

MRA with ICAS Signed

Since 1995, the NASBA/AICPA International Qualifications Appraisal Board has been talking about the desirability of forging a mutual recognition agreement (MRA) with the professional body in Scotland. Happily, a mutual recognition agreement (MRA) with the Institute of Chartered Accountants of Scotland was signed on February 27 by ICAS Chief Executive Officer Anton Colella, AICPA CEO Barry Melancon and NASBA CEO Ken Bishop. The agreement is being sent to the State Boards with the recommendation that they adopt it for application in their jurisdictions. It can be found on www.nasba.org.

NASBA Chair Theodore Long thanked IQAB volunteers and staff who have worked with ICAS, NASBA and AICPA leadership to develop this agreement. President Bishop stated: "It is remarkable that it has taken decades to reach this historic agreement positively impacting the accounting professions of the United States and Scotland. I applaud the tremendous effort and perseverance of the staff and volunteers of the respective organizations to finalize this crucial agreement. We appreciate the participation and support of the UK's FRC [Financial Reporting Council] in this endeavor. The relationships developed during this process will serve us well as we work together on future agreements."

ICAS CEO Colella, who spoke at NASBA's 2017 Annual Meeting, noted this agreement "comes at a pivotal point for the UK. It not only



L to R: Ken Bishop, Anton Colella and Barry Mealcon sign MRA in New York.

creates new opportunities in the world of transatlantic trade, but also reinforces the high standing in which we hold our American colleagues, and the expertise they value in us."

Under the terms of the agreement, a professional who holds a baccalaureate, has completed the ICAS CA Qualification Program and has two years of relevant practical work experience after becoming a chartered accountant can take the US International Qualification Examination (IQEX) to apply to a State Board to become a U.S.

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Report to SEC for Whistleblower Protection

The U.S. Supreme Court has held that to be covered by the anti-retaliation provisions of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, a whistleblower must report a violation of the securities laws directly to the Securities and Exchange Commission. The February 21 decision was made in the case of *Digital Realty Trust, Inc. v. Sommers*. Paul Somers alleged that Digital Realty Trust terminated his employment as a vice president shortly after he reported to senior management suspected securities-law violations by the company. He then alerted the SEC. Mr. Somers filed a suit claiming whistleblower protection under Dodd-Frank. The Supreme Court held that Dodd-Frank's anti-retaliation provision did not extend to Mr. Somers as he had not reported the suspected violations to the SEC prior to his termination.

In the documents presented to the Supreme Court, concern had been expressed that the court's determination might jettison protection for auditors, attorneys and other employees who are subject to internal reporting requirements, since Sarbanes-Oxley directs auditors and attorneys to report certain information within the company before making disclosures externally.

Delivering the opinion of the Court, Justice Ruth Ginsberg wrote: "Our reading shields employees in these circumstances, however, as soon as they also provide relevant information to the Commission. True,

such employees will remain ineligible for Dodd-Frank's protection until they tell the SEC, but this result is consistent with Congress' aim to encourage SEC disclosures.... Somers worries that lawyers and auditors will face retaliation quickly, before they have a chance to report to the SEC [Brief for Respondent 35-36]. But he offers nothing to show that Congress had this in mind when it enacted §78u-6(h). Indeed, Congress may well have considered adequate the safeguards already afforded by Sarbanes-Oxley, protections specifically designed to shield lawyers, accountants, and similar professionals." ♦

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Accreditation Standards in Process

The AACSB has established an Accounting Accreditation Policy Committee and is making good progress in establishing “Eligibility Procedures and Accreditation Standards for Accounting Accreditation,” reports NASBA Education Committee Chair Ray Johnson (OR). NASBA representatives have been involved in the development of these standards and in making a final review of the revised standards. It is anticipated that the new standards will be voted on in April by the AACSB and will be reported on at the NASBA Regional Meetings in June.

Providing the Boards of Accountancy with a direct link to accreditors is another project the Education Committee is focused on, Dr. Johnson stated. A link is being created on the Executive Directors’

portal of the NASBA website via which Boards will be able to raise issues with accreditors about potential academic integrity issues at accredited institutions. Plans call for the project to be discussed at the Executive Directors Conference in March and to be launched in April.

Dr. Johnson also anticipates presenting the Regional Meetings with an update on how work is being done with the American Council on Education and the American Association of Collegiate Registrars and Admissions Officers to achieve greater transparency in transcripts, particularly with respect to credit granted for life experience (often referred to as “credit for prior learning”) and credit granted based on an assessment of competencies. ♦

Purple Book and Tax Preparers

The IRS National Taxpayer Advocate released earlier this year a new publication, *The Purple Book*, which among its 50 legislative recommendations includes a call for authorizing the IRS to establish minimum competency standards for federal tax return preparers. Noting that the AICPA has opposed a bill that would provide the IRS with the statutory authorization to establish and enforce minimum standards, the publication states that it does not agree that “marketplace confusion” would result when taxpayers would “not be able to distinguish between a preparer who passes a simple competency test and a CPA.”

More recently, Iowa House File 2424 was introduced related to Iowa tax return preparers. It would require that on or after January 1, 2019 uncredentialed tax return preparers would have to register their federally-issued preparer tax identification number (PTIN) with the Iowa Accountancy Examining Board and complete a minimum of 15 hours of continuing education per calendar year, including two hours on the topic of professional ethics, and then submit an annual report to the Board relating to that continuing education. The Iowa Board of Accountancy does not favor the bill. NASBA Legislative Director John Johnson has been working closely with Board staff. ♦

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CPA. For the U.S. CPA, the agreement also calls for two years of post-qualification practical work experience to earn the Chartered Accountant designation, but that may be earned in the United States, unlike what some other designations require. Then to have the ability to sign an audit report for the equivalent of a public company in the United Kingdom, the individual will need to become a “responsible individual,” which requires working for a period in the UK.

“We recognize there are still gaps to be filled before this agreement is renewed in five years,” NASBA/AICPA International Qualifications Appraisal Board Chair Sharon Jensen (MN) said. “Policy changes are anticipated in the United Kingdom that should help us bridge these gaps.” The MRA states:

“Under the UK Companies Act 2006, ICAS has the status of Recognised Supervisory Body (RSB), allowing ICAS to award Responsible Individual (RI) status to holders of the CA designation who also hold the UK Audit Qualification and a current PC.

“Within the term of this agreement:

“1- ICAS undertakes to seek a determination from the FRC to grant ICAS a dispensation to recognize practical audit experience obtained in the US towards the above noted practical audit experience requirements for the UK Audit Qualification.

“2- ICAS will work with the FRC to facilitate the recognition of US CPAs under the UK Companies Act during the negotiations on the UK’s departure from the European Union.

“3- ICAS will report an annual update to the IQAB on progress in these matters.”

This is the first new MRA to be established via IQAB in several years. Others are currently being studied. ♦

New Guam Testing Center



The relocated Guam Testing Center will “go live” for testing on March 23.

Call for Vice Chair Nominees

NASBA Nominating Committee Chair Telford A. Lodden (IA) is asking all those interested in serving as NASBA Vice Chair 2018-19 to please submit their resume by April 18, 2018. Any qualified member can directly submit his or her interest letter to Mr. Lodden at NASBA, 150 Fourth Avenue North – Suite 700, Nashville, TN 37219-2417 or e-mail aholt@nasba.org or fax (615)880-4291. To be eligible to serve as Vice Chair, an individual must have served as a Director-at-Large or Regional Director for a minimum of two years, but need not be a current member of the Board of Directors at the time of his or her election. Please direct any questions about the nominating process to Assistant to the President Anita Holt (615)880-4202. ♦

PRESIDENT'S MEMO

A Big Thanks

I am writing this month's *President's Memo* as we are finalizing plans for NASBA's upcoming 36th Annual Conference for Executive Directors and Board Staff and the 23rd Annual Conference for Board of Accountancy Legal Counsel. Just last evening I received a call from an Executive Director to iron out a wrinkle in the agenda of the upcoming conference. Yesterday I also received an e-mail from a NASBA staff director relaying some suggestions from a conversation with Randy Ross, Chair of our Executive Directors Committee. Neither of these conversations were an anomaly nor unusual. Weekly, if not daily, communication is being shared among NASBA staff and the Boards of Accountancy's Executive Directors, Staff, or Legal Counsel across the country. Often those conversations result directly from NASBA reaching out to the folks who are truly the "boots on the ground," who do the heavy lifting in the day-to-day aspects of the protection of the public.

NASBA, like most Boards of Accountancy, is governed by volunteers who are typically gubernatorial appointments entrusted to make policy recommendations and decisions in the public interest based on their knowledge of the CPA profession and their understanding of the current business and regulatory environment. Those decisions are managed and implemented by professional staff. Because of the statutory term limits of Accountancy Board members, the Boards' Executives and Staff provide the continuity and support the consistent application of statutes, rules and policies. Similarly, Boards' Legal Counsel provide the interpretive guidance and direction to ensure the Boards' actions, including disciplinary cases, are correctly and fairly conducted.

In order to accomplish NASBA's primary mission to "Enhance the effectiveness and advance the common interests of the Boards of Accountancy," the relationships and interactions with Board Staff and Legal Counsel are vital. NASBA's Executive Director and Staff Conference, and Board Legal Counsel Conference are critical components of our success, and they provide Staff and Counsel the opportunity to develop helpful relationships with their peers, to interact and exchange information and ideas, and to reach consensus on effective responses to major issues. These conferences present not only practical tips and techniques, but also the chance to hear from leaders in the profession, federal regulators, educators and others as to their latest activities including CPA Examination changes, progress in international mutual recognition agreement negotiations, and developments in education and peer review.

Board of Accountancy Members are well-aware of the important role of Board Staff and Legal Counsel. However, Board Members may be less aware of the Staff's continuous interaction with NASBA and the resultant impact on so much of what we do. The Chair of the Executive Directors Committee serves as a liaison to the NASBA Board of Directors, which includes participation in the AICPA/NASBA Summits. He provides a conduit of information, conveying grassroots' perspectives and guidance to leadership and bringing the Boards' Staff insight into the leaders' deliberative processes.

Executive Directors serving on various NASBA committees and task forces bring invaluable expertise and insight into how we implement new ideas. They regularly assist us in bringing the Regional Directors' Focus Questions to the Boards for discussion, which helps guide the development of NASBA's programs and policies. When called upon by fellow Executive Directors, they respond to Quick Polls to share current practices. The Accountancy Licensee Database, which buttresses CPA mobility, is supported by the efforts of the Executive Directors and Staff. The candidate database could not be created without their cooperation. Board newsletters would not appear without the Executive Directors' commitment to reach out to the Boards' stakeholders. Frequently it is the Executive Directors who encourage new Accountancy Board Members to become active participants in NASBA by attending our orientation sessions and Regional Meetings, and the Executive Directors set in motion the scholarships that support their attendance. These are just a few of the NASBA-related roles the Executive Directors play in ordinary times, not to mention all the help they offer when the operations of a Board are threatened and special assistance is called for.

No one would ever suggest that our hard-working Executive Directors, Board Staff or Legal Counsel are taken for granted, but occasionally we all need to pause and reflect on their significant contributions to the effective regulation of the accounting profession. One way of doing that is to join me in giving a big "Thank You" to Executive Directors, Board Staff and Legal Counsel: We appreciate all you do.



Ken L. Bishop
President & CEO



Semper ad meliora (Always toward better things).

A handwritten signature in black ink that reads "Ken L. Bishop".

— Ken L. Bishop
President & CEO

Regional Call Highlights

Since the January Board of Directors Meeting, the Regional Directors have all held Regional Conference Calls with their states' Board Chairs and Executive Directors. After summarizing the NASBA Board's meeting, the Regional Directors asked the State Boards to share recent developments in their jurisdictions. Some of the items discussed included:

- Alabama – Celebrated the Board's centennial on February 17.
- Arizona - Considering legislation that would only restrict the use of the CPA title, not other designations.
- Florida – Focusing on CPE rulemaking.
- Georgia – Looking for ways to decrease the number of late license renewals.
- Hawaii – New Executive Director James Kobashigawa.
- Illinois – Planning to hold educators conference.
- Indiana – Passed competency-based CPE and now working on templates to implement the rule.
- Louisiana – Changing fee structure.
- Kentucky – Board is being reorganized.
- Maine – Interested in the development of NASBA peer review oversight committee.
- Maryland - New Executive Director Shanai Jordan.
- New York – Removed small firm exclusion from peer review.
- North Dakota – New database going live in May. Preparing to separate Board and Society offices with two Executive Directors.

- Ohio – In process of going paperless.
- Oregon – Kimberly Fast named Executive Director.
- Tennessee – Changed misleading firm name rule.
- Washington – Expect Governor to sign bill that would allow firms from British Columbia to complete audits in Washington.

Many Boards are working on CPE rules, using the *Model Rules* that were distributed with the Eighth Edition of the *Uniform Accountancy Act* for reference. Discussions are going on in the State Boards about the acceptance of nano and blended learning, as well as the requirement for 50 percent of the courses to be technical.

Several states are considering legislation that would waive fees for active military spouses or expedite their licensing. These and other bills that might impact the Boards are being tracked by NASBA Director of Legislative and Governmental Affairs John Johnson, and he provided input with NASBA Vice President-State Board Relations Dan Dustin to the Regional calls.

Moderating the calls were: Northeast Regional Director Catherine R. Allen (NY), Southwest Regional Directors C. Jack Emmons (NM), Great Lakes Regional Director Sheldon P. Holzman (IL), Central Regional Director Sharon A. Jensen (MN), Mountain Regional Director Nicola Neilon (NV), Pacific Regional Director Katrina Salazar (CA), Middle Atlantic Regional Director Stephanie M. Saunders (VA) and Southeast Regional Director Casey Stuart (TN). ♦