, towns and villages have pointed out that they now provide professional services in an adjacent state to business clients located in other states by having one of their partners or employees also hold a CPA license in that other state. Typically, they don't see the distinction between firm registration and having a partner or employee hold the out-of-state license. When we explain the proposed

temporary practice permit for up to 180 days a year for four consecutive years, for performance of audits, attest and compilation services in New York by out-of-state CPAs, they believe we are expanding mobility in a fair and reasonable manner. For example, when we were on the tour, we raised the mobility question in the Buffalo chapter in relation to their cross-border practice in Ohio. They indicated mobility has not been a problem because those western New York firms practicing in Ohio already had CPAs who were also licensed in Ohio. In Binghamton, those firms who were practicing in Pennsylvania had CPAs licensed in Pennsylvania.

Your letter indicates that Connecticut and Massachusetts would keep New York CPAs out of their states. You might want to check your facts a little more closely. It would be more likely that New York CPAs could be excluded because of New York's lack of 150 hours of education (which goes into effect in New York in 2009) and mandated peer review. These are issues we believe are vital right now and extremely important to the Society's membership, particularly along the borders.

If we agree to support "no notification" mobility, we could be trading away legislative issues that are frankly more important to the membership. The Society's members care about peer review, especially in light of Roslyn and other audit failures. The Society's members care about mandated CPE for all CPAs, including those in industry. The Society's membership cares about clarifying commission regulations.

You indicate that New York could be standing alone. We need to remind you that New York has stood alone on its principles before. New York CPAs are not as different from the rest of the country as your letter implies. **The fact is that the bulk of CPAs in this country are too busy to focus, which should never be mistaken for support.** Those who do focus on the mobility issue quickly realize that your concerns and solution are purely large-firm driven; the cost and bother to register a small firm by providing notice and paying a fee under your UAA proposal is about the same as providing notice about an audit partner or team doing work in another state.

You express displeasure and disagreement about the Interstate Compact that I personally support as a possible solution to mobility. I want to make it clear that I have not proposed that the State Society Board endorse the Compact or that the state legislature adopt it. I have only discussed the concept widely so that it would be available and understood if it were deemed to be useful. I understand that an Interstate Compact is not the only way to achieve our mutual goals, although it could be a viable option. Another equally good option might be for the Congress to make the CPA license a national license under the Interstate Commerce clause. However good any of these or other proposals are, they are unlikely to happen in the near future. We want updated laws in New York now and we regard the goal of mobility to be more important than the mechanism by which it is achieved. Even some mobility is better than the patchwork of uncertainty we live with now.

The fact is that whether you want the states to be in charge of licensing or not, under the Tenth Amendment of the United States Constitution, they will remain in charge until such time as Congress under the Interstate Commerce clause pre-empts this. As long as the states are in charge, we must stop pretending they don't exist and we must not ignore their sovereign powers and their needs and responsibilities to protect the people of their individual states. In his testimony before the Federal Advisory Committee on the Auditing Profession of the United States Department of the Treasury this February, Ed Nusbaum, CEO of Grant Thornton, stated in remarks regarding better coordination of the profession's licensing and regulation that:

"We respect the current system, which has been effective for many years, but believe 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.”

Similarly, David M. Walker, U.S. Comptroller General, in a soon to be published interview in *The CPA Journal*, agreed that a compact would be very desirable if it were a voluntary agreement among the states to address a broader national need while ensuring that they are protecting their citizens.

We have heard and addressed your concerns about mobility. Most of the members agree to the reasonableness of your concerns, but not necessarily to your solutions. There does not seem to be sufficient support to give you all that you want. We have listened to the Society's members, taken careful consideration of the demands of the regulators, the regulated entities, and the public and have crafted a proposal that presents a compromise, yet respects everyone's views into a near consensus. I suggest that you read the President's Commentary on this very issue in the March 1, 2008 issue of *The Trusted Professional*. It is on the Society's website.

Consistent with the Society Board's overwhelming support of the recent compromise provisions, I respectfully ask that you reaffirm the support that some of you gave to our legislative agreements last spring. In New York's political environment, it is vital that we not send a confusing and divisive message to the legislature, especially from some who were part of the spring negotiations. After almost ten years of working for accounting reform in the New York State legislature, I believe your effort to pursue legislation to implement "no notice, no fee, no escape" will be futile and will do great harm to the Society's efforts on behalf of all its members, both large and small practitioners, to achieve passage of long overdue accounting reforms in the State.

We are willing to continue this dialogue and to meet with you in the Board Room on March 19, 2008 at Villa Berulia at 107 East 34th in New York City at 12 P.M. to fully discuss this issue and protect both the profession and the public it serves in New York State.

Sincerely,

Lou Grumet
Executive Director

cc:

David A. Lifson, CPA
Sharon S Fierstein, CPA
Rosemarie A. Barnickel, CPA
John J. Lauchert, CPA
Edward J. Torres, CPA
Mark Ellis, CPA, ACA
Richard E. Piluso, CPA
Scott M. Adair, CPA
Edward L. Arcara, CPA
Susan M. Barossi, CPA
Thomas Boyd, CPA
Debbie Cutler, CPA
Joseph M. Falbo, Jr., CPA
Dr. Myrna L. Fischman, CPA
Daniel M. Fordham, CPA
Robert L. Goecks, CPA
David R. Herman, CPA

Scott Hotalen, CPA
Martha A. Jaeckle, CPA
Suzanne M. Jensen, CPA
Lauren L. Kincaid, CPA
Gail M. Kinsella, CPA
Kevin Leifer, CPA
Elliot A. Lesser, CPA
Beatrix G. McKane, CPA
Mark L. Meinberg, CPA
Ian M. Nelson, CPA
Jason M. Palmer, CPA, CFP
Robert A. Pryba, Jr., CPA
Robert A. Quarte, CPA
Ita M. Rahiliy, CPA
Thomas E. Riley, CPA
Judith I. Seidman, CPA
Anthony J. Tanzi, CPA
Thomas M. VanHatten, CPA
Liren Wei, CPA
Ellen L. Williams, CPA
Margaret A. Wood, CPA
Richard Zerach, CPA