

# STATE BOARD REPORT

A Digest of Current Developments Affecting State Accountancy Regulation

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## NASBA Leaders Meet with CAI

NASBA/AICPA International Qualifications Appraisal Board (IQAB) Chair Telford A. Lodden (IA), NASBA Chair Walter C. Davenport (NC) and NASBA President & CEO Ken L. Bishop met with the Chartered Accountants of Ireland Chief Executive Pat Costello, Director of Education Ronan O’Laughlin, Chair Tony Nicholl and Director of Regulation and License Heather Briers in September to consider how to continue to have an agreement when the current mutual recognition agreement (MRA) comes up for renewal. When first developed by IQAB and the CAI over five years ago, experience earned in the United States was to have been given exemption to the local audit experience requirement for CPAs who sought to gain audit rights in Ireland. However, since that time, the European Communities Statutory Audits Directive came into effect in Ireland that requires any person who qualified as a chartered accountant outside the European Union to have two years of audit experience in the EU to gain audit rights in Ireland. Though the quality of the CAI program did not change, nor did that of the U.S. CPA, the agreement was not assisting U.S. CPAs.

Speaking to the IQAB members on September 30, President Bishop observed: “The most interesting thing about our discussion with CAI was that both sides would hate to see the MRA go away without significant effort to resolve the differences. Any new agreement would have to spell out that to obtain audit rights in Ireland additional experience would have to be obtained there. Similarly, a new agreement would spell out the competency requirements for a chartered accountant to sign an audit report in



(Left to Right) Ted Lodden -Chair of IQAB, Ronan O’Laughlin - CAI Director of Education, Tony Nicholl - CAI Chair, Ken L. Bishop - NASBA CEO, Walter Davenport - NASBA Chair, Heather Briers - CAI Director of Regulation and License, and Pat Costello - Chartered Accountants of Ireland CEO.

the U.S. The agreement would also need to include the pledge that the parties would work to have the EU recognize U.S. experience as it recognizes experience among EU member states.”

To enable additional time for drafting a new agreement, IQAB voted to extend the deadline for the current agreement until March 31, 2016. President Bishop told the IQAB members that while other pathways for bringing qualified experienced professionals into the United States are under consideration, the MRA remains “the highest priority for both sides.”

IQAB Chair Lodden reported he had spoken to a representative in the U.S. Trade Representative’s office and was advised that, while the USTR is trying to work through trade barriers, they want IQAB to continue to work through recognition in the accounting profession. ♦

## Number of Accounting Grads Up

While the number of accounting graduates has been increasing, the number of CPA candidates has remained relatively flat. According to the AICPA’s “2015 Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits,” in 2013-14 there were 54,423 bachelor’s in accounting awarded and 27,359 master’s in accounting. In the same period there were 207,071 students enrolled in bachelor’s in accounting programs, representing a 5 percent growth in overall enrollments. In 2014 there were 43,252 accounting graduates hired by CPA firms, including both master’s and bachelor’s degree holders, a growth of 7 percent since 2012.

Checking the number of CPA candidates, in 2012 there were 93,106 and in 2014 there were 91,578.

Looking at the demographics of the 2013-14 accounting graduates, both BA and MA: 52 percent were male and 48 percent female; and 62 percent were White, 11 percent Asian, 6 percent Hispanic/Latino, 5 percent Black/African American and 16 percent

other or multi-ethnic. As stated in its latest strategic plan, NASBA has determined attracting candidates to the CPA pipeline is an important element of public protection. ♦

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## Guam Contract Renewed

NASBA has renewed its contract with the Guam Computer Testing Center for a period of five years, ending December 21, 2020 with an option to renew for three years, carrying the agreement out until 2023. The Guam center is one of the large testing facilities for the Uniform CPA Examination and also provides space for testing other high-stakes examination candidates. Thanks to the Center's geographic location and well-trained staff, NASBA also operates a call center at the site that is able to provide CPA candidates with information for 16 hours per day Monday-Thursday and eight hours on Friday.

NASBA President and CEO Ken Bishop visited the Guam Center for the contract signing with Guam Board of Accountancy Chair John R. Onedera. "It is a well-run operation that has consistently received praise from, not only candidates and local elected officials, but also from Prometric. Our congratulations go to Guam Senior Operations Manager Jose Manzon and his team for their continuing excellent

service to our candidates." President Bishop also thanked Guam Board Executive Director David Sanford for his continuing efforts to encourage the growth of the Center. ♦



(Left to Right) NASBA President and CEO Ken Bishop signs the contract with Guam Board of Accountancy Chair John Onedera.

## Garrett Wins Lifetime Diversity Award



Nathan Garrett

Nathan T. Garrett, NASBA Chair 1992-93, was presented the 2015 Lifetime Achievement in Diversity Award by the *Triangle Business Journal*. Mr. Garrett opened the first African-American CPA practice in North Carolina. He told the September 10, 2015 presentation ceremony: "In the mid-1970s, when many were still strongly resisting civil rights for non-whites and women, we built a diverse firm of partners and staff. Of five partners, two were women and three were men. We were a model for diversity back in the 1970s."

Mr. Garrett began his CPA career in Michigan, where he was the fifth African-American CPA licensed in the state. He practiced in North Carolina from 1964 until 2004. Mr. Garrett was NASBA's first African-American chair and was awarded NASBA's William H. Van Rensselaer Award in 2001. NASBA President and CEO Ken Bishop expressed his happiness that "a great leader in the profession like Nathan Garrett continues to receive recognition for his contributions." ♦

## Recent NASBA Responses

Summer time has been a time for NASBA's committees and leadership to be busy with responding to exposure drafts and white papers from professional organizations and regulators. Below are the responses which can be found on [www.nasba.org](http://www.nasba.org):

- June 10, 2015 – AICPA Practice Monitoring of the Future
- July 20, 2015 – FASB – Presentation of Financial Statements of Not-for-Profit Entities
- July 28, 2015 – PCAOB Staff Consultation Paper: The Auditor's Use of the Work of Specialists
- August 19, 2015 – IESBA – Responding to Non-Compliance with Laws and Regulations
- August 25, 2015 – PCAOB – Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form
- September 3, 2015 - SEC- Possible Revisions to Audit Committee Disclosures
- September 25, 2015 – PCAOB Concept Release on Audit Quality Indicators. ♦

## Nashville Renovation Starting

The major renovation of NASBA's Nashville headquarters is set to begin in mid-October. Work will first start on the sixth floor and, once that is completed in early 2016, staff who currently work on the seventh floor will be relocating to the newly renovated sixth floor. A staircase will be constructed within the offices to connect the floors and encourage collaboration among NASBA divisions.

Renovation of the eighth floor will also be undertaken, so that by March 2016 the 13th floor will be vacated and the new offices completed.

Michael Bryant, NASBA Senior Vice President and Chief Financial Officer, who has led the renovation planning effort, explained: "All three floors will have areas to openly collaborate as well as more

private enclaves for working in small groups or for quiet workspace. There will be more appropriately-sized conference space, accessible technology, and growth capability." The design includes more natural light being available to all employees as well as an employee dining area. Mr. Bryant observed: "We are moving into a new world and the old world concept of offices dividing up our place of work has to stay in the past – where it belongs."

Facilities Manager Mary Lane has been orchestrating the process to ensure minimal disruption of the staff's work during the necessary tear-downs and build-ups. President & CEO Ken Bishop reports staff members are very positive about the project and are looking forward to the new office space. ♦

# CHAIR'S MEMO

## How We Are Embracing the Future

During my 2014 inaugural address in Washington, D.C., I asked everyone to recall the television characters on “The Jetsons” and “Get Smart”. Although fictional, they were way ahead of their time, as they embraced new technologies without question. In D.C., I asked the Boards of Accountancy to “embrace the future without seeing it.” Your accomplishments this past year are a true testament that you have. You have focused on the three E’s I set before you when I began my term in office: “Enforcing Our Rules,” “Educating for Optimization” and “Engaging Talent.”

### Enforcing Board Rules

The diligent work of the Accountancy Licensee Database (ALD) Committee, chaired by Laurie J. Tish (WA) and assisted by staff, has brought the current ALD/CPAVerify system to participation by 50 states, capturing licensing information of more than 98 percent of all licensees. In addition, federal regulatory agencies have shown great interest in adding their disciplinary outcomes to the ALD. The Enforcement Resources Committee, chaired by Harry O. Parsons (NV), finalized the “Enforcement Resource Guide” to assist Boards of Accountancy reach a common standard for enforcement, as required for mobility under “No notice; No fee; No escape.” And the Compliance Assurance Committee, chaired by Janice L. Gray (OK), held the largest Peer Review Oversight Committee Summit in its history in August.

Boards of Accountancy and NASBA have been working closely with the AICPA and the Department of Labor to significantly decrease the number of failed audits. Eleven specific recommendations were laid out in the DOL’s report on deficiencies in the employee benefit plan audits they surveyed. One recommendation in particular was to work with NASBA and the AICPA to improve the investigation and sanctioning process for those CPAs who perform significantly deficient audit work. And we are doing that.

### Educating for Optimization

The Education Committee, chaired by Robert J. Cochran (VA), embraced the future by studying how national education accreditation bodies are evaluating nano learning, blended learning and credit for life experiences. The CPE Committee, chaired by Maria E. Caldwell (FL), worked closely with providers of CPE to understand and develop new CPE standards that would let CPAs benefit from the latest in learning techniques. The revised CPE standards were released for comment and responses from the State Boards and other stakeholders are now being studied.

We have also offered the State Boards’ views to standard-setters, regulators and others, who set ethical, educational and technical guidance for the CPA profession, through our Regulatory Response Committee, under the chairmanship of Mike Fritz (OH). They have done an extraordinary job in addressing numerous exposure drafts and white papers this year.

Accountancy Boards are educating and communicating with their constituents in new and more effective ways. Today, assisted by NASBA’s Communications Department and Communications Committee, chaired by Janeth Glenn (NE), more Boards of Accountancy are using electronic newsletters, digital brochures, video messaging and white-boarding to reach their publics faster and better. They are also embracing the future by reaching out through social media channels (Facebook, Twitter and LinkedIn).

### Engaging Talent

As I stated during my inaugural address, engaging talent is an initiative that is very near to my heart. This year, the Diversity Committee, chaired by Tyrone Dickerson (VA), took this initiative very seriously by reaching out to other organizations and benchmarking their efforts to achieve diversity. They have begun an effort to increase our involvement and visibility with organizations as part of NASBA’s program to increase the diversity on Boards of Accountancy. Diversity on Boards of Accountancy will bring different perspectives which will make us stronger, better, more effective and more relevant.

### Future Thinking and Collaboration

Boards of Accountancy have truly embraced the future this past year, but they have done so while maintaining respect for the past. This is very significant to Boards of Accountancy and all that we do to protect the public. I have mentioned the work of just a few of the many committees that have worked diligently this year to meet our charge and I thank them all. Boards of Accountancy must continue to embrace the future to monitor the ever changing landscape of regulation and use latest technologies to fulfill the mission of public protection while maintaining the solid foundation that Boards of Accountancy are built on.

This past year, as your Chair, the days were long but the time flew by. It has been a truly exciting, informative and enjoyable journey. I am humbled by all of the hard work you put forth. You are truly incredible volunteers who give back to your profession as you protect the public.



Walter C. Davenport, CPA  
Chair

Sincerely,

  
— Walter C. Davenport, CPA  
Chair

## Exam Comments Due November 30

Comments on the AICPA exposure draft "Maintaining the Relevance of the Uniform CPA Examination" are due to be submitted to the AICPA by November 30, 2015. NASBA is developing a comment letter based on the feedback it has received from several NASBA Committees and State Boards of Accountancy. The letter will be distributed to the Boards prior to the NASBA Annual Meeting and may prove helpful to Boards that want to formulate their own responses to the exposure draft. A panel discussion at the upcoming Annual Meeting will provide more insights into the next version of the Uniform CPA Examination, and webinars are being presented this month by NASBA to answer the Boards' questions about the document.

Test administration changes are the purview of the Boards of Accountancy, and NASBA will make sure any of those changes are vetted by the Boards and that the Boards will have adequate time to make rule or statute changes if needed, NASBA Executive Vice President and COO Colleen K. Conrad assured the Boards. These administrative changes include:

- Extending testing time into the current dark month up to 10 days, to mitigate the increase in the number of candidates wishing to sit for the Uniform CPA Examination prior to launch of the next version in 2017.
- Possible changes to retesting rules that may allow candidates to retake an examination section in the same testing window.

Boards seeking assistance with analyzing the exposure draft can contact Ms. Conrad ([cconrad@nasba.org](mailto:cconrad@nasba.org)) or NASBA Vice President Ed Barnicott ([ebarnicott@NASBA.org](mailto:ebarnicott@NASBA.org)). ♦

## Other CPAs, Other Alliances

The Institute of Certified Public Accountants in Ireland (CPA Ireland) and the Institute of Chartered Accountants of Bangladesh entered into a mutual recognition agreement in late July. CPA Ireland also has MRAs with CPA Australia, the Association of National Accountants of Nigeria, the Certified General Accountants of Canada, and the Institute of Chartered Accountants in India, which claims to be "the world's second largest accounting body." In addition, CPA Ireland has memoranda of understanding with the South African Institute of Public Accountants, CPA Sri Lanka, CPA Bulgaria, CPA Russia and CPA Belarus.

Under the various MRAs, CPA Ireland will deliver its on-line CPA certificate in International Public Sector Accounting Standards (IPSAS) Financial Reporting to public sector accountants. To become a CPA under the CPA Ireland program, the candidate must pass 15 examinations at a formation and a professional level at a grade of 50 or higher, as well as complete a fully integrated practical experience requirement. Holders of recognized qualifications, including academic degrees and certificates, may be entitled to exemptions from the CPA examinations. Exemptions are granted on a subject-for-subject basis. Study options include part-time, weekend, distance and e-learning.

CPA Ireland reports it has members working in 40 countries. In October, CPA Ireland and the Institute of Chartered Accountants India launched the "Pathway for Ireland-India." Eamon Siggins, Chief Executive of CPA Ireland, said, "There currently exists a skills gap at audit senior level due to the recent economic recession in Ireland." He believes this new partnership will be "an innovative way of addressing the current specific skills gap in Ireland." ♦