

NASBA

UAA Issues

October 28, 2019

J. Coalter Baker – Chair, NASBA UAA Committee

Joint Uniform Accountancy Act Committee Members

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- Melissa Nietzel
- Paul Preziotti
- John Pridnia
- Jose Rodriguez

Overview of UAA Year

- Examination Administration Rule Article 5 amended to enable continuous testing. Board approved April 2019.
- Peer Review Model Rules brought to NASBA Board for approval October 2019 following comment period January – June, 2019.
- Experience Task Force begins work to determine if additional experience needed to sign attest reports.
- NOCLAR under discussion by joint UAA and PEEC group.
- Awaiting new recommendations for CPA Evolution.

Exam Administration Rule Adopted

- Amended Model Rule 5-7 (a)(2):
- **(A) Subject to subsection 5-7(a)(2)(B), Candidates cannot retake a failed Test Section(s) in the same testing window. A testing window is equal to a calendar quarter (January-March, April-June, July-September, October-December). Candidates will be able to test no less than two (2) months out of each testing window.**
- **(B) If the Board determines that the examination system changes necessary to eliminate the test window limitations have been implemented, subsection (A) will no longer be effective, and a Candidate can retake a Test Section once their grade for any previous attempt of that same Test Section has been released.**
- Following exposure period, NASBA Board adopts as submitted on April 26, 2019.

Peer Review Model Rules

- Revisions to Article 7 - UAA Model Rules for Permits to Practice – Firms. Proposed changes released for comment January 2019 with comment period running until the end of June.
- Representatives of Compliance Assurance Committee and NASBA UAA Committee meet August 16 to review comments received and make recommended edits to proposed rules.
- AICPA/ NASBA UAA Committee conference call on October 2 to complete discussion of proposed revisions.
- UAA Committee votes on revised Model Rules and sends to NASBA Board for approval at October 2019 meeting.

Some Included Changes

- Defines peer review terms – including AE
- Replaces “compliance assurance program” with “peer review program”
- Adopts AICPA and state CPA societies as approved sponsors of peer review programs and allows for approval of others meeting standards
- Requires licensed firms submit change in enrollment information to Board as well as grant of an extension.
- Requires Board be informed in advance if AE discontinued.

UAA Experience Task Force

NASBA

- Stephanie Saunders – Co-chair
- John Patterson
- Don Rulien

- Coalter Baker – Ex-Officio

AICPA

- John Pridnia – Co-Chair
- Anna Durst
- Melissa Nietzel

- Tom Neill – Ex-Officio

UAA Experience Task Force

- Task Force recommending changes to Section 7 relating to experience.
- Enables better audit quality for protection of the public.
- Model Rule – while anti-regulatory environment may be an obstacle, this is not a barrier to becoming a CPA, rather a measure to ensure competence for public protection.
- Added experience requirement would apply to individual who signs, or authorizes someone to sign, the accountant's report on behalf of the firm.
- Audits performed under Section 3(b)(1) and examinations performed under Section 3(b)(5) of the Act.

UAA Experience Task Force

- Section 3(b)(1)- any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS)
- Section 3(b)(3)- any examination of prospective financial information to be performed in accordance with Statements on Standards for Attestation Engagements (SSAE)

UAA Experience Task Force

- Majority of the task force members agree:
 - One-year experience for licensure is not enough to sign.
 - Current experience is more relevant than past experience.
- AICPA analysis of engagement partner performance as a function of audit experience study:
 - Non-conforming under 2000 hours over the preceding five years 69.2 percent.
 - Non-conforming over 2000 hours over the preceding five years 33.3 percent.

UAA Experience Task Force

- Recommendations to UAA Section 7.
- Require 2000 hours over the preceding five years for individual who signs or authorizes someone to sign the accountant's report on behalf of the firm. Audits performed under Section 3(b)(1) and examinations performed under Section 3(b)(5) of the Act.
- If criteria above is not met, each audit and examination engagement must be subject to an engagement quality control review (EQCR).
- Effective date: Three years after enactment.

NOCLAR discussion

- Task Force Members: (NASBA) Coalter Baker, Carlos Barrera, Vicky Petete, Stephanie Saunders, (AICPA) Bob Denham, Anna Durst, Tom Neill, Lisa Snyder
- Joint PEEC and UAA Committee Task Force met July 30-31, 2019 in Washington, DC. Subsequent conference calls.
- Reviewed IESBA's implementation update, state laws, and steps that might be taken by PEEC and UAA Committee.
- Identify three pathways to allow for NOCLAR in audit and assurance engagements:
 1. AICPA rule change to allow for reporting out
 2. Work with Auditing Standards Board (ASB) to require predecessor auditor to discuss actual or suspected NOCLAR with successor auditor
 3. Update UAA Section 18 language to allow for reporting out

NOCLAR discussion (continued)

- Potential application of NOCLAR in business, industry and government
- What about NOCLAR for non-attest and assurance engagements?
- PEEC to meet in November to discuss next steps

Next projects

- Will the Education Committee be bringing forward changes in requirements and/or accreditation that will call for UAA and/or Model Rules changes?
- Stay tuned.