

## Peer Review Paper to Boards in July

The AICPA will be sending State Boards a discussion paper in early July for their feedback on proposed changes to the structure and criteria for administering entities (AEs) of the Peer Review Program and other related matters, according to AICPA Senior Vice President Susan S. Coffey. Among the changes initially proposed in a paper circulated to the State Societies was a decrease in the number of AEs from the current 41 down to perhaps eight to ten, with each AE capable of effectively administering at least 1,000 peer reviews per year. The restructuring is part of the AICPA's Enhancing Audit Quality initiative and is being discussed with the State Boards at both June Regional Meetings. Ms. Coffey wrote to the Boards that the July paper would be a follow-up to the discussions at the Regional Meetings. Besides the reorganization of the AEs, the July paper will contain "additional issues of importance to State Boards, including oversight of the Peer Review Program and access to peer review information."



John Dailey

"Currently AEs vary in the number of peer reviews that they administer, ranging from approximately 100 to more than 5,000 peer reviews over a three-year period. As a result, though they all comply with AICPA Standards, the AEs differ in structure, policies, the composition and involvement of employees and volunteers, use of contractors, Report Acceptance Bodies frequency and Peer Review Committee engagement," Ms. Coffey pointed out. "State Boards of Accountancy have always been a key stakeholder in peer review and your input about the initiative is important as we consider critical changes to administration of the Program," she wrote.

In preparation for the June Regional Meetings, NASBA's Compliance Assurance Committee, chaired by John F. Dailey, Jr. (NJ), polled the State Boards to discover concerns they had about the AICPA's proposal. "While we all stand behind improvements for the peer review process, the importance of State Board oversight of this mandated program cannot be ignored," Mr. Dailey observed. He pointed out that the AICPA has indicated the proposed changes are still under consideration.

Janice L. Gray (OK), member and past chair of the Compliance Assurance Committee, reported several of the concerns raised by the State Boards responding to the poll were:



Janice Gray

1. The loss of State Board oversight of the proposed process: How does the proposal provide for the states' oversight of the program?
2. Some State Boards are very satisfied with their current administering entity and did not agree that because an administering entity handles more reviews per year that it is

## Enforcement Surveys Due

NASBA's assessment of the State Boards' enforcement practices is well underway. The project was undertaken to assist the California Board of Accountancy in meeting the requirements of their mobility law, as discussed at this month's Regional Meetings. NASBA Manager of Regulatory Affairs Stacey Grooms has requested all Boards submit their completed information to her by August 1 (sgrooms@nasba.org). ♦

better than others that handle a smaller number. "Bigger does not make better," Ms. Gray noted.

3. Costs associated with the new program were also of concern to the Boards, as the administering entities will need to hire full-time staff and technical reviewers. How will these increased costs affect the firms and, in turn, their legislators?
4. The timeliness of responses from these larger entities is a concern. Also the Boards questioned the overall ease of communication with these entities, as opposed to their current direct relationships with local state societies.
5. Will the larger administering entities be familiar with differences among the states' laws?

Ms. Gray underscored the need for the State Boards to have open dialog with the administering entities so they are not blindsided.

The NASBA Compliance Assurance Committee will be meeting with the Peer Review Board in July. NASBA President Ken Bishop noted that just as the AICPA has worked with NASBA to successfully offer the computer-based Uniform CPA Examination, that can happen with the revised peer review program; however, he emphasized NASBA and the State Boards need to be brought into the program's development early, rather than when it is closer to completion. ♦

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## Comments on Unilateral Path and Exam Due Sept. 1

Are State Boards ready to offer recognition to qualified international professionals without requiring their home regulators to do the same for U.S. CPAs? On June 1 the AICPA/NASBA Uniform Accountancy Act Committee released an exposure draft that covers both international recognition changes for the UAA and changes to examination administration as described in the Model Rules. Comments are due by September 1, 2016 to lhaberman@nasba.org and uaaexposuredrafts@aicpa.org. The exposure draft can be found on the NASBA website.

During NASBA's June Regional Meetings, varying views on the proposals were heard. While some questioned why U.S. Boards should not be eager to support a pathway that would make experienced international auditors more readily available to their states, others questioned the fairness of charting out a path that would not have an equivalent route for U.S. CPAs who practice abroad.

"We are not abandoning our efforts to establish mutual recognition agreements," IQAB Chair Ted Lodden (IA) stated. "This new proposal reflects the realization that we have a global economy and international professionals are practicing in the U.S. – but many are not CPAs and, consequently, are not under the regulation of the State Boards of Accountancy. Is that protection of the public? We would expect other countries will come to a similar realization about professional work being done in their jurisdictions and will also want to put MRAs in place."

Since 1991 NASBA and the AICPA have been following procedures that require foreign recognition of U.S. CPAs abroad. Mr. Lodden observed: "This is a proactive move."

Opening up the Model Rules allows for revisions in the Examination's administration including how testing windows and the Examination's content are described. These changes accommodate the Examination's revisions coming into place on April 1, 2017. ♦

## NASBA Leaders Meet with PCAOB

Public Company Accounting Oversight Board Chair James Doty and PCAOB Members Lew Ferguson, Jeanette Franzel and Steve Harris met with NASBA Chair Donald Burkett, Vice Chair Telford Lodden, President and CEO Ken Bishop, Executive Vice President and COO Colleen Conrad and Vice President – Information and Research Louise Dratler Haberman on May 17, 2016, in Washington, D.C., for an annual summary of the work both organizations are engaged in presently. Topics of mutual interest were discussed including the PCAOB's inspections, peer review oversight, international recognition of professionals, the Accountancy Licensee Database, the profession's innovative use of data, changes in the Uniform Accountancy Act, and sharing of information among regulators.



James Doty

NASBA and PCAOB staff have met during the year to discuss ways to better share information between the Boards and the PCAOB. PCAOB Director of Enforcement Claudius B. Modesti remarked during the May 17 meeting that these staff-to-staff meetings have been helpful in working towards bringing the PCAOB's sanction data to the State Boards. ♦

## CT Board Merged Into DCP

The Connecticut State Board of Accountancy and its functions have been transferred from the Office of the Secretary of State to the Department of Consumer Protection (DCP) as of July 1, 2016. According to Secretary of State Denise W. Merrill, budget changes necessitated the layoff of the Accountancy Board's staff. Communications received by the Secretary of State prior to July 1 will be forwarded to the Department of Consumer Protection for response when the transition is completed.

Connecticut State Board of Accountancy Chair John H. Schuyler and NASBA Vice President – State Board Relations Dan Dustin are scheduled to meet with DCP Commissioner Jonathan A. Harris early in July to offer assistance with the transition. ♦

## EU To Eliminate Internal Audit Barriers

June 17, 2016 is the date all of the European Union's 28 member states are to have adopted and published Directive 2014/56/EU (Audit Directive) and EU Audit regulation (EU) 537/2014 (Audit Regulation) aimed at strengthening public oversight of statutory auditors and audit firms. Each member state is to designate a "competent authority" to bear the ultimate responsibility for the regulation and/or oversight of statutory auditors and audit firms. The competent authorities are to cooperate within the framework of the Committee of European Auditing Oversight Bodies (CEAOB) with a view to achieving convergence of the requirements for recognition of approval of statutory auditors from other EU member states. The CEOAB will be meeting in July.

Part of the EU legislation is a requirement for "effective systems of investigations and penalties to be in place, to detect, correct and prevent inadequate execution of the statutory audit." To that end, the United Kingdom's competent authority, the Financial Reporting Council (FRC) is setting up a new Audit Enforcement Procedure. The FRC intends to delegate the majority of its public interest entities (PIEs) audit regulation tasks to the professional bodies in the UK. The new procedure will apply only to the enforcement cases the FRC conducts.

For inadequate execution of statutory audit, the FRC would be able to impose: notice to cease and abstain from any repetition of the breach; publication of a statement confirming the person responsible and the nature of the breach; prohibition order of up to three years' duration from carrying out statutory audits and/or signing audit reports and/or exercising functions in audit firms or public interest entities; declaration that an audit report does not satisfy the audit reporting requirements; financial penalty; condition with an order to comply with any direction; exclusion as a member of a recognized supervisory body; and restitution including the waiver or repayment of client fees. The new FRC Audit Enforcement Procedure will replace its existing sanctions procedure and disciplinary tribunal scheme and is aimed at providing a single, streamlined procedure for audit enforcement. ♦

# PRESIDENT'S MEMO

## NASBA's Response to the CGMA

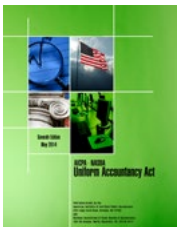
Although we are in the midst of the NASBA Regional Meetings, I decided I needed to rewrite June's *President's Memo* in response to a recently published item about the CGMA. Because of the confusion that article may have caused, I felt it important to attempt to clarify a few issues.

As we have been discussing for some time, NASBA has been communicating with the AICPA about their decision to allow non-CPAs to assume and use the CGMA designation, and the Institute's desire to allow those non-CPAs to work in CPA firms. NASBA has raised three primary concerns: First, the public confusion/protection issue; second, the concern about the CGMA's impact on the CPA candidate pipeline; and, third and potentially the most complicated issue, the interpretation of the Uniform Accountancy Act that prohibits non-CPAs from assuming or using confusing or misleading credentials or titles. In our discussions with the AICPA we have been open to looking for ways to resolve these issues.

There has been significant progress. First, the AICPA agreed to apply conditions to the non-CPA CGMAs that essentially prohibit them from practicing public accounting and to enforce that prohibition. Second, the AICPA and NASBA are working together to develop effective strategies to attract candidates to the CPA pipeline. The third and remaining issue, the statutory prohibition, has been the toughest issue to address. The current UAA, and most states, have language that restricts titles for non-CPAs.



Ken L. Bishop  
President & CEO



The UAA Section 14(g) states: **No person or firm not holding a valid certificate, permit or registration issued under Sections 6, 7, or 8 of this Act shall assume or use the title “certified accountant,” “chartered accountant,” “enrolled accountant,” “licensed accountant,” “registered accountant,” “accredited accountant,” or any other title or designation likely to be confused with the titles “certified public accountant” or “public accountant,” or use any of the abbreviations “CA,” “LA,” “RA,” “AA,” or similar abbreviation likely to be confused with the abbreviations “CPA” or “PA.” The title “Enrolled Agent” or “EA” may only be used by individuals so designated by the Internal Revenue Service.**

Other related UAA sections have been developed for decades to be consistent with 14(g), and have protected consumers from being misled by non-regulated and misleading titles.

In the article I mentioned earlier, there is a statement that, “Some states have asked if the prohibition on certain titles prevents non-CPAs from using any professional designation that includes the word ‘accountant.’” As the organization that State Boards would typically go to with such a question, NASBA has never been asked that question. However, in the purity of the UAA, which NASBA and AICPA volunteers co-authored, the answer is clearly: “No.” I have to qualify my response with reference to “purity of the UAA” because a few states do specifically prohibit the use of “accountant” by non-CPAs.

The question which NASBA has been asked is: “Is there a prohibition that prevents non-CPAs from assuming or using any designation that includes ‘accountant’ in conjunction with other words such as ‘certified,’ ‘chartered’ or the like that might be confusing to the public?” The NASBA answer to that question is clearly: “Yes.” That is our dilemma.

So, how do we resolve this dilemma? While it is not the easiest path, the surest and safest way is through legislative action. We have been advised that a few states have an interest in allowing “management accountants” to use titles such as CGMA. If that is the case, we believe it is important that the proposed statute language is tightly written, continues to protect the public, and is enforceable. In the spirit of the UAA, the language should also be consistent with the rest of the model legislation to allow for uniform adoption by any state choosing to do so.

Without agreeing to the value, the public policy arguments or anticipated legislative success, NASBA staff is working with our counterparts at the AICPA to explore language that would allow the use of certain management accountant titles, so long as the language provides for the safeguards, prohibitions and protections that are critical to public protection.

It is important for State Boards to know that NASBA has not yet reached any agreement with AICPA on the CGMA issue. However, that does not preclude us from communicating and working towards resolutions in a respectful way. It will ultimately be up to the states to determine how this story ends!

*Semper ad meliora (Always toward better things).*

A handwritten signature in black ink that reads 'Ken L. Bishop'.

— Ken L. Bishop  
President & CEO

## 664,532 Actively Licensed U.S. CPAs

The NASBA Accountancy Licensee Database (ALD) as of April 22, 2106 contained information on 664,532 actively licensed U.S. CPAs. The ALD now houses about 98 percent of the U.S. CPA licensee information, aggregating information from 51 of the 56 jurisdictions. The database has a public-facing version, CPAverify.org, which is available free of charge that enables anyone to verify if a person or firm is licensed to practice public accounting and if they have any enforcement history on record.



Maria Caldwell

NASBA Chief Legal Officer and Director of Compliance Services Maria L. Caldwell reported the ALD is one of the most accelerated data-sharing programs for state-regulated professions: "Without the ongoing efforts of the State Boards and their willingness to collaborate and preserve the CPA designation, there would not be the unprecedented degree of data that is currently shared among State Boards."

NASBA's total count of active CPAs was picked up by the *Wall Street Journal* on June 7, and published on the same page they reported 177,758 candidates took the CFA Institute's examination last year for the Chartered Financial Analyst. In comparison, there were 93,693 candidates who took the Uniform CPA Examination in 2015. ♦

## Register for 2016 CPE Summit

The latest ideas in creating effective continuing professional education will be discussed at NASBA's National Registry Summit, to be held September 12-14, 2016 in Tampa, FL.

Presentations will include:

- MiniSims: All the Reality You Need in Under 15 Minutes
- The New Video Literacy: On-Camera Presentation Skills for Instructional Videos
- Implementing the Revised CPE Standards
- Think Inside the Box: Creativity Within Constraints
- Requirements and Application Process of Nano Learning and Blended Learning
- Triple Blended Learning.

Details about the presentations and registration can be found on [www.nasba.org](http://www.nasba.org). ♦

