

PROPOSED BYLAW CHANGE

To: The Secretary of the California Society of CPAs (CalCPA) We, the undersigned, current members of CalCPA in good standing, have considered the problems related to the current lack of member input in the governance of our national organization, the AICPA. Currently, appointments and nominations to the AICPA Council from California are the sole prerogative of the chair of the CalCPA. We desire to change the current method of appointments and nominations by amending the CalCPA Bylaws in accordance with Article XII, paragraph (1) of those bylaws.

This amendment would create a new Article XIV—Appointment and Nomination of AICPA representatives, to be effective on passage. All current articles numbered XIV or higher would be renumbered to conform. All references in the bylaws to articles XIV or higher would be reworded to conform.

We request under Article XII that this amendment be presented to the membership in the form of a ballot to all members. To the extent permitted under the bylaws, and to the extent appropriately controllable by the staff of CalCPA, we would not object to distribution of the ballot with other CalCPA mailings to all the membership nor to voting responses by electronic media or email. If arguments “against” are distributed with the ballots or in other CalCPA funded materials, we would require an equal opportunity to present the arguments “for” in those same materials.

ARTICLE XIV - Appointment and Nomination of AICPA Representatives.

As part of the relationship between the AICPA, the CalCPA and the members of the AICPA residing in California, certain rights are created to appoint and/or nominate members to seats on the AICPA Council or such other positions as they may become available. To the extent that such rights are granted to the CalCPA or to any officer or member by virtue of their position within the CalCPA, the exercise of those rights shall be governed by this article of the bylaws.

1) To the extent that there is at least one appointment to the AICPA Council, the chair of the CalCPA shall be that appointee. In the case where the chair already sits on the AICPA Council for the term of that chair's term of office as chair of CalCPA, then that chair shall, after such consultations as that chair deems appropriate, appoint an eligible CalCPA member to that position.

2) All other appointments and nominations to the AICPA Council or of a fixed term shall be administered by the CalCPA Nomination and

Leadership Development Committee as described in these bylaws utilizing the same process used for nominations of the at-large members of the CalCPA Council except in those cases where the specific representation contemplated is on behalf of California AICPA members rather than specifically on behalf of CalCPA or its members. In those exception cases, the Nomination and Leadership Development Committee's procedures will be expanded to incorporate AICPA members who are not members of CalCPA. At a minimum, this expansion will consist of a) procedures for

the California members of the AICPA who are not CalCPA members to recommend candidates to the CalCPA Nomination Committee for their consideration; b) a request to the AICPA to publicize the opportunity and the process in their communications to California members of the AICPA; and c) such other measures as the CalCPA Committee shall consider appropriate. Also in those cases, all members of the CalCPA Nomination Committee will be eligible to participate in the discussions and to vote on the selections, without regard to their being or not being members of the AICPA.

3) Nominations from the CalCPA Nomination Committee for individuals who are to be referred to the AICPA Nomination Committee shall be referred directly to the AICPA Nomination

and Leadership Development Committee without further CalCPA review. Nominations from the CalCPA Nomination Committee for direct appointment shall be submitted to the CalCPA Council for approval. Discussion by the CalCPA Council on the submitted nominees shall be available to all members of CalCPA Council, but voting on approval shall be limited to those members of the CalCPA Council who are also members of the AICPA. Rejection by the CalCPA Council will require the CalCPA Nomination and Leadership Development Committee to nominate a different candidate, subject to the same CalCPA Council approval.

4) There may be other nominations or appointments that may arise from time to time. For these, the individual named by the AICPA, or absent a specific individual named, the Chair of CalCPA, after consultation with the officers and the other CalCPA members who sit on the AICPA Council, shall recommend at least one individual for each such nomination or appointment. After consideration of, but not limited to the recommendation(s) furnished, the CalCPA Council will select an appointee or nominee by majority vote. The Chair is authorized to call special telephonic or electronic meetings of CalCPA Council for this purpose, except that any such meeting must provide a mechanism for discussion and / or debate between Council members.

How To Vote

OVERVIEW

A member petition has been submitted to amend CalCPA's bylaws and change the process used by CalCPA to recommend candidates to serve on AICPA Council. Article XII (1) of CalCPA's bylaws states that 50 or more members may submit a petition to amend the bylaws and that CalCPA Council is to select a method for voting on the petition. CalCPA Council has selected a ballot process. The proposal, pro and con positions as well as rebuttals to those positions are included here.

TO VOTE, you will need your member ID and birthdate. Only licensed CPA members as of March 1, 2003, may vote. Voting will run March 1–May 1, 5 p.m. To vote:

- 1. Complete and return the postcard ballot bound into this issue of California CPA magazine; or**
- 2. Vote online at www.calcpa.org/vote.**

In Support of Democratic AICPA Council Representation

The AICPA is **your profession's** leading national membership organization. The AICPA's *vision* of the profession, *philosophies*, *policies*, and *recommendations* **greatly influence** the **livelihoods of CPAs** *and* national, state, and international accounting, regulatory, and **governmental bodies that direct the CPA profession**. *AICPA Council* **has primary responsibility** for the actions of the AICPA, *your national membership organization*.

It is in every CPAs best interest to be able to **trust** and **rely on the AICPA Council** to make decisions that support the CPA profession. **This trust and reliance depends on democratic selections of AICPA Council members.**

Currently, California AICPA Council positions are nominated, unilaterally, by the Chair of the California Society of CPAs (CalCPA). These nominations (effectively appointments) are generally for 3 years. **There is no required review or approval by CalCPA members of these nominations.** Although the AICPA's nomination's committee has the final "say" CalCPA nominations are effectively automatically approved by the AICPA.

The AICPA has wandered into treacherous fields laced with land mines in all directions. **For the AICPA to survive**, its volunteer **leadership** (the AICPA Council and Board of Directors) **must be representative of members** in every way. *Failure to do so will undermine the AICPA's ability to survive and if the AICPA isn't there each and every member of our Profession will suffer great harm.*

This bylaw amendment assigns responsibility to the CalCPA Nomination Committee to submit nominations for California's AICPA Council representatives for election and approval by CalCPA members.

Lately the **AICPA has received negative attention** from the **media**, **politicians**, and **the public** resulting from the Enron/Arthur Andersen matter, complicated and material financial statement restatements, and disagreements among the membership regarding major AICPA initiatives. This attention has **damaged our public credibility and has tainted our CPA licenses**. Additionally, many of these initiatives appear to have been advanced in direct contravention to the attitudes and wishes of a significant portion of the membership, sometimes at great financial expense. **Democratic election of council representation is intended to help avoid this unfortunate circumstance in the future.**

Voting **YES** to this bylaws amendment **provides CalCPA members a voice in the decision making of the AICPA—a voice that is currently not heard**. Richer voices lead to a stronger future. **An improved future requires you to exercise your right to determine how AICPA Council members are nominated.**

In sum, AICPA Council positions are too critical to the future of our Profession to continue with the current operating structure of selection without member input, a system that allows for privately selecting AICPA council members who may not be truly representative of California AICPA members.

AICPA Council should be "Representative"—in fact and appearance—of all of its members and not just select and "preferred groups".

Exercise your right to vote. Voting for **this amendment facilitates California's CalCPA and AICPA members their first opportunity to exercise their voice through democratic and representative leadership.** **Leadership that is crucial—now more than ever.**

Daniel D. Morris,

President Silicon Valley San Jose Chapter and CalCPA Council member

Kendall Wheeler,

Former President of Fresno Chapter, and Current CalCPA Council Member

Harold L. Katz,

Los Angeles Chapter and Co-founder CPAs for the Reform of the Profession

John Levy,

Former President East Bay Chapter and Current CalCPA Vice Chair

Mitchell Freedman,

Los Angeles Chapter and Former CalCPA Council Member

Outline of Major Arguments Bylaw Amendment #1

The Current Process Isn't "Broken"

In December, the Chair of CalCPA, in consultation with the CEO, the Board of Directors, the First Vice Chair and the Past Chair, develops recommendations to the AICPA for nominations to the AICPA Council. The elected leadership of CalCPA addresses the need for diversity and active participation in California's representation on the AICPA Council. Accordingly, candidates from academe, industry, large and small firms and government are considered. The recommendations are advisory as the proposed members of AICPA Council are nominated by the AICPA Nominating Committee and are expected to represent the interests of CPAs across the nation, not the interests of CalCPA.

The current California representation on AICPA Council consists of members from: small firms (7), mid-size firms (1), large firms (2), industry (1), academe (1). Although more difficult to quantify, there is also significant diversity of opinion regarding the role and operations of the AICPA among the AICPA Council members from California.

In short, the current process works and does not need to be "fixed."

Is a Bylaw Amendment Necessary?

The volunteer leaders who participate in the AICPA Council candidate selection process have all been elected at the CalCPA Annual Meeting. The members of the CalCPA Nomination Committee are appointed by their chapters or CalCPA Council. Maintaining an effective relationship with the AICPA and influencing its strategies is a key role of CalCPA leadership. Transferring the authority to make recommendations for AICPA Council membership to the CalCPA Nomination Committee will weaken CalCPA leadership's ability to effectively perform that role.

There are adequate opportunities for CalCPA members to make the chair aware of their desire to serve on AICPA Council and to express their views regarding who should be recommended by CalCPA.

This bylaw amendment is not necessary.

Why the Nomination Committee Should Not be Charged with the Recommendation Process.

This bylaw amendment is an attempt to shift the role of leadership from your elected leaders to a Nomination Committee that may not have the same strategic perspective on AICPA issues as your elected leadership who are directly responsible for implementing the strategic vision of CalCPA at the state and national levels. This bylaw amendment has clearly been designed by a few members of CalCPA in an effort to provide an opportunity for a politically charged group to obtain CalCPA's recommendation for membership on the AICPA Council.

This proposed transfer of responsibility away from your elected leaders is not in the best interest of the membership of CalCPA.

Where does CalCPA Council Stand on this Issue?

Unlike other issues facing members of CalCPA, your Council had not been asked to provide any recommendation to the membership on this proposed bylaw. CalCPA Council did take a position with respect to the XYZ proposal and other significant professional issues. Why wouldn't the sponsors want a CalCPA Council recommendation on this issue? Is it because they know what the answer would be and they may not like it?

Ed Jordan, *Member in Industry, CalCPA Council Member*

Hal Schultz, *Past CalCPA Chair, AICPA Council Member*

Thad Scott, *Past CalCPA Council Member, Past President of Fresno Chapter*

Mike Ueltzen, *Past CalCPA Chair and Prior AICPA Council Member*

Michelle Walters, *President Orange County/Long Beach Chapter, Member CalCPA Council*

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Rebuttal—Supporting the Amendment

The principal opposition argument is that the status quo works fine. This is false on its face—look at the negative attention our profession, and our professional organization is receiving from the media, politicians, the public and CPAs themselves.

The second argument is this amendment would damage the relationship between CalCPA and AICPA. The amendment merely shifts selection of AICPA council members from the CalCPA chair to the Nomination Committee (the same committee that nominates leadership). The committee members are more accessible than the chair, and this promotes representation of all California CPAs.

The opponents say the motives of the supporters are suspect, described as a politically charged group seeking to obtain AICPA council positions. Judge for yourself—see *www.CPAs4Reform.com*. This amendment will end the “friends and family” approach and the personal and political agendas currently inherent in the selection process. They imply that CalCPA Council is against this amendment. There is no hidden agenda and no evidence of council opposition.

Why are they afraid of member input? It’s time to stop playing politics with our profession; California’s AICPA Council members should represent the interests of all California CPAs—not merely CalCPA insiders.

Robert Jones, *President East Bay Chapter, Member CalCPA Council*

Edward Melia, *Former President Sacramento Chapter, Former CalCPA Council Member*

John Bellitto, *Member CalCPA Board of Directors, Chair CalCPA A&A Committee*

Susan Bradley, *Chair-elect CalCPA Technology Committee, Member CalCPA Fresno Chapter*

Benjamin Mozzetti, *Immediate Past President Silicon Valley San Jose Chapter, Member CalCPA Council*

What Is Not Being Said By The Proponents?

The assumption behind the bylaw amendment is that current California AICPA Council members are not representing the Profession well. On the contrary, council members from California are recognized as leaders of the profession and are listened to by leadership of the AICPA. California positions have been heard and acted upon. The bylaw amendment impugns the very character, caliber, and leadership of the current and past California members of AICPA Council.

The proposed bylaw amendment does not even take into consideration the current study being undertaken by the AICPA regarding the role, function, and responsibility of both the board of directors and the AICPA Council. The bylaw amendment, at best, is premature.

There is an assumption that the bylaw amendment will result in a better composition for AICPA Council. On the contrary, recommendations for AICPA Council currently include input, at a minimum, of three chairs of CalCPA, all of whom have been selected by the CalCPA Nomination Committee.

Now is the time to devote our attention to restoring faith and confidence in the CPA profession, not to debate a bylaw amendment that is neither timely nor appropriate.

Ed Jordan, *Member in Industry, CalCPA Council Member*

Hal Schultz, *Past CalCPA Chair, AICPA Council Member*

Thad Scott, *Past CalCPA Council Member, Past President of Fresno Chapter*

Mike Ueltzen, *Past CalCPA Chair and Prior AICPA Council Member*

Michelle Walters, *President Orange County/Long Beach Chapter, Member CalCPA Council*

Rutter Hobbs