

NASBA Board Weighs Evolution

The NASBA Board of Directors' July 26 meeting focused on the comments received at June's Regional Meetings on the evolution of the CPA profession. "We have heard loud and clear that the State Boards do not want two pathways to CPA licensure," NASBA President and CEO Ken Bishop stated, but NASBA Board members felt there are still questions being raised about the "Guiding Principles" for the evolution that were released in advance of the Regional Meetings (see *sbr* 7/19). While there seemed to be consensus that technology is impacting the profession, and that calls for timely changes to the Uniform CPA Examination to cover the required topics and for review of educational requirements, exactly what core knowledge must continue to be tested has yet to be specified.

"We do want people with IT expertise to be included within the CPA profession," NASBA Vice Chair Laurie Tish told the NASBA Board. She pointed to the core services, such as attest, that many CPA firms are providing which now depend heavily on specialists within a CPA firm who are not CPAs as an example of the risk to the profession. While the Uniform Accountancy Act provides flexibility for candidates with different educational backgrounds to qualify to become CPAs, it was noted that many states have not adopted the exact wording of the UAA, nor its Model Rules.



Laurie Tish

The cpaevolution.org website, designed to collect comments on the Principles, received over 200 comments, NASBA Vice President – State Board Relations Daniel Dustin told the Regional Directors. In addition, comments made at the Regional Meetings' breakout sessions and AICPA meetings were reported back to the CPA Evolution Task Force, being led by Ms. Tish and AICPA Chair Bill Reeb. The comments on the Guiding Principles are to be reviewed in early August, and then the group plans to move on to developing action steps, Ms. Tish told the Board of Directors. Her personal preliminary review of the comments received showed the views expressed by the NASBA-affiliated writers and those of the AICPA-affiliated writers were similar. The respondents generally agreed with the vision that the profession needs to be transformed, and that the principles are directionally correct, but they offered some wording changes to the Principles that remain for the Task Force to consider. Ms. Tish told the NASBA Board that the Task Force is eager to "get some meat on the bones" to show what changes are envisioned.

NASBA Education Committee Chair Stephanie Saunders (VA) told the NASBA Board that they are ready to work on suggestions for changes to the UAA's requirements, but are awaiting the Task Force's recommendations before proceeding.

Among the comments made at the Regional Meetings was that technology should not be viewed negatively as "disruptive" but in a more positive way as enhancing the profession.

A report from the Evolution Task Force will be presented at NASBA's Annual Meeting in October in Boston. ♦



Joint NOCLAR Task Force Meets

How best to address noncompliance with laws and regulations (NOCLAR) by clients was addressed in the first meeting of a joint task force of the AICPA/NASBA Uniform Accountancy Committee and the AICPA Professional Ethics Executive Committee on July 30-31 in Washington, DC. The task force was formed as recommended by the AICPA/NASBA summit leadership meeting in order to coordinate the work of the two committees, which have both been studying the International Ethics Standards Board for Accountants (IESBA) standards released in July 2016 that are steadily being adopted internationally.

IESBA's Chair Stavros Thomadakis addressed the UAA Committee in September 2018 in Nashville (see *sbr* 10/18), and since that time more international professionals have adopted the proposed standards. A recent update report received from IESBA Senior Technical Director Ken Siong finds: Australia, Denmark, Hong Kong, India, Japan, Malaysia, the Netherlands, New Zealand, Nigeria, Pakistan, Russia, Singapore, South Africa, Sri Lanka, Sweden, the United Arab Emirates and the United Kingdom having adopted at least sections of the IESBA standards; Germany is converging its standards with the IESBA; the standards are nearing final adoption in Brazil, China, Indonesia, Saudi Arabia and South Korea; and are under consideration in Canada.

Mr. Siong reported: "The IESBA has committed to an implementation review of NOCLAR in its Strategy and Work Plan 2019-2023, with fact finding to commence in early 2023. The timing of this initiative takes into account the fact that many jurisdictions are progressing at different speeds as they undertake their national due processes related to adoption, including translation, and recognizes the need to allow sufficient time for actual implementation."

The Japanese Institute of CPAs adopted IESBA's NOCLAR standards in two steps: It released its guidance for professional accountants practicing public accounting in July 2018 and released its final provisions for professional accountants in industry and business in July 2019.

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IQAB Talks with ICAEW and SAICA

The NASBA/AICPA International Qualifications Appraisal Board (IQAB) is continuing to work on the development of mutual recognition agreements (MRA) with the Institute of Chartered Accountants of England and Wales, and the South African Institute of Chartered Accountants – but have not yet reached final agreements. Negotiations are continuing as differences between the systems for training auditors in the United Kingdom and South Africa exist, but the parties agree that the quality of the chartered accountants developed through the programs under consideration is substantially equivalent to the US CPA.

The 150-hour education requirement in the United States is beyond the formal education requirement that is in place in the UK or South Africa. However, in those countries the professional programs and mentored experience requirements are more extensive than what is required for licensure in the US. In addition, where the US CPA grants a license to perform audits of public companies, in both the UK and South Africa, first membership in a professional association is required and, once that is obtained, additional requirements must be met to become a registered auditor. IQAB is continuing to work on the agreements to ensure the State Boards' requirements for licensure are met, as set out in the Uniform Accountancy Act. AICPA's examination team and NASBA's education evaluation services are working with IQAB in the development of these agreements.

"We are looking forward to completing both of these MRAs in the near future," IQAB Chair Sharon Jensen (MN) said. "Given Brexit and changes in the UK's financial regulatory structure, probably the agreement with SAICA will be the next one to be achieved. This will be a particularly exciting event as it will be the first agreement with a professional group in Africa." ♦

UK Accountants Face Brexit and ARGA

The British accounting profession not only is facing Brexit, but also a reconfiguration of its regulator. UK accountants who practice in European Economic Area (EEA) countries are being warned that without a Brexit deal they will need to contact the "competent authority" in that country to see if their UK qualifications will continue to be recognized, and they may have to re-establish their eligibility by completing a new aptitude test or adaptation period, or to requalify for a relevant credential. Audit firms are also being warned they may need to resign as auditors in EEA countries if no practical steps are available to allow their audit opinion to be valid there.

Simon Dingemans has been appointed the next chair of the United Kingdom's Financial Reporting Council (FRC), which is in the process of becoming a new enhanced regulator to be called the Audit, Reporting and Governance Authority (ARGA). He is to take up his position in the autumn. Formerly chief financial officer of

Plan to be at the Annual in Boston

It is not too early to mark your calendar for NASBA's 112th Annual Meeting, October 27-30, 2019 at the Westin Copley in Boston, MA. Technology is having a big impact on the CPA profession and the State Boards, as the profession's regulators, have to be responding to the changes and anticipating more. NASBA's conference will be focusing on the evolution of the CPA profession, as well as considering topics that make for effective regulation now. ♦

ARPL Alliance for Responsible
Professional Licensing

PROFESSIONAL LICENSING:
Rigorous for a reason

ARPL Creates Unified Voice

The answers to frequently asked questions about why professional regulation matters can be found on the Alliance for Responsible Professional Licensing's (ARPL) website: ResponsibleLicensing.org. Formed to educate policy makers and the public on the importance of clear, responsible licensing standards for the professions, ARPL is supported by NASBA, the AICPA, the American Institute of Architects, American Society of Civil Engineers, Council of Landscape Architectural Registration Boards, National Council of Examiners for Engineering and Surveying, and the National Society of Professional Engineers.

The website provides answers to questions such as: How does licensing protect consumers and the public? Is there really a call to eliminate professional licensing? Aren't there some licensing requirements that are excessive? Doesn't licensing limit competition?

State Boards will be receiving communications tools and ideas to help drive a coordinated, national communications and engagement strategy to explain the importance of professional licensing and what's at risk if licensing is weakened.

Contact NASBA Director of Legislative and Governmental Affairs John Johnson (jjohnson@nasba.org) for additional information. ♦

GlaxoSmithKline plc, Mr. Dingemans said: "I am delighted to have been given the opportunity to lead this important process to reform the FRC and establish the ARGA as a very different regulator for the future, one that will bring more challenge, transparency and forward thinking. I also intend the ARGA to be at the forefront of driving the reforms we need to rebuild confidence in the audit market and the reporting governance standards that underpin trust in UK business."

A few days earlier than the announcement of Mr. Dingemans' appointment, the FRC issued a consultation proposing important changes to the UK's Ethical and Auditing Standards. These include a stronger "objective, reasonable and informed third party test," enhanced authority of the ethics partner function within audit firms, and a shorter list of permitted services that auditors of public interest entities can provide to audited bodies.

The FRC's current chief executive, Stephen Hadrill, said: "Recent corporate failures and the FRC's own enforcement work has shown that Standards need to be strengthened. Our audit inspections and enforcement activity continue to identify a lack of professional skepticism and independence as being key points of failure when things go wrong. The UK will only continue to attract high-quality global investment if investors have confidence in the independence of auditors and the means to have a better understanding of the critical judgements those auditors make. Our changes will strengthen and clarify ethical requirements in the public interest." ♦

PRESIDENT'S MEMO

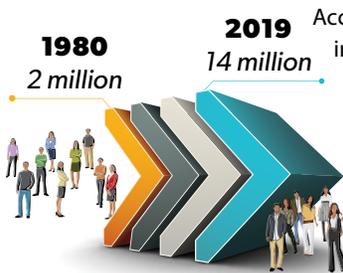
Changing Demographics

I was made aware of some promising news in the latest AICPA *Trends Report*: There has been an increase in the number of minority students enrolled in accounting classes. The increase is small but significant in that it indicates that minorities, particularly Hispanics, may recognize the potential opportunities associated with becoming a CPA. Upon reading this data, I was curious as to what the current trends and changes in U.S. demographics look like, and what their impact might be on the accounting profession. In my research, I came across a great article by James H. Johnson, Jr., Ph.D., entitled "Shifting Demographics and the Accounting Profession." Some of you may remember Dr. Johnson from his highly regarded presentation at the 2015 NASBA Annual Meeting covering diversity and the role of State Boards.

By far the largest group of recent immigrants to the United States are from Mexico. The best estimates of the number of Mexican immigrants living in the United States has increased from just over 2 million in 1980 to about 14 million today. The numbers are estimates because of the large number of Mexicans who have entered the country without documentation. What is more important to this discussion is the population growth by native births. According to Dr. Johnson's research, the nativity increase for Hispanics between 2010 and 2017 was 18.4 percent (compared to the "white" nativity increase of 0.4 percent during that same period).



Ken L. Bishop
President & CEO



According to Dr. Johnson's article, "In 2017, the U.S. population totaled 323 million, representing a 5.6 percent increase since 2010. Continuing a more than two-decade trend, a profound change in the race/ethnic composition of the population undergirded this growth." What this means is people of color made up nearly all of the net growth of 16.7 million, a trend referred to as the "browning of America."

The accounting profession has been slow to understand and react to the changes that are occurring. Despite the good news in my opening paragraph, that the number of minority students in accounting classes is increasing, thus far there is no evidence of a correlated increase in minority Uniform CPA Examination candidates. The profession of public accounting still remains primarily white.

Mexican Immigrants in U.S.

Dr. Johnson discussed the implications for the accounting profession: "Failure to recognize and respond to these disruptive demographic trends could potentially create both recruitment and retention challenges for the accounting profession in the years ahead. To retain existing and recruit new diverse talent, accounting firms must re-evaluate their workforce recruitment and development strategies. They must also reassess how they manage talent and employee relationships within their firms."

At NASBA's 2019 Western Regional Meeting in June, Dr. Akinloye Akindayomi, a NASBA Accounting Education Research Grant recipient, told us about the study being done at the University of Texas – Rio Grande Valley School of Accountancy to identify the de-motivational factors inhibiting Hispanic students from participating in the Uniform CPA Examination (see *sbr 7/19*).

NASBA, on behalf of State Boards, has been increasing its focus on prioritization of diversity and changing demographics. In addition to our internal efforts to apply strategic policies of balanced demographics in our hiring and promotion of staff, we have also worked to ensure that NASBA's leadership represents the diversity of our country. Externally we proudly sponsor The PhD Project in its efforts to attract minorities to become professors in business and accounting, and to support other accounting-related minority groups and organizations. All that we are doing is important, but the challenges are real.

One such challenge is highlighted in Dr. Johnson's article: "Today, moreover many of these young people of color are concentrated in public school districts where there is inadequate financial support for their education, and they live in neighborhoods characterized by hyper-racial segregation and concentrated poverty. Owing to this 'triple whammy' of geographical disadvantages, most of these young people – an estimated 14 million – are at risk of falling through the cracks of the nation's K-12 education system, reducing their odds of qualifying for admission to college and acquiring the requisite skills to compete in the unsparing global economy of the 21st century."

Something I learned a long time ago is that to find solutions, you must recognize that you have a problem. Folks, we don't have a problem – we have a challenge that requires solutions. The demographic composition of America is changing whether or not the accounting profession prepares for it. In the south, where I live, I have witnessed immigrants accomplishing the American dream by gaining skills, creating businesses and educating their children. The growing Hispanic-American population will increasingly need the professional services provided by CPAs and firms. When they enter your office, will they see someone who looks like them? Speaks their first language? Understands their culture? All things to think about!

Boards of Accountancy members are typically leaders in their communities, politically connected, and acclimated to problem solving. We just need to agree that there is a challenge, but also provide opportunities to meet our country's changing demographics.

Semper ad meliora (Always toward better things).

— Ken L. Bishop
President & CEO

State Board Report

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Congressman Conaway Will Not Run

US Representative K. Michael Conaway (TX-R), NASBA Chair 2002-2003, has announced he will not seek reelection in 2020. Having served in Congress for 15 years, Congressman Conaway has been chairman of the House Ethics and Agriculture Committees. In 2018 he introduced the Occupational Licensing Board Antitrust Damages Relief and Reform Act (HR 6515) that would limit private antitrust damages against occupational licensing boards. Throughout the years, Congressman Conaway has continued to be an active member of NASBA's Past Chairs Advisory Committee.



**Michael
Conaway**

Mr. Conaway's ability as a CPA was underscored in 2008, when he uncovered fraud in the National Republican Congressional Committee that amounted to hundreds of thousands of dollars going to then NRCC Treasurer Christopher J. Ward. In 2017, Mr. Conaway was named to lead the House Intelligence Committee's probe into Russian interference in the 2016 election.

In announcing his decision not to run again, Congressman Conaway said: "I am proud of my career in public service. As a CPA, I think through things in terms of numbers. Including my time in the military, I will have spent 34 percent of my adult life in public service. I thank each and every person who has given me a helping hand during this journey, including voters, staff, donors, volunteers and friends." ♦

Joint NOCLAR Task Force Meets

(Continued from page 1)

The rules focus on guidance for professional accountants who come upon NOCLAR in their work with clients. Among the key provisions of the IESBA rules is requiring successor auditors to include in their tender offer the client's granting permission to receive information from the predecessor auditor and for the predecessor auditor to provide that information upon the request of the successor auditor. The IESBA rules also allow for confidentiality to be breached to report to an appropriate regulatory authority after reporting up the chain has not resulted in any remediation. International adoption has not included all of the provisions in the IESBA standards, as local laws preclude some from being enacted.

The AICPA PEEC released a proposed NOCLAR interpretation in 2017; however, NASBA commented on May 9, 2017: "We seriously question the notion that confidentiality is preeminent to the degree that it must override all other ethical considerations, especially when public protection is threatened. ...we recommend tabling this project until such time as UAA language is developed to incorporate NOCLAR requirements."

NASBA UAA Committee Chair Coalter Baker (TX) told the joint task force meeting on July 30: "We want to increase public protection, enhance the public's perception of the CPA, and provide clarity to the profession as to the protocol to use when NOCLAR is encountered. However, we want to go about this task in a manner that does not harm the CPA professional." The current joint UAA/PEEC task force is working to arrive at a place where regulators and the profession can agree on appropriate next steps. ♦