

# ERB

CPA Examination Review Board

## REPORT OF THE CPA EXAMINATION REVIEW BOARD

ON THE 2011 UNIFORM CPA EXAMINATION AND INTERNATIONAL QUALIFICATION EXAMINATION



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# CPA EXAMINATION REVIEW BOARD

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## 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, 2011.

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, 2011.

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*

CPA Examination Review Board  
May 30, 2012

## **SECTION II**

### **CREATION AND 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 and reports directly to the Boards of Accountancy.

### **CHARGE FROM THE BOARDS OF ACCOUNTANCY**

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.

## **SECTION III**

### **UNIFORM CPA EXAMINATION AND INTERNATIONAL QUALIFICATION EXAMINATION**

#### **UNIFORM CPA EXAMINATION**

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

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

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 operates a network of computer-based test centers where candidates take the Examination.

#### **INTERNATIONAL QUALIFICATION EXAMINATION**

The International Qualification Examination (IQEX) is intended to test differences between the accounting and auditing practices of the United States and the relevant accounting and auditing practices of Australia, Canada, Ireland, New Zealand, or Mexico. The IQEX is derived from the Uniform CPA Examination and was offered to Chartered Accountants and Certified Public Accountants from Australia, Chartered Accountants from Canada, Ireland and New Zealand, and Contadores Publicos Certificados from Mexico that have demonstrated competence in all areas that are substantially equivalent in the candidate's home country and the United States.

## **SECTION IV**

### **DESCRIPTION OF EXAMINATION REVIEW BOARD PROCEDURES**

#### **UNIFORM CPA EXAMINATION**

##### **DEVELOPMENT**

The Examination is developed by the AICPA 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 2011 Examination are based on the year 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 AICPA 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. We also reviewed a sample of test items for content accuracy and scoring accuracy.

##### **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 (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.

##### **STANDARD SETTING**

In preparation for the implementation of CBTe the AICPA conducted passing score studies in order to establish new standards for CBTe. 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. 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.

## **NATIONAL CANDIDATE DATABASE**

We reviewed and evaluated the security policies and procedures of NASBA as related to the National Candidate Database (NCD) and the Gateway System. We tested the accuracy of the database processes and receipt and transmission of information into and out of this database.

## **DELIVERY**

The Examination was 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 Prometric sites domestically and internationally, and observed the delivery of the Uniform CPA Examination. 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 rescored a sample of candidates' response files for accuracy and followed the scores through to the NCD. 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.

## **POLICIES AND PROCEDURES OF THE BOARD OF EXAMINERS AND THE EXAMINATIONS TEAM**

We reviewed and evaluated the policies, procedures and security controls of the BOE and Examinations Team relative to the development and scoring of the Examination. We also assessed the work and reports of AICPA Internal Audit relative to the security of the Examination.

## **PSYCHOMETRIC ASSESSMENT**

The Psychometric Consultant assisted us in reviewing and evaluating the policies and procedures employed by the AICPA 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.

## **TECHNOLOGY ASSESSMENT**

The Information Technology Consultant assisted us in reviewing and evaluating the policies, procedures and controls employed by the AICPA, NASBA and Prometric. We evaluated and relied upon a comprehensive analysis and evaluation of the security, processing integrity and sustainability of the communications and systems of all parties. We performed assessments based on guidelines and standards set forth in CoBit, SSAE 16 guidelines, the AICPA/CICA Trust Services Principles and Criteria and on industry best practices. The evaluation encompassed the Examination as a whole and many different sources of evidence were reviewed to support the reasonableness of the overall systems integrity, security and sustainability of the Examination.

## **INTERNATIONAL QUALIFICATION EXAMINATION**

### **DEVELOPMENT AND CONTENT**

The IQEX Subcommittee of the BOE Content Committee selects and reviews the multiple-choice items chosen from the Uniform CPA Examination, with the assistance of AICPA Examinations Team. Uniform CPA Examination items are chosen to reflect the content specifications developed by the IQEX Subcommittee and appropriate psychometric characteristics.

We reviewed and evaluated the IQEX preparation and interviewed AICPA Examinations Team staff who assisted in the preparation and scoring of IQEX. We also reviewed and evaluated the IQEX technical report dated April 13, 2012, which was provided by NASBA.

### **DELIVERY**

The IQEX is a four and one-half hour objective item examination administered at Prometric testing centers as a linear computer-based test. NASBA is responsible for the administration of the IQEX and has a contract with Prometric for computer delivery. The AICPA Examinations Team provides the test to Prometric, which converts the items into the required format for computer delivery. Prometric then transfers the IQEX through their secure distribution system to the Prometric testing centers in Canada, the United States and its territories, where the test is administered to candidates.

### **PSYCHOMETRIC ASSESSMENT**

The Psychometric Consultant assisted us in reviewing and evaluating the policies and procedures employed by the AICPA psychometric staff. We evaluated the psychometric characteristics of the IQEX test forms including item difficulty, test reliability and all available evidence of test validity, along with a detailed analysis of the scoring procedures used for IQEX and the methods used to establish the passing scores.

### **TECHNOLOGY ASSESSMENT**

The technology assessment of IQEX was included in the assessment of the Uniform CPA Examination as described above.

## SECTION V

### MEMBERS OF THE CPA EXAMINATION REVIEW BOARD

**Sandra R. Wilson, CPA, CFE, CFFA.** Chair of the ERB. Member of the ERB since 2006. Shareholder, Wilson & Wilson CPAs, Inc.; Past Member of the Alaska State Board of Public Accountancy; Served as a Member of the NASBA Board of Directors and as Pacific Regional Director; Past Chair NASBA Audit and Relations with Member Boards Committees; Former Member of NASBA Ethics and Continuing Professional Educations Committees; Past Officer and Member of the Alaska Society of Certified Public Accountants (AKCPA) Board of Directors; Past Chair and Member of Various AKCPA Committees.

**Nicholas J. Mastracchio, Jr. Ph.D. CPA.** Vice-Chair of the ERB. Member of the ERB since 2009. Individual practitioner; Past Chair and Member of the New York State Board of Accountancy; Past Managing Partner C.L. Marvin and Company CPAs; Past Member of the AICPA Board of Examiners; Past Member of the Auditing Standards Board; Past member of NASBA committees including Education, and Nominating committees; Member of the CPA Journal Editorial Board; Retired Arthur Andersen Alumni Professor of Accounting University at Albany.

**Wesley P. Johnson, CPA.** Immediate Past Chair of ERB. Member of the ERB since 2009. Retired Partner, KPMG LLP; Past Chair and Member of the Board of Directors of NASBA; Past Chair and Member of the Maryland State Board of Public Accountancy; Past President and Member of the Board of Directors of the Maryland Association of CPAs; Chair of the CPA Examination Preparedness, Strategic Initiatives, Education, and Audit Committees of NASBA; Member of the AICPA/NASBA National Steering Committee on Regulation of the Profession (UAA Implementation Committee); Chair of the Maryland Association of CPAs Accounting Reform Task Force; Member of the AICPA Governing Council for eight years; While an active partner with KPMG, represented the Firm at the Accountants Coalition to work for fairness in liability laws affecting the profession; Served as Member of the Board and Chairman of the Finance Committee of the Board of Trustees of the Maryland State Universities and Colleges; Chairman of Baltimore Goodwill Industries.

**Charles (Chuck) L. Talbert, III, CPA.** Past Chair of the ERB. Member of the ERB since 2007. Shareholder/Director, McAbee, Talbert, Halliday & Co, CPAs; Past Chair of the South Carolina Board of Accountancy; Past President of the South Carolina Association of CPAs; Past Chair and currently serves as a member of SCACPA's Legislative Committee; In 2004, received the distinguished SCACPA Service to the Profession Award; Past Member of the AICPA Council; Served as a Member of the NASBA Ethics Committee; Former SC Fourth Congressional District's representative to the SC Commission on Higher Education.

**David A. Vaudt, CPA.** Member of the ERB since 2005. Iowa State Auditor; Past Chair and Member of the Iowa Accountancy Examining Board; Past Chair and Member of the Board of Directors of NASBA; Served as Chair or Member of Various Committees of NASBA, the AICPA and the Iowa Society of Certified Public Accountants; Past Treasurer and Member of the Supreme Court of Iowa Client Security and Attorney Disciplinary Commission.



## SECTION VI

### CPA EXAMINATION REVIEW BOARD STAFF

**Toerien DeWit, CPA, CA(SA), CGMA.** Director, ERB Operations. Former Audit Manager, Deloitte & Touche LLP; Member of the American Institute of Certified Public Accountants and the South African Institute of Chartered Accountants.

**Onita S. Porter, CPA, CGMA.** Audit Manager, ERB. Former Senior Reporting Analyst, LifePoint Hospitals, Inc.; Former Auditor, Deloitte & Touche LLP; Former English Teacher and Yearbook Adviser for Smyrna High School and Blackman High School in Rutherford County, TN. Member of the American Institute of Certified Public Accountants.

**Shawn Jackson, CPA, CISA, CGMA.** Senior IT Auditor, ERB. Former Internal Auditor, Deloitte USA LLP; Former Consultant, Deloitte & Touche LLP. Member of the American Institute of Certified Public Accountants.

## SECTION VII

### CONSULTANTS PROVIDING SUPPORT TO THE CPA EXAMINATION REVIEW BOARD

**Steven M. Downing, Ph.D.** Consultant to the ERB since 1995. Emeritus Associate Professor, University of Illinois at Chicago, Department of Medical Education; Psychometric Consultant for Various Credentialing Organizations; Former Senior Psychometrician, American Board of Internal Medicine and Former Director and Senior Program Manager, Institute for Clinical Evaluation; Former Assistant Vice President and Director, Department of Client Programs, National Board of Medical Examiners; Former Director, Department of Health Programs, American College Testing Program; Member, American Educational Research Association and National Council on Measurement in Education.

**Michael W. Harnish, CPA, CITP, CISA, CDP, EnCE.** Consultant to the ERB since 2003. Retired; Past COO/CIO of EthicsPoint, Inc., Fios, Inc., CPA2BIZ, Dickinson Wright PLLC; Past President and CEO, Technology Consulting Partners LLC; Former Associate, Technology Consulting Solutions, Plante & Moran; Former Partner, Crowe, Chizek and Company, Past Director of Consulting Services, Lotus Development Corp.; Former Member of Various AICPA Committees Including the Computerization Implementation Committee and Chair of the Information Technology Executive Committee; Former Member of the Illinois CPA Society Board of Directors.