

STATE BOARD REPORT

A Digest of Current Developments Affecting State Accountancy Regulation

Volume L, Number 3

March 2020

Regional Calls Held in February

When NASBA's Regional calls are convened, states learn how their neighbors are facing similar issues and where forces are pushing them in different directions. For example, while some groups are promoting laws that open licensing to individuals with criminal records, closer scrutiny is being urged by others. Richard Grueter (MA) pointed out, during the Northeast Region's conference call, that the Massachusetts Committee on Consumer Protection and Professional Licensure at the end of 2019 called for an investigation into how 68 registered sex offenders held state licenses (including 21 electricians). This was brought to the legislators' attention by a report in the *Boston Globe*.

All eight of NASBA's Regional Directors held Regional Conference calls with State Board Chairs and Executive Directors in February. During the calls the Regional Directors reviewed actions taken at the Board of Directors' January meeting. NASBA Vice President – Relations with Member Boards Daniel Dustin updated the Boards' representatives on the CPA Evolution Initiative and Director of Legislative and Governmental Affairs John Johnson reviewed anti-regulatory legislation now being debated in each Region's states and trending across the country. The calls also gave each Board the opportunity to highlight the current issues they are facing. Among those mentioned were:

- Many states are making the changes necessary to be ready for continuous testing, including New York, Delaware, Louisiana and Montana.
- International licensing candidates are applying to several New England states for their licenses, but then not practicing in those states.
- Continuing professional education requirements are not being met by some practitioners in several jurisdictions.
- The Tennessee Board is now requiring Peer Review acceptance letters from firms.
- Missouri has a bill in play that would give it access to Peer Review information.
- Minnesota is looking to hire a new investigator.
- Many states are working on legislation to expedite licensing for military and spouses (see *Legislative E-News* on www.nasba.org for details).
- Brenda Turley will be retiring as the West Virginia Board of

Accountancy's Executive Director and a search for her replacement is beginning.

- Oregon has updated their Continuing Professional Education (CPE) rules to allow for nano learning and blended courses.
- Washington is working to restore its Peer Review Oversight Committee.
- Texas will be moving the Board's offices later this year.
- Louisiana is requiring sexual harassment training for the staff and members of its boards.
- North Carolina has created a succession planning task force to address requirements for CPA firms.
- Legislation being considered in Idaho would establish an Office of Administrative Hearing Officers.

Mr. Johnson reported that 41 states were actively in legislative session in February. Anti-regulatory bills, including those calling for least restrictive means of regulation and establishment of oversight bodies, are being monitored by Mr. Johnson and can be viewed by state on <https://nasba.org/mc/legislativesupport/legislativetracking>. During the Regional calls Mr. Johnson was thanked by states for his help in their defense against bills that would harm the Boards. He reminded the Boards to check the Alliance for Responsible Professional Licensing (ARPL) website <http://responsiblelicensing.org> for articles, talking points and videos in support of professional licensing.

The Regional Directors invited all their State Boards to participate in the webinars to be held in March to provide more information on the CPA Evolution Initiative, and to contact the Regional Directors with any questions the Accountancy Boards might have to bring to the attention of the NASBA Board. ♦



2019-20 Regional Directors

- C. Jack Emmons (NM) – Southwest Regional Director and Chair of the Committee on Relations with Member Boards;
- J. Andy Bonner (TN) – Southeast Regional Director;
- Alison L. Houck (DE) – Middle Atlantic Regional Director;
- Faye D. Miller (ND) – Central Regional Director;
- Stephen F. Langowski (NY) – Northeast Regional Director;
- Jason D. Peery (ID) – Mountain Regional Director;
- Katrina Salazar (CA) – Pacific Regional Director;
- Kenya Y. Watts (OH) – Great Lakes Regional Director.

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NASBA Responds to SEC and PEEC

On NASBA's behalf, Chair Laurie J. Tish and President and CEO Ken L. Bishop submitted responses to exposure drafts from the Securities and Exchange Commission (SEC) and the AICPA Professional Ethics Executive Committee (PEEC) on February 25. The complete responses can be found on www.nasba.org in the Publications section.

The letter to the SEC commenting on Amendments to Rule 2-01, Qualifications of Accountants, basically voiced agreement with several sections that would impact the work of regulators. One item pointed out in the letter concerned adding a transition framework to address inadvertent violations of independence rules that occur in connection with a client's merger or acquisition: "NASBA has some concerns that the maximum six-month transition period will become the acceptable standard in practice. Further, NASBA believes under no circumstances should the auditor be permitted to audit its own work if such work materially affects the consolidated financial statements at the acquisition effective date and in any post acquisition period."

In response to PEEC's Strategy and Work Plan Consultation Paper, NASBA suggests PEEC when defining "office" consider how meaningful physical location is in the current environment. A project suggested to the PEEC by NASBA is evaluation of the final revisions of the SEC's independence rules against PEEC's rules, so they align.

NASBA's responses were developed for Chair Tish and President Bishop by the NASBA Regulatory Response Committee and Ethics Committee: **Regulatory Response Committee** – W. Michael Fritz – Chair (OH), Alan R. Augenstein (AZ), Richard L. Bell (AR), Kevin Collins (CO), David D. Duree (TX), Gaylen R. Hansen (CO), Tracy W. Harding (ME), Matthew J. Howell (MI), Richard Isserman (NY), Frederick R. Kostecky (MO), Laurie A. Warwick (VA), Carleton L. Williams (HI) and L. Samuel Williams, Jr. (NC); **Ethics Committee** – Catherine R. Allen – Chair (NY), Paul Balas (MI), David I. Bridgers, Jr., (MS), Donald H. Burkett (SC), Wm. Hunter Cook (NC), Robert F. Fay (OH), Susan Quaintance Ferguson (VA), Robert L. Goldfarb (NY), Larry Hunter (ID), James G. Kelley (IL), Thomas G. Neill (WA), Michael L. Nickerson (ME), Steven M. Platau (FL), and Lawrence A. Wojcik (IL). NASBA's Regional Directors participated in the Regulatory Response Committee's preparation calls. ♦

Update on CPA Evolution Initiative

An in-depth staff report on the progress of the CPA Evolution Initiative was presented at the NASBA/AICPA leadership semi-annual Summit meeting in February. Meeting attendees spent three hours hearing outcomes from the Education and Examination Advisory Groups, as well as feedback received since October from more than 1,000 stakeholders, including State Board members and executive directors, state societies, licensees, educators and students. Stakeholder feedback received to date has been generally positive to the core and disciplines model presented at the Annual Meeting (see *sbr 12/19*).

Based on the suggestions, questions and comments of the Advisory Groups and broader stakeholder feedback, NASBA/AICPA leadership requested that staff begin drafting possible amendments to the Uniform Accountancy Act (UAA) and/or Model Rules to recommend to the AICPA/NASBA Uniform Accountancy Act Committee in support of the CPA Evolution Initiative.

Initial analysis of the laws and rules currently in place suggests that amendments would not be required to either the UAA or the Model Rules with respect to the Uniform CPA Examination. However, if the names of the Examination's sections were revised, there are currently seven jurisdictions that would need to amend their rules and one jurisdiction that would need to amend its statute to accommodate such changes.

As for education, it is anticipated that amendments will be proposed in an effort to construct Model Rules that are more closely aligned to existing Board of Accountancy rules.

In the coming days, comprehensive updates of the CPA Evolution Initiative will be presented during four webinars scheduled for the week of March 23. All State Board members and executive directors are encouraged to participate in one of these webinars. Invitations to the Boards were sent by NASBA Chief Communications Officer Thomas Kenny on February 13, 2020.

Q&As on the CPA Evolution Initiative

Over the last few months, there have been some common themes in questions asked by stakeholders. The following questions and answers address two of the issues raised most frequently:

Q: What would be included in the core?

A: NASBA and the AICPA anticipate that not all of the content covered by the current CPA Examination and curricula will be considered "core" under the new licensure model. Instead, certain advanced content could be incorporated into the disciplines.

The specific content of the core and disciplines would be determined based on an analysis of current curricula and the necessary changes to adopt the new licensure model.

These changes would result in revisions to the Model Rules for education and may require changes to the State Boards' education and licensure requirements. A CPA Examination practice analysis would follow.

As a part of its ongoing efforts to maintain the validity and reliability of the Examination, the AICPA conducts periodic practice analyses to gather information about the current state of the profession and the work of newly licensed CPAs. These research initiatives identify changes which are needed to update the CPA Exam and

maintain its alignment with professional practice. Comments on the practice analysis conducted in 2019 (see *sbr 12/19*) are due to the Board of Examiners by April 30, 2020.

Q: Would candidates who become CPAs under the proposed model be able to practice outside of their chosen discipline?

A: Yes, given they have the required competence.

Regardless of chosen discipline (Business Reporting and Analysis, Information Systems and Controls, or Tax Compliance and Planning), this model leads to a full CPA license, with rights and privileges consistent with any other CPA. This includes rights to sign audit and attest reports, as the core will give every candidate a strong base in accounting, auditing, tax and technology.

However, ethical requirements dictate that CPAs only undertake those professional services that they expect to complete with professional competence. Competence means the CPA or their staff possess the appropriate technical qualifications to perform the professional service and that, as required, the CPA supervises and evaluates the quality of work performed.

Please visit evolutionofcpa.org for these and other questions about the CPA Evolution Initiative. ♦

PRESIDENT'S MEMO

Challenges and Impact

In last month's *President's Memo*, I briefly discussed the coronavirus outbreak in China and the potential impact it might have on NASBA. Now, just one month later, "potential" is no longer even remotely applicable and the virus, COVID-19, is significantly impacting most of what we do. NASBA Chair Laurie J. Tish and I have discussed the difficulty in assessing how to work through this challenge. As we become more educated about the virus, and as the number of cases ramp up, being exposed and infected by COVID-19 could be less threatening than originally thought, but certainly has to be taken seriously -- and that is what we are doing.

During the first week in March we implemented a policy that prohibits all non-essential staff travel and meetings until June 1 and possibly beyond. After a thorough review of the increase in numbers of COVID-19 cases in Pinellas County, Florida, we cancelled the Executive Directors and Legal Counsel Conferences and have frozen all other plans for meetings until we have a better determination of risk.

We have also implemented new staff directives to take precautions against spreading any communicable disease in NASBA's offices. We are similarly restricting visits to our offices for those who may have traveled to high threat areas or who are symptomatic. The policy contains the following:

- All non-essential travel must be cancelled.
- All face-to-face events such as committee and task force meetings must be cancelled, rescheduled after June 1, or handled virtually. If any exception is granted, we request that staff attendance be scaled back to essential support only, if not in a NASBA office.
- Travel to third party meetings and conferences must also be cancelled or shifted to virtual meetings, if that option is available, unless deemed essential.
- Do not book new travel for trips post June 1 until otherwise informed or approved in advance by the President/CEO or his designee, to limit risk of cancellation fees that could arise if the situation remains the same or worsens in coming weeks.
- In order to protect our own staff, we want to reduce the risk of exposure to coronavirus from anyone visiting any of our offices. If NASBA staff members have any business visitors planning to come to any of NASBA's offices we ask that they be sent notice in advance that outlines our position during this public health situation. This requirement is in place until further notice. This same policy applies to anyone attending any NASBA-sponsored meeting or conference.



Ken L. Bishop
President & CEO

We are constantly monitoring the effects on NASBA, including financial impact. Thus far we have not seen any significant change in behavior of domestic U.S. Examination candidates, but international candidates are being impacted by travel restrictions. This will result in decreasing numbers of candidates and will impact the Guam testing center particularly because of the number of Chinese, Japanese and South Korean candidates testing there.

NASBA is well prepared for this, or any, anomaly and we will be able to weather this storm. Our primary concern is the wellbeing of you, State Board members and staff, and other stakeholders and, of course, our staff.

Speaking of challenges, as I am sure you have heard on the news, downtown Nashville took a direct hit from a devastating tornado. Ironically, NASBA staff leaders met most of that day working through potential scenarios resulting from COVID-19 only to be awakened in the middle of the night by the tornados that struck the area. We were very lucky that the tornado's path was a few blocks from our building and we sustained no damage. More importantly, we were able to quickly ascertain that no NASBA employees were injured or killed. However, we did have staff who suffered property damage, with one being left homeless, and others who had family members injured and also sustaining property loss.

I would like to thank the hundreds of State Board members and staff, and friends who communicated their concerns and offered their support. I personally heard from my counterparts

from all around the globe. It provides a perspective when you think that more people died in middle Tennessee in a matter of minutes than died from coronavirus in the entire U.S. as of the end of that day.

I apologize if this *Memo* is somewhat of a downer. In my job, reacting to challenges and impact comes with the territory. It is made much easier by being surrounded by a talented and dedicated staff and the great volunteers who govern NASBA.

Be safe my friends. NASBA will be continually communicating updates and resultant changes that impact you, the State Boards.

Semper ad meliora (Always toward better things).



— Ken L. Bishop
President & CEO

BREAKING NEWS



State Board Report

National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700
Nashville, TN 37219-2417

Changes Beyond Auditors' Control

"Auditors have a responsibility to properly challenge management to assess and report the impact of climate change on their business," the United Kingdom's Financial Reporting Council CEO Sir Jon Thompson announced as the FRC has called for a major review of how companies and auditors are meeting requirements in this area.

The FRC intends to monitor how companies and their advisers are fulfilling their responsibilities by conducting oversight operations.

In the US, the Securities and Exchange Commission has issued a joint statement with the Public Company Accounting Oversight Board that the effects of the coronavirus on a company's financial disclosures and audit quality "may be difficult to assess or predict, because actual effects may depend on factors beyond the control and knowledge of issuers." Issuers are urged "to work with their audit committees and auditors to ensure that their financial reporting, auditing and review processes are as robust as practicable in light of the circumstances in meeting the applicable requirements." The SEC states that it encourages issuers and their advisors to contact the SEC staff regarding any need for relief or guidance. "Relief may be made available on a case-by-case or broader basis as circumstances merit." ♦

NASBA Meetings and Absentee Ballots

This year everyone who is planning to attend the NASBA Annual Meeting, November 1-4, should also be planning to obtain an absentee ballot to vote for state offices and or the presidency. For some states, to vote in your primary elections and to attend a NASBA Regional Meeting may require an absentee ballot as well. ♦

Calling Future NASBA Leaders

It is not too early to start thinking about throwing your hat into the ring for a position on NASBA's Board of Directors. May 22 is the deadline for submitting your resume to NASBA Nominating Committee Chair Janice Gray for a Regional Director or Director-at-Large slot. Either mail your letter of interest and resume to Ms. Gray at NASBA, 150 Fourth Avenue North – Suite 700, Nashville TN 3729-2417 or e-mail janiceg@cpagray.com or aholt@nasba.org. To be considered for a Regional Director position you need to be a member of your State Board of Accountancy at the time of the Annual Business Meeting on November 3 or within six months of completion of your term on the State Board at that date.

April 7 is the deadline for indicating your interest in being nominated for NASBA Vice Chair 2020-2021. For Vice Chair you would need to have served a minimum of two years on the NASBA Board of Directors, but do not need to currently be on a State Board.

May 22 is also the deadline for nominations for the 2020-2022 Nominating Committee members and alternates from the Central, Middle Atlantic, Pacific and Southeast Regions. The elections of the Nominating Committee members and alternates will take place during the Regional breakout sessions at the June Regional Meetings. Nominating Committee members are not eligible to serve on the NASBA Board of Directors while on the Nominating Committee or for a year following their service. ♦

Ruschak New PhD Project President

Blane Ruschak has been selected as The PhD Project's new president, following the retirement of Bernie Milano. Mr. Ruschak previously served as KPMG's Executive Director for Campus Recruiting and University Relations. NASBA is a sponsor of The PhD Program. ♦