

Exposure Draft

June 1, 2016

Amendments to UAA Section 6
Recognition of Foreign Professionals
and UAA Model Rules Article 5
Changes for Examination

Uniform Accountancy Act Seventh Edition - May 2014

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The base documents are the May 2014 editions of the UAA (pertinent parts) and UAA Model Rules. Changes made are shown as a single underlined or ~~single strike-through~~.

Comments must be received by September 1, 2016.

Please send your comments to
uaaexposuredrafts@aicpa.org and
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EXPOSURE DRAFT OF CHANGES

OVERVIEW

In April, the AICPA and NASBA Boards of Directors each approved for exposure changes to the Uniform Accountancy Act that would simplify the international pathway for licensure and the NASBA Board approved exposing changes updating the Uniform CPA Examination Model Rules. Comments on this proposal are requested by **September 1, 2016**.

BACKGROUND

The AICPA and NASBA have worked together since 1984 to produce the Uniform Accountancy Act (UAA) and UAA Model Rules to serve as reference documents for all U.S. states and jurisdictions as they update their own statutes and regulations. They are evergreen documents that are regularly reviewed and updated by the joint AICPA/NASBA UAA Committee. The UAA is subject to the final approval of the two organizations' Boards of Directors, while the Model Rules are subject to the final approval of NASBA's Board.

INTERNATIONAL PATHWAY

For several years, there have been discussions about the global economy and the worldwide demand for skilled CPAs and their foreign counterparts to meet the needs of international business. Since 1991, the AICPA and NASBA have entered into six Mutual Recognition Agreements (MRA) that recognize substantially equivalent foreign designations and allow holders of these designations to apply for state licensure as a CPA so long as the foreign authority that granted the designation allows a licensed U.S. CPA to obtain the foreign authority's comparable designation to practice. To qualify for licensure as a U.S. CPA, the applicant's foreign designation must be issued by a foreign authority that regulates the practice of public accountancy and the individual must be in good standing. In addition, the foreign designation must have been issued upon the basis of education, examination and experience requirements established by law, and must entitle the holder to issue reports on financial statements.

Existing differences in licensure requirements as well as political hurdles have made the development of functioning MRAs extremely difficult to achieve. Recognizing that in a global economy there are foreign accountants who meet or exceed the high standards for licensure as a U.S. CPA, the AICPA and NASBA Boards of Directors approved for comment an Exposure Draft of a change to the UAA that provides a unilateral pathway for qualified holders of a foreign credential. Under the unilateral pathway, the NASBA/AICPA International Qualifications Appraisal Board (IQAB) would evaluate the foreign designation to verify that the foreign designation has substantially equivalent, or higher, licensing requirements as those contained in the UAA and recommend that applicants holding that foreign credential be eligible to apply to a state for a U.S. CPA license. The in-depth reviews of the education, examination and experience requirements of foreign designations, plus the professional environment of the designations would continue by the IQAB, and those with approved designations would still have to pass the International Qualification Examination (IQEX), but the need for reciprocal recognition of U.S. CPAs by the foreign body would be eliminated. As foreign professionals are working in the United States, bringing them under the jurisdiction of the State Boards would strengthen public protection. This would allow for increased transparency as those who are qualified to sign financial reports could sign them. It is in the public interest to license qualified individuals, without regard to whether the foreign authority reciprocates, therefore, the international pathway would make the quid pro quo licensing requirement obsolete. It is anticipated that

other countries will want to similarly move to recognition of qualified U.S. CPAs as the European Union and other areas of the world require more frequent rotation of auditors and firms make it clear to regulators that the ability to provide high quality talent should not be limited by geographic barriers.

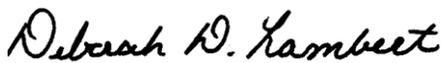
SUPPORTING THE UNIFORM CPA EXAMINATION

In 2013, the AICPA initiated a practice analysis to update the Uniform CPA Examination. The revised examination will be launched in April 2017 and will require updates to the Model Rules.

Updates to the Model Rules include:

- Identifying the Uniform CPA Examination as the examination required for licensure.
- Eliminating the definition of the two-month testing window and replacing it with a new definition of the testing window equal to a calendar quarter with a minimum of two months of testing.
- Highlighting that examination content tests the knowledge and skill of a newly licensed CPA and that passing all sections of the examination is only one component of qualifying for a license.

The AICPA/NASBA Uniform Accountancy Act Committee believes these modifications of the UAA and the Model Rules will positively impact the ability of the State Boards of Accountancy to effectively regulate the evolving accounting profession and to therefore meet the public's needs.



Deborah D. Lambert
Chair AICPA UAA Committee



J. Coalter Baker
Chair NASBA UAA Committee

INTERNATIONAL PATHWAY – PROPOSED UAA CHANGE

UAA Section 6 excerpts Rev. 3/30/15 [Note: Language to be deleted is stricken and new material is underlined.]

- (g) The Board shall issue a certificate to a holder of a substantially equivalent foreign designation, provided that:
- (1) ~~The foreign authority which granted the designation makes similar provision to allow a person who holds a valid certificate issued by this State to obtain such foreign authority's comparable designation; and~~
- (1) The Board determines that the foreign designation:
- (A) was duly issued by a foreign authority that regulates the practice of public accountancy and the foreign designation has not expired or been revoked or suspended;
- (B) entitles the holder to issue reports upon financial statements; and
- (C) was issued upon the basis of educational, examination, and experience requirements established by the foreign authority or by law; and
- (D) In making its determination regarding compliance with this Section 6(g)(1), the Board may rely on the recommendations of the International Qualifications Appraisal Board jointly established by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants.
- (2) The applicant:
- (A) received the designation, based on educational and examination standards substantially equivalent to those in effect in this State, at the time the foreign designation was granted;
- (B) completed an experience requirement, substantially equivalent to the requirement set out in Section 5(f), in the jurisdiction which granted the foreign designation or has completed four years of professional experience in this State; or meets equivalent requirements prescribed by the Board by rule, within the ten years immediately preceding the application; and

- (C) **passed a uniform qualifying examination in national standards [and an examination on the laws, regulations and code of ethical conduct in effect in this State] acceptable to the Board.**
- (h) **An applicant under subsection (g) shall in the application list all jurisdictions, foreign and domestic, in which the applicant has applied for or holds a designation to practice public accountancy, and each holder of a certificate issued under this subsection shall notify the Board in writing, within thirty days after its occurrence, of any issuance, denial, revocation or suspension of a designation or commencement of a disciplinary or enforcement action by any jurisdiction.**
- (i) **The Board has the sole authority to interpret the application of the provisions of subsections (g) and (h).**

COMMENT: Sections 6(g), 6(h) and 6(i) are designed to allow granting of reciprocal certificates as certified public accountants to foreign accountants who meet standards equivalent to those in this state. They are based on professional competence and its objective is to provide international reciprocity to qualified individuals without imposing arbitrary or unnecessary restrictions. The requirement set out in subsection 6(h) parallels the requirement set out in section 6(f) for applicants from other states.

PROPOSED MODEL RULE CHANGES

Rule 5-3 - Applications for examination.

- (a) The examination required in subsection 5(d) of the Act will be the Uniform CPA Examination developed and scored by the AICPA.
- ~~(a)(b)~~ Applications to take the ~~Certified Public Accountant Examination~~ examination must be made on a form provided by the Board or the Board's designee and filed with the Board by a due date specified by the Board in the application form.
- ~~(b)(c)~~ An application will not be considered filed until the application fee and examination fee required by these Rules and all required supporting documents have been received, including proof of identity as determined by the Board and specified on the application form, official transcripts and proof that the Candidate has satisfied the education requirement.
- ~~(c)(d)~~ A Candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination.
- ~~(d)(e)~~ The Board or its designee will forward notification of eligibility for the ~~computer-based~~ examination to NASBA's National Candidate Database.

Rule 5-4 - Time and place of examination.

Eligible Candidates shall be notified of the time and place of the examination, or shall independently contact the Board, the Board's designee or a test center operator to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with Rule 5-7(~~ba~~) below.

Rule 5-5 - Examination content.

The examination required by Section 5 of the Act shall test the knowledge and skills required for performance as ~~an entry level~~ a newly licensed certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.

Rule 5-6 – Determining and reporting examination grades.

A Candidate shall be required to pass all Test Sections of the examination provided for in subsection 5(d) of the Act ~~as one component of qualifying for a license in order to qualify for a certificate~~. Upon receipt of advisory grades from the examination provider, the Board will review and may adopt the examination grades and will report the official results to the Candidate. The Candidate must attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure and approved by the Board.

Rule 5-7 – Retake and granting of credit requirements.

~~(a) — A Candidate shall be required to pass all sections of the examination provided for in Section 5(d) of the Act in order to qualify for a certificate.~~

~~(b)~~(a) A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for a period of eighteen (18) months and be calculated from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.

- (1) Candidates must pass all ~~four~~ Test Sections of the ~~Uniform CPA Examination examination~~ within a rolling eighteen- ~~(18)~~ month period, which begins on the date that the first Test Section(s) passed is taken.
- (2)
- (3) Candidates cannot retake a failed Test Section(s) in the same ~~examination testing~~ window. ~~An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window. A testing window is equal to a calendar quarter (Jan-Mar, Apr-Jun, Jul-Sep, Oct- Dec). Candidates will be able to test no less than two (2) months out of each testing window.~~

- (4) In the event all ~~four~~ Test Sections of the ~~Uniform CPA Examination examination~~ are not passed within the rolling eighteen- ~~(18)~~ month period, credit for any Test Section(s) passed outside the eighteen- ~~(18)~~ month period will expire and that Test Section(s) must be retaken.

~~(e)~~(b) A Candidate shall retain credit for any and all Test Sections of the examination passed as a candidate of another state if such credit would have been given under then applicable requirements in this State.

~~(d)~~(c) A Candidate shall be deemed to have passed the ~~Uniform CPA Examination examination~~ once the Candidate holds at the same time valid credit for passing each of the ~~four~~ Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the ~~computer-based~~ examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives notice of the passing grade.

~~(e)~~(d) Notwithstanding subsection ~~(da)~~ of this Rule, the Board may in particular cases extend the term of credit validity upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

Rule 5-8 – Candidate testing fee.

The Candidate shall, for each Test Section scheduled by the Candidate to the Board or its designee, pay a Candidate Testing Fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider, as well as reasonable application fees established by the State Board.

Rule 5-9 – Cheating.

- (a) Cheating by a Candidate in applying for, taking or subsequent to the examination will be deemed to invalidate any grade otherwise earned by a Candidate on any Test Section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.
- (b) For purposes of this Rule, the following actions or attempted activities, among others, may be considered cheating:
- (1) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;
 - (2) Communication between Candidates inside or outside the test site or copying another Candidate's answers while the examination is in progress;
 - (3) Communication with others inside or outside the test site while the examination is in progress;
 - (4) Substitution of another person to sit in the test site in the stead of a Candidate;
 - (5) Reference to crib sheets, textbooks or other material or electronic media (other than that provided to the Candidate as part of the examination) inside or outside the test site while the examination is in progress;

- (6) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so, or otherwise participating in the collection of Test Items for use, redistribution or sale;
 - (7) Retaking or attempting to retake a Test Section by an individual holding a valid Certificate or by a Candidate who has unexpired credit for having already passed the same Test Section, unless the individual has been directed to retake a Test Section pursuant to Board order or unless the individual has been expressly authorized by the Board to participate in a “secret shopper” program.
- (c) In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the Candidate involved from the examination or move the Candidate to a position in the Test Center away from other examinees where the Candidate can be watched more closely.
- (d) In any case where the Board believes that it has evidence that a Candidate has cheated on the examination, including those cases where the Candidate has been expelled from the examination, the Board shall conduct an investigation and may conduct a hearing consistent with the requirements of the state’s Administrative Procedures Act following the examination session for the purpose of determining whether or not there was cheating, and if so what remedy should be applied. In such proceedings, the Board shall decide:
- (1) Whether the Candidate shall be given credit for any portion of the examination completed in that session; and
 - (2) Whether the Candidate shall be barred from taking the examination and if so, for what period of time.
- (e) In any case where the Board or its representative permits a Candidate to continue taking the examination, it may depending on the circumstances:
- (1) Admonish the Candidate;
 - (2) Seat the Candidate in a segregated location for the rest of the examination;
 - (3) Keep a record of the Candidate’s seat location and identifying information, and the names and identifying information of the Candidates in close proximity of the Candidate; and/or
 - (4) Notify the National Candidate Database and the AICPA and/or the Test Center of the circumstances, so that the Candidate may be more closely monitored in future examination sessions.
- (f) In any case in which a Candidate is refused credit for any Test Section of an examination taken, disqualified from taking any Test Section, or barred from taking the examination in the future, the Board will provide to the Board of Accountancy of any other state to which the Candidate may apply for the examination information as to the Board’s findings and actions taken.

Rule 5-10 – Security and irregularities.

Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, the release of grades, or the issuance of certificates due to a breach of examination security; unauthorized acquisition or disclosure of the contents of an examination; suspected or actual negligence, errors, omissions, or irregularities in conducting an examination; or for any other reasonable cause or unforeseen circumstance.

UAA Section 6 excerpts Rev. 3/30/15 (Including Proposed Changes)

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(1) The Board determines that the foreign designation:

(A) was duly issued by a foreign authority that regulates the practice of public accountancy and the foreign designation has not expired or been revoked or suspended;

(B) entitles the holder to issue reports upon financial statements; and

(C) was issued upon the basis of educational, examination, and experience requirements established by the foreign authority or by law; and

(D) In making its determination regarding compliance with this Section 6(g)(1), the Board may rely on the recommendations of International Qualifications Appraisal Board jointly established by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants.

(2) The applicant:

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UAA RULES CHANGE – EXAMINATION (Including Proposed Changes)

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 - (1) Candidates must pass all Test Sections of the examination within a rolling eighteen- (18) month period, which begins on the date that the first Test Section(s) passed is taken.
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 - (3) In the event all Test Sections of the examination are not passed within the rolling eighteen- (18) month period, credit for any Test Section(s) passed outside the eighteen- (18) month period will expire and that Test Section(s) must be retaken.
- (b) A Candidate shall retain credit for any and all Test Sections of the examination passed as a candidate of another state if such credit would have been given under then applicable requirements in this State.
- (c) A Candidate shall be deemed to have passed the examination once the Candidate holds at the same time valid credit for passing each of the Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives notice of the passing grade.
- (d) Notwithstanding subsection (a) of this Rule, the Board may in particular cases extend the term of credit validity upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

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