

Considering the Core Plus Model

Enhanced by NASBA's Annual Meeting, the CPA Evolution initiative, a joint effort of the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA), has been moving forward. The initiative aims to transform the CPA licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will continue to require in the future.

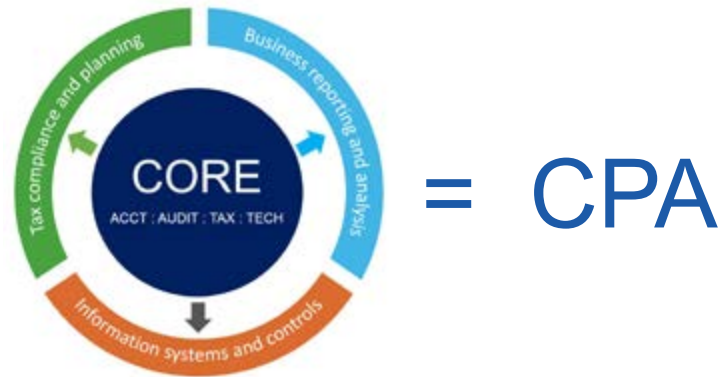
Stakeholder Feedback

Throughout the summer of 2019, NASBA and the AICPA employed a joint website, EvolutionOfCPA.org, to receive feedback from more than 2,000 stakeholders, including State Board of Accountancy members and executive directors, on a set of draft guiding principles. The number one comment received was support for the need to change licensure. Most respondents also supported a greater emphasis on technology skills and knowledge as a prerequisite for licensure. Respondents said CPA licensure should emphasize and be built around a strong core of accounting, auditing, tax and technology.

NASBA and AICPA leadership carefully reviewed all of the feedback received, studied other professions' licensure models and considered multiple options for an updated licensure model. NASBA and AICPA leadership then used this feedback and research to develop a new approach to licensure that is responsive to stakeholder input while still propelling the profession into the future. At NASBA's Annual Meeting and at the AICPA's Fall Council Meeting in October 2019, AICPA and NASBA leadership presented the feedback they heard from stakeholders and shared a draft model.

The Draft Model

The leadership of NASBA and the AICPA are recommending a "core + disciplines" licensure model. The model starts with a robust core in accounting, auditing, tax and technology that all candidates would have to complete. Then, each candidate would choose a discipline in which to demonstrate deeper skills and knowledge. Regardless of a candidate's chosen discipline, this model leads to a full CPA license, with rights and privileges consistent with any other CPA. A discipline selected for testing would not mean the CPA is limited to that practice area.



The proposed disciplines reflect three pillars of the CPA profession:

- Business reporting and analysis
- Information systems and controls
- Tax compliance and planning.

Future Plans

Over the coming months, various stakeholder groups, including State Boards of Accountancy, state CPA societies, AICPA and NASBA volunteer committees and the academic community, will be engaged in filling in more details for the revised potential model. The two organizations aim to finalize an approach for revisions to the CPA licensure model by summer 2020. After the approach is finalized, the two organizations will establish implementation plans for what is expected to be a multi-year effort.

In the coming months, NASBA will continue to share additional information about the initiative with the State Boards of Accountancy through the *State Board Report*, webinars and conferences. ♦



SAVE THE DATES: March 16-18, 2020
NASBA Executive Directors and Board Staff Conference and Legal Counsel Conference in Clearwater Beach, FL.

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<i>Published by the National Association of State Boards of Accountancy</i>	
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DC and PR Scheduled for CPE Audit Service

Washington, DC and Puerto Rico are the next two jurisdictions scheduled to begin using NASBA's CPE Audit Service in January. Boards that are actively using the service now include: Florida, Kentucky, Missouri, Montana, Ohio, Tennessee and Virginia.

Slated for implementation later in 2020 are: Alabama, Georgia, Guam, Louisiana, Maryland, New Mexico, North Dakota, Oklahoma, South Carolina and the Virgin Islands.

The CPE Audit Service is a turnkey web application solution for managing the CPE audit process. This online system helps streamline CPE audits and is designed to be used by both individual CPAs and

Boards of Accountancy. The application allows CPA users to enter or upload CPE information and documentation, view CPE records fed in directly from participating CPE program providers, monitor their CPE compliance by jurisdiction and submit their CPE information to the Board when selected for audit. With the CPE Audit Service, Boards are able to generate audit pools or upload an audit pool into the system, monitor workflow dashboards, run numerous reports, and receive and conduct CPE audits all within the system.

The application comes at no cost to the Boards of Accountancy as members of NASBA. ♦

PCAOB Chair Addresses CPT/Baruch Conference

The Public Company Accounting Oversight Board has reaffirmed its strategic plan, which commits the Board to transforming itself "into a trusted leader that promotes high quality auditing through forward-looking, responsive, and innovative oversight," PCAOB Chair William D. Duhnke told Baruch College's 14th Annual Audit Conference, cosponsored by the NASBA Center for the Public Trust, on December 3 in New York City. Key to the PCAOB's shift to a more preventive regulatory approach is ensuring audit firms have a strong system of quality control. Chair Duhnke announced that the Board is committed to revising the current quality control standards and will hold an open meeting in December on potential changes to those standards to be included in a forthcoming concept release. He explained "future revisions to the PCAOB's quality control standards should be built on an integrated risk-based framework similar to the [International Auditing and Assurance Standards Board's] proposed ISQM 1." Currently the PCAOB uses the quality control standards developed in 1997 by the AICPA.



William
Duhnke

Chair Duhnke reported the PCAOB has heard its current auditing standards do not impede or encourage the use of innovative technologies. While the largest firms are invested in technology-enabled tools and techniques, the mid-size and small firms continue to use more traditional tools and techniques. "To the extent we consider future changes to our standards, we will need to take account of the distinctions in the marketplace," Mr. Duhnke told the conference. "We will continue to monitor this area aggressively, with an intent to stay ahead of the curve."

Pressure is on standard setters to avoid unnecessary divergence of standards, IAASB Chair Tom Seidenstein explained to the conference. "We are in process of approving our strategic plan to make sure public interest is at the core of all we do," he stated. He noted both the United Kingdom and Australia, which use the IAASB standards, are under scrutiny now by their regulatory regimes. The standard-setting process has not changed much in decades, Mr. Seidenstein observed, and he hopes to speed it up to make it more agile and responsive. The IAASB is currently considering the feedback received on their consultative document on audits of less complex entities, which he said includes the mom-and-pop stores that make up 85 percent of the economy. Does there need to be more guidance for auditing these entities or do the standards have to be scalable? The IAASB expects to set out its path on this issue during the first half of 2020.

The AICPA's Auditing Standards Board looks to converge its standards with those of other standard-setters as well, ASB Chair Mike Santay said, as they recognize CPA firms do work for both private and public companies. The ASB is also changing the audit report for next year, similar to what the PCAOB is requiring. In addition the ASB changed its materiality standards to align with those of other standard setters. The ASB is now deliberating its exposure draft on audit evidence, which calls for a mindset change that brings in auditor skepticism. Mr. Santay presented an overview of the ASB's standard-setting projects including a project plan under development related to NOCLAR (non-compliance with laws and regulations) and what an auditor is required to report. "Quality control is a big ticket item for small firms, and we will have our own exposure draft when the IAASB comes out with their standard," Mr. Santay said.

NASBA's recent activities were summarized for the conference by Noel Allen, NASBA legal counsel. He pointed out that the Boards follow through on SEC enforcement actions. NASBA has supported the PCAOB and AICPA with amicus briefs when there have been court challenges. NASBA submits comments on exposure drafts and is helping Accountancy Boards face anti-regulatory challenges.

Moderator Douglas Carmichael asked: "To what extent will there be convergence among the SEC, PCAOB and IAASB on quality control?" IAASB Chair Seidenstein responded: "We understand the importance of alignment. We are trying to finalize our standards at our June meeting this year with a significant implementation period. There is no end point in standard-setting: We continue to improve going forward." Mr. Santay added: "We are engaged in studying where quality management is going. The framework makes sense, but we are a long way from issuing a standard." ♦

Study on Negative Impact of ICMW

At a time when CPAs are being encouraged to share more information with investors, a study has found that such behavior may not be rewarded. In a paper presented at the 2019 Annual Meeting of the American Accounting Association, Professors Stephen P. Rowe and Elizabeth N. Cowle of the University of Arkansas report "auditors who issue an ICMW (internal control material weakness) are perceived as less attractive in the audit market." The researchers considered 13 years of data from 885 local offices of 358 audit firms in the United States. They found "the issuance of an ICMW affects auditor selection and retention decisions even among clients that do not receive an ICMW." ♦

PRESIDENT'S MEMO

Looking Back at 2019

In *President's Memos* of the past, I have described how, from my perspective, NASBA has three types of years that impact much of what we do. We have our business/fiscal year (July 31 ending) that determines our budget, financial measurement and business planning. Our governance year runs traditionally from late October, when a new Chair and other newly-elected officers reconstitute the Board of Directors to provide different and/or sustained visions. Then there is the traditional calendar year, which is not tied to our business activities but remains the time many of us step back to generally assess accomplishments. As I prepared to write this final *Memo* of the year, I spent some time reflecting on what we have done in 2019.

From a business perspective, 2019 was another very successful year for NASBA. We completed implementation of outsourcing our information technology services to an international company so that NASBA has the capability and capacity to keep up with the increasing demands for the use of artificial intelligence. In spite of revenue challenges created by a decrease in the number of CPA Examination candidates, 2019 was a year in which we provided a record amount of support to Boards of Accountancy and made multi-million dollars of investments in our infrastructure and systems, so that we ended the fiscal (and calendar) year with the organization having increased its net assets.

An even more significant challenge that continued to escalate this year was the increasing amount of anti-regulatory legislation across the country. The threat grew to the point that it became too big for one association, no matter how strong, to fight alone. This year NASBA and AICPA joined forces with the associations of engineers and architects to form the Alliance for Responsible Professional Licensing (ARPL), a coalition of advanced professionals focused on educating policy makers and the public about the importance of rigorous professional licensing standards. ARPL is a significant investment for NASBA and it plays a pivotal role in this timely effort. In legislative politics, however, nothing is more crucial than the grass roots and direct work done by boots on the ground. NASBA's staff and volunteers, working closely with our counterparts in the AICPA, have done a great job this year in meeting each and every challenge we have faced.

As I look back on the year, NASBA's continued efforts and success in making diversity and inclusion key elements of our core as an organization is a source of significant pride for me. This year we witnessed history with the first back-to-back women Chairs of NASBA, the election of NASBA's first Hispanic Vice Chair (and future Chair), and other officer elections that give us the most diverse Board of Directors in our history. State Boards and State Societies have also made significant strides. Anyone who attended a NASBA meeting or conference this year was able to witness the rainbow of representation.

If 2019 is remembered for any one issue, it will be the transitional effort to address the evolution of the CPA profession. Like many other major issues in the past, the CPA Evolution challenges have been substantial. It is unprecedented to have the Chairs of NASBA and AICPA personally lead such an effort, which reflects the importance of this critical endeavor. While we are only in the early phases of this process, getting to acceptance of a model in 2019 was key. Early next year, as the model's implementation strategies are developed, NASBA will work to keep State Boards and other stakeholders involved in the process.

Like the accounting profession, NASBA is experiencing the retirement of some of our "baby boomer" staff. When I joined the NASBA staff in 2007, the organization had only two retirees, but other names have been added to that list since then, several in 2019. While it is always somewhat of a melancholy experience to see folks move into the next chapters of their lives, it is also reflective of what a great organization NASBA is to have attracted and retained such dedicated individuals who spent a good portion of their careers supporting the State Boards' mission to protect the public. I am so pleased that we continue to find and develop new talent to fill the important roles and build on the shoulders of those who went before them. I look back at the year in amazement, and look forward to 2020, as I think about the wonderful people I get to work with every day.

It would take many additional pages for me to list all the accomplishments of our staff and volunteers, both domestically and internationally, in 2019. I personally end the year grateful for the opportunity to lead this great organization. This is my chance to thank all our member Boards, friends and stakeholders for your unprecedented participation in this very busy year. I hope that each of you can take pride in our shared accomplishments, looking back at 2019.

I wish each of you the happiest and safest of holidays.

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.

— Ken L. Bishop
President & CEO

State Board Report

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 Nashville, TN 37219-2417

GAO Urges Written Procedures for SEC Reports

To maintain the Securities and Exchange Commission’s credibility and public confidence in its efforts, the Government Accountability Office has recommended the SEC develop written procedures for generating the SEC Division of Enforcement’s public reports and documenting the implementation of those procedures.

Since 2017, the Enforcement Division has published a stand-alone “Enforcement Annual Report” that provides statistics on its enforcement activities and highlights its priorities for the coming year. For fiscal years 2004-2017 the SEC had published annually the “Select SEC and Market Data Report.” The Annual Report included additional data tables and narratives about enforcement priorities and cases, in order to increase transparency and provide more information than the previous reports.

The GAO was asked to examine the SEC’s reporting of enforcement statistics and they reviewed how the statistics were derived over the past 10 years. They studied the SEC’s internal policies, procedures, and manuals for recording, verifying and reporting data, interviewed SEC officials and considered past SEC reports including enforcement statistics.

The GAO learned that the annual report was developed by SEC officials and staff holding meetings during which they determined which areas and accomplishments to highlight, but they were unable to present documentation that the report preparation process was implemented as intended.

The SEC agreed with the GAO’s recommendation for documenting its procedures for generating public reports. ♦



Source: GAO analysis of interviews with Securities and Exchange Commission (SEC) staff. | GAO-20-47

