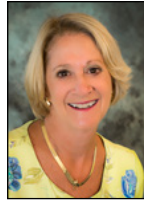


Sticking with Two Regionals

After carefully considering the feedback gathered at the 2018 Regional Meetings, NASBA's Regional Directors determined the advantages of having two Regional Meetings outweighed those of having one combined Regional Meeting. A combined meeting had been suggested by several executive directors, which resulted in a special telephonic meeting of the NASBA Board of Directors on May 21 that concluded the idea should be brought to the Regional Meetings for discussion. Careful notes were taken at all the Regional breakout sessions at the Regional Meetings, and letters commenting on the proposed change were also sent to President and Chief Executive Officer Ken Bishop.

"You look at the high marks this year's Regional Meetings received, and the comments we got about the valued intimacy of those meetings and the Regional breakout sessions, and that made us want to keep the two separate meetings," Relations with Member Boards Committee Chair and Middle Atlantic Regional Director Stephanie M. Saunders told



Stephanie Saunders

the NASBA Board of Directors on July 20. In planning future meetings, the Regional Directors advised NASBA to give added time to the highly valued Regional breakout sessions, when Board members from other states freely address common concerns.

Ms. Saunders also commented on the lively discussions of the proposed technology pathway that took place at both Regional Meetings. She observed that most of the Regions concluded "that dog ain't gonna hunt," as President Bishop had concluded in his July 2018 "President's Memo," but are ready to explore some other approaches that recognize the increasing importance of technology to the profession. ♦

Conaway Introduces HR 6515

The Occupational Licensing Board Antitrust Damages Relief and Reform Act (HR 6515) was introduced on July 25 by Congressman K. Michael Conaway (R-TX-11), then co-sponsored by Congressman Lamar Smith (R-TX-21), and referred to the Committee on the Judiciary and the Committee on Education and the Work Force. The legislation is to limit private antitrust damages against occupational licensing boards and to promote beneficial reforms of state occupational licensing. It was developed to address the implications for licensing boards of the Supreme Court's 2015 decision in the *North Carolina State Board of Dental Examiners v. Federal Trade Commission* case.

The bill would shield State Boards, Board members and their staff members from damage awards stemming from private antitrust litigation. It would allow both government enforcers and private plaintiffs to continue to sue for injunctive relief; however, for a board to obtain such relief certain criteria would have to be met: (1) For previously unregulated occupational licenses, the board must have a "sunrise review" mechanism in place; (2) For existing boards, a periodic "sunset review" is required unless the occupation is licensed in at least 40 states; (3) All board members must be selected by an officer of the state, and the board must include public representation. The legislation also calls for a study by the Government Accountability Office of licensing reform, how states conduct cost/benefit analyses through sunrise and sunset reviews, how the states can implement greater portability and how licensing impacts low-income workers, immigrants



K. Michael Conaway

Auditing Standards Board in Nashville

The Auditing Standards Board met in the recently expanded NASBA Nashville headquarters on July 23-26 to consider issues including financial reporting for employee benefit plans. In attendance was the chief auditor of the U.S. Department of Labor Michael Auerbach. NASBA Past Chair Gaylen R. Hansen (CO), a member of the ASB, commented: "Everything I heard from the ASB members was overwhelmingly complimentary of NASBA staff and the facility on the 8th floor."

Mr. Hansen reported that the ASB voted to revamp the audit standard governing the entire U.S. financial reporting of employee benefit plans.

This three-year project was undertaken by a task force including Maine Board of Accountancy Chair Tracy Harding. Mr. Hansen commented, "There will be a few tweaks left to the EBP project, but today (July 26) was the landmark event."

Other State Board representatives on the ASB include: G. Alan Long (KY), Elizabeth Gantner (MD), Marcia L. Marien (CT) and M. Chad Singletary (AL). ♦

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NASBA Comments

In response to calls for public comment, NASBA Chair Theodore Long, Jr., and President Ken L. Bishop have submitted comment letters pertaining to the following exposure drafts:

- American Institute of Certified Public Accountants, Professional Ethics Executive Committee
Information System Services
- Securities and Exchange Commission
Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships
- American Institute of Certified Public Accountants, Assurance Services Executive Committee
Criteria for Evaluating the Integrity of a Set of Data
- International Federation of Accountants, International Ethics Standards Board for Accountants
IESBA Proposed Strategy and Work Plan 2019-2023.
Copies of these response letters can be found on www.nasba.org. Thanks for their assistance in the development of these letters to the members of the:
- **Regulatory Response Committee** - W. Michael Fritz (OH) – Chair, Alan R. Augenstein (AZ), Kevin Collins (CO), David D. Duree (TX), Gaylen R. Hansen (CO), Tracy Harding (ME), Matthew J. Howell (MI), Richard Isserman (NY), Karen R. Saunders (WA), L. Samuel

Williams, Jr. (NC) and Carleton L. Williams (HI);

- **Ethics Committee** - Catherine R. Allen (NY) – Chair, Barry M. Berkowitz (PA), Wm. Hunter Cook (NC), Robert F. Fay (OH), John McManus (DE), Thomas G. Neill (WA), Michael L. Nickerson (ME), Richard Silverman (NH), Jesus Socorro (FL), Lydia M. Washington (NY), Michael D. Weatherwax (CO), Judy C. Wetherbee (TN) and Alan Wilensky (MN);
- **Standard-Setting Advisory Committee** - (Richard N. Reisig (MT) – Chair, Matthew P. Boshier (VA), Scott Dockins (ID), Timothy F. Egan (CT), Keri A. Ellis (PA), Gaylen R. Hansen (CO), Nelson K.M. Lau (HI), and Michael P. Rollage (PA). ♦

Conaway Introduces HR 6515

[Continued from page 1](#)

with work authorizations and those with criminal records.

Congressman Conaway (NASBA Chair 2002-2003 and a former Presiding Officer of the Texas State Board of Public Accountancy) explained: "Individuals who serve on these boards should enjoy the same legal protections for working on behalf of the state as all other state officials do."

For more information see the August edition of *Legislative E-News* on www.nasba.org. ♦

G20 Receives Report on Crypto Assets

On July 20 the G20 Ministers of Finance and Central Bank Governors received a framework for monitoring the financial stability implications of crypto-assets markets, as developed by the Financial Stability Board (FSB), in collaboration with the Committee on Payments and Market Infrastructures (CPMI). The purpose of the framework is to identify any emerging financial stability concerns. It discusses primary risks within crypto-assets as well as within potential transmission channels. As described by Carol Van Cleef at NASBA's June 2018 Regional Meetings and as the FSB states in its report, while crypto-assets raise issues about consumer and investor protection, they also have the potential to improve efficiency of the financial system.

The framework specifies the metrics which the FSB could use to monitor financial stability. These metrics are mainly based on public data, and the FSB cautions that the quality of the underlying data can vary and may not fit all types of crypto-assets equally. It explains that "As understanding develops and new sources of

public data become available, the FSB with CPMI, will consider how improvements can be made."

The report to the G20 also describes the work on crypto-assets that various standard-setting bodies are presently doing:

- CPMI is studying the application of distributed ledger technology and is conducting outreach, monitoring and analysis of payment innovations.
- International Organization of Securities Commissions (IOSCO) has established an initial coin offering Consultation Network, is developing a Support Framework and is discussing regulatory issues around crypto-assets platforms.
- Basel Committee on Banking Supervision (BCBS) is assessing the materiality of banks' direct and indirect exposure to crypto-assets. "While the FSB believes that crypto-assets do not pose a material risk to global financial stability at this time, it recognizes the need for vigilant monitoring in light of the speed of market developments," the FSB stated in its press announcement. ♦

Wade A. Jewell Heads AEQUO

As of August 1, Wade A. Jewell has become president of AEQUO and Director of International Evaluation Services. Aequo is the NASBA entity founded in 2014 to provide universities and other professional boards with the high standard of evaluations that NASBA is able to offer the Boards of Accountancy. Mr. Jewell had been the executive director of the Virginia Board of Accountancy since 2009 and is a past chair of NASBA's Executive Directors Committee. He has been involved in many NASBA committees and task forces, including most recently the Reorganization Impact Task Force.

Having been part of Virginia's government since 1988, Mr. Jewell



Wade Jewell

had served in financial and operational management positions in the Department of Corrections, Department of Social Services and Department of Transportation. He was assistant executive secretary of the State Compensation Board, responsible for the budget, finance, auditing reporting and policy sections of the agency. Prior to working for state government, Mr. Jewell held positions with Reynolds Metals Company and Smith-Midland Corporation. He graduated with honors from the University of Richmond and the Virginia Executive Institute.

"We have all been impressed with Wade's ability to bring fresh insights into every issue he has tackled and I am confident that he will be an outstanding addition to the NASBA staff," NASBA President and Chief Executive Officer Ken Bishop stated. ♦

PRESIDENT'S MEMO

The NASBA Family

I was recently in New York City participating in the bi-annual AICPA/NASBA summit. While in the city, I had the opportunity to have dinner with several former Board of Accountancy members from New York and New Jersey, who all had played important roles in NASBA ranging from committee members to NASBA Directors and even a past Chair of NASBA. It is no exaggeration to say that seeing these folks, along with their spouses, was like attending a large family dinner. During our conversation we learned that several of us, including me, had either travelled to visit, or at least reached out to check on the wellbeing, of another former NASBA Chair who had experienced some health issues. Again, doing something that families do. So why am I taking up valuable space in the *State Board Report*, and your time if you are reading this piece, talking about family?



Ken L. Bishop
President & CEO

When I was selected as the CEO of NASBA over seven years ago, like any new leader I wanted to make my mark by instituting changes and improvements to take NASBA to a new level, just as my predecessor had done. However, I also knew that I wanted to perpetuate and nourish warm friendships. Enjoying the camaraderie at events such as the New York dinner and our recent NASBA Regional Meetings and witnessing the strong bonds that have developed between so many of our stakeholders, makes me believe that the NASBA family is flourishing.

I use the word “stakeholders” purposely, because the membership of the “family” goes well beyond just Board of Accountancy members. Our outside legal team, staff and leaders from the AICPA, State Societies and other organizations and partners such as Prometric staff are all integrated into the fabric of this great family.

Why I am writing about this family is because it is so important to the success and relevance of NASBA. You often read or hear my arguments as to why every State Board member should participate in NASBA, either through attendance at our conferences and meetings or by involvement in NASBA committees, and should ultimately aspire to NASBA leadership positions. My arguments are usually pragmatic and include such elements as: It will make you a better board member. You will be more aware of what is happening in the profession and regulation. You will learn about shared experiences and best practices from other State Boards and Board members. And, most importantly, you will develop a network of resources that will benefit you in your role as a State Board member, as well as in your own professional life.

All of these reasons are certainly true, but the personal relationship focus of this *Memo* is no less important. In a recent discussion with a State Society executive I heard her express concern that that new generation of CPAs are not “joiners” and, consequently, associations are aging leading to shrinking membership rolls. At NASBA, we have been blessed. Attendance at NASBA meetings is historically high and the requests for participation in NASBA committees and tasks is robust. I am profoundly pleased that we are attracting an increasing number of diverse and younger participants. My question, and the focus of this piece is: Are we taking the time to develop the type of personal and trusting relationships that have been the underpinning of NASBA’s continuous growth in relevance? To be more specific: Are we making sure that we are bringing our new stakeholders into the fold of the NASBA family?

We are facing significant changes in the coming weeks and months. Important decisions need to be made regarding the use of technology in the profession. The end of the current tri-party (NASBA, AICPA and Prometric) contract period for the Uniform CPA Examination is on the horizon. Global issues, such as the appropriate professional response to Non-Compliance with Laws and Regulations (NOCLAR), are becoming more pressing. And of critical importance, threatening and destabilizing deregulatory legislation is gaining momentum around the United States. The significance of the NASBA family bonding goes well beyond being “warm and fuzzy,” but to the strength of trusting and communal discussions that result in effectiveness.

I am so proud to be a part of the NASBA family. Once you integrate yourself into it, it never goes away. The huge network of past State Board members, NASBA leaders (staff and volunteers) and stakeholder groups, remains a tremendous resource for NASBA and, as importantly, just folks we like to be with...just like family!

Semper ad meliora (Always toward better things).


— Ken L. Bishop
President & CEO

State Board Report

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UK Profession Facing Criticism

The UK's Financial Reporting Council's (FRC) audit inspection results have shown a "fall in quality" of the largest accounting firms with only 72 percent requiring no more than limited improvements, while in the previous year 78 percent needed no more than limited improvements. The FRC is calling on the UK firms to take action to "swiftly reverse" the decline.

FRC CEO Stephen Haddrill stated: "At a time when public trust in business and in audit is in the spotlight, the Big 4 must improve the quality of their audits and do so quickly. They must address urgently several factors that are vital to audit, including the level of challenge and skepticism by auditors, in particular in their bank audits. We also expect improvements in group audits and in the audit of pension balances."

Among the actions being taken by the FRC are: reviewing the effectiveness of root cause analysis by firms to see if the resulting action plans address the FRC's concerns; implementing a new audit firm monitoring approach which focuses on five key pillars of (1) leadership and governance, (2) firm values and behaviors, (3) business models and financial soundness, (4) risk management and (5) evidence of audit quality; and taking action when appropriate under the Audit Enforcement Procedure.

According to Bloomberg, in two weeks in June 2018, the

FRC levied more fines than it had in all of 2017, with fines against PricewaterhouseCoopers and KPMG. In relation to PwC's 2014 audits of BHS and Taveta Group, the FRC fined PwC \$13.2 million, gave it a "severe reprimand" and made the firm responsible for detailed monitoring of its Leeds Audit Practice for the next three years. KPMG was reprimanded and fined \$4.2 million for its handling of the Quindell audit. The FRC's audit quality inspection report of KPMG LLP stated: "Whilst we have seen improvements in certain areas where we have raised findings in previous years (for example, the audit of revenue), we are concerned that previous changes to the firm's policies and procedures have not brought about the improvements required to the overall quality of audits we reviewed."

In a report released on July 10, "Scepticism: The Practitioner's Take," the Institute of Chartered Accountants of England and Wales states: "The idea of scepticism is not easy to pin down and the urge to use it, or rather the lack of it, as a catch-all classification for anything that is wrong in auditing or financial reporting, should be resisted." For regulators, the ICAEW states: "What may need to be considered in this context are the logistics of opening the databases of information held by national and international regulators – safely – to demonstrate more clearly what they believe good looks like, and of applying analytics and machine learning to that data." ♦