

## NOCLAR Highlight of CPT/Baruch Conference

The global conversation about how accountants should respond to their clients' non-compliance with laws and regulations (NOCLAR) was continued at Baruch College's 12th Annual Audit Conference: Ensuring Integrity, co-sponsored by the NASBA Center for the Public Trust, on November 28 in New York City. Kim Gibson, head of independence for Grant Thornton International, described the NOCLAR framework developed by the International Ethics Standards Board for Accountants (IESBA), and Catherine Allen, founder of Audit Conduct and NASBA Northeast Regional Director, outlined the AICPA's Professional Ethics Executive Committee's (PEEC) proposed NOCLAR standard as related to the IESBA's.



Kim Gibson



Cathy Allen

Ms. Allen pointed out that the key differences between what the two groups developed is PEEC's places responsibilities on auditors and non-auditors, and maintains confidentiality rules as they exist in the current standards. The IESBA maintains that an accountant's disclosure to an appropriate authority when a NOCLAR is encountered is not to be considered a breach of confidentiality. However, the IESBA standard does not say NOCLAR automatically requires an accountant to disclose, but requires the accountant to use professional judgement to consider:

1. The nature and extent of the actual/potential harm of the NOCLAR to stakeholders;
2. Whether there is an appropriate authority to intake and follow up on the information;
3. Availability of legal protection; and
4. Existence of actual or potential threats to physical safety of the professional accountant or others.

In maintaining the status quo position on confidentiality, the PEEC noted that was the position of most State Boards, Ms. Allen reported. NASBA responded to the PEEC's proposal in May explaining: "Changes in the business and regulatory environment, as IESBA concluded, may warrant reconsideration of existing laws and, to that end, open discussion with the State Boards." Ms. Allen told the Baruch

conference that, in the months ahead, PEEC as well as the AICPA/NASBA Uniform Accountancy Act Committee are expected to reconsider the issue.

The keynote speaker at the Baruch/CPT conference was Diana Henriques, author of *The Wizard of Lies: Bernie Madoff*, who described how Ponzi schemes are being successfully staged by unlikely sources. "Once we trust someone, we do not see the red flags that are indicative of failure," she warned. Ms. Henriques told the accountants in the audience, "You are our first – and perhaps our last – line of defense." She also acknowledged that: "On Wall Street, convicted felons get warmer welcomes than whistleblowers." Despite the potential of being shunned by colleagues, Ms. Henriques said she believes professional accountants will have the strength of character to stand up and alert the authorities when they discover an illegal scheme.

Changes in the PCAOB's new auditor reporting standard, which will become effective on December 15, 2017 after having been approved by the Securities and Exchange Commission on October 23, were summarized for the conference by Jennifer A. Rand, Public Company Accounting Oversight Board Office of the Chief Accountant - Deputy Division Director. Although the pass/fail opinion model has been retained, the new standard gives investors more information. Key changes include the form of the auditor's report, the addressee of the report, a statement of auditor tenure, enhancements to basic elements, and explanatory language. The new standard also provides for the communication of "critical audit matters" (CAM), but that becomes effective for audits for fiscal years ending on or after June 30, 2019 for large accelerated filers, and for fiscal years ending on or after December 15, 2020 for audits of all other companies.

Research projects being worked on by the PCAOB are meant to determine if a new issue exists that needs to be addressed in a PCAOB standard. The four projects Ms. Rand identified were: Changes of use of data and technology in the conduct of audit; Quality control standards

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## NASBA Calls for Taking Responsibility

While recognizing that there may be situations where it would be beneficial for a CPA to perform an engagement as described in the AICPA's Accounting and Review Services Committee's proposal for a selected procedures engagement, NASBA leaders cautioned ARSC that such engagements do still need to have a party take responsibility for the sufficiency of the procedures performed in such an engagement.

NASBA's November 27 comment letter stated: "We disagree with the proposal that no party would be required to take responsibility for the sufficiency of the procedures. There is a general public perception that, when a certified public accountant has signed their name to a document, that a practitioner has used due professional care in determining the sufficiency of the procedures, unless there is a division

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## The PhD Project in Action

The 23rd Annual Conference of The PhD Project was held November 15-17 in Chicago, hosting 266 minority professionals who are considering business doctoral studies. At the meeting's closing ceremony, nine of the Project's participants were celebrated for having completed their doctorates in 2016-2017. NASBA has been a sponsor of The PhD Project since 2014, and CEO & President Ken Bishop serves on The PhD Project Board of Directors and chairs the Board's Nominating Committee. Both Mr. Bishop and NASBA Chief Relations Officer Alfonzo Alexander attended the annual conference.

A current educator who had been an active member of The PhD Project throughout his doctoral program at Michigan State University, Dr. Brandis Phillips, CPA, was one of the recipients of NASBA's 2017 Accounting Education Research Grant for his work on "Stereotype Threat and Mindset Orientation: Psychological Barriers to the Accounting Profession."

The PhD Project was founded upon the premise that

advancements in workplace diversity could be propelled forward by increasing the diversity of business school faculty. When The PhD Project was created, there were only 294 doctorally-qualified African-American, Hispanic American or Native American business professors in all U.S. business schools. Currently, there are 1,253 active minority business professors and 254 minorities enrolled in doctoral programs.

On October 20, the Project's Committee on Hispanic Excellence (CHE) hosted its third Diversity Summit at the University of Texas at El Paso. CHE is comprised of PhD Project professors who are committed to increasing the involvement of Hispanic faculty in the mentoring of Hispanic students. Speakers at the October summit exchanged strategies for bringing Hispanic students into higher education and having major companies provide experiential learning to encourage them to complete their studies. More information about The PhD Project can be found on <http://www.phdproject.org>. ♦



## RITF Gathers Questions from Boards

NASBA's Reorganization Impact Task Force (RITF) met on December 4 in Nashville to discuss comments gathered to date from State Boards, including notes from the 2017 Annual Meeting's Regional Breakfasts. The Task Force was appointed by 2016-2017 NASBA Chair Telford Lodden to identify and clearly define the concerns and issues of NASBA's constituent Boards resulting from the American Institute of Certified Public Accountants' restructuring under the umbrella entity of the Association of International Certified Professional Accountants. The task force is chaired by John F. Dailey, Jr. (NJ), who announced the task force will be conducting a survey and continue to solicit comments and concerns from all interested stakeholders.



John Dailey

The RITF has been asked to present a report at the NASBA Board's January 2018 meeting. Chair Dailey commented: "Some Boards have

reported issues ranging from confusion over acronyms and logos to legal and contractual issues resulting from the reorganization. Other comments stated the reorganization has not presented to date any challenge that they can't overcome. We want to identify questions concerning the reorganization in order to see what can be done to enable all Boards to be comfortable with the newly formed Association." Mr. Dailey encouraged the Boards to continue to send the task force's liaison Alfonzo Alexander ([aalexander@nasba.org](mailto:aalexander@nasba.org)) their comments about confusion, political concerns, legislative legal concerns and/or contractual legal concerns. The Task Force seeks to receive as many comments as possible by December 29.

Members of the task force include: Brie Allen, Janet Booker Davis (TN), Wayne Geher (NH), Wade Jewell (VA), David Miller (MS), Nicola Neilon (NV) and Randall Ross (OK). ♦

## Baruch/CPT Speakers View Data Analytics

A year ago the PCAOB began an information outreach consistent with what other regulators are considering and there is nothing that researchers have seen that would act as an impediment to using data analytics for audits, Patrick McNamee, Deputy Chief Auditor of the PCAOB told the Baruch/CPT conference. He said the PCAOB recognizes it needs to be flexible to understand what is happening and how the information is being used.

While data analytics is being used for risk assessment, six months ago it was still in the early stage of being used for evidence, Mr. McNamee reported. He noted that CPA Canada did a survey in October on how firms are using data analytics. They found the smaller firms are using data analytics as evidence, but the larger ones are using it only as supplementary evidence. The PCAOB's outreach found firms still have much to learn about what data analytics means.

Miklos Vasarhelyi, Professor of AIS at Rutgers Business School, advised the conference attendees to check You Tube, free-of-charge, to learn about data analytics information developed by his university. Dr. Vasarhelyi, who spoke at NASBA's 2017 Western Regional Meeting, has been working with the AICPA and the large CPA firms on a three-part project to understand large populations, process the findings and use visualization as audit evidence. His group is creating projects to automate pieces of the audit process.

"Investors do not complain of information overload," remarked Mohini Singh, Director of Financial Reporting Policy for the CFA

Institute. While they do not want to see boilerplate statements, they don't mind going through redundant material in a large report. She compared data analytics to crowd funding – seeing the need for both to have a framework to balance investor protection and opportunity. Ms. Singh referred all to the CFA Institute's "Data Technology: Transforming the Financial Information Landscape: Investor Perspectives."

Planning has started for NASBA's June 2018 Regional Meetings and sessions to bring State Board regulators more information about how technology will be impacting their work are under consideration. ♦

## NASBA Calls for Taking Responsibility

(Continued from page 1)

of responsibility clearly identified as currently done in AT-C section 215 engagements today."

The ARSC exposure draft questioned, if the general-use selected procedures are permitted, then should additional language be included in the report? The NASBA response was: "In order to avoid confusion of the general public as to the sufficiency of the procedures performed and the related intended use, we believe that the report should include disclosure of the party or parties that determined the procedures to be performed by the practitioner."

NASBA's complete response to this ARSC exposure draft, and other proposals, can be found on [www.nasba.org](http://www.nasba.org). ♦

# PRESIDENT'S MEMO

## Ten Years and Counting

Every year when I write the final *President's Memo* of the year I have very similar thoughts and emotions. In a large association with hundreds of delegates, associates and staff and thousands of stakeholders, one should expect any year to contain a range of experiences from celebratory to melancholy. This year was no exception. There were so many great successes and reasons to celebrate, tempered by the loss, illnesses and struggles of some of the NASBA family. It is a time to reflect on both. For me personally, this year-end represents another milestone as I complete my tenth year with NASBA and my sixth year as President and Chief Executive Officer.

It is hard to believe that it has been a decade. Ten years ago, the top priority for NASBA (and the American Institute of Certified Public Accountants) was to launch the individual mobility legislative effort. I clearly remember the early discussions and the naysayers forecasting that we would never be successful. Yet within a few years, individual mobility had passed and been implemented in a super majority of states. Now, ten years later, every U.S. jurisdiction, except for the State of Hawaii, has mobility legislation that affords unprecedented flexibility to consumers of CPA services -- with virtually no harm resulting to the public. Today we are looking at another new unprecedented change.

In 2018, we will begin seriously considering and developing a new pathway to becoming a CPA. After spending a significant amount of time and effort studying and understanding the accounting profession's rapid transition to the use of and reliance on technology, particularly data analytics, we have concluded that relevant regulatory change is inevitable. That will be seen in several areas, but developing a process that enables data technologists and scientists to become CPAs is an important element of that change.

NASBA and AICPA are working together to carefully research and ascertain if, when and how a new pathway to CPA should be constructed. Several things are clear: The reliance and importance of data technologists in the profession is already apparent. Firms, particularly large firms, are reducing the number of traditional CPAs being hired by more than 20 percent and are hiring data technologists and scientists in their stead. Most of the U.S.'s largest audits are already significantly utilizing data analytics, and products and services are now being developed that will soon expand the use of data analytics into firms and engagements of all sizes.

It is evident that other professions such as engineering and economics are competing for people with the same data specialty skill sets. Providing students and candidates interested in, and with an acumen for, data analytics with the opportunity to become CPAs and join the most respected profession presents a great opportunity, but we recognize they have other career paths available to them. That is part of our challenge.

Ten years ago, in the early discussions about mobility legislation, I often heard comments like "the accounting profession is slow to change" and "CPAs don't like change." I now know that those arguments were mostly untrue. The CPAs I have been privileged to work with are some of the most progressive and forward-thinking folks I know, and CPA firms have advanced the use of technology and continued to strive to improve audit quality. However, the naysayers of ten years ago posed valid and important questions that ultimately improved the mobility model. We hope we will experience that same level of engagement as we expose elements of the contemplated pathway. NASBA is committed to transparency and effectively communicating with State Boards on this project and all others.

Before concluding, I do want to take this opportunity to wish all the NASBA family a safe and joyous holiday season and a happy and successful new year. 2018 is going to be an exciting year for NASBA and the accounting profession. I predict that it will come to be seen as a watershed year for the profession, NASBA and for Boards of Accountancy.

Thank you for the support, friendship and confidence you have placed in me this past ten years...ten years and counting.

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



**Ken L. Bishop**  
President & CEO

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is fluid and cursive.

— Ken L. Bishop  
President & CEO

## CPT/Baruch Conference (Continued from page 1)

– including assignment and documentation of firm supervisory responsibilities; The auditor's role regarding other information and company performance measures, including non-GAAP measures; And the auditor's consideration of NOCLAR. Ms. Rand said that the NOCLAR is being revisited, as the PCAOB's investor adviser group has recommended changing the PCAOB's standard on whistleblowing.

The SEC supports the PCAOB having a research agenda, as it is good to determine if standard-setting is needed or if there may be another solution, explained Marc Panucci, Deputy Chief Accountant in the Office of the Chief Accountant at the SEC. He advised firms to start

thinking about methodology changes and training their people for the implementation of CAMs.

A panel of attorneys raised the point that the inclusion of CAMs means the auditor will be making more statements-- with the potential to be alleged misstatements. Claudius Modesti, director of the PCAOB's Division of Enforcement and Investigation, assured the audience that the PCAOB is looking at reckless cases that show clear-cut egregious violations. He told the conference, if an issue is identified as a CAM, then it is surely going to be communicated to the Audit Committee, and that can help maintain a relevant market. ♦

## 2017-2018 NASBA Committee Chairs

2017-2018 Committee Name	Chair
Accountancy Licensee Database/CPAverify Committee	Casey Stuart
Administration and Finance Committee	Jimmy E. Burkes
Audit Committee	Maria E. Caldwell
Awards Committee	Donald H. Burkett
Bylaws Committee	To Be Announced
CBT Administration Committee	C. Jack Emmons
Communications Committee	Sheldon P. Holzman
Compliance Assurance Committee	John F. Dailey, Jr.
CPA Examination Review Board	Barbara A. Ley
CPE Committee	Tyrone E. Dickerson
Diversity Committee	Maria E. Caldwell
Education Committee	Raymond N. Johnson
Enforcement Resources Committee	E. Kent Smoll

2017-2018 Committee Name	Chair
Ethics Committee	Catherine R. Allen
Executive Directors Committee	Randall Ross
International Qualifications Appraisal Board	Sharon A. Jensen
Legislative Support Committee	Nicola Neilon
Nominating Committee	Telford A. Lodden
Past Chair Advisory Council	Telford A. Lodden
Regulatory Response Committee	W. Michael Fritz
Relations with Member Boards Committee	Stephanie M. Saunders
Standard-Setting Advisory Committee	Richard N. Reisig
State Society Relations Committee	Stephanie Peters
Strategic Planning Task Force	Theodore W. Long, Jr.
Uniform Accountancy Act Committee	J. Coalter Baker

**E-mail Anita Holt (aholt@nasba.org) for additional contact information.**

### New Format for MRA Renewals

State Boards are encouraged to review the new format of the mutual recognition agreement renewals with the Chartered Accountants of Ireland, CPA Canada and Instituto Mexicano de Contadores Públicos, which are posted on [www.nasba.org](http://www.nasba.org). The NASBA/AICPA International Qualifications Appraisal Board has retooled the agreements to more clearly specify what are the qualifications for those experienced international professionals who wish to seek the US CPA.

As announced at the Annual Meeting, progress is being made to establish a new mutual recognition agreement with the Institute of Chartered Accountants in Scotland. That is expected to be considered by the NASBA and AICPA Boards during the first quarter of 2018. ♦

### School Debts and Licenses

Nineteen states have laws that can revoke state-issued professional licenses of individuals who are defaulting on their student debt, the *New York Times* reported on November 19. The reporters found that in recent years there were at least 8,700 cases of licenses being revoked or put at risk of suspension.

Supporters of these laws say debtors find a way to pay when facing the loss of a license, while critics point out that losing a license makes it even more unlikely a person will be able to repay his or her debt. Some states are enforcing these laws, others reported to the Times that they were not being used, and Oklahoma and New Jersey eliminated them last year. ♦