

Legislative Trends Being Followed

What happens in Washington, D.C., can have a profound effect on what happens in each of the states, as more than 26 percent of most states' budgets come from the federal government, NASBA Director of Legislative and Governmental Affairs John Johnson told the Annual Meeting. "Whenever there is a lack of cash on hand, states look for healthy trust funds – usually depleting Board trust funds in order to help balance their budgets – so this is an area we will be following very closely in 2015," he stated. While state fiscal conditions improved in fiscal year 2013, there was slower growth in 2014, Mr. Johnson reported. Slightly stronger growth is expected in 2015, but with spending for higher education and Medicaid continuing to grow, it is anticipated that year-end balances will decline in 2015, he explained.



John Johnson

Looking at a recently completed poll of the State Boards' executive directors, Mr. Johnson reported of the 28 jurisdictions responding five intend to introduce legislation in 2015 to adopt the

revised definition of "attest," as it appears in the 7th Edition of the Uniform Accountancy Act. He noted that three states enacted the new language during their 2014 legislative sessions. Other issues that the executive directors reported being introduced in their state legislatures in 2015 relate to: firm mobility, elimination of two-tier licensing, moving from triennial to annual CPE reporting, battling trust fund sweep, peer review cleanup and increased Board of Accountancy authority.

Mr. Johnson encouraged the Boards to continue to foster greater communication with the profession. "State legislatures are often incubators of change for professions, so dialogue and collaboration between State Boards, NASBA, State Societies, and the AICPA – and speaking with one voice – are imperative if we are to have a say in the process."

To follow NASBA's state-by-state legislative tracking go to www.nasba.org and click on the "Member Center" tab at the top of the page to locate NASBA's Legislative Tracking homepage. ♦

NASBA Responds to IESBA, BOE, AICPA

In November, NASBA submitted three letters of response to invitations to comment from the AICPA Enhancing Audit Quality Group, Board of Examiners and International Ethics Standards Board for Accountants. All three responses can be found on www.nasba.org. The various responses were developed for NASBA President Ken L. Bishop and Chairs Carlos E. Johnson and Walter C. Davenport by volunteers from across the country who serve on: the Ethics Committee, chaired by Raymond N. Johnson (OR); Compliance Assurance Committee, chaired by Janice L. Gray; Education Committee, chaired by Thomas R. Weirich (MI) and Robert J. Cochran (VA); CBT Administration Committee, chaired by Richard N. Reisig (MT); Executive Directors Committee, chaired by Mark H. Crocker (TN) and Russ Friedewald (IL); and the Regulatory Response Committee, chaired by W. Michael Fritz (OH).

Responding to "Enhancing Audit Quality – Plans and Perspectives for the U.S. CPA Profession," the NASBA letter states: "Consider forming a separate research and analysis group to analyze peer review trends, areas of repeat findings, cases that come before State Boards and provide insights to the profession regarding the deficiencies identified in peer reviews and related root causes (in order to share knowledge and improve quality overall). The AICPA should also consider coordinating with the State Boards of Accountancy, CAQ, PCAOB and other regulators to bring together all parties interested in continuous improvements for the profession."

Commenting on the IESBA's "Proposed Changes to the Code Addressing the Long Association of Personnel with an Audit or

Assurance Client," the NASBA letter stated: "With respect to any staff below a key audit partner (KAP), we recognize that such staff may be responsible for identifying issues that are eventually decided upon by the KAP. Further, junior staff usually move into more senior staff positions, and they may grow into decision making positions where they are familiar with a client. Hence, we believe that the general provisions should apply to the evaluation of potential familiarity

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Pope Addresses World Congress

While AICPA Past Chair Olivia Kirtley was welcomed as the new president of the International Federation of Accountants, she was not the best known speaker at the 19th World Congress of Accountants (WCOA), held November 10-13 in Rome, Italy. Pope Francis received the participants of the WCOA at an audience in the Vatican. He called on the accountants “to make choices that foster the social and economic well-being of the whole of humanity, offering everyone the opportunity to realize his own development.” Pope Francis urged the accountants “to act always responsibly...addressing with courage especially the problems of the weakest and the poorest.”



Pope Francis

The WCOA's plenary sessions covered: businesses thriving in disruptive times; enhancing government transparency and accountability; and integrated thinking. President Kirtley told the

World Congress: “The groundswell for integrated reporting and integrated thinking is rising quickly.” At the closing session organized by the CGMA, Ms. Kirtley told the accountants that finance is increasingly taking the driver's seat in businesses worldwide.

The WCOA reported attendance at the event by continent: 1,592 from Africa, 789 from Asia, 1,187 from Europe, 343 from America, and 45 from Oceania. The largest number of representatives from any single country was 1,145 from Nigeria. The United States had 120 in attendance. Professionals from more than 100 countries participated. The 19th World Congress was hosted by the Italian Institute of Accountants and IFAC.

In 2018, the 20th WCOA will be held in Sydney, Australia, with the support of the Certified Practicing Accountants of Australia, the Institute of Chartered Accountants Australia, Business Events Sydney and the New South Wales government. ♦

Boards Hear How Credit Is Assigned

Massive Open Online Courses (MOOCs) are being studied by the American Council on Education to examine their academic potential. The ACE has recommended five Coursera courses for college credit - but none are business courses yet, Dr. Christine A. Botosan, president of the American Accounting Association, told the NASBA Annual Meeting. “Times in higher education are turbulent and the process of assigning credit is difficult and involves the application of significant judgment,” she reported. The complete text of Professor Botosan's talk can be found on <http://nasba.org/media-resources/presentations-and-speeches/#annual2014>.

The most well-known providers of MOOCs associated with top universities are Coursera, Udacity and EdX, Dr. Botosan stated. Currently her school, the University of Utah, does not have any articulation agreement with MOOCs providers, but the Colorado State University has announced it will accept transfer credit from Udacity, she said. The U of U has complete authority to decide which courses are acceptable at the junior and senior undergraduate levels and for graduate classes.

U of U also has limitations on the amount of credit students can transfer and still receive a degree from U of U. If a student were to request transfer credit for an introductory accounting MOOC, the chair of the accounting department would assign a faculty member to begin the assessment to determine if the content covered was sufficiently similar to what would be covered in the university's course. They would consider which institution is offering the course, whether it is accredited and by whom, and what materials are specific to the course. They would also need to determine how much credit to grant. With the

standard semester-long class, one credit hour is defined as one hour of direct faculty instruction plus a minimum of two hours of out-of-class work each week for 15 weeks. With on-line courses, metrics may need to depend more on demonstrating acquired competencies and less on contact hours, she observed.

In the fall of 2013, Professor Brian Bushee of Wharton introduced the first introductory accounting MOOC, for which 56,000 students registered and approximately 10 percent completed. Besides the accounting MOOC, Wharton offered three other MBA MOOCs through Coursera. This enabled Wharton to evaluate the performance of students all over the world and identify top talent for recruiting, as well as provide vast global advertising, Dr. Botosan observed.

The American Accounting Association is proposing the formation of four centers aimed at advancing accounting in the areas of education, practice, research and public interest. Dr. Botosan invited NASBA to partner with AAA and other organizations concerned about accounting education in the development of the Center for the Advancement of Accounting Education. She explained the CAAE will provide a central location for resources and activities to help faculty and Ph. D. students.

Professors Jerry E. Trapnell and Jan R. Williams described the levels of accreditation of schools, focusing on the process and standards of the AACSB's separate accounting accreditation process. Over 16,000 schools give business degrees, but only 700 are AACSB approved. Dr. Trapnell pointed to data collected by NASBA from the State Boards that showed 68 percent of candidates taking the Uniform CPA Examination in 2013 came from AACSB schools and 75 percent of them passed. ♦

NASBA Responds to IESBA, BOE, AICPA (Continued from Page 1)

threats that may exist for all individuals on the audit team.”

The Board of Examiners' “Invitation to Comment: Maintaining Relevance of the Uniform CPA Examination,” drew many comments. One of the recommendations in the NASBA letter was: “Several Boards of Accountancy have approached NASBA with a request for year round testing and, more specifically, with a request for opening the month of June for Examination testing as an accommodation to those

candidates who are either still in school or have just graduated in May. We encourage the AICPA to continue exploring avenues to alleviate or diminish the need for dark months, and also work with NASBA to consider what improvements could be made to the testing schedule.”

Check the “Publications” section of www.nasba.org for NASBA's responses to the latest professional inquiries. Responses related to ethics and peer review issues are currently under preparation. ♦

PRESIDENT'S MEMO

Already December?

While growing up, I remember hearing from “older folks” about how fast time flew by. That was a difficult concept for me to understand, as it seemed like the school year never ended and birthdays and holidays took forever to arrive. Now I have joined the ranks of those who can hardly believe how quickly years seem to go by. As I was preparing to write this “Memo” for the final *State Board Report* of 2014, I couldn’t help thinking: “Is it really already December?”

One of the ways we measure time at NASBA is by the terms of office of our Chairs and Board members. This week I received a wonderful message from Doug Skiles of Nebraska, who recently completed his term as Central Regional Director on NASBA’s Board of Directors. In his message, Doug wrote how “time has really slipped away fast” in respect to his membership on the Nebraska Board of Accountancy and his service on the NASBA Board. His comments made me reflect on similar messages from recent past Chairs Gaylen Hansen and Carlos Johnson about the fleeting opportunity of serving on State Boards and with NASBA, and the importance of getting the most from the time you have as part of these groups.

As we come to the end of 2014 and reflect on the endeavors we undertook, and the successes we achieved, we now are immediately thrust into the challenges of a new year. For some of you, 2015 will be your first full year of service on your State Board, just as new members of the NASBA Board will take up the reins from those like Doug, who have been guiding our course. Right now, at the genesis of your regulatory career, you should be considering your Board’s goals and the opportunities that you will have during your time, remembering that it will “slip away fast.”

Not only does time move rapidly, but the expectations of our stakeholders, including candidates and licensees, is for faster, more intuitive service as technology makes it more possible. As millennials enter the marketplace, with the expectation of change and with the desire for nearly instant gratification, we will all be challenged to consider, develop and make improvements while maintaining the core mandates of sound public policy and strong public protection. Each of you will be challenged to consider what your role and contribution to change will be during your tenure — or whether you will leave it to the next generation.

At the NASBA Annual Meeting we had candid discussions about the need for uniformity in accounting laws and rules, the need to address changes in higher education and CPE, and the need to make progress in improving diversity, both in the profession and in the regulatory arenas. No doubt, these are big and complex issues that have been around for years. My challenge to you is to consider what your role will be in making meaningful progress toward resolving them during your fleeting opportunity to work with other Boards.

NASBA and State Boards are blessed to have so many talented and accomplished men and women working together. NASBA has developed resources and capabilities to provide unprecedented services to State Boards. There has never been a better time to take on important issues and make your term count – whether you are in your first year of service on your Board or your last. Something for you to think about as we approach a new year.

I wish each of you and your families a safe and wonderful holiday season and a happy and productive new year. “New year?” Is it really already December?

Semper ad meliora (Always toward better things).



Ken L. Bishop
President & CEO

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is fluid and cursive.

— Ken L. Bishop
President & CEO

NASBA Past Chair Brings Cheer

For years NASBA Past Chair Barton Baldwin (NC) has been sporting a beard at this time of the year to help him complete his Santa Claus disguise. Barton takes up the role annually and either donates his time as Santa or accepts honorariums to be sent to various charities, including the NASBA Center for the Public Trust, the North Carolina Association of CPAs' Educational Foundation and Stagestruck (his local children's theater). However, this year his ho-ho-ho's also went to help a client's family.



Recently, a longtime client of his CPA firm, who had been a leader and benefactor to many in his community of Mount Olive, NC, died and Barton reached out to the grieving family. He explained that he wanted to "try to put a smile back on their faces and on mine." When he walked in among the mourners in his Santa outfit, the result was all that he had hoped for: The expressions on the grandchildren's faces were priceless.

How did we find out about this CPA Santa's very special activity? In speaking to Barton about his work with the NASBA Uniform Accountancy Act Committee, we asked if he had brought out his red suit for the season, and he told us about his unusual client service.

Barton served as Chair of NASBA from 2001 to 2002 and continues to be a valued, hard-working volunteer. ♦

Baruch/CPT Conference Held in NYC

While a panel of lawyers at the December 4, 2014 Baruch College/ NASBA Center for the Public Trust conference observed that the private litigation environment for accountants and auditors is the best it has been in years, two of the attorneys warned that with Securities and Exchange Commission Chair Mary Jo White, who took office in 2013, the SEC is focusing on accounting cases. Jordan A. Thomas, a former assistant chief litigation counsel in the SEC's Division of Enforcement, reported there are accountants coming forward under the SEC Whistleblower Program to talk about what they are seeing. He observed, "Now the SEC is aggressively looking at gatekeepers."

David Woodcock, Regional Director of the SEC's Fort Worth Regional Office and Chair of the SEC's Enforcement Division's Financial Reporting and Audit Task Force, stated: "We are trying to be very proactive in identifying accounting fraud." He explained that because the SEC is now able to make more intelligent use of its data, they expect to be able to find errors before restatements are needed. The Whistleblower Program has resulted in many eyeballs looking for problems, he said, and the SEC did pay out \$30 million to one whistleblower.

The Baruch College of the City University of New York has jointly sponsored its Annual Auditing Conference with the NASBA Center for the Public Trust for several years. CPT now has 25 active student chapters including Baruch's. See www.centerforpublictrust.org for more about its work. ♦