REPORT OF THE
CPA EXAMINATION REVIEW BOARD
On The 2016 Uniform CPA Examination And International Qualification Exam
REPORT OF THE CPA EXAMINATION REVIEW BOARD

To the Boards of Accountancy of the Fifty-Five Jurisdictions of the United States of America:

We have reviewed and evaluated the policies and procedures utilized in the preparation, grading and administration of the Uniform CPA Examination and the International Qualification Examination for the year ended December 31, 2016.

Our review and evaluations were conducted for the purpose of determining the appropriateness of those policies and procedures for reliance by the Boards of Accountancy of the fifty-five jurisdictions of the United States of America in discharging their responsibility to test the qualifications of candidates for licensure as Certified Public Accountants.

Based on our review and evaluations, we believe that the Boards of Accountancy may rely on the Uniform CPA Examination and the International Qualification Examination in carrying out their licensing responsibilities for the year ended December 31, 2016.

This report is intended solely for the information and use of the Boards of Accountancy, and is not intended to be and should not be used by anyone other than the specified parties.

CPA Examination Review Board
May 26, 2017
CREATION & PURPOSE

Few Boards of Accountancy have the resources to evaluate the psychometric quality and content of a licensing examination or to review its preparation, scoring and administration. Moreover, few Boards of Accountancy have the resources to evaluate the security and integrity of the electronic architecture and data communications surrounding a computer-based test (CBT). Because such evaluations and reviews are highly technical and time consuming activities, they can be performed more effectively by a single agency acting on behalf of all Boards of Accountancy. Recognizing this need, the CPA Examination Review Board (ERB) was established as a committee of NASBA and reports directly to the Boards of Accountancy.

COMMITTEE CHARGE

The ERB shall review, evaluate and report on the appropriateness of the policies and procedures utilized in the preparation, grading and administration of the Uniform CPA Examination and other examinations in general use by the Boards of Accountancy for the licensing of Certified Public Accountants. In carrying out its responsibilities the ERB shall examine such records and make such observations, inspections and inquiries, as it deems necessary. The ERB shall report annually to the Boards of Accountancy.

UNIFORM CPA EXAMINATION

The Uniform CPA Examination (Examination) is administered pursuant to a contract among the National Association of State Boards of Accountancy (NASBA), on behalf of its constituent members (Boards of Accountancy), the American Institute of CPAs (AICPA), and Prometric.

NASBA

NASBA acts as the central clearinghouse to which all Boards of Accountancy or their designee submits information on eligible candidates and from which all Boards of Accountancy receive advisory scores and other Examination data.

AICPA

The AICPA determines the content of the Examination, prepares the items/simulations, determines the method of scoring the Examination (including the choice of psychometric model), performs and coordinates the scoring of all test item formats including simulations and constructed response exercises, provides all quality control systems for test scoring, prepares advisory scores, and conducts statistical analyses of Examination results.

Prometric

Prometric operates a network of computer-based test centers where candidates take the Examination and is responsible for examination delivery at authorized test centers.
DESCRIPTION OF EXAMINATION REVIEW BOARD PROCEDURES

DEVELOPMENT

The Examination is developed by the AICPA Examinations Team (Examinations Team) in accordance with Content Specification Outlines (CSOs) and Skills Specification Outlines (SSOs) established by the AICPA Board of Examiners (BOE). The CSOs/SSOs used in the 2016 Examination are based on the 2008 Practice Analysis. Examination content is reviewed and modified by the Content Preparation Subcommittees and is given final approval by the Content Committee. We reviewed and evaluated the development of the Examination. Our review included conferences with members of the Examinations Team, observations of the activities of the BOE, its Content Committee and Content Preparation Subcommittees, and interviews with the Examinations Team leadership and staff. We reviewed and evaluated systems security controls and compliance with certain administrative policies and procedures.

We compared test items to the CSOs/SSOs to determine compliance with the approved guidelines.

PRACTICE ANALYSIS

The Practice Analysis Oversight Group established by the BOE designed and carried out an updated Practice Analysis, which was completed in 2008 as a basis for the CSOs/SSOs used in the Uniform CPA Examination, the Computer-Based Testing - evolution (CBTe), launched in January 2011. In connection with our review and evaluations completed for the year ended December 31, 2008, we monitored and reviewed each major stage of the Practice Analysis, including the overall framework for this update and its oversight, the technical research design of the study, the sampling procedures used including defining the target population and the sampling frame, the design and use of the matrix sampling methods, the planning and execution of the computer-based survey, and the statistical analysis of the survey results and reporting thereof. We evaluated the statistical quality indices for the results, such as the standard errors of the ratings, for the main sample and additional subsamples. We monitored and reviewed the work of the Content Committee, which used the Practice Analysis results to recommend revisions and additions/deletions to the CSOs/SSOs. Finally, we reviewed the work of the BOE in finalizing the updated content and skill statements based on all of this empirical and judgmental Practice Analysis work.

Although the 2016 exam was not impacted by the new Practice Analysis currently underway, the ERB observed meetings and obtained reports in consideration of their impact on future examinations.

STANDARD SETTING

The AICPA conducted passing score studies to establish new standards for the CBTe launched in 2011. In determining the new passing scores, the AICPA used sound scientific absolute-standard setting methods based on solid research; the methods used have a long history of use by high-stakes testing agencies and had no obvious bias. The data were collected systematically and statistical analyses were performed by psychometricians to ensure that the standard-setting data were accurate and reproducible. The panel of experts who participated in the studies recommended a passing score to the BOE. The BOE thoroughly discussed the panelists’ recommendations and approved the new passing scores.

The ERB performed a review of the standard setting process during the 2011 review. We reviewed the standard setting plan and design, observed the structure of the process, attended several standard setting panel discussions as well as the BOE deliberations and approval of the new passing scores. In addition we reviewed the standard setting technical report in support of the passing scores.
NASBA receives candidate information from Boards of Accountancy, or their designee, authorizing the candidate to test, and maintains such information in the National Candidate Database (NCD). We reviewed and evaluated the security policies and procedures related to the NCD and the Gateway System. Our procedures begin with testing the accuracy of the database processes and receipt of information into this database and end with the release of the advisory score.

**DEVELOPMENT**

The Examination is delivered at Prometric test sites located throughout the jurisdictions of the Boards of Accountancy as well as selected international locations. We reviewed and evaluated Prometric policies, procedures and security controls relative to the Examination. We visited selected domestic and international Prometric sites and observed the delivery of the Examination. Additionally, we electronically observed the delivery of the Examination at selected international sites. We also reviewed and evaluated security controls and compliance with administrative policies and procedures.

**SCORING**

We reviewed and evaluated the policies and procedures followed in the scoring and reporting of results of the Examination; we performed procedures related to the scoring of a selected sample; and we traced a sample of scores through to the NCD. In addition, the psychometric consultant reviewed and evaluated the validity evidence for the Examination, including psychometric data from the tests, quality control policies and procedures, and statistical analyses of the Examination results.

**PSYCHOMETRIC ASSESSMENT**

Psychometric Consultants assisted us in reviewing and evaluating the policies and procedures employed by the Examinations Team in preparing and scoring the Examination. We evaluated the psychometric model used to calibrate and score the computer-adaptive tests and many other important psychometric characteristics of the Examination such as the psychometric properties of simulations, candidate ability routing through adaptive testlets, the standard setting methods utilized by the BOE, and the passing scores established thereby. We also reviewed the rater reliability of those constructed response written communication exercises which were scored by human raters, the accuracy and consistency of the computer scoring of these written communication exercises, the correlations among test sections and item formats, and many other sources of validity evidence of the Examination. The Psychometric Consultants also assisted us in reviewing and evaluating the policies, procedures and controls for the Examination.
The purpose of the International Qualification Examination (IQEX) is to facilitate the U.S. CPA qualification process for those accounting professionals from other countries whose professional bodies have entered into Mutual Recognition Agreements (MRAs) with the U.S. accounting profession and to provide reasonable assurance to boards of accountancy that those who pass the examination possess the level of technical knowledge and skills necessary for licensure to protect the public interest.

The International Qualification Appraisal Board (IQAB), a joint body of the AICPA and NASBA, is charged with overseeing, on behalf of the U.S. accounting profession, the preparation of MRAs with the accounting profession in countries seeking mutual recognition of accounting qualifications.

IQAB has currently established MRAs with the following professional bodies:

- Institute of Chartered Accountants in Australia (ICAA)
- Canadian Institute of Chartered Accountants (CICA)
- Hong Kong Institute of Certified Public Accountants (HKICPA)
- Chartered Accountants Ireland (CAI)
- Instituto Mexicano De Contadores Públicos (IMCP)
- New Zealand Institute of Chartered Accountants (NZICA)

The intent of IQEX is to test the differences between the Federal Taxation, Business Laws, and Ethics practices of the United States and the relevant practices of the MRA countries. Accounting professionals from the MRA countries have already demonstrated competence in the areas that are the same in the candidate’s home country and the United States by virtue of meeting the requirements outlined in the MRA and remaining a Member in Good Standing with the professional accounting body in the candidate’s home country.
The “Twelve Components for Effective Test Development” as described in the Handbook of Test Development (Lane, Raymond, & Haladyna, 2016) provide the framework for our review and evaluations. The “Twelve Components for Effective Test Development” are based on the Standards for Educational and Psychological Testing (AERA, APA, & NCME, 2014). These components are described in detail in Exhibit 1.

“Standards for Educational and Psychological Testing (AERA, APA, & NCME, 2014) represent the consensus opinion concerning all major policies, practices, and issues in assessment. This document, revised every decade or so, is sponsored by three North American professional associations concerned with assessment and its application and practice: The American Educational Research Association (AERA), the American Psychological Association (APA), and the National Council on Measurement in Education (NCME)”

1. Overall Plan
2. Content Definition and Claims Statement (Practice Analysis)
3. Content Specifications
4. Item Development
5. Test Design and Assembly
6. Test Production
7. Test Administration
8. Scoring Test Responses
9. Establishing Passing Scores (Standard Setting)
10. Reporting Test Results
11. Test Security
12. Test Documentation
MEMBERS OF THE CPA EXAMINATION REVIEW BOARD

Douglas E. Warren, CPA, CFF, CFE. Chair of the ERB. Member of the ERB since 2013. Managing Partner of Warren & Tallent CPA’s PLLC. Past Chair, Vice Chair and member of the Tennessee State Board of Accountancy; a Past Chair and member of the AICPA Board of Examiners (BOE); Past Chair of the BOE State Board Committee; Past member of The BOE Executive Committee; Past member of the BEC Content Subcommittee; Member of the Board of Directors and President-Elect for the Tennessee Society of CPA’s; Member of the Board of Directors for the TSCPA Education and Memorial Foundation; Founding member of the Center for Public Trust; member of the National Association of State Boards of Accountancy; Past member of the Mobility Task Force, NASBA CPE Advisory Committee and NASBA Education Committee; Chair and Trustee of Sweetwater Hospital; Member Board of Directors and Chair of Audit Committee of People’s Bank of East Tennessee, Inc.

Henry J. Krostich, CPA. CITP. Member of the ERB since 2014. Director of Fuoco Group, LLP. Past member of the New York State Board for Public Accountancy; Past member of the AICPA Peer Review Board; Past member of the AICPA Accounting and Review Services Committee; Past member of AICPA Council; Past member and Chair of the New York State Society of Certified Public Accountants’ Peer Review Committee and as a member on other NYSSCPA committees; Past member of NASBA Compliance Assurance Committee; and Past member Florida Institute of CPAs Accounting Principles and Auditing Standards Committee.

Barbara A. Ley, CPA, CITP, CFF. Member of the ERB since 2016. Managing Shareholder and President of Barbara A. Ley, a Professional Corporation; Vice Chair of the Oklahoma State Board of Accountancy; Past President, Treasurer, Secretary, Board of Directors and Executive Committee member, and the 2010 Hall of Fame inductee of the Oklahoma Society of Certified Public Accountants (OSCPA); Past member of the AICPA Board of Examiners (BOE) and its Executive Committee; Past Chair of the BOE’s State Board Committee; Past member of the OSCP A Education Foundation Board of Directors; Current member of the National Association of State Boards of Accountancy (NASBA) Nominating Committee; Past member of the NASBA Education Committee; Past member of the CPA Licensing Examinations Committee.

Wendy Perez, CPA. Member of the ERB since 2015. Past Chair and member of the AICPA Board of Examiners (BOE); Past President and member of the California Board of Accountancy; Past member of the AICPA Practice Analysis Sponsor Group; Past member of numerous NASBA committees; Past member on the boards of various non-profit organizations; Retired Ernst and Young partner; Current member of NASBA, AICPA and CalCPA.

Douglas W. Skiles, CPA. Member of the ERB since 2016. Shareholder with McPherron Skiles & Loop, CPA’s PC; member of the NASBA Enforcement Committee; Former NASBA Central Regional Director; Past Chair of NASBA’s Relations with Member Boards Committee; Former NASBA representative on the Board of Examiners’ Practice Analysis Sponsor Advisory Group (SAG); Past Chair of the CBT Examination Administration Committee; Former member of NASBA’s Audit Committee and Education Committee; Past member of the Nebraska Board of Public Accountancy from 2003-2013, with three years as its Chair; Former chair of the Nebraska Board’s Education & Examination Committee, Educational Advisory Committee, Legislative Committee, and a former member of the Board’s Quality Enhancement Program Committee; Former chair (2011-2013) of the Experience Work Group; Former accounting instructor for the University of Nebraska-Kearney and McCook Community College.
CONSULTANTS

Michael W. Harnish, CPA.CITP, CISA, CDP, EnCE. Consultant to the ERB since 1999. Retired; Current Board of Directors of Alliance Sports Group and chairman of the compensation committee; Board of Directors of N-Able Consulting; Board of Directors of Two Rivers Water and Farming and chairman of the audit committee; Board of Directors of Water Redevelopment Company; Past COO/CIO of EthicsPoint, Inc., Fios, Inc., CPA2Biz, and Dickinson Wright PLLC; Past President and CEO, Technology Consulting Partners LLC; Former Associate, Technology Consulting Solutions, Plante & Moran; Former Equity Partner, Crowe, Chizek and Company (now Crowe Horwath LLP), Past Director of Consulting Services, Lotus Development Corp.; Former Member of Various AICPA Committees including the Computerization Implementation Committee (CIC) and first Chairman of the Information Technology Executive Committee and Membership Division; Former Member of the Illinois CPA Society Board of Directors. Recipient of the AICPA Innovative User of Technology and the AICPA Sustained Contribution Awards.


STAFF

Sheena Murphy, CPA, CPA Examination Review Board Director. Former Accounting Manager, Qualifacts Systems, Inc; Former Senior Auditor, Crowe Horwath LLP. Past board member of the Tennessee Coalition Against Domestic Violence and Sexual Assault. Current member of the AICPA, TSCPA, NABA.

Shawn Jackson, CPA, CITP, CISA, CGMA, CPA Examination Review Board Assistant Director. Former Internal Auditor, Deloitte USA LLP; Former Consultant, Deloitte & Touche LLP. Member of the American Institute of Certified Public Accountants.
# EXHIBIT 1: TEST DEVELOPMENT PROCESS

<table>
<thead>
<tr>
<th>Test Development Components</th>
<th>Test Development Recommendation</th>
<th>Example Relevant Standards</th>
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<tbody>
<tr>
<td>1. Overall Plan</td>
<td>Develop a detailed plan for the entire test development project, including information on all test components, a rationale for each component, and the specific methods to be used to evaluate the validity of all intended test score interpretations and uses and the psychometric quality of the test.</td>
<td>1.0, 2.0, 3.0, 4.0, 5.0, 11.1, 12.2, 13.4</td>
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<tr>
<td>2. Domain Definition and Claims Statement</td>
<td>Name and define the domain to be measured. Provide a clear statement of the claims to be made about examinee knowledge, skills, and abilities (KSAs).</td>
<td>1.0, 4.1, 11.2, 11.3, 11.13, 12.4</td>
</tr>
<tr>
<td>3. Content Specifications</td>
<td>Develop content specifications to guide item development, form assembly, score reporting, and other activities.</td>
<td>4.1, 4.2, 11.3, 12.4</td>
</tr>
<tr>
<td>4. Item Development</td>
<td>Identify suitable item formats and materials. Develop items and obtain validity evidence to support item use.</td>
<td>3.2, 4.7-4.14</td>
</tr>
<tr>
<td>5. Test Design and Assembly</td>
<td>Design and create test forms based on test specifications; attend to issues related to test content, format, scoring rules, scaling and equating.</td>
<td>4.3, 5.0, 5.1-5.20, 11.15, 12.11, 13.2</td>
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<tr>
<td>6. Test Production</td>
<td>Produce a clear, accurate, and accessible test form.</td>
<td>4.0</td>
</tr>
<tr>
<td>7. Test Administration</td>
<td>Administer the test in a standardized way. Avoid threats to validity that may arise during administration.</td>
<td>3.0, 3.4, 4.3, 4.15-4.17, 6.1-6.7, 12.16</td>
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<tr>
<td>8. Scoring</td>
<td>Establish a quality control policy and procedures for scoring and tabulating item responses. Ensure accurate and consistent scoring where judgment is required.</td>
<td>4.3, 4.18-4.23, 6.8-6.9</td>
</tr>
<tr>
<td>9. Cut Scores</td>
<td>Establish defensible cut scores consistent with the purpose of the test.</td>
<td>2.16, 5.21-5.23, 11.16</td>
</tr>
<tr>
<td>10. Test Score Reports</td>
<td>Develop accessible and understandable test score reports.</td>
<td>2.0, 2.3-2.4, 2.13-2.14, 5.1-5.5, 6.10-6.16, 8.7-8.8, 12.18</td>
</tr>
<tr>
<td>11. Test Security</td>
<td>Establish policies and procedures for ensuring test security during test development and administration.</td>
<td>6.7, 6.14, 6.16, 7.9, 9.0, 8.5-8.6, 8.9-8.12, 9.0, 9.21-9.23</td>
</tr>
<tr>
<td>12. Test Documentation</td>
<td>Prepare technical reports and other documentation supporting validity, fairness, and the technical adequacy of the test.</td>
<td>4.0, 7.0, 7.1-7.14, 12.6</td>
</tr>
</tbody>
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