A concept paper on what the CPA profession's practice monitoring might look like in the future has been released by the AICPA with a comment deadline of June 15, 2015. "Evolving the CPA Profession's Peer Review Program for the Future," mentioned as forthcoming at NASBA's June 2014 Regional Meetings by AICPA Senior Vice President Susan S. Coffey, describes how the current peer review program could be transformed into a technology-driven, near-real-time practice monitoring process. The AICPA predicts the envisioned concept will be changed based on feedback from the paper, pilot testing and advances in technology. Ms. Coffey is urging all interested parties to join in the concept's development.

"We believe this visionary concept has the potential to elevate the quality of the profession's work by using new technological approaches, creating greater transparency and establishing more connection points between the CPA firm, the reviewer and the AICPA," Ms. Coffey stated.

The impact on accounting education of the many recent technical advances in higher education are being monitored by NASBA's Education Committee, chaired by Dr. Robert J. Cochran (VA). The 2014-15 Committee has several subcommittees in operation:

- Accreditation Changes – Nicholas J. Mastracchio, Jr., CPA, Ph.D. (NY), Daniel L. Fulks, CPA, Ph.D. (KY), Gregg M. Taketa, CPA (HI)
- Changing Education Models/Pathways Commission – Including consideration of on-line courses, internships, hybrid courses, accelerated degree programs and competency-based education - Rhonda Kodjayan, CPA (IL), Angela L. Pannell, CPA (MS), Rick Elam, CPA, Ph.D. (MS)
- Accounting Advanced Placement Courses Tracking/Reporting – Carlos E. Johnson, CPA, Ed.D. (OK), Terry M. Bayless, Sr., CPA (ID)

It is anticipated some of these subcommittees will be reporting their findings at this year's NASBA meetings. Among the questions the Committee hopes to address this year are:

- What can the Committee do to help NASBA and its member Boards stay in-step with the pace of change in the educational space?
- What are the risks and implications associated with candidates pushing rapidly through the competency-based education pathway?
- What are the risks and implications associated with candidates receiving licensure without traditional education at either the high school or college level?
- What role does/should the accrediting bodies play in the understanding and managing of the education models?

The Education Committee will be aided in their research by staff liaisons Alfonzo Alexander and James Suh.
SASB Issues Provisional Standards

The Sustainability Accounting Standards Board issued in December “provisional standards” for 10 industries with the goal of assisting corporations comply with Regulation S-K, to disclose material information in the Form 10-K. Industries covered include: advertising and marketing; cable and satellite; casinos and gaming; cruise lines; education; hotels and lodging; leisure facilities; media production and distribution; professional services; and restaurants. The SASB, an independent 501(c)3 organization, explains these standards will “remain provisional for at least one year after the issuance date.” The SASB invites feedback through its public comment portal (https://comment.sasb.org/).

Disclosure under SASB standards is voluntary, the SASB makes clear on its website. They explain: “SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.”

NASBA Standard-Setting Advisory Committee Chair Gaylen R. Hansen noted that unlike COSO, which also sets out a voluntary framework but has been recognized by the SEC as authoritative, the SASB has not. The NASBA Committee, newly established this year by NASBA Chair Walter Davenport, will be reviewing how the work of this developing organization might impact the State Boards’ licensees. The Committee’s charge is to: “Monitor and objectively evaluate processes of standard setters on behalf of Boards of Accountancy, recommending improvements when warranted. Proactively advise Boards and NASBA leadership regarding these activities.”

PwC US has contributed $1 million to the SASB along with $1.4 million in pro bono services and loaned employee support. The SASB’s Board of Directors is chaired by Michael R. Bloomberg, founder of Bloomberg LP and includes as vice chair Mary Schapiro, former SEC chairman; Robert Herz, former FASB chairman; Robert G. Eccles, professor of management practice at Harvard Business School; and other thought leaders in the business world. Jean Rogers is the CEO.

Founded in 2010, the SASB believes its guidance is needed because it is designed for concise disclosure in the Form 10-K or 20-F. The SASB website states: “SASB’s sustainability accounting standards are the first that truly enable comparison of peer performance and benchmarking within an industry. SASB’s unique focus on U.S. public equities, approach to industry-specific issues and disclosure of minimum performance standards differentiates it from existing sustainability frameworks.”

ED and Legal Counsel Conferences March 24-26

NASBA’s 33rd conference for Executive Directors and State Board Staff will be held March 24-26 in Tampa, Florida, as will its 20th conference for Board of Accountancy Legal Counsel. The Executive Directors’ meeting this year will feature several joint sessions with the chief executive officers of State CPA Societies covering topics such as legislative cooperation, peer review and CPE tracking. Other sessions will cover the impact of marijuana laws on the CPA profession, international education, the impact of nano learning on continuing professional education, and updates on the Uniform CPA Examination, NASBA technology, and legislation.

Topics to be tackled at the Legal Counsel Conference include work product vs. client records, case law update, Fifth Amendment considerations, behavioral detection and a joint session with the Executive Directors on mobility enforcement.

For more details, see www.nasba.org.

Scholarships are available to enable every Board of Accountancy to have one representative at each of these two meetings.

NASBA President Ken L. Bishop encouraged all Boards to have their staff represented at both these conferences, as they not only present informative speakers, but they also offer outstanding networking opportunities for the exchange of advice on day-to-day Board of Accountancy operations. Contact NASBA Communications Director Thomas Kenny (tkenny@nasba.org) to request scholarship assistance.

PCAOB Enforcement Division is 10

The Enforcement Division of the Public Company Accounting Oversight Board is now ten years old and its director, Claudius B. Modesti, is claiming its efforts have produced visible results: “Our current investigative inventory suggests that we have succeeded in sending a message about the importance of protecting the Board’s processes as we now are seeing fewer instances of non-cooperation (with the PCAOB’s inspections). While I would never declare victory in this area and we will remain vigilant, I would expect to see fewer cases involving this type of non-cooperation in the future.” Speaking at an AICPA conference in December, Mr. Modesti reported that over the last two years, the PCAOB had sanctioned nine different respondents for failing to cooperate with either an inspection or investigation and it had imposed a $2 million penalty on a Big Four firm for permitting its former partner to associate with it while he was subject to the PCAOB’s ordered suspension.

Besides compliance with the PCAOB’s oversight, Mr. Modesti summarized the results of his Division’s work on three other priority areas: professional skepticism, independence and risks cross-border audits represent. The Division has grown from four employees to over 60, with offices in New York, Chicago and Washington. “Always, our goal is to promote the highest audit quality through accountability and deterrence, and to send powerful messages to both auditors and investors,” he stated.

Helen A. Munter, Director of the PCAOB’s Division of Registration and Inspections, addressed the December 4 conference held by Baruch College and the NASBA Center for the Public Trust, at which time she similarly reported the PCAOB’s inspection teams are focusing on professional skepticism.

Ms. Munter’s Division works through hundreds of inspections each year, conducting risk-based audits to see if weaknesses identified in prior years have been addressed. Among common problems discovered during these inspections are the auditor’s failure to evaluate contradictory evidence and the auditor’s accepting information for calculation without evaluating it.
Improving Mr. Bojangles

Over the last two years, I have written Memos related to my law-enforcement background, President Harry Truman’s quotes, my grandfather’s words of wisdom, and various relevant life experiences. However, I don’t think that I have ever mentioned my early interest in music. Several generations of my family were musicians, including my mother, who has been a professional piano player for most of her life -- and who is still doing gigs in Missouri. In that environment, I naturally took up playing guitar at an early age. In fact, back in my teen days, I thought I was pretty good.

However, other interests called to me and I hadn’t picked up a guitar in decades. Now that we are living in Nashville, I’ve made friends with songwriters and entertainers who have rekindled my interest. For the past year or so, I have been picking and strumming my acoustic guitars and have been pleased to find my skill level returning and, in fact, improving. A good friend Gary Talley, former lead guitarist and singer for The Boxtops, who recorded The Letter, offered to teach me to play at a more professional level.

At our first lesson, Gary asked me to play him a song so that he could evaluate my skills. I decided to play Mr. Bojangles, by Jerry Jeff Walker, a song I love and I was confident I had mastered. After only a few bars, Gary stopped me and said, “You are using the wrong chords.” What? My first reaction was to push back, but I decided to listen and consider his criticism. Turns out, he was right. The chords and progressions he showed me sounded much better. Looks like after all of these years I will be improving Mr. Bojangles.

As we embark on a new calendar year, January is an important time for NASBA. We are well into our fiscal year, the Annual Meeting and the holiday season are behind us, so we reengage on the challenges and opportunities of a new year. One important challenge we (staff and the Uniform Accountancy Act Committee) are undertaking is to review the UAA, specifically looking at language that has not been adopted by Boards of Accountancy, to understand the Boards’ reasons for maintaining these gaps of acceptance that challenge uniformity. Though the UAA is considered to be evergreen, adapting to changes in the profession and marketplace, in some areas language has existed for years but has not been uniformly adopted, or has become outdated, or irrelevant.

As is often the case, considering and accepting change is hard. In volunteer organizations such as NASBA and the AICPA, individual and organizational positions and beliefs are not always consistent. Every line and each word of the UAA was written, considered and approved by volunteers from NASBA and the AICPA. Then the UAA was released to the states and there considered word-by-word for adoption into state law. Removing or changing any part of the UAA can trigger passionate responses from those who participated in promulgating the original and existing language, or who fought to enact specific language. Like my initial reaction at my guitar lesson in hearing that what I was comfortable playing could be improved, it is natural to push back. But changes can improve harmony.

The question is: How dedicated are we to the effort to achieve uniform and consistent laws that best protect the public by effectively regulating the profession? Are we at a point in time where we can have trusting conversations among ourselves and with the AICPA about getting to consensus positions to achieve that goal.

Working on the UAA is not our only major effort in the new year. Our committees and task forces are involved in a host of activities including updating NASBA’s strategic plan, ramping up our efforts to achieve diversity, reviewing our election and nominations processes, and finalizing our leadership development efforts. Internally we are engaged in updating our infrastructure, making continued improvements in our IT systems, and increasing our efforts to achieve excellence in all of NASBA’s products and services, including our new for-profit subsidiary Aequo International.

As many of you begin the “busy season,” we continue to thank you for the countless hours and effort you provide to your Boards of Accountancy and NASBA. 2015 is going to be a great year. There may be some conversations and changes that raise your interests this year, but remember, with just a few new chords we can improve our harmony, and, in my case, continue improving Mr. Bojangles.

Wishing you all a healthy, prosperous and happy new year!

Semper ad meliora (Always toward better things).

Ken L. Bishop
President & CEO
NASBA UAA Committee Projects

The NASBA Uniform Accountancy Act Committee, led by Chair J. Coalter Baker (TX), will be working on several projects this year, including:

1. Inactive/Retired CPAs – What they can and can’t do under the UAA and Model Rules and if that needs to be changed. Barton W. Baldwin (NC), Lori J. Druse (NE) and Donovan W. Rulien, II (AK);
2. Exploring Potential Pathways for Licensing of International Professionals in the U.S. – Andrew DuBoff (NJ) and Dan Sweetwood (NE);
3. CPE Model Rules – Karen Garrett (AR), Kenneth R. Odom (AL) and John E. Patterson (OH);
4. Review of UAA and Model Rules – Andrew DuBoff (NJ) and David L. Dennis (FL).

These task forces will include both the NASBA UAA Committee members listed and AICPA UAA Committee representatives. As progress is made by these groups, it will be reported at upcoming NASBA meetings.

NASBA Chair Walter Davenport addressed the UAA Committee’s December conference call and thanked the members for taking on this assignment. He pointed out that the inactive/retired CPA issue has been identified as an important one for the State Boards and many are looking forward to receiving the Committee’s recommendations.

AICPA Rethinks Peer Review

As envisioned, the program would highlight potential practice quality risk indicators and detect engagement issues earlier. The monitoring program would have five components:

1. Continuous analytical evaluation of engagement performance;
2. Human review when system identified concerns are raised;
3. Involvement of external monitors, when necessary;
4. Periodic inspection of system integrity;
5. Oversight of the system’s operating effectiveness.

The AICPA expects to first develop monitoring tools that would be pilot tested with a voluntary group of firms of different sizes. As the pilot testing goes on, the AICPA would be working with the pilot firms and peer reviewers to see how the new tools could work with the peer review process.

Several NASBA Committees are studying the concept paper and will prepare a joint response.

Early this month NASBA responded to the AICPA’s proposed changes to the current peer review standards. NASBA’s letters can be viewed on http://nasba.org/news/. Overall the letters supported the changes being proposed.

NASBA Chair Walter C. Davenport and President Ken L. Bishop thanked the NASBA Compliance Assurance Committee and the Regulatory Response Committee for their assistance in the preparation of those letters.