NASBA

STATE◆BOARD◆REPORT

A Digest of Current Developments Affecting State Accountancy Regulation

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Nano Learning Stars at CPE Summit

CPAs in an increasing number of jurisdictions can take advantage of nano learning programs. The 170 attendees at NASBA's National Registry Summit, held September 26-27 in Nashville, heard the Registry's instructional design administrators, as well as program developers, describe what is needed to qualify as an approved National Registry sponsor for the nano learning delivery method. The nano programs are ten-minute long interactive programs that teach by example via electronic media. State Boards are being encouraged to adopt the CPE Model Rules, which outline the requirements for nano learning and blended learning, as well as group study and self-study programs.

The Registry Summit is an event that brings program sponsors and developers together with representatives of the Boards of Accountancy to exchange ideas about what is happening in the CPE marketplace and what is being required for CPAs. Topics covered this year included: science of learning, nano learning, tools and resources for implementing and complying with the CPE Standards, and approaches for engaging the entire audience.

Jessica Luttrull, Associate Director - National Registry, identified the jurisdictions that currently accept nano and blended learning delivery methods and technical review for CPE credit. As states are changing their rules to embrace these learning activities, updates on the acceptability of the new formats are being included as a separate page on www.nasbaregistry.org.

While the *Statement on Standards for Continuing Professional Education Program* is directed to CPE program providers, the CPE

Attendees learn about 'Reaching Your Entire Audience' from Jennifer Kahnwieler.

Model Rules have been created to clearly guide the CPA in selecting programs meeting his or her jurisdiction's requirements. It remains up to each Board of Accountancy to adopt CPE rules. The revised CPE Standards became effective on September 1, 2016, and public comment on the CPE Model Rules ended on June 30, 2017. The Model Rules include a requirement that a minimum of 50 percent of the licensee's total CPE credits for the reporting period be in technical fields of study, which are defined in both the Standards and Rules. A significant change in the fields of study is the recognition of "specialized knowledge", which are topics that are particular to specialized industries or services. The program providers were advised that all courses must reflect the revised fields of study by December 31, 2017. It is up to the CPA to report CPE credits in the fields of study that his or her jurisdiction requires. ◆

Final Plan on Peer Review

The American Institute of CPAs released its final plan on the "Evolution of Peer Review Administration" on August 31. The plan is based on an original proposal for reorganization of the peer review program's administration distributed in February 2016 and then a subsequent paper sent to the State Boards of Accountancy in July 2016, which was then revised in a second paper sent out in January 2017. The paper proposed benchmarks for peer review administrators, technical reviewers and peer review committees/report acceptance bodies. Twenty-six Boards of Accountancy had responded to the AICPA's peer review reorganization proposal by the June 30, 2017 comment deadline. According to the AICPA, "Feedback on the revised proposal supported the benchmarks approach to evolving administration."

"The benchmarks approach remains the primary focus of the final plan, with some minor revisions based on questions and comments received. Some benchmarks may require changes to current guidance. The AICPA Peer Review Board will consider and formalize the plan's current and implied benchmarks and corresponding guidance at its meeting on February 2, 2018," the AICPA announced.

One of the points that had been raised by several Boards in their comment letters was whether it was really necessary to have a CPA on the staff of the administering entity. According to the AICPA: "After extensive discussion and deliberation with state society stakeholders, the AICPA believes it is essential to have an actively engaged CPA on staff to lead the administration of the Program. At the same time, the AICPA recognizes this may be a significant change for some, and has included in the plan an option to delay compliance with the requirement for up to three years to allow time for the transition."

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AAA Confers on Technology Education

University courses in data analytics are not tailored to the accounting profession, according to a PWC spokesperson who addressed the American Accounting Association's September 7-8 conference on "Accounting IS Big Data." Although there are strong data analytics programs at a number of universities, the key issue is that data scientists don't understand accounting, the firm believes. PwC emphasized that the skill set for tax professionals is changing from being able to operate basic spreadsheets to the ability to perform predictive analytics, tax planning, tax modeling and automation (robotics), data mining, artificial intelligence and machine learning.

NASBA Technical Director Nigyar Mamedova reported that both PWC and KPMG updated the educators on trends in big data and analytics for tax professionals. She noted: "There are digital and automation tools like Datawatch and Aletrix which are used more often to extract, transform and load large sets of data. Tools like Tableau and Qlikview allow tax professionals to perform visualization on large data sets. These tools are interactive, as opposed to Excel which is more static."

The PwC tax innovation leader highlighted that his team has been trying to recruit experienced professionals with backgrounds in accounting, tax and data analytics, and this has been a challenging task since there is a lack talent in the market. PwC has trained 4,000 tax professionals and 42 client companies on Tableau and Altrix.

A panel of educators discussed latest updates on university programs in data analytics. North Carolina State University, well known for its strong data science program, created an executive committee to evaluate skills required for future accountants. The goal is to develop students who can connect with data scientists, understand how data can be extracted and analyzed, and ask data scientists the right questions. The university created a committee with representatives from across the campus in different disciplines (including technology, statistics, accounting, etc.) to develop a framework for their offerings. The university decided to revamp the program in statistics with the help of the IT department, and the school is now offering courses to undergraduate students on business analytics, information systems management, and economics and business statistics. At the master's level the university is now offering a Tax Analytics and Technology Certificate, which was developed by a hired industry expert. The university is currently also collaborating with two of the Big 4 firms to pilot these modules, and has spent approximately $250,000 to develop new programs in data analytics.

The University of Illinois at Urbana-Champaign created a data analytics program from scratch. Currently, two undergraduate data analytics courses are under consideration by the university for all majors. The university has formed a successful partnership through the University of Illinois Deloitte Foundation for Data Analytics. The department head was a catalyst for change and worked with a well-qualified advisory committee, which realized that the university needed to develop new courses for their students. The university hired an external consultant to create new courses, which resulted in new courses being offered in the accounting department covering tools and applications.

KPMG has trained faculty members at Villanova University to conduct courses on data models, analysis and visualization, as well as data mining. The courses developed and introduced on campuses by KPMG to result in an MBA in data analytics will be discussed by Roger O'Donnell, KPMG Global Head of Audit Data and Analytics, at NASBA's 2017 Annual Meeting.

For more information gathered at the AAA conference, contact Technical Director Nigyar Mamedova at nmamedova@nasba.org. ♦

Six Key Skills for the Tax Professional of the Future

KPMG Outlines Required Skills for Tax Professionals at AAA Conference

1. Strong knowledge of tax law, process and procedure
2. Innovative and quick learning with strong communication and collaboration skills
3. Broad knowledge of the tax function and its relationship to organizational strategy and goals
4. Functional knowledge of a variety of self-service D&A technologies
5. Understanding data theory, structure and sources of data
6. Understanding of financial statements and financial and management accounting procedures

IQAB Hears from USTR


Thomas Fine

The NASBA/AICPA International Qualifications Appraisal Board began their meeting on October 2, 2017 with an update from Thomas Fine, Director-Services and Investment for the Office of the US Trade Representative. Having followed the trade agreements under consideration by USTR, and changes in policy made by President Donald Trump's administration, the IQAB members learned about agreements that have been stalled, abandoned and anticipated, and how state regulators fit into national agreements. Mr. Fine reported there are countries interested in seeing mutual recognition agreements developed for the accounting profession and he encouraged IQAB to continue with their work to bring about new agreements.

Currently negotiations are going on with Mexico and Canada on provisions of the NAFTA (North American Free Trade Agreement). These would not impact the mutual recognition agreement IQAB is renewing with CPA Canada and the Instituto Mexicano de Contadores Públicos, but Mr. Fine reported CPA firms are concerned about what impact there might be on nonimmigrant NAFTA Professional visas. These visas allow citizens of Canada and Mexico, as NAFTA professionals, to work in the United States in prearranged business activities for U.S. or foreign employers.

During the NASBA Annual Meeting on November 1, IQAB Chair Sharon A. Jensen will report on progress being made on renewing mutual recognition agreements and developing new ones. At that session, representatives from several international accounting bodies will be present to sign agreements developed by IQAB for the Boards of Accountancy to consider for adoption. ♦

Shaping the Future or Who's on First

Ted Lodden
NASBA Chair

"Shaping the Future" is the focus of this year's Annual Meeting. Last year's focus was "Evolve." Evolve means to grow and change and, as I look back on this year, I see an organization that has grown and changed, and is on the cusp of shaping the future. In my inaugural address, I spoke about the four "Be's": Be Relevant; Be Influential; Be a Community; and Be Trusted. I believe we have accomplished each of these.

We were successful in meeting and exceeding our budget and revenue goals. NASBA will end this year in the best financial position in its history. We have invested millions of dollars in software which will better serve our member Boards, licensees and candidates. And, we will also set a record for mission spending. Having a sound financial position is critical to remaining relevant and influential.

I believe we have made great strides in creating global pathways. We have put forth a pathway in the Uniform Accountancy Act to allow unilateral action, and revised our mutual recognition agreements to be more transparent, as well as to identify gaps and plans to mitigate those gaps. This is a vital part of our global relevance.

As a community, we are working on increasing the number of CPAs who are people of color, Latinos and/or women. Some of our Boards have contacted the National Association of Black Accountants (NABA) for volunteers to serve as advisers to the Boards and then—hopefully—become Board members. We are also working on relationships with the Accounting & Financial Women's Alliance (AFWA), the American Woman's Society of Certified Public Accountants (AWSCPA) and the Association of Latino Professionals For America (ALPFA). Additionally, we formed a CPA candidate pipeline task force that has issued a white paper outlining issues and concerns, and we will be taking a deeper dive.

We have worked hard to ensure that our education and testing standards are world class. The Uniform CPA Examination was successfully redesigned to better assess higher level skills and critical thinking. We have commissioned a task force to study the educational process in the U.S. and they have issued a white paper. More in-depth study is currently underway. We made provisions in our continuing professional education standards for modern learning modalities. And we have begun the study of the CPA education model.

Our Compliance Assurance Committee has worked diligently to help improve the peer review process, which will lead to improved audit quality, which will strengthen the CPA profession and our reputation as effective regulators. We have also nearly completed our new CPE audit tool. This will assist State Boards in their monitoring of compliance as well as assist professionals in sharpening their skills.

We are living in a time when the pace of change is dramatically increasing. We are witnessing unprecedented developments in artificial intelligence, big data and robotics. But while machines are good at simulating, we need human insight and wisdom. We have formed a study group, networked with other regulators and engaged you in discussions of technological advances. We are committed to making sure that you have the knowledge and tools to effectively regulate as processes rapidly change.

As you may have noticed, I have used baseball as a theme throughout this year. As I wrote this memo, I was reminded of the classic Abbott & Costello routine "Who's on First?" Honestly folks, I have felt as befuddled at times this year. However, from where I sat at the Regional Meetings, I saw more State Board engagement than I could recall in over a decade of association with NASBA and the Iowa Board. In my inaugural address, I asked you to be an umpire and call a "ball" or a "strike." You did that with the use of titles. We have served as your collective voice in responding to over 20 exposure drafts and white papers, while bringing the most critical issues to you for your feedback.

We have been dedicated to providing legislation and political support to State Boards facing challenge, and offered education and research materials on a national basis. The behavior of special interest groups and introduction of legislation, like the RBI, indicate the need for this education. The "Restoring Board Immunity Act (RBI)" suggests two pathways: active supervision with periodic review, or judicial review. The bill's sponsors are encouraging states to modify their licensing regulations in exchange for immunity. Education is needed.

As was noted at our Regional Meetings, NASBA's Center for the Public Trust (CPT) has achieved continued growth in the number of student chapters. Ethics and integrity are the bedrock of our profession. And the ethics training modules that CPT offers are providing State Boards with CPE and remedial training for licensee discipline cases.

Just like Abbott & Costello, many State Boards and state societies have been confused as the largest association of accountants has transitioned from a sole focus on CPAs to a new organization. We have recently created the Reorganization Issues Task Force to address the resulting concerns.

NASBA had a very busy and successful year. And all of you, the committees, the NASBA board and the staff are to be congratulated on a productive year. The increasing pace of change is hitting us and, at times, we are going to feel like Abbott & Costello: Disruption is the new norm. We have accomplished a tremendous amount for the future -- but we are evolving.

—Telford A. Lodden, CPA
NASBA Chair 2016-2017

Concern Over CPA Domain

The need for verification procedures to prevent possible fraudulent or illegal use of a ".CPA" internet domain was stressed in a letter to the Internet Corporation for Assigned Names and Numbers (ICANN) from four U.S. Congressmen: K. Michael Conaway (R-TX), Ruben Kihuen (D-NV), Steve King (R-IN) and Steve Pearce (R-NM). Their letter stated: "Strong, reliable verification procedures are essential to protect the public interest. The importance of the public trust to the CPA profession around the world cannot be overstated, and the potential harm to the public of fraudulent or illegal use of a ".CPA" domain is immense." On September 15, ICANN President and CEO Goran Morby responded that the .CPA generic top-level domain (gTLD) has not yet been contracted out, but when it is, it will be under an implementation framework that sets contractual obligations of the registry operator. Two groups have applied to become the registry operator: the American Institute of Certified Public Accountants (AICPA) and CPA Australia Ltd.

ICANN President Morby wrote to the Congressmen: "…Upon receiving your letter, we researched the generic top-level domain space (ICANN does not have visibility into country code top-level domains such as .US, .UK, .AU, etc.) looking for any existing abuse relating to 'CPA.' We estimate there are currently approximately 63,000 domains that start with 'cpa-', end with 'cap', or have '-cpa-' in them. As of this writing, we are unaware of reports of pervasive fraud or abuse of those domains."

AICPA President Barry Melancon stated in the Institute's June 2015 letter to ICANN, seeking to become the regulator and administer of .CPA gTLD: "In the AICPA's view, the .CPA gTLD should be a restricted gTLD, only open for CPAs who are working under the rules and oversight of a governmental body. Only those parties who qualify under the standards and criteria defined by a governmental accounting body that issues the title of CPA should be entitled to a .CPA domain name – any other result would result in consumer harm…."

The AICPA and CPA Australia announced during a November 2014 conference that they had entered into "a collaboration agreement to administer the .CPA domain for the benefit of their members and affiliates worldwide through the procedures set forth in the AICPA's .CPA application." At that time the AICPA had also "noted their desire to form partnerships with other national CPA bodies." ♦

Final Plan on Peer Review (Continued from page 1)

During NASBA's June Regional Meetings, several Accountancy Boards questioned if they would be consulted should there be a change in the administering entity for their program. In announcing the final plan, the AICPA said that the administering entities "are expected to proactively communicate" with the Boards. The AICPA is meeting with a panel of State Board executive directors on November 1, 2017, and the AICPA Peer Review Board will meet with the NASBA Compliance Assurance Committee on November 20, 2017.

Compliance Assurance Committee Chair John F. Dailey, Jr., will outline the details of the AICPA's final proposal at NASBA's 2017 Annual Meeting. ♦

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