2018 Candidate Statistics Out

Comprehensive statistical data from all four testing windows for all four sections of the Uniform CPA Examination can be found in NASBA’s newly released *Candidate Performance on the Uniform CPA Examination – 2018 Edition*. The redesigned report is now available in a single volume. Its information comes from NASBA’s Gateway System and is developed from the State Boards’ submissions of eligible candidates’ data. The information was then analyzed and assembled by Noël Winter. Among the types of information found in the report are quarterly trending data and jurisdiction rankings for number of sections, number of unique candidates, average candidate age and average pass rate.

Once again in 2018, Utah was the jurisdiction with the highest passing rate (66.0 percent) and the jurisdiction with the second highest passing rate was again Wisconsin (61.1 percent). Others in the top 10 were: Oregon (58.5 percent), Colorado (58.2 percent), Iowa (57.7 percent), North Carolina (57.6 percent), Nebraska (57.4 percent), Massachusetts and South Dakota (both with 56.3 percent), and Minnesota (56.1 percent). Four states – Alabama, Florida, Kansas and Michigan – all had a passing rate of 55.7 percent. The jurisdiction with the oldest average candidate age was New Mexico with 32 years, and the jurisdiction with the youngest was Iowa with 25.5 years.

Out of the 85,555 candidates who took the Examination in 2018, there were 63,088 first time candidates. During 2018, there were 24,034 passing their final section of the Examination. In 2017 there were 95,650 candidates who took the Examination and 25,832 passed their fourth part.

Each Board of Accountancy is being provided with a copy of the report. Additional softback copies of the 2018 Edition of the report are available at $200 each and can be ordered through nasbareport.com.

### Ranking of Institutions by Pass Rate: First-Time, All Programs

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Institution (FICE)</th>
<th>Candidates Total</th>
<th>Sections Total</th>
<th>Pass Rate</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MI</td>
<td>University of Detroit Mercy (2323)</td>
<td>11</td>
<td>20</td>
<td>95.0%</td>
<td>87.5</td>
</tr>
<tr>
<td>2</td>
<td>TX</td>
<td>Rice University (3604)</td>
<td>30</td>
<td>76</td>
<td>90.8%</td>
<td>86.3</td>
</tr>
<tr>
<td>3</td>
<td>GA</td>
<td>Emory University (1564)</td>
<td>58</td>
<td>149</td>
<td>89.9%</td>
<td>83.9</td>
</tr>
<tr>
<td>4</td>
<td>UT</td>
<td>Brigham Young University (3670)</td>
<td>263</td>
<td>581</td>
<td>89.2%</td>
<td>84.6</td>
</tr>
<tr>
<td>5</td>
<td>VA</td>
<td>University of Virginia (3745)</td>
<td>78</td>
<td>173</td>
<td>89.0%</td>
<td>85.2</td>
</tr>
<tr>
<td>6</td>
<td>WI</td>
<td>University of Wisconsin-Madison (3895)</td>
<td>220</td>
<td>506</td>
<td>87.2%</td>
<td>83.3</td>
</tr>
<tr>
<td>7</td>
<td>NC</td>
<td>University of North Carolina at Asheville (2907)</td>
<td>11</td>
<td>23</td>
<td>87.0%</td>
<td>81.9</td>
</tr>
<tr>
<td>8</td>
<td>NJ</td>
<td>Beth Medrash Govoha (7947)</td>
<td>17</td>
<td>28</td>
<td>85.7%</td>
<td>79.5</td>
</tr>
<tr>
<td>9</td>
<td>DC</td>
<td>Georgetown University (1445)</td>
<td>42</td>
<td>88</td>
<td>85.2%</td>
<td>83.0</td>
</tr>
<tr>
<td>10</td>
<td>FL</td>
<td>University of Florida (1535)</td>
<td>219</td>
<td>396</td>
<td>84.8%</td>
<td>82.7</td>
</tr>
</tbody>
</table>

### IRS Checking on Good Standing

The Accountancy Boards’ executive directors were surprised to receive a letter from Elizabeth C. Kastenberg, IRS Acting Director – Office of Professional Responsibility, requesting copies of all public notices that contain information concerning the status of CPAs who have been disciplined by their Board since January 1, 2018.

Ms. Kastenberg stated in her letter: “A CPA is eligible to represent taxpayers before the IRS if he or she is a member in good standing of the state board of accountancy of any State, territory, or possession of the United States, including a Commonwealth or the District of Columbia. A CPA who is not in good standing, whose license to (Continued on page 4)
CPE Summit Calls for Acceleration

NASBA's National Registry Summit, September 24-25 in Indianapolis, drew more than 150 attendees representing course sponsors, developers, government bodies, State Boards and CPA firms to consider "Accelerate to innovate!" The program not only covered states' continuing professional education requirements and compliance concerns, as described by NASBA staff, but also research results on how to optimize learning, conference management, virtual reality learning, emotional intelligence, course design and even a "sporner in the spotlight" segment.

Educational consultant Kenneth Wesson told the conference: "For students who started a four-year computer science (or any technical degree) in 2016...50 percent of what they learned in their first year of study was outdated by their third year of college (2019), and 75 percent will be of little/no value upon their graduation next spring 2020."

He observed: "We are tasked with preparing our students for future occupations that (1) have yet to be created, (2) we have neither encountered nor envisioned in any significant detail, and (3) demand skill sets that will be tethered together in real world contexts (but not in our classrooms)."

Mr. Wesson listed as needed 21st Century skills: collaboration, communication, critical thinking, creativity (driven by curiosity, imagination and visualization), and one's ability to make connections.

Summit attendees were briefed by Maria L. Caldwell, NASBA Chief Legal Officer and Director of Compliance Services, on the capabilities of the NASBA CPE Audit Service and the CPE Rules Engine Service. The CPE Audit Service is available to Boards of Accountancy for use in auditing CPE compliance of their CPAs. The CPE Rules Engine Service is available to organizations and firms to help with ensuring compliance of their CPAs with various state CPE rules.

Samples of the types of reports Boards and other users can obtain from the systems were displayed and explained.

Jessica Luttrull, Associate Director of the National Directory, summarized the changes that are being proposed for the NASBA/AICPA Statement on Standards for Continuing Professional Education Programs, which are reviewed and evaluated every two years. The latest proposed changes are to be voted on by the NASBA and AICPA Boards of Directors at their upcoming meetings, and will be appended to the Uniform Accountancy Act once approved. Besides adding clarifications, examples and minor modifications, other changes being proposed include:

- The required minimum number of pilot testers for adaptive learning self-study has been increased.
- Review questions can be included in nano learning, but the maximum credit for any single nano program remains at 0.2 credits.
- CPE credits for pre-program, post-program and homework assignments cannot constitute more than 25 percent of the total CPE credits per program.

If approved by the NASBA and AICPA Boards, the new standards will have an effective date of December 31, 2019.

SEC Says PwC Violated Independence

PricewaterhouseCoopers LLP was charged by the Securities and Exchange Commission with violating auditor independence by performing prohibited non-audit services for 15 SEC-registered audit clients. The SEC's September 23 order stated the firm had exercised decision-making authority in the design and implementation of software relating to an audit client's financial reporting and engaged in management functions in performing non-audit services. The firm was charged with violating Public Company Accounting Oversight Board Rule 3525, which requires an auditor to describe in writing to the audit committee the scope of work, discuss with the audit committee the potential effects of the work on independence, and document the substance of the independence discussion. According to the SEC, PwC deprived issuers' audit committees the information necessary to assess PwC's independence. The Commission concluded the violations had occurred because there had been breakdowns in PwC's independence-related quality controls.

PwC and PwC Partner Brandon Sprankle consented to the SEC's order without admitting or denying the findings and agreed to cease and desist from future violations. PwC agreed to be censured and to pay disgorgement of $3,839,213, plus pre-judgement interest of $613,842 and a civil penalty of $3.5 million. Mr. Sprankle agreed to pay a penalty of $25,000 and to be suspended from practicing before the Commission, with a right to reapply for reinstatement after four years. PwC agreed to review its current quality controls for complying with auditor independence requirements for non-audit services and for evaluating its providing non-audit services.

IFAC Paper on Multidisciplinary Firms

A paper in support of multidisciplinary firms, those accounting firms that offer both audit and non-audit services, has been jointly released by the International Federation of Accountants (IFAC), Chartered Accountants of Australia and New Zealand (CAANZ), and the Association of Chartered Certified Accountants (ACCA). According to the results of a CAANZ and ACCA survey into public expectations of audits “the current rules around non-audit services go beyond what the public expects. For example, over one-third of respondents expressed the view that audit firms should be allowed to provide specific advice on accounting treatment of transactions or advise on tax planning for audit clients, despite currently being prohibited or restricted from doing so by existing independence rules,” the paper entitled “Audit Quality in a Multidisciplinary Firm” states.

The report points to a study done by the PCAOB that found 90 percent of audits conducted by large network firms used the work of at least one specialist and, on average, five individual specialists performed some work on each audit. Substantially all of those specialists were employed by the auditor.

According to the report: “Most existing peer reviewed research points towards an increase in audit quality in cases where a firm offers both audit and non-audit services because it allows for the sharing of expertise and systems.”

Kevin Danacey, IFAC CEO commented: “Questions about audit quality, independence and competition are always worth asking. But no one should rush to conclusions. The business case for the multidisciplinary model is strong and there is significant evidence in support of the model.” Mr. Danacey will be speaking at NASBA’s Annual Meeting in October.
CPA Evolution

During my inaugural address, I stated that the time is now to review the skill sets required to become a CPA and to make appropriate changes to the three E's – education, examination and experience requirements. Over the past two years, I have been involved with the CPA Evolution initiative. The NASBA/AICPA leadership group spent many hours reviewing alternative approaches to modernize the profession’s licensing model.

The leadership group originally presented a concept that the Exam should provide two pathways to obtain the CPA license, one for accountants and one for technologists who work side-by-side with accountants in public accounting firms. That solution, as you know, was rejected; however, leadership also received the message that we should continue to work toward solutions that would be effective, and those discussions have continued.

There were three important factors considered during the discussion: 1- Today there are really three pillars to the profession – business reporting, tax and technology (information systems and controls). 2- We must be proactive to ensure that the Exam keeps up with the rapid changes occurring in the business community and the profession due to technology. 3- The breadth of the Exam continues to widen with all of the changes in government regulations and a proliferation of new professional standards. The leadership group reevaluated whether every candidate truly needs an in-depth knowledge in all areas of professional practice. Most “newly licensed” CPAs are assigned subjects that are more complex only after first obtaining experience in practice.

During the Annual Meeting, there will be a presentation on a possible solution from NASBA Vice Chair Laurie Tish and AICPA Chair Bill Reeb.

As there had been significant discussion of the education requirement, in January I appointed a special NASBA task force to perform a deep dive to determine if the 150-hour requirement for education still made sense. The task force determined that Boards should continue to support the 150-hour education model. There were several recommendations that came out of this task force, one of which was to consider redefining course content. This topic was also included in discussions of the CPA Evolution Leadership Group and it was determined that the definition of “accounting concentration” might need to be revisited as well as the core curriculum definitions. Discussion also evolved around the subject of specificity. It was thought that a broader definition of curriculum provided more flexibility to candidates than one where increased specific course work is defined. This also provides candidates some choices in concentrations that they might find more interesting and suitable. This topic will be part of the continuing work on the evolution of the profession.

There are many thoughts about what the right amount of experience for licensure should be – whether it should be one year, two years or more. At the NASBA/AICPA Summit in February, it was decided that the time had come to give the Uniform Accountancy Act Committee the charge to begin determining if there should be an enhanced experience requirement for a CPA who signs reports. The UAA Committee has been exploring several options and should bring language to the NASBA and AICPA Boards for approval for exposure in the near future.

The fourth of the E's for the CPA’s requirements is ethics. The preamble to the AICPA Professional Code of Conduct is: “Ethical professional conduct calls for an unswerving commitment to honorable behavior, even at the sacrifice of personal advantage.” The exposure draft issued by the AICPA Professional Ethics Executive Committee on the interpretation of “Staff Augmentation” (or the lending of staff to clients, including audit clients) has required careful consideration this year. At our Regional Meetings, it was a subject that Boards of Accountancy leadership overwhelmingly felt was not in the best interest of the public. PEEC is still reviewing the comments received and working on changes that it believes will resolve the issues that NASBA and others had with the interpretation as presented in the exposure draft.

I cannot report on any topic that is more important to me than Peer Review. NASBA exposed changes to Article 7 of the UAA Model Rules and the NASBA Board will be voting on the changes at their October Board meeting. This will modernize those rules. Having been involved with peer review for more than 35 years, I support this program. However, since all jurisdictions but Puerto Rico have implemented the requirement of peer review for licensure, State Boards must be able to obtain the information they need regarding a firm’s peer review from the administering entities of the program. Over the past year, the Compliance Assurance Committee of NASBA and the AICPA Peer Review Board have been working on being able to provide information to Boards through an authorization form approved and signed by the firm. Work continues on this process and NASBA is appreciative of the ongoing discussions to provide full transparency in order for Boards of Accountancy to fulfill their licensing requirements. I cannot stress enough how important this issue is to regulation.

There has been some positive momentum in the Peer Review Program administration that should assist Boards in performing their duties, but conversation needs to continue. I believe that open communication between the Compliance Assurance Committee of NASBA and the AICPA Peer Review Board will help resolve issues as they arise and avoid conflict.

As regulators, we must resolve to face change with rigorous standards, support the growth and enhancement of the profession we are statutorily obligated to regulate, and safeguard the public we serve. We are at a crossroads in our profession and it is the time to form new ideas and modernize and position our profession for the future because the risk of standing idly by and doing nothing could be disastrous.

It has been an honor to serve as your Chair. I have enjoyed meeting and working with many of you. I also want to thank the many individuals who mentored me along my journey. This has been a highlight of my career and I thank you for giving me the opportunity.

Janice L. Gray
CPA, CVA
Chair 2018-2019
The US House of Representatives passed H.R. 3625, the “PCAOB Whistleblower Protection Act of 2019,” on September 19, which would reward as well as protect an individual who provides the Public Company Accounting Oversight Board with information relating to a violation of the Sarbanes Oxley Act of 2002, the rules of the PCAOB, or the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect to the PCAOB or professional standards. The determination of the amount of the award would be at the discretion of the PCAOB and would cover disciplinary proceeds by the PCAOB resulting in monetary sanctions exceeding $250,000, with the award being equal to not less than 10 percent and not more than 30 percent in total of what has been collected of the imposed monetary sanctions.

Awards would not be given to a member, officer or employee of an appropriate regulatory agency, the Department of Justice, a self-regulatory organization, the PCAOB or a law enforcement organization. Nor would one be given to anyone who gains information through the performance of an audit of financial statements required under the securities laws. In general, action could not be brought more than six years after the violation of the law.

The identity of the whistleblower could not be disclosed by the PCAOB unless and until required to be disclosed to a defendant or respondent in connection with a public proceeding. No employer could discharge or in any way discriminate against a whistleblower in terms of conditions of employment because of any lawful act done by the whistleblower. Should there be such discrimination, the whistleblower would need to be reinstated with the same seniority status that the individual would have had, given two times the amount of back pay otherwise owed with interest and compensation for litigation costs, expert witness fees and reasonable attorneys' fees.

This legislation was sent to the Senate on September 23. KPMG's former partner, David Middendorf was sentenced on September 11 to a prison term of one year and a day for his part in obtaining advance information of which engagements would be inspected by the PCAOB (see str 5/17). In June, the SEC ordered the firm to pay a penalty of $50 million.

House Passes PCAOB Whistleblower Bill

IRS Checking on Good Standing
(Continued from page 1)

practice has been suspended or revoked, or who has been disbarred is not authorized to represent taxpayers.”

While some Boards have referred the IRS to their web page, others have sent the individual requested copies. Exactly what is required to properly respond to the IRS was one of the topics discussed during the Regional Conference Calls held throughout September.

Led by NASBA’s Regional Directors, all calls included an update on legislation being monitored by NASBA. Many state legislatures were not in session while the calls were going one, but issues likely to arise were highlighted by NASBA Director of Governmental and Legislative Affairs John Johnson and Vice President – State Board Relations Daniel Dustin. There was also discussion of the ongoing efforts of the Alliance for Responsible Professional Licensing.