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# AICPA *Legislative report*

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June 1975

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## CPAS LEGISLATIVE GOALS AND PRIORITIES SET DOWN AT SAN FRANCISCO CONFERENCE

The National Conference on State Legislation (June 5-6, San Francisco) got off to a firm footing with an announcement at the opening session that U.S. Comptroller General Elmer Staats had reaffirmed his 1970 policy stance on the qualifications of independent auditors engaged to audit governmental organizations and programs. (See accompanying article.)

Well over 100 representatives from virtually every state jurisdiction, including many state society execs and veterans of past legislative battles, took part in the two-day conference which culminated with organizational meetings of the new regional State Legislation Subcommittee structure.

AICPA State Legislation Committee Chairman Max Myers of Missouri, who chaired the conference, said in his opening remarks that while the profession has made "significant progress" in its quest for consistency in state accountancy legislation, "much remains to be done" if we are to develop a common understanding of "what we are seeking, why we are seeking it, and how it can best be achieved."

Following a speech on "The Crisis in Accountancy Legislation" by Wilbur Stevens of Colorado, a member of the AICPA Board of Directors and state legislation committee, and a morning policy discussion workshop, delegates heard a luncheon address by AICPA President Olson. In a half-hour address which dealt with regulatory trends on the state and federal level, Olson urged the profession to broaden its thinking in regard to its legislative policies.

"We need to pay more attention not just to the attest function but to our whole scope of services particularly unaudited financial statements," he stated. In calling for a coordination of efforts both at the state and federal levels, Olson suggested that a "Master Plan" approach could be applied in charting the profession's legislative objectives and initiatives. "The task that lies before us is substantial," he concluded. "This conference and the proposal to organize on a regional basis is an important step toward meeting the challenges at the state level."

The first day's afternoon session included a discussion of the effect of executive recruiting legislation on the individual practitioner and a lively presentation on "The CPA as a Political Force."

The concluding day featured a review of the current legislative year, detailing the legislative victories in Arkansas and North Dakota which produced single class accountancy laws

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in those jurisdictions. A panel discussion on the rudiments of concerted legislative action led to a free exchange of ideas and discussion from the floor. The luncheon program featured an address by Congressman Barry M. Goldwater, Jr., (R-Ca.) who offered some interesting alternatives to "1984" in discussing federal encroachments on personal privacy through such instruments as the computer and one's Social Security card.

#### Area Subcommittees Meet

The concluding Area Subcommittee Organizational Assembly session may have been best described by one conference delegate who observed that while he had some experience in legislative matters in his own state, he was "totally unaware of the problems in the state next door." Meeting for organizational purposes, each delegate was assigned to one of the ten new Area Legislative Subcommittees where there were discussions among the members of the legislative problems and goals of the state societies they will represent on the Subcommittee in the crucial period ahead.

In summary, the conference was indeed "national" in scope. Legislative representatives within the profession met for the common purpose of sharing their expertise and exchanging viewpoints in preparing themselves for more active participation in determining the profession's future legislative course. And now with the 10 Area Subcommittees for Accountancy Legislation ready to swing into action, that course will soon begin to gain definition.

#### STAATS REAFFIRMS POSITION ON AUDIT QUALIFICATIONS IN REBUFF OF NSPA'S ATTEMPT TO GAIN SANCTION

Elmer Staats, Comptroller General of the United States, has reaffirmed his 1970 policy recommendation on government audits which stated that after December 31 of this year only CPAs and those public accountants licensed before December 31, 1970 should be engaged to make audits of federally chartered, financed, or regulated private organizations.

In recent letters to U.S. Sen. Abraham A. Ribicoff, chairman of the Senate Committee on Government operations, and subcommittee chairman Sen. Lee Metcalf, the Comptroller General said that he believed "it is in the Government's interest" that his policy recommendation for government audit work, as set forth in the GAO Model Audit Language remain unchanged.

"We believe also that, when the Government engages public accountants, it needs the best qualified ones it can get," he stated, in pointing out the disparity between the qualifications of licensed CPAs and public accounting practitioners.

The Comptroller General's policy reaffirmation had been prompted by political pressures directed at influential members of Congress by the National Society of Public Accountants headquartered in Washington. For the past year the NSPA has been seeking to weaken the GAO Model Audit Language, asking that the section on qualifications of independent auditors be broadened to include public accountants who were not "grandfathered" by virtue of the 1970 policy recommendation.

Recognizing the grave consequences that such a shift could bring on the quality of government audits, the AICPA Federal Government Division and the Institute's State Legislation Committee drafted counter arguments to the NSPA's position which were communicated to the General Accounting Office in a letter from AICPA president Wallace E. Olson last November.

In his persuasive letter to Sen. Ribicoff, the Comptroller General noted that "Governmental entities provide some of the most diverse and challenging work in the accounting and auditing field." In endorsing the Uniform CPA Examination as a yardstick of professional competency, Staats underscored his position by stating that "authorizing auditors who have

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not demonstrated that they possess such skills to render opinions on financial statements will not provide the public with the protection it needs.”

While the Comptroller General’s recommendation on auditor qualifications is advisory, the standards set down by the GAO become mandatory when prescribed by statute or when it is incorporated in agency regulations where Federal funds are involved. Hence, many government audits performed on the state level are affected by the Federal Government’s agency level regulations on auditing procedure. Also, NSPA interests have, in the past, used federal government audit authorization to influence state legislatures to pass additional-class licensing laws.

The American Institute has called on CPAs to contact their Congressmen, especially those on the Senate Committee on Government Operations, to ask them to support the Comptroller General’s policy position.

#### ITEMS OF INTEREST

The NSPA scheduled to hold a national legislative conference October 30-31 in Sarasota, Florida. . . Under recently adopted legislation in Indiana, members of regulatory boards will be expressly immune from liability for damages incurred out of the performance of their duties. . . The National Conference of State Legislatures reports that many state legislators are having federal tax troubles involving their justification of outlays on travel, offices, dues, advertising and newsletters as deductible business expenses. Some of our state CPA societies have come to the legislators’ aid by publishing handy guides on state taxation. . . The U.S. Chamber of Commerce has come up with an information bulletin outlining the procedures for setting up and operating a political action committee (PAC) under the updated provisions of the Federal Election Campaign Act of 1971. The information is available to state societies through the Institute’s Legislative Reference Service. The act imposes specific limitations on the amount of money that can be contributed to and spent by candidates seeking federal office.

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