BOD Calls for Vote on Bylaws Changes

Amendments to NASBA’s Bylaws dealing with teleconferences and the Nominating Committee will be voted on at the Annual Business Meeting in November. Responding to issues raised over the past year, the Bylaws Committee has proposed changes to Bylaws 4.11; 7.1.8; and 7.2.2. At their July 24, 2020 virtual meeting, the NASBA Board of Directors approved the distribution of the proposed changes for vote by the member Boards in November.

The changes to Sections 4.11 and 7.1.8 modernize the wording to reflect current teleconferencing practices and clarify the extent to which teleconferences may substitute for in-person meetings. Changes to the Nominating Committee’s procedures outlined in Section 7.2.2 would allow the Committee to look beyond the initially proposed candidates to make their selection.

Bylaws Committee Chair Katrina Salazar (CA) explained to the NASBA Board: “The changes to Section 4 allow for remote meetings when required under circumstances such as the present COVID-19 situation, as well as in more ordinary circumstances when such practices are required to effectively meet NASBA’s needs.” She continued: “Our proposed changes to Section 7.2.2 would provide the Nominating Committee with the resources necessary to fulfill NASBA’s goal of ensuring diversity among leadership positions.”

During their July meeting, the Board also unanimously approved a resolution presented by NASBA Chair Laurie J. Tish (WA) in support of the advancement of the CPA Evolution initiative, in an effort to design and implement a new approach to CPA licensure. She reported a similar resolution had been unanimously approved by the AICPA Council in May. Ms. Tish said the initiative is progressing on schedule: The practice analysis for the reconfigured Uniform CPA Examination began in July, with the launch of the new Exam slated for January 2024.

Commenting on the unanimous approval of the resolution (see page 4), President Ken L. Bishop stated: “Through this joint NASBA/AICPA initiative, we aim to transform the CPA licensure model in recognition of the rapidly changing competencies and skills the practice of accountancy will require into the future in order to fulfill its mandate to protect the public interest.”

Model Rules Out for Comment

The Uniform Accountancy Act (UAA) Model Rules that will set the stage for the CPA Evolution are out for comment through August 31, 2020, announced UAA Committee Chair J. Coalter Baker (TX) at NASBA’s June Regional Meetings. The proposed changes to Model Rules 5-1 and 5-2 can be found on the NASBA website (https://nasba.org/app/uploads/2020/05/UAA-Cover-Letter-Proposed-Revisions_Final-26May20.pdf). They cover changes in school accreditation, required curriculum, internship parameters and acceptable course content. Comments should be sent to uaacomments@nasba.org.

Mr. Baker underscored that the changes being proposed would have no impact on the Boards’ substantial equivalency. These changes were drafted based on the recommendations of the AICPA/NASBA leadership summit, with input from advisory task forces and the NASBA Education Committee. At the NASBA Board’s spring meeting (see Spring 2020 sbr), the NASBA Uniform Accountancy Act Committee recommended the proposed rules be distributed for comment, which was approved to follow the AICPA’s Council’s vote in support of the CPA Evolution initiative.

During the June virtual Regional Meetings, questioners asked if the proposed rules would provide guidance on fulfilling the 150-hour requirement. Dan Dustin, Vice President – State Board Relations, responded that there would still be flexibility to enable the rules to stay relevant as the profession evolves. Another question was why “content” was replacing “courses” in several places in the proposed rule changes. Mr. Dustin explained, “The intent was to move to content, rather provide a menu of courses. ‘Content’ had been used in the 2008 Model Rules revision, and the aim is to now make the term’s use consistent throughout this revision.”

(Continued on page 4)
Nominating Committee Announces Slate

On June 20, 2020 the NASBA Nominating Committee held a virtual meeting and selected the following individuals as their nominees for Directors-at-Large and Regional Directors, as reported by Nominating Committee Chair, Janice L. Gray (OK):

**Directors-at-Large (three-year term)**

- J. Coalter Baker (TX)
- Jimmy E. Burkes (MS)
- Nicola Neilon (NV)

**Regional Directors (one-year term)**

- **Central**
  - Faye D. Miller (ND)
- **Great Lakes**
  - Kenya Y. Watts (OH)
- **Middle Atlantic**
  - Alison L. Houck (DE)
- **Mountain**
  - Jason D. Peery (ID)
- **Northeast**
  - Stephen F. Langowski (NY)
- **Pacific**
  - Katrina Salazar (CA)
- **Southeast**
  - Jack Anderson Bonner, Jr. (TN)
- **Southwest**
  - Lynn V. Hutchinson (LA)

Continuing to serve for the balance of their unexpired terms:

**Directors-at-Large (third year of a three-year term)**

- John F. Dailey (NJ)
- Sharon A. Jensen (MN)
- Stephanie M. Saunders (VA)

**Directors-at-Large (second year of a three-year term)**

- Catherine R. Allen (NY)
- Tyrone E. Dickerson (VA)
- Richard N. Reisig (MT)

**Vice Chair Nominee**

As announced in May, the Committee selected W. Michael Fritz (OH) as their Vice Chair nominee, who will accede to the office of NASBA Chair 2021-2022 should he be elected by the member Boards at the Annual Business Meeting on November 3, 2020.

Nominations may also be made by any five member Boards if filed with NASBA Chair Laurie J. Tish (WA) at least 10 days prior to the Annual Business Meeting. A majority vote of the designated voting representatives of the member Boards participating in the Annual Meeting shall constitute an election provided a quorum is present.

**NASBA Chair and Past Chair**

Under the provisions of NASBA’s Bylaws, at the 2020 Annual Meeting, A. Carlos Barrera (TX) will accede to the office of NASBA Chair, and Ms. Tish will accede to the office of Past Chair.

**2020-22 Nominating Committee Selection**

In June, four Regions selected their members and alternate members for NASBA’s Nominating Committee in accordance with Bylaws Articles 7.1.5 and 7.1.10. The other four Regions elected their members and alternates at the 2019 Regional Meetings. The newly elected members of the 2020-2022 Nominating Committee are:

- **Central**: Member – Lori J. Druse (NE); Alternate – Michael Schmitz (ND)
- **Great Lakes**: Member – James P. Gero (OH); Alternate – Dolly M. Laiavani (PA)
- **Mountain**: Member – Harry Parsons (NV); Alternate – Dan Vuckovich (MT)
- **Middle Atlantic**: Member – Angela L. Avant (DC); Alternate – Barton W. Baldwin (NC)
- **Northeast**: Member – Frederick G. Briggs (NH); Alternate – Richard Silverman (NH)
- **Pacific**: Member – Raymond N. Johnson (OR); Alternate – Donovan W. Rulien, II (AK)
- **Southeast**: Member – Janet Booker-David (TN); Alternate – Delbert Madison (AL)
- **Southwest**: Member – Thomas G. Prothro (TX); Alternate – Manuel Cavazos, IV (TX)

Continuing on the Nominating Committee for the second year of their two-year terms are:

- **Great Lakes**: Member – James P. Gero (OH); Alternate – Dolly M. Laiavani (PA)
- **Mountain**: Member – Harry Parsons (NV); Alternate – Dan Vuckovich (MT)
- **Northeast**: Member – Frederick G. Briggs (NH); Alternate – Richard Silverman (NH)
- **Southwest**: Member – Thomas G. Prothro (TX); Alternate – Manuel Cavazos, IV (TX)
The End is Near

No, I am not talking about the apocalypse or the band Primal Fear’s 2016 hit song. I am writing this quarter’s Memo following the NASBA July Board of Directors’ meeting and the fiscal year’s end is near. I don’t think there has ever been a time when I was so looking forward to the end of a fiscal year. The unanticipated challenges we have all experienced since late February were truly unprecedented and I, for one, am looking forward to a new beginning.

Obviously, I am not the only one writing about these challenges. In March the Washington Post stated: “Coronavirus might feel like the End Times…but the apocalypse is not here, doomsday prophesiers say.” Good to hear! As I stated in the Spring 2020 Memo, I am an optimist and a “glass half full” kind of guy. So I will repeat what I reported to the NASBA Board members: How we are ending the fiscal year is truly remarkable. With cost savings and help from investments, we essentially accomplished a breakeven year financially, while spending a record amount on regulatory-related mission spending in support of State Boards.

We were able to quickly transition to remote working and maintain all core business functions and services to Boards, including administration of the Uniform CPA Examination. While unhappy that we were not able to be together, we saw the Regional Directors and support staff do an amazing job in pulling off successful NASBA Regional Meetings. Most importantly, as of this writing we have only had a few NASBA employees who tested positive for COVID-19 and none have had serious symptoms or required hospitalization. To keep the number down, I was disappointed to announce that this year’s Annual Meeting would also have to be virtual, as the safety and wellbeing of our staff and volunteers remains my highest priority.

Having reached the end of this fiscal year, we now begin a new year that will undoubtedly continue to present significant challenges. I reported to the NASBA Board some startling news regarding declines in state revenue projections for 2021. Nearly half of the states are forecasting revenue declines of more than 10 percent with several forecasting a greater than 20 percent drop. This will undoubtedly impact state governments’ budgets and ability to maintain their current level of services. Of course, our concern is the impact on Boards of Accountancy. History has shown us that State Boards have seen reductions of staffing, travel budgets and scholarships. Often there is an attempt to take money from regulatory boards’ reserves and funds. We all should be planning for cuts now.

NASBA is committed to helping State Boards weather these challenges. Our NASBA Regional Directors will be communicating with you regarding your needs, as will our relations with member Boards’ staff, and we will be prepared to ensure that you are able to continue to provide public protection to your state. Similarly, our legislative staff will be prepared to provide you with assistance if you are faced with potentially harmful legislation or attempts to scrape back your funds.

I think all of us have discovered that we have capabilities and capacities that we did not know existed. While remote working is not unusual in the accounting profession, for most regulators this is a new experience. At NASBA we continue to evolve in training, technology, performance measurement and effective communication. We know from our communication with Board Executives and staff that State Boards have handled this transition well.

We know that we still have a ways to go. NASBA continues to ramp up our acquisition of the equipment and software our staff needs to augment their capabilities. Improving communication is critical. We are working to reduce the response time to emails, and we are investing in “soft phone” technology to take us to a new normal in timely and effective communication with you, your candidates and licensees. I want to express my appreciation for the patience and support we have received from State Boards, but also from examination candidates and other stakeholders.

I think we all know that the disruptions we have been facing are not over. It’s not just the pandemic. Social unrest, demonstrations and economic hardships are still in front of us. I am a lover of history. Almost all generations have faced what probably seemed like unsurmountable challenges from pandemics, economic depressions and world wars. Most of us have been truly blessed to have not endured those experiences until now. Like those previous generations, I know that we too will make it through better, stronger and more prepared for the future. The end is near and we are ready for the new beginning. NASBA will be there to help!

Be safe my friends!

Semper ad meliora (Always toward better things).

— Ken L. Bishop
President & CEO
First Virtual Regional Meetings

How do you shrink a full two-day meeting into two abbreviated days? Turn to technology. The handshakes and snacks were missing, but NASBA’s virtual 2020 Virtual Regional Meetings managed to address the top topics concerning the State Boards of Accountancy and still have time for exchanging best practice information among Boards. Moderated by Relations with Member Boards Committee Chair Jack Emmons (NM), and ably assisted by the NASBA Communications team led by Chief Communications Officer Tom Kenny, the Western Regional was held June 3-4 and the Eastern June 10-11 via Zoom. The virtual format enabled many more Board members and staff to participate, without encountering travel restrictions or budget problems.

Chair Laurie J. Tish (WA) congratulated the State Boards and NASBA staff for how they have handled the COVID-19 crisis: “With the steps we have taken, I am confident that we can maintain our ability to support and enhance the capability of State Boards as we begin steps back towards a normal.”

Acknowledging that the coronavirus had a significant impact on NASBA, both operationally and financially, President Ken L. Bishop told the Boards: “As a mission-driven organization, the impact of the epidemic on our ability to provide mission services in support of State Boards is very important to us. I am pleased to report that we have maintained the ability to say ‘yes’ to all requests for support we have received.”

CPA Evolution Praised at Regionals

Calling CPA Evolution “one of the most important projects that I have been associated with in my years of NASBA service,” Chair Laurie Tish (WA) reported the project is meeting its progress milestones, despite having to conduct its meetings virtually. She walked the Regional Meetings’ participants through the CPA Evolution process up to its current stage of proposing Uniform Accountancy Act Model Rules, calculating costs and envisioning education resources. While there are still questions about how the CPA Evolution will work, the initiative drew widespread praise from the June Regional Meetings’ participants. NASBA Chair Tish was told by Boards’ representatives:

“Great job in bringing this model!”

“I commend NASBA for responding to the pushback.”

“We have come a long way in the right direction. Hats off to leadership for doing what you have done.”

There were still questions about how by passing one of the three optional disciplines (business reporting and analysis; tax compliance and planning; or information systems and controls) a candidate would not be viewed as a specialist in that field. Educators were asking about what resources would be made available to assist their schools in providing the needed curriculum. Still some questioned the need for changing the format of the Uniform CPA Examination when more IT-related questions are already being included in the updating of the Examination.

Chair Tish, Executive Vice President and COO Colleen Conrad and Vice President – State Board Relations Daniel Dustin responded to all questions raised. Chair Tish told all that the faculty at some schools are already proactively thinking of partnering with other schools. The AICPA is putting together a resource center with material from the big firms. “Our plan is to work side-by-side with AICPA as they create a one-stop shop for technology-based resources.” Chair Tish said. Ms. Conrad told the Regional Breakout sessions that task forces on model curricula and internship programs are being developed by the AICPA with NASBA, and she suggested State Board members interested in getting involved contact her.

If State Boards would like to create a webinar for educators in their jurisdiction to discuss the CPA Evolution initiative, Ms. Conrad said she and Mr. Dustin are ready to meet with them. “Give us names and dates and we will get the webinar together and work with AICPA,” she told the Boards’ representatives. They had recently held a session with Ohio educators.

NASBA Board of Directors’ Resolution

WHEREAS, At the Annual and Regional Meetings in 2018, 2019 and 2020, NASBA has discussed the trends in the business environment that are impacting the skillsets required of newly licensed CPAs and how the joint initiative (referred to as CPA Evolution) with the American Institute of CPAs will position the CPA license for the future and protect the public interest; and

WHEREAS, The Boards of Accountancy have received the presentation on the revised CPA licensure framework envisioned in the CPA Evolution initiative and the NASBA Board of Directors has heard the feedback received on the revised framework; now

BE IT RESOLVED, That the NASBA Board of Directors supports the advancement of the CPA Evolution initiative in an effort to design and implement a new approach to CPA licensure and supports taking appropriate action to execute the CPA Evolution initiative, including changes to the CPA licensure model; and

BE IT FURTHER RESOLVED, That this resolution shall now become effective as the companion vote of support of the CPA Evolution initiative by the AICPA Council passed in May 2020.
Pandemic Ups Cyber Threats

As infection rates of COVID-19 increased over the last few months, so did the number of bad actors trying to come on line with suspicious websites where users could be tricked into providing their credentials or inject their workstation or tablet with malware, NASBA Chief Information Security Officer Roy Hall, Jr., told the Regional Meetings. According to FBI reports, the worldwide spam rates had increased in one month almost 700 percent by the end of March. The bad actors were also tricking individuals into giving them personal information. State and federal organizations were also under attack. NASBA saw a 1207 percent increase in spam delivery to its security systems’ perimeters at the start of the COVID pandemic, but no malware infections were encountered, Mr. Hall stated.

“NASBA users working from home adapted well and we haven’t missed a beat,” CISO Hall reported. NASBA has invested in cloud-based threat, vulnerability, AV and log management systems, so it did not rely on VPN connectivity for security, and this made remote management very efficient, secure and reliable. Staff laptops were already hardened with advanced logging capabilities and there was plenty of VPN capacity. Plus multi-factor log-in verification was in place, requiring a user name, password and a token. In addition, NASBA was already using advanced persistent threat e-mail services that look for suspicious behavior.

Mr. Hall underscored it is best to take a defensive posture, by having employees aware of bad activity that is out there, and aware of what they can do as end users, through established policies and procedures. With so many people working from home, he offered a few safety tips, including, having a router that uses WPA or WPA2 for Wi-Fi encryption, not WEP. Older routers also require manual firmware updates to keep secure, while the newer ones have automatic over-the-air updating. Examples were Eero and Google Nest Wifi. He also cautioned against wireless passwords that are simple to determine, like “apple 1 2 3 since a compromised wireless access router would give any user within the range of the wireless network potential access to all the devices on the home network.” Subscribing to a cloud-based anti-virus system, that updates continually, was also strongly advised for home computers by Mr. Hall. Examples were Sophos Premium, Trend Micro and ESET. For corporate use, he said advanced persistent threat email services “are a necessity these days,” to block threats in the cloud or network edge, before they can get to your private network for business users. ✦

COVID-19’s Impact on Boards

A summary of the many actions taken by Boards of Accountancy in response to the pandemic was presented to the Regional Meetings by NASBA Executive Vice President and COO Colleen Conrad and Prometric Director Kimberly Farace. In recent months many Accountancy Board members have been working from home and Boards were operating under stay-at-home orders, rotating staff through offices, and often only accepting visitors by appointment. For some Boards emergency rule-making was required, such as relaxing required fingerprinting for licensing or permitting virtual Board meetings. Throughout this time, NASBA has been issuing COVID-19 related communications on continuing professional education reporting, peer review and examination deadline extensions, test center closings, as well as legal resources.

NASBA’s CPE Sponsor Registry received requests from CPE program sponsors to allow them to convert their registered live programs to virtual presentations. NASBA did make this recommendation to the State Boards, but Ms. Conrad underscored that such a relaxation of standards was at the State Board’s discretion. Similarly, extending CPE reporting deadlines in recognition of cancelled conferences and shifts in busy season were requested, and NASBA’s recommendations went to the State Boards for their consideration. Tracking of all states’ current practices can be viewed on www.nasbaregistry.org/impact-of-covid-19.

The Peer Review Board gave extensions to firms with deadlines before the end of September, but some states had to approve those extensions. Ms. Conrad reported many of the bigger firms are moving ahead with their previously scheduled peer review dates. An AICPA exposure draft on remote performance of system review procedures is expected to be released for comment in the next few months, she told the Regional Meetings.

Acting on a NASBA recommendation, the vast majority of states extended candidates’ NTS (notice to schedule) expiration dates until the end of the year. The Boards’ CPA credit extensions are being updated on the NASBA website as the Boards’ policies change (https://nasba.org/creditextension/).

Prometric was reopening its testing centers based on strict Channel Resumption Criteria, Ms. Farace assured the Regional Meetings. All the US testing centers were closed March 17 through April 30, 2020. As of June 1, Prometric had 76 percent of their testing centers open and Ms. Farace said they expected to have 91 percent open by June 22, 2020 (https://www.prometric.com/site-openings). At the centers, testing hours and days are being added. Doctors from Johns Hopkins were called in to look at Prometric’s test centers and they determined Prometric could use every work station, not limiting them to every other seat. Changes had to be made to the centers’ standard operating procedures: Face coverings are required at all locations. Scratch paper is being used instead of note boards. Candidates are reminded three days before their appointment about the details of Prometric’s social distancing policies, which can be found on www.prometric.com. Ms. Farace said Prometric’s goal is to have the backlog of candidates taken care of by the end of this summer. ✦

2020 NASBA Research Grants

The NASBA Board of Directors has accepted the recommendation of the Education Committee and awarded the 2020 NASBA Accounting Education Research Grants to two project teams:

“Options for Meeting the 150-Hour Requirement to Maximize Students’ Demand as Public Accounting Recruits: Establishing New Benchmarks in the Age of Data Analytics,” by Tristan B. Johnson and J. Russell Hardin of the University of South Alabama, and D. Shawn Mauldin of Mississippi State University.

“Rejuvenating the Accounting Curricula: How We Can Bring Accounting Students Into the 21st Century,” by M. Pamela Neely and Timothy Hungerford of the State University of New York – Brockport. ✦
What About Remote Proctoring?

The significance of disaster planning has been underscored by the COVID-19 restrictions. Testing options are one of the elements NASBA has been studying as it considers worst case scenarios, NASBA Executive Vice President and COO Colleen Conrad told the Regional Meetings. Remote proctoring, which would open the possibility of candidates testing from home, is now being studied by NASBA's Computer-Based Testing Committee and the Executive Directors Committee as a backup plan should testing centers be unable to reopen at some future time.

While Ms. Conrad praised Prometric for their handling of closings and openings of test centers during the pandemic this spring, the question remains: What would happen if the virus comes back in the fall and the centers need to stay closed? "We need a backup," she said. NASBA and the AICPA are discussing what would be necessary to have a remote proctoring alternative, which is not covered in the current contract with Prometric. "We would want to be sure the Boards are comfortable with it," Ms. Conrad stated.

Although remote proctoring has been available for some time, it has not been considered an option for high stakes licensing examinations until recently. On June 16 Prometric announced the New Hampshire Insurance Department and the Utah Insurance Department will be using Prometric’s ProProctor remote proctoring as an alternative mode of testing for insurance licenses. ProProctor offers self-service exam scheduling, computer system requirements confirmation, test navigation, live test taker support, Windows and MacOC compatibility, and security measures including live and MacOC compatibility, and security measures including 100 percent live monitoring, live security agents, 360-degree computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited the need for more information on what other professions are doing is needed.

A few of NASBA’s June Regional Breakout Sessions were asked about the views of the Boards on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring. Several participants cited computer problems students had experienced with such testing about their views on remote proctoring.

AICPA Launching .CPA Domain Name

Beginning September 1, 2020, licensed CPA firms and licensed individual CPAs can apply to place the restricted domain name .cpa on their web address. It took the AICPA almost seven years to win the rights to control the custom domain .cpa from the Internet Corporation for Assigned Names and Numbers (ICANN) as other groups were anxious to have authority over the domain. The AICPA also plans to make the domain extension available to other global CPA organizations.

Anyone using the .cpa extension will be vetted by the AICPA to ensure they are a proven CPA entity. "We want the public to have confidence that someone using a .cpa domain address for email or a website is affiliated with the CPA profession," AICPA President Barry Melancon said. More information about the domain is available through https://domains.cpa.com.

NASBA leaders have been assured that AICPA will verify that a firm is registered and, if it loses its registration, then it would also be denied the domain's service until that is rectified. Where there is no firm registration, then AICPA would be ensuring the firm's principals are licensed. This might not be an entity's primary address, but one to which a user is redirected.

If a non-CPA employee of a CPA firm uses an e-mail address with CPA in it, will that confuse the public? "We are always concerned about public confusion, particularly in matters of reliance," NASBA President Ken Bishop said. “However, for years such employees have been using their firm names in their e-mail addresses and I am not aware of any cases where it was a problem.”

Model Rules Out for Comment (Continued from Page 1)

Several questions were raised about adding the recognition of "international accreditation organizations." Mr. Baker explained, “Accrediting bodies have changed.” The Association to Advance Collegiate Schools of Business (AACSB) is an international organization that accredits schools that graduate a large percentage of CPA candidates, and is no longer termed a "national" organization. He pointed out that proposed rules stipulate it is up to the Board to recognize the accreditation organizations. During Regional Breakout sessions on the following days, several Boards’ representatives questioned how the Boards are to determine which accreditation organizations qualify to be recognized. A suggestion that NASBA develop information on accreditation organizations and guidance on recognition was proposed and is to be considered by the NASBA Education Committee.

Another question posed was: Could additional pre-approved internships blur the line between experience and education, and possibly permit the internship to be counted both as education and experience? Mr. Dustin reported that states currently have varying rules regarding internships and the Model Rules are intended to bring consistency among the states’ requirements. Most states’ rules currently make clear the difference between internships and experience, he noted.
Continuous Testing Arrives!

Fifty-four jurisdictions completed the transition to offering continuous testing on July 1, as scheduled. Only South Carolina has to wait for a change in their statute, which could take up to a year to make its way through their next legislative session. In the other jurisdictions, candidates can now take the Uniform CPA Examination year-round, without concern for quarterly testing windows. However, South Carolina candidates will be able to test anytime, but they cannot retake a failed part until the next calendar quarter. Continuous testing opens up more than 75 additional testing dates throughout the year.

Addressing NASBA's Regional Meetings, AICPA Vice President – Examinations Michael Decker said he believes the State Boards' decision to extend the notice to test (NTS) deadline because of the pandemic was a good one, as it helped to keep candidates in the pipeline.

Reporting on the results of the AICPA's "Maintaining the Relevance of the Uniform CPA Examination," which contained the findings of their practice analysis and invitation to comment on proposed changes to the Uniform CPA Examination, Mr. Decker said: “We learned we were on the right path with the adding of data analytics… The practice analysis said our vision was spot on: We have to continue to focus on higher order skills." There were 46 proposed changes to the CPA Exam Blueprints, several aimed at pruning the Exam in response to criticism that it was becoming too broad and not testing subjects in enough depth. The changes included additions, deletions and alterations to content based on the AICPA's research.

The AICPA received 177 comments, including several from government agencies opposed to eliminating state and local government accounting from the Examination. The agencies feared that if the topic was not on the Examination, it would not be taught at the universities. Mr. Decker said where state/local government needs to be tested will be part of the CPA Evolution practice analysis, which is beginning this quarter.

The new Uniform CPA Examination will be launched on July 1, 2021, to give candidates time to prepare for it. The Uniform CPA Examination to be part of the CPA Evolution initiative will be launched on January 1, 2024.

Communications Committee Hosts Webinar

NASBA Communications Committee Chair Kenya Y. Watts (OH) joined her committee members in hosting a webinar entitled "Communicating During a Pandemic: A Virtual Discussion for Boards of Accountancy," on June 17. She explained the purpose of the virtual meeting was “to discuss how and what Boards are communicating now during the pandemic.”

Participants reported on their Boards’ experiences with different virtual meeting platforms. An on-line poll of the group found 34 percent were using Zoom, 15 percent Teams, 17 percent Webex, 15 percent Skype, 12 percent some other platform and 7 percent were not holding virtual meetings. NASBA Communications Chief Thomas Kenny then asked how they would rate the platform they have been using. Twenty-three percent said it was doing a great job, 36 percent a good job, 26 percent an adequate job and 15 percent said it was “okay.”

Strategies for meeting with educators were discussed. The North Carolina Board has held annual meetings with educators for 34 years, and this year it will be done virtually, North Carolina Executive Director Robert N. Brooks stated. Ohio has an Accounting Program Leadership Group, composed of the local schools’ accounting department chairs, and NASBA speakers have met with them, Communications Committee Member Gerald Weinstein (OH) reported. Many educators are interested in what is going on with the Uniform CPA Examination and NASBA is ready to put on a webinar for states that want to bring their educators together to learn about the initiative, he said.

A social media guide that can assist Boards in reaching out to students can be found on NASBA’s website, Communications Manager Cassandra Gray told the webinar (https://nasba.org/app/uploads/2015/03/2016-Social-Media-Guide-Final3.6.17.pdf). She encouraged the Boards to repost material received from NASBA on their own websites and social media channels.

Communications Committee speakers on the webinar included Barry M. Berkowitz (PA), Patty Faenger (MO), Leslie A. Mostow (MD), Robert W. Sinkewicz (VT), Susan M. Strautmann (WI) and Gerald Weinstein (OH).
NY Says Free File Program Exploited

The New York State Department of Financial Services (NYSDFS) has concluded its investigation into why more taxpayers making $69,000 or less have not been using the Free File Program. On July 16 NY Superintendent of Financial Services Linda A. Lacewell stated: “The Free File Program is broken and was exploited by commercial tax preparer companies to drive their own profits at the expense of low-income taxpayers. This is yet another blow to the public trust.”

The Free Filer Alliance was established in 2002 as an agreement by tax preparation companies to provide free tax filing software to individuals making below a certain income level with the IRS and state tax agencies agreeing not to create their own free filing programs. However, in 2019 only 2.5 million of 100 million eligible taxpayers took advantage of the Alliance’s offerings. The NYSDFS report notes that the IRS has not marketed the program since 2014 nor have there been any strategies for notifying taxpayers they are eligible to use it. In addition: “The NYSDFS investigation found that during last year’s tax season, five leading tax preparation companies that provide software to the Free File program deliberately edited the code of their landing pages to hide those pages from search engine results.” The investigators said Intuit, H&R Block, TaxSlayer, TaxHawk and Drake Enterprises deliberately hid website landing pages for the Free File Program: “Tax preparation companies created and marketed their own products as ‘free’ in order to lure customers away from the Free File Program while upselling those same customers into more costly products.”

H&R Block has announced it will leave the program at the end of this tax season, on October 15, 2020. Nine other companies will continue to partner with the Free File Alliance.

Superintendent Lacewell and Michael Schmidt, Commissioner of the NY State Department of Taxation and Finance, wrote in an op-ed in the New York Daily News: “The H&R action highlights the precariousness of a system that relies on the voluntary participation of private industry to provide free tax filing options to low- and middle-income taxpayers. To address this situation, we urge the IRS to aggressively market the Free File program. We also urge the IRS to consider a broader solution – the public option. The IRS should develop its own free tax-filing program. States could then integrate with this new federal product, allowing taxpayers to file both their state and federal taxes online free… And, last month, IRS Commissioner Charles Rettig testified that he was open to the development of such a program for certain filers.”

Monitoring Group Redesigns Standard-Setting

It has taken them five years, but the Monitoring Group has issued their final recommendations to advance the public interest in international audit-related standard-setting and improve audit quality. Their 27-page report “Strengthening the International Audit and Ethics Standard-Setting System” was released in July. The members of the Monitoring Group (MG) are the: Basel Committee on Banking Supervision, European Commission, Financial Stability Board, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators, International Organization of Securities Commissions, and World Bank Group. Their recommendations modify existing bodies, decrease the number of audit practitioners on the standard-setting boards and lessen dependence on the accounting profession for financial support.

The MG recommends the appointment of one board of 16 remunerated members to be responsible for setting audit, review, assurance and quality control standards. A second board of the same size would be responsible for international ethics standards setting for professional accountants, including auditor independence requirements. Each of these boards would be limited to five audit practitioners. Also, each of these boards would have their own expanded and enhanced technical staff, which would “remove the reliance on technical advisors that exists today.” Overseeing the standard-setting process to ensure that international audit-related standards are responsive to the public interest would be the Public Interest Oversight Board (PIOB) of “ten objective and gender diverse members.” Then periodically the Monitoring Group will review the effectiveness of the system as a whole, no later than five years after the implementation of its recommendations.

“Funding commitments should foster the independence and continuity of the standard-setting activities,” the MG maintains. They are seeking a “diversification of contributions” to come from regulators, investors and other users of financial statements as well as the accounting profession. During the transition process an estimate of the funds required for implementing the recommendations will be developed. The goal for funding the PIOC is to have at least half of the budget for its activities coming from contributions of those outside the accounting profession and to achieve that goal by July 2022.

Included in the report is the “Public Interest Framework for the Development of International Audit-Related Standards,” which sets out considerations the standard-setting boards need to bear in mind when developing standards. The Framework “focuses primarily on the interests of users [of financial statements], and more specifically the longer-term interests of creditors and investors and the protection of those interests.”

A transition plan is to be developed by April 2021 and its complete implementation is to be within three years after that. The existing international standards for audits and assurance-based engagements will be the starting points for the boards, but the MG maintains “a new model that is better resourced to bring revised standards to market more quickly, and better respond to the increasingly complex needs of audits will deliver a further benefit.”

With the MG’s recommendations’ release, the leaders of the International Federation of Accountants (IFAC) sent out a statement: “IAASB and IESBA will continue to exist as separate, independent boards with their current mandates, and they will remain in New York City. The boards will be housed in a legal entity independent from IFAC, but we will continue to provide, as we do now, operational and administrative support. This support will be provided through a Service Level Agreement.” As for the funding model for the new standard-setting boards, “…there has been no progress thus far in securing new sources of funding from outside the profession,” the IFAC leaders report. They point out: “We have repeatedly made our position clear that no amount of PIOB funding should come from the profession, and that there needs to be a more diverse model for funding the boards’ activities.”