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...
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 doctoral-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.

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 their comments. 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 YouTube, 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

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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.
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

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. ✮
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. 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. ♦