

NASBA Meets with PCAOB

NASBA Chair Janice L. Gray urged the Public Accounting Oversight Board members to make annual meetings with NASBA a recurring event, offering an opportunity to share ideas. The entire PCAOB Board, Chair William Duhnke III, Kathleen Hamm, J. Robert Brown, James Kaiser and Duane DesParte met with Ms. Gray, President & CEO Ken L. Bishop, Executive Vice President & COO Colleen K. Conrad and Vice President – Information & Research Louise Dratler Haberman on November 27 in Washington, DC. The NASBA team reported on the projects that NASBA has underway and asked about similar efforts in which the PCAOB has been engaged.

Among the topics touched upon were responding to the evolution of the profession, meeting anti-regulation challenges, mobility of professionals, international recognition and enforcement initiatives.

Ms. Hamm in a speech earlier last month had mentioned regulators creating a framework which would provide initial guideposts for potential applications of emerging technology. The NASBA team asked how this effort might progress. Ms. Hamm reported that a topic among regulators internationally is: Should regulators be out there validating systems? In the financial services area, regulatory concerns are currently being built into the software. According to the PCAOB’s surveys, its present standards are not impeding the use of advanced technology, Mr. Kaiser added.

The value that the Accountancy Licensee Database could bring to



the PCAOB’s efforts was discussed. Licensee information is now listed by the individual’s name. For the PCAOB, listing by the firm would be very helpful. Ms. Conrad said she would look into how that might be accomplished. As required by the Sarbanes-Oxley Act of 2002, the PCAOB regularly submits reports of their sanctions to the appropriate State Boards. A PCAOB staff member reported that they do not always receive confirmation that the Boards have taken action on these cases. Ms. Conrad agreed to follow up on what might be happening to prevent timely responses from more Boards. It was pointed out that, in many states, no action would be taken while appellate action is still pending.

One of the PCAOB’s remaining projects from 2017 is the “Auditor’s Consideration of Noncompliance with Laws and Regulations.” The PCAOB is exploring whether there is a need for improvements to existing standards. ♦

Comments Awaited on Model Rules

State Boards and other interested parties are being asked to review changes to two sections of the Uniform Accountancy Act’s Model Rules: First, a change to Rule 5-7 to prepare the way for continuous Uniform CPA Examination testing has been exposed with a January 31, 2019 comment deadline. Second, to be released for comment on January 2, are changes to most of Article 7 on peer review with a comment deadline of June 30, 2019.

The proposed change for Rule 5-7 is now on the www.nasba.org and the changes for Article 7 will be on the website on January 2. Comments on both proposals should be sent to lhaberman@nasba.org.

The last major changes made to Article 7 accompanied the fifth edition of the Uniform Accountancy Act, released in 2007. The eighth edition of the UAA was released in January 2018. A need for updating these Model Rules to reflect current practice became obvious as they currently reference what is required for a Board’s Compliance Assurance Program, when nearly all states have switched over to the AICPA’s Peer Review Program, and to coordination of national oversight through the NASBA Compliance Assurance Review Board, which has not been established. Other changes include the addition of a new Rule 7-6 “Approved Peer Review Sponsoring Organizations, Programs and Peer Review Standards” and significant reshuffling, deletion and additions of Model Rules pertaining to peer review. Given the extent of these changes, the NASBA Board of Directors has

set an extended comment period that goes beyond the conclusion of the June 2019 Regional Meetings, to enable inter-Board discussion.

Based on feedback from NASBA’s Compliance Assurance Committee, the AICPA’s Peer Review Oversight Task Force will present at the January AICPA Peer Review Board’s meeting further revisions to its guidance on Peer Review Oversight Committees (PROCS) contained in Chapter 3 of its Peer Review Oversight Handbook, eliminating overly prescriptive language. The AICPA has announced: “Moving

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2018 World Congress Held

Close to 6,000 delegates attended the World Congress of Accountants in Sydney, Australia, November 5-8. The largest delegation came from Australia, 2,725, but the second largest delegation came from Nigeria, 749, despite an 18-hour trip from Lagos to Sydney. At the WCOA the mutual recognition agreement renewal with the Chartered Accountants Australia/New Zealand, as developed by the NASBA/AICPA International Qualifications Appraisal Board, was signed.

Among the U.S. attendees was David A. Vaudt, chairman of the Governmental Accounting Standards Board and a NASBA past chair. Asked to comment on suggestions for State Board members, Mr. Vaudt said: "The 2018 World Congress of Accountants was very informative and provided several sessions on the future trends in financial reporting. One conference session that I found particularly intriguing was entitled 'Converging Reporting Frameworks.' This session covered the work of the International Integrated Reporting Council (IIRC). The IIRC's mission is 'to establish integrated reporting and thinking within mainstream business practice as a norm in the public and private sectors.' The panel discussed the IIRC's work from different standard-setting perspectives. The goal of the IIRC is that someday more information will be able to be reported under just one comprehensive reporting framework.

"NASBA would be well-served by monitoring the work of the IIRC. Converging more financial and non-financial information under one comprehensive reporting framework would certainly impact the work of accountants and auditors."

Many of the participants praised the discussion of artificial



intelligence that was presented by keynote speaker Dr. Ayesha Khanna. She told the delegates that AI will revolutionize the accounting profession – as it will eliminate 94 percent of the traditional jobs now performed by accountants. However, she believes AI will provide new avenues for growth in the profession. "The purpose of AI is to amplify human potential," she stated. "If we use AI, we can start moving toward our own self-fulfillment." Administration, overtime and routine work will be left to AI, but judgment work will be done by human accountants. "Judgment work is knowing your organization's strategy, understanding your client's culture, having an approach in mind for your clients that is good for their long-term financial health. AI cannot do that."

Dr. Khanna maintains new jobs will be opening up for accountants: "You'll see opportunity everywhere. There is no better time to be in the workforce than now." ♦

There Will Be Specialists

Future auditors will not be able to enter the workforce without knowing basic technologies, but there will still be the need for different cybersecurity specialists to properly perform engagements, predicted panelists at the Baruch College/NASBA Center for the Public Trust 13th Annual Audit Conference on Ensuring Integrity, December 4 in New York City. While the chain of transactions in blockchain is very secure, and hard to modify, one should never underestimate the creativity of those who wish to engage in fraud, Douglas Bloom, PWC Director- Cybersecurity & Privacy and Financial Crimes Unit, cautioned.

Getting an understanding of what an organization is doing, in order to play the role of translator, can help an accountant do his or her job, but that demands keeping up with technical skills, Mr. Bloom said. For an overview, he recommended two books: *Blockchain: Ultimate Guide to Understanding Blockchain, Bitcoin, Cryptocurrencies, Smart Contracts and the Future of Money*, by Mark Gates and *Blockchain Revolution: How the Technology Behind Bitcoin and Other Cryptocurrencies is Changing the World*, by Don Tapscott and Alex Tapscott. Chris Halterman, EY Executive Director – Advisory Services, also recommended the Center for Audit Quality's paper on "The CPA's Role in Addressing Cybersecurity Risk," and the AICPA's website for cybersecurity resources.



The implementation of the PCAOB's new auditor reporting standard is an area the SEC and PCAOB are both watching carefully and on which they anticipate coordinating efforts, speakers told

the conference. The new standard's included requirement for communication on critical audit matters (CAMs) becomes effective for audits of accelerated filers for fiscal years ending on or after June 30, 2019 and for all other companies for fiscal years ending on or after December 15, 2020; however, there are many "dry runs" being done in advance of those dates, Marc Panucci, SEC Deputy Chief Accountant – Office of the Chief Accountant, reported, and the SEC is interested in the feedback from those efforts. He said in Europe this kind of communication has been welcomed by investors and the question now is if CAMs will meet the expectations of US investors.

NASBA Ethics Committee Chair and Northeast Regional Director Catherine Allen was one of the panelists on the "Ethical Issues" panel that summarized the work being done by the International Ethics Standards Board for Accountants and the AICPA's Professional Ethics Executive Committee. They explained how as a member of the International Federation of Accountants, the AICPA tries to converge its ethics standards with the IESBA's. However, in the case of NOCLAR (non-compliance with laws and regulations), the exposed AICPA interpretation would not allow the CPA to go around client confidentiality despite public protection. Brian Lynch, incoming PEEC Chair reported. "We got a lot of comments on this interpretation. We will probably move forward with some interpretation, but we are working with NASBA to see if there is a state-level solution."

Noel Allen, NASBA outside legal counsel, also addressed the meeting, reminding the practitioners in attendance that only a handful of states have adopted international standards. He cautioned them that there are differences among the states' standards. ♦

PRESIDENT'S MEMO

One Heck of a Year!

Writing the December *President's Memo* is always an interesting endeavor. Because the *Memo* is written by the outgoing chair in October and the incoming chair in November, plenty happens after September that I don't get to highlight. December is also a reflective time, not only for considering the last quarter of the year, but for looking back at all that has happened in 2018 -- and it was one heck of a year!

This year we saw the impact of major changes to the Uniform CPA Examination, which created disruptions in the candidate pipeline with a resultant significant drop in candidate-related revenue. We launched our new advanced CPA Examination administration system (the Gateway System) and finished our infrastructure improvements to NASBA offices and operational centers in Nashville, New York and Guam, giving us enhanced capabilities and capacity for the future. This year saw continued IT investment into our continuing professional education (CPE) tracking tool, which will launch in 2019. Finally, even with the financial investments and challenges, we spent a record \$9.8 million in mission spending in support of Boards of Accountancy.

In 2018 NASBA with the AICPA made a concerted effort to bring the rapid increase in the accounting profession's reliance on technology to the attention of State Boards. Even as the momentum increases, it has been challenging to gain universal acknowledgement of the key changes that are occurring. The CPA Evolution Working Group was established to let NASBA members and stakeholders grapple with this complex topic and to recommend guidance as to how to best prepare and adapt to the historic progression of the profession.

As we seek to ensure our licensing requirements meet the changing needs of the public and the profession, there are forces actively trying to chip away at regulation. Legislative risk, particularly in the area of anti-regulation, became more prevalent this year and NASBA's Legislative Support Committee and staff faced unprecedented challenges. Effective legislative activity is unique in that, particularly at the state level, it is localized and grass-roots oriented. To be effective, NASBA members and stakeholders connected socially or politically with legislators and governors in their respective jurisdictions must be identified, then supported with talking points and backed up with technical information and testimony. State Boards, State Societies, NASBA and AICPA have worked together to provide rapid response where needed around the country. We expect 2019 to be just as challenging.

The movement toward a global economy continued to advance this year, albeit with political challenges for international agreements such as NAFTA, and with trade relationships in the European Union (EU) tackling BREXIT. This year, we worked to improve reciprocal practice agreements (MRAs) with Canada, Ireland, Scotland, Australia and New Zealand. The AICPA/NASBA International Qualifications Appraisal Board continues to make progress that will further expand relationships into 2019. Similarly, this year we saw the expansion of the delivery of the CPA Examination into the EU and United Kingdom, and progress has been made toward adding additional countries in 2019. These international efforts enhance the relevance of State Boards, NASBA - and of the U.S. Certified Public Accountant credential.

In the final months of 2018, NASBA has implemented transitional plans aimed at increasing our potential accomplishments in technology. With the continued advancements in artificial intelligence, the critical importance of cybersecurity, and increasingly onerous laws and rules regarding privacy of information, we had to make hard decisions to get where we need to be. Our accumulated assets have put us in a good place to implement the transition.

Finally, I must comment on what an amazing year this has been in our continuing to strive for diversity. I was so proud to witness the transfer of leadership from a great African- American Chair to a highly-qualified woman Chair, and the election of another super-talented woman to be our Vice Chair. Coupled with the diverse makeup of our Board of Directors, our Committees and staff, our progress is substantial.

I would have needed additional pages for the *Memo* if I were to list all the issues we faced in 2018. As I look back, I am grateful for the skillful guidance of our NASBA leaders, committees and volunteers. I am proud of our talented and dedicated staff and the high-quality work they delivered this year.

Let me end by wishing each and every one of you the happiest of holidays and hoping that you have a safe, prosperous and successful new year. 2018 is about over, but it was one heck of a year!

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, written over a white background. A black pen is visible on the right side of the page, and a pair of glasses is partially visible in the bottom left corner.

— Ken L. Bishop
President & CEO

State Board Report

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Ohio Accepts Digital Currency for Taxes

Businesses operating in Ohio are now able to pay their state business taxes with cryptocurrency via OhioCrypto.com. Ohio launched its crypto tax payment portal on November 26, making it the first state in the nation to do so. There are 23 different types of Ohio taxes that are eligible for payment via OhioCrypto.com. This is part of Ohio Treasurer Josh Mandel's plan to "make Ohio a national leader in blockchain technology."

At no point does the Treasurer's office hold cryptocurrency. Payments that are made on OhioCrypto.com go through a third-party cryptocurrency payment processor, BitPay in Atlanta, that immediately converts the payment into US dollars before depositing it into a state

account. Recognizing the volatility of cryptocurrency, BitPay sets the exchange rate for a 15-minute allotted time window for each transaction once the business taxpayer begins to make its payment through the portal. The business taxpayer will pay a transaction processing fee, network fee and miner fee. The processing and network fees are nonrefundable

fees assessed by BitPay. In the initial three-month introductory period, there is no transaction fee, but after that period it will be 1 percent. The network fee is the cost incurred for the transaction to be validated on the blockchain network, which does not include the miner fee. The miner fee will be shown in the taxpayer's wallet, as the state does not have control over it. More information about the program can be found on <https://ohiocrypto.com>. ♦

International Agreement Update

Three documents developed by the NASBA/AICPA International Qualifications Appraisal Board (IQAB) have been approved in the last few weeks:

- Extension for the mutual recognition agreement with the Hong Kong Institute of CPAs until December 31, 2019.
- Renewal of the mutual recognition agreement with Chartered Accountants of Australia/New Zealand (previously individual agreements with Institute of Chartered Accountants of Australia and the New Zealand Institute of Chartered Accountants) for five years.
- Renewal of memorandum of understanding with the Chartered Accountants of Bermuda, associated with CPA Canada MRA, for five years. ♦

Comments Awaited on Model Rules

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forward, we will more closely involve an advisory panel of State Board of Accountancy Executive Directors and NASBA Compliance Assurance Committee members to serve as additional avenues of feedback prior to releasing any guidance changes impacting State Boards."

In the exposure draft to be released in January by the NASBA UAA Committee, Rule 7-7 "Peer Review Oversight Committee" contains guidance on who may serve on a PROC and the PROC's function. ♦

