

Registry Summit Focuses on New CPE

The NASBA National Registry Summit, held September 12-14 in Tampa, FL, brought together 170 attendees, including 132 continuing professional education course sponsors. Jessica Luttrull, Associate Director of the National Registry, guided the attendees through the newly revised “Statement on Standards for Continuing Professional Education Programs,” covering topics such as nano learning and blended learning. Experts in course development shared their insights on providing effective education. In addition, workshops on the Registry’s procedures were led by NASBA staff prior to the conference for sponsors who are new to the Registry, as well as for those who are considering offering self-study programs as Registry sponsors.

Research on learning and innovative approaches to CPE were presented. Ed Muzio, CEO of Group Harmonics, discussed “MiniSims: All the Reality You Need in Under 15 Minutes.” He explained how he has used simple mini-simulations to change the enterprise culture in global organizations, and he offered guidance on how mini-simulations could be incorporated into training programs. Diana Howles, president of Howles Associates, LLC, focused on “The New Video Literacy: On-Camera Presentation Skills for Instruction Video.” She outlined: using design principles for video, writing effective video scripts, determining optimum video length and camera positioning, and minimizing viewers’ distractions.

The most effective way to delay the process of forgetting is spacing small chunks of content over time, according to research



discussed by Hans de Graaf, founder of Brain Tweaker. In detailing “Triple Blended Learning,” Mr. de Graaf demonstrated how short interactive videos can beat the forgetting curve. Another advocate of smaller learning experiences spaced over time, Claire Herring, co-creator of Blue Ocean Brain, described how to create content for those experiences.

Inspiring problem solving was discussed by keynote speaker David Kwong. “Think Inside the Box: Creativity within Constraints” was the puzzle expert’s theme. Through a new method of problem solving he described, people can learn how to obtain and retain information.

Revisions to the Uniform Accountancy Act’s CPE Model Rules are being developed by the NASBA CPE Committee and the NASBA/AICPA Uniform Accountancy Act Committee. It is anticipated the proposed Model Rules will be released to the Boards for comment early in 2017. These will be discussed at the NASBA Annual Meeting by CPE Committee Chair Maria E. Caldwell (FL). ♦

Ohio Board a Hit on Campus

It was a standing room only crowd when the Accountancy Board of Ohio held its September 9 meeting at the University of Cincinnati. Over 200 students were in attendance. News of the revised Uniform CPA Examination, to be inaugurated in April 2017, brought an attentive crowd to listen to NASBA Executive Vice President and COO Colleen K. Conrad’s presentation and pick up the information she had to distribute about the forthcoming Examination. “They were able to ask Ms. Conrad the questions that we are getting at the Board office,” said John E. Patterson, the Board’s Executive Director.

In preparation for the Board’s open meeting, Board Chair James Carroll, an alumnus of the school, Mr. Patterson and other representatives of the Board met with heads of the UC accountancy department, both the undergraduate and master’s programs, to advise them Ms. Conrad would be present to answer questions. As a further inducement for student attendance, a professor promised to award attendees an additional point on their scores on a class examination.

Mr. Patterson said the Board’s open meeting was so popular that they expect to schedule a similar one at a Cleveland school next year. ♦

Code of Conduct Changes

Working toward increasing the number of Boards that adopt or reference the AICPA Professional Code of Conduct, the AICPA Professional Ethics Executive Committee (PEEC) has issued two new interpretations: “Disclosure of Commission and Referral Fees” (ET sec. 1.520.08) to be effective on January 31, 2017, and “Transfer of Files and Return of Client Records in Sale, Transfer, Discontinuance or Acquisition of a Practice” (ET sec. 1.400.205) to be effective June 30, 2017. ♦

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PCAOB Supports Transparency Act

Public Company Accounting Oversight Committee Chair James R. Doty encouraged the U.S. House Subcommittee on Capital Markets and Government Sponsored Enterprises to support passage of S. 1084, the PCAOB Enforcement Transparency Act. Speaking at the Subcommittee's September 22 hearing on "Examining the Agenda of Regulators, SROS, and Standards-Setters for Accounting, Auditing and Municipal Securities," Chair Doty explained S. 1084 is aimed at addressing the problem raised by keeping the PCAOB's disciplinary proceedings nonpublic: "The auditors and audit firms charged with violating applicable laws, rules or standards have little incentive to consent to opening the case against them to public view, and, in fact, none have ever done so. This state of affairs is not good for investors, for the auditing profession, or for the public at large."

Altering documents provided to the PCAOB in connection with an inspection or investigation without informing the inspectors is one area that has drawn the enforcement division's attention this year. Mr. Doty noted evidence of this behavior had been found among



James Doty

registered firms, including some affiliates of the large global networks. The PCAOB had issued a staff alert on the problem and pointed out that altering such documentation is inconsistent with an auditor's professional duty. The PCAOB has also stepped up enforcement of compliance of its requirements by non-U.S. firms.

Mr. Doty praised the work being done by the PCAOB's Center for Economic Analysis, which considers the economic impact of standards under development as well as the effect of those already implemented. Chair Doty said the Center's research will make the PCAOB's oversight programs more effective and efficient.

The PCAOB is funded primarily by public companies brokers and dealers, not taxpayers, Chairman Doty pointed out. Its budget for 2016 was \$257.7 million and he anticipates the 2017 budget will include a small increase to include such expenses as cost of living and merit increases, travel (particularly for inspections), information technology (including cybersecurity) and facilities.

Chair Doty will address NASBA's Annual Meeting on November 1 in Austin, TX. ♦

ICAS CEO Praises International Work

Responding to recent comments made by British politicians about international business professionals, Anton Colella, chief executive officer of the Institute of Chartered Accountants of Scotland wrote: "It's not where you are born that matters, it's the value you bring." He continued: "If we are serious about growing the UK economy, our businesses must be able to attract the best global talent." Mr. Colella, who met with NASBA leaders in August to further mutual professional recognition between Scotland and the U.S., will be one of the featured speakers at NASBA's Annual Meeting.

"If we are serious about improving the wealth of our nation, our young CAs [Chartered Accountants] must continue to be able to have unfettered access to the global marketplace to experience and understand the nature of global business and to put their knowledge



Anton Colella

into practice for the wider good of society," he wrote on the ICAS Web page, www.icas.com.

In conjunction with the UK Financial Reporting Council (FRC), the ICAS has published a report on "Auditor Skills in a Changing Business World," which questions whether the profession currently has the skill set that it will need to deliver an audit beyond the traditional financial statement audit, one that would be a driver for change.

"Waiting for the audit to change before developing the skill base will be just too late, given the time-lag involved in recruiting, developing and training staff," the report states.

Among the paper's recommendations is: "Regulators should question whether current statutory requirements for the content of the qualification of auditors is sufficient to address the changing need for identified skills." ♦

Auditors Got Too Personal

Ernst & Young agreed to pay \$9.3 million to settle charges in the Securities and Exchange Commission's first enforcement actions based on auditor independence failures due to close personal relationships between auditor and client personnel. On September 19, it was announced that the firm would be settling two cases that involved audit partners getting too close to their clients on a personal level and, consequently, violating the rules of professional conduct to maintain objectivity. Andrew J. Ceresney, Director of the SEC's Division of Enforcement, stated: "Ernst & Young did not do enough to detect or prevent these partners from getting too close to their clients and compromising their roles as independent auditors."

The SEC order found that Gregory S. Bednar had been told by the firm to improve its relationship with a New York-based audit client that was a "troubled account." According to the SEC's findings, from January 2012 until March 2015, Mr. Bednar caused independence rule violations by: going on overnight trips with the company's CFO and his family with no valid business purpose; staying at each other's homes; exchanging hundreds of personal messages, e-mails and voice mails during the audit period; and treating the CFO's son to sporting events.

Although some E&Y partners knew about Mr. Bednar's entertainment spending, they took no action to confirm he was complying with his independence obligation, the SEC stated.

In the second case, an E&Y partner, Michael Kamienski, became aware of a romantic relationship between E&Y's Pamela Hartford and a financial executive, Robert Brehl, while Ms. Hartford was serving on the engagement team auditing his company, from March 2012 through June 2014. According to the SEC, the firm did not specifically inquire about non-familial close personal relationships that could impair the firm's independence.

In both cases, E&Y consented to the SEC's order without admitting or denying the findings. Mr. Bednar must pay \$45,000 and is suspended from practicing before the SEC for at least three years and E&Y must pay \$4,975,000 in monetary sanctions. Ms. Hartford and Mr. Brehl are to pay penalties of \$25,000 each and E&Y has agreed to pay \$4,366,000 in monetary sanctions. In addition, Ms. Hartford and Mr. Kamienski are suspended from appearing before the SEC as accountants for at least three years and Mr. Brehl for one year. Ms. Hartford, Mr. Kamienski and Mr. Bednar no longer work for E&Y. ♦

CHAIR'S MEMO

Climbing Together

When I started my term as your Chair, I told you that I envisioned us as having a ladder of success which needs to rest on a solid foundation and, a year later, I hope you agree that we have added to the foundation and climbed several rungs. My focus as Chair of NASBA was in three areas that I believed would help us all become more successful Board members. They were to: build trust; be forward thinking; and enhance use of all tools available for success.

Build Trust

As we all know, trust is a powerful thing. This past year, we have strived to continually open the lines of communication with you, the Boards of Accountancy. We have taken every opportunity to meet individually with many Boards to: understand your needs; assist you with understanding of all the available tools from NASBA; keep you abreast of all aspects of regulation that affect your board; and work together to tackle the issues we face as regulators of the accounting profession.

This past year, we have also taken steps to enhance relations with State CPA Societies, who are an integral part of the Boards' stakeholder group. NASBA's State Society Relations Committee continued to strengthen relationships, as evidenced by both State CPA Society executives and Board of Accountancy executive directors holding a joint conference, that will take place again for the third time this year. With the assistance of NASBA's Communications team a number of State CPA Societies and Boards of Accountancy work collaboratively to communicate to common stakeholders, i.e., Examination candidates, licensees and the public.

NASBA continued to advocate for the Boards of Accountancy with other crucial stakeholders, such as: federal regulators, accounting educators, the AICPA and national and international accounting bodies. We have been positive, transparent and trusting on the Boards' behalf. We were willing to compromise, but we never hesitated to disagree when it was in the public's best interest.

This year we proactively advocated against the use of potentially misleading credentials. As I said to you during my inaugural address, one major step in protecting the public is to ward off confusing titles. The U.S. CPA continues to be the first and foremost credential for quality, credibility and ethics.

Be Forward Thinking

My second initiative was to be forward thinking. James Johnson, our 2015 Annual Meeting's keynote speaker, told us that with the "browning of America" the public we protect are not only changing, but have changed. NASBA's Diversity Committee continued to develop strategies for diversity at the State Board level. NASBA allocated additional resources to work closely with a number of organizations, universities and institutions to strengthen opportunities for diverse candidates to enter into the accounting profession and teach others. I strongly believe this is the right thing to do because achieving diversity will provide better outcomes for our Boards and the public we serve.

Use Tools for Success

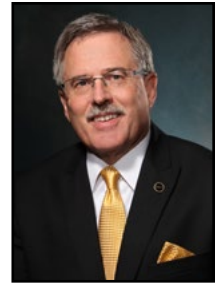
The last of my objectives was for the Boards of Accountancy to use all the tools available for success. Currently, 50 jurisdictions are providing data to the Accountancy Licensee Database (ALD), which contains information on more than 98 percent of the Boards' licensees.

In March, we signed one of the largest contracts in NASBA's history to build an intuitive, safe and reliable CPE audit tool for all interested Boards of Accountancy, at no cost to the Boards. We also completed a major renovation to "reboot" our Nashville office, focusing on light, transparency, collaboration and opportunity, and to quote Ken Bishop, "It will allow us to ramp up our capabilities to provide greater service to the Boards of Accountancy."

A major concern voiced by our Boards was the threat of anti-trust financial liability due to the *North Carolina Dental Board* case. We have endeavored to provide the Boards with tools so they could successfully deal with this important issue: we presented speakers at our Regional Meetings; produced a webinar on the implications of this case; added a webpage on nasba.org; provided constant communications with the states who had legislation and litigation; and joined a coalition with other professional licensing boards to spearhead a federal effort to eliminate the threat.

I hope that during my tenure as Chair, NASBA gave the Boards the tools they needed to be successful. Because if NASBA is to "enhance the effectiveness and advance the common interests of the Boards of Accountancy," we cannot be successful unless the Boards are successful.

Thank you for all of your great collaborative efforts this past year to keep climbing that ladder.



Donny Burkett
Chair

A handwritten signature in black ink that reads "Donny H. Burkett".

— Donald H. Burkett, CPA
Chair

SEC Hears About Sustainability

The Securities and Exchange Commission continued to receive comments on its April 13 concept release on “Business and Financial Disclosure Required by Regulation S-K,” in October, though its comment period ended weeks earlier. The concept release was part of the SEC Division of Corporation Finance’s efforts to review registrants’ disclosure requirements to determine how to improve them. When the concept release was published on April 22 in the Federal Register, it was 92 pages long, including four pages on disclosure of public policy and sustainability matters; however, the Sustainability Accounting Standard Board (SASB) points out that of 276 non-form comment letters received by the SEC, two-thirds addressed sustainability-related concerns.

“Most of these letters support improved sustainability-disclosures in SEC filings; for many commenters this was the only matter of concern,” the SASB reports. “This groundswell of interest in sustainability means that, in the words of one of Wall Street’s leading law firms [Sullivan & Cromwell, LLP] ‘the sustainability topic is clearly on the table at this point, and the Commission will sooner or later have to – and should – address it.’” According to the SASB’s review, the comment letters most frequently suggested requiring disclosures on: climate change, human capital and/or human rights, political spending and lobbying, diversity, and water.

Not all groups agree, as the Financial Executives International made clear in their letter to the SEC on October 3. FEI Chairman Richard Levy wrote: “We believe the SEC should avoid calls to expand disclosure requirements intended to address societal issues

unrelated to the SEC’s core mission of investor protection, and that may not appropriately consider materiality or whether such information is useful to a reasonably knowledgeable investor.... The Commission should not pursue an approach where all issues that are ‘important’ to a particular subset of stakeholders are required to be disclosed.”

How important such sustainability considerations may be was brought into question when the *Wall Street Journal* reported in September that the SEC had asked Exxon Mobil Corp. and its auditor, PricewaterhouseCoopers, LLP, for information on how the company is valuing its assets in respect to climate change. An Exxon spokesperson said, “We are fully complying with the SEC request for information and are confident our financial reporting meets all legal and accounting requirements.”

Based on the press reports, Representative Lamar Smith (R-TX), Chairman of the U.S. House of Representatives Committee on Science, Space and Technology, wrote on September 29 to SEC Chair Mary Jo White requesting information about the purpose, scope and origin of the SEC’s investigation into Exxon. “The Committee is concerned that the SEC, by wielding its enforcement authority against companies like Exxon for its collection of and reliance on what is perhaps in the SEC’s view inadequate climate data used to value its assets, advances a prescriptive climate change orthodoxy that may chill further climate change research throughout the public and private scientific R&D sector,” Chairman Smith wrote. The Committee asked that the documents be submitted by October 13, 2016. ♦