NASBA

STATE♦BOARD♦REPORT

A Digest of Current Developments Affecting State Accountancy Regulation

Volume XLVI, Number 4 April 2017

Janice Gray Vice Chair Nominee

Janice L. Gray, CPA (OK) was selected on March 29 as the Nominating Committee's candidate for NASBA Vice Chair 2017-2018, to stand for election at the October Annual Business Meeting. If elected Vice Chair by the member State Boards of Accountancy, Ms. Gray will automatically accede to NASBA Chair 2018-2019. Currently NASBA Secretary, Director-at-Large and Chair of the Ethics Committee, Ms. Gray previously served as Chair of the Compliance Assurance Committee and Southwest Regional Director. She was a member of the Oklahoma Accountancy Board for ten years, including two terms as Board Chair. In 2001 she was inducted into the Oklahoma Accounting Hall of Fame. Ms. Gray is the managing member of Gray, Blodgett and Company, PLLC, in Norman, Oklahoma.

Election of the NASBA officers will be held at the Annual Business Meeting on October 31, 2017 in New York City. Nominating Committee Chair Donny Burkett (SC) has requested that all qualified State Board members interested in serving on the 2017-2018 Board of Directors submit a letter of interest and biographical information to aholt@nasba.org by May 31, 2017. Nominations for any elected Board position, including the office of Vice Chair, may also be made by at least five Boards if filed with NASBA Chair Telford Lodden (IA) at least 10 days prior to the Annual Business Meeting. No nominations from the floor will be recognized.

State Boards from the Great Lakes, Mountain, Northeast and Southwest Regions are asked to submit their nominations for their Nominating Committee representatives by May 31, 2017 for Mountain and Southwest and June 14 for Great Lakes and Northeast. These nominations with bios and resumes should be sent to aholt@nasba.org. This year, for the first time, at both NASBA Regional Meetings there will be receptions held for individuals interested in serving on the NASBA Board of Directors. ♦

EDs, Lawyers and State Societies

New Orleans was the site of NASBA's 35th Annual Conference for Executive Directors and Board Staff and 22nd Annual Conference for Board of Accountancy Legal Counsel, March 14-17. For half of the Executive Directors Conference they were joined by the chief executives from 27 State CPA Societies. Thirty nine State Boards were represented at the Executive Directors meeting and 25 states at the Legal Counsel. Their programs covered topics being debated and researched by State Boards, as well as administrative concerns. In welcoming the meetings' participants, NASBA Executive Directors Committee Chair Wade Jewell (VA) pointed out this was the third Executive Directors conference that has been held with the State Society CEOs. Ralph Thomas, Executive Director of the New Jersey Society of CPAs told all: "At the end of the day, we have a mutual interest in making sure the public is protected."

NASBA Chief Relations Officer Alfonzo Alexander, NIES Manager Matthew Wilkins and Vice President – Strategic Planning and Program Management Ed Barnicott kicked off the conference with a session on building the profession. Noting that many promising business students chose to go into finance rather than seeking the CPA, Mr. Alexander described the efforts being made to reach out on college campuses to involve students and faculty members in discussions of the rewards of the CPA profession. He encouraged State Boards to hold campus meetings and have their members speak about their professional experiences at student meetings.

Anything we can do to make the process easier to take the Uniform CPA Examination is good, Vice President Barnicott commented. Currently 22 states are participating in the candidate dropout research project to identify factors impacting candidates' ability to successfully complete the Uniform CPA Examination. Focus groups were held in eight locations from December through February, and in March on-line focus groups were held, with a larger survey scheduled for this spring. The results of these efforts are expected to be ready in late summer or early fall 2017.

The preliminary results of this project have shown that cost of the testing was not a major issue for the former candidates, but more problems were encountered because of work schedules, family obligations and lack of employer support, Mr. Barnicott said. ♦

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Candidates Face Revised Exam

April 1, 2017 was the inauguration date for the latest version of the Uniform CPA Examination. NASBA Director of Client Services Patricia Hartman reported to the executive directors that in recent days the question NASBA client service representatives were most frequently been asked was: "Will there be a credit extension?" Ms. Hartman said extensions of credit are being handled on a case-by-case basis. NASBA staff has used social media to reach candidates as well as posted the new candidate bulletin on the web. Once NASBA knows which candidates are testing on which dates, they will let the State Boards know which candidates have a credit expiration issue. Candidates will be notified if the Board grants an extension.

Robin L. Stackhouse, AICPA Director of Exam Development and Production-Public Accounting, told the conference about the redesign that is coming to the Uniform CPA Examination in 2018. The users will be able to move exhibits around with the items on the screen and Excel is being added as a tool. Additional score holds will need to take place in 2018 to make sure the new design is not advantaging or disadvantaging candidates, she explained, but the Boards will be informed of those holds six months in advance.

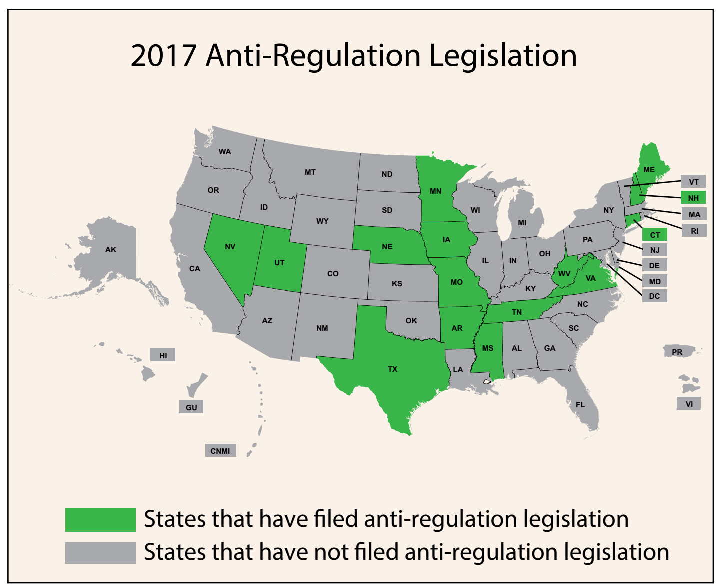
Security measures being taken at the testing centers were outlined by Kimberly Farace, Prometric Team Leader – Client Services. Hand-held metal detector wands are used during check-in and upon return from breaks and Prometric has launched detailed procedures for detecting spy camera devices. She demonstrated how such equipment can be hidden in neckties, large jewelry and even eyeglass frames. Prometric has strict identification policies including ID verification and physical sign-ins with digital image capture. All the testing centers have cameras and microphones in candidate areas plus administrators conducting walkthroughs every few minutes.

Pat Hartman and Robin Stackhouse discuss the changes to the CPA Examination.

If a person is found to have a spying device, they are told they are not able to test that day and the device is confiscated, Ms. Farace said. Prometric's security department reviews the incidents and if someone is caught trying to harvest questions they are denied access immediately. Ms. Hartman said at least three states have had cases where the testing centers discovered problems and NASBA contacted the Boards on the action that needed to be taken. Ms. Farace said Prometric can help the Boards with investigations that require information from the test center teams. ♦

Regulatory Challenges Continue

The Institute for Justice, American Legislative Exchange Council (ALEC) and Cato Institute are continuing to support their limited government agenda, John Johnson, NASBA Director of Legislative and Governmental Affairs, told the Board and Society executives. "One of our best defenses to their limited government agenda is for the accounting profession to continue to advance the goal of uniformity in our statutes and rules throughout all 55 jurisdictions, to protect the public interest and promote high professional standards," he said. In his monthly *Legislative E-news* (found on www.nasba.org), Mr. Johnson updates the legislative changes being seen throughout the country. Ten states had filed legislation that mirrored ALEC's "Occupational Licensing Relief and Job Creation Act," he reported at the March conference, but within less than a month that number had risen to 15 jurisdictions.



Mr. Johnson reported that the Institute for Justice found of 102 low- and moderate-income occupations licensed in the states, only 15 were licensed in 40 or more states – and accounting was one of them. The anti-regulation legislation being considered allows individuals to challenge in court professional regulation. It threatens to undermine the authority of regulatory boards, adds a new layer of review over the action of boards, threatens the elements of substantial equivalency, and could jeopardize both peer review and continuing professional education rules, he warned. Mr. Johnson will be leading breakout sessions on this topic at NASBA's Regional Meetings in June.

This was a very active year for state legislatures for the accountancy profession, AICPA Vice President – State Regulatory and Legislative Affairs Mat Young observed. He told the conference that within the last year: four more states had adopted the AICPA Code of Professional Conduct; 11 had adopted the updated definition of "attest"; only Hawaii and CNMI have not adopted individual mobility; and 13 states are considering legislation that calls for active supervision of the boards as a result of the Supreme Court's North Carolina Dental Board case decision.

"November was a game changer for marijuana legislation," Mr. Young said, as more states adopted laws permitting recreational use of marijuana. This "increased the tension between what states want to do and what the federal government wants to do," he remarked. Mr. Young said a number of Accountancy Boards have taken the position that an accountant providing services to the marijuana industry is not in itself an act discreditable, but the state reaffirms its right to take action against someone who is convicted. ♦

NASBA's Most Important Committee

Ken L. Bishop
President & CEO

NASBA's success in providing support and resources to State Boards is in so many crucial areas reliant on the high-quality men and woman who provide their professional skills and judgment to our committees and task forces. Even to suggest that one committee is the most important to NASBA is risky, yet I am prepared to do so.

Let me first say that the perspective of the President and CEO may likely be different from others. I spend a significant amount of time thinking about the reputation and long-term health of NASBA. Of course I worry about our financial wherewithal, our infrastructure, our staffing and, most importantly, the quality and reliability of support and services we provide to State Boards, but those things are more easily managed than determining how our association is perceived by stakeholders, both internal and external. It is from that perspective that I have grown to believe that the NASBA Nominating Committee is truly "NASBA's most important committee."

When I first became involved with NASBA as a volunteer from Missouri in the late 1990s, its officer nomination process was much different from what it is today. The determination as to who was chosen to serve in governance positions was primarily determined by existing leadership. Rightly or wrongly that existing process was labeled by many of our constituents as being a "good ole boys" system that did not promote the diversification of NASBA's volunteer leadership. At my first NASBA conference, the discontent associated with the existing process was prevalent and change was clearly coming. The ultimate outcome was a Bylaws change, the genesis of the current process, wherein each NASBA region elected their representative member of the Nominating Committee. This change was critical to long-term organizational success. In the ten years that I have been associated with NASBA I have seen continuous modifications and improvements to the Nominating Committee's processes. I am so proud of the current state of evolution of the Committee and the seriousness with which its members undertake their responsibilities.

Janice Gray discusses peer review at the 2015 Annual Meeting.

It has been over five years since I wrote the "President's Memo: Photos on the Wall," wherein I discussed the lack of diversity among our Past Chairs and the challenges that presented for the wellbeing of NASBA. This week we announced the Nominating Committee's selection of Janice Gray as Vice Chair of NASBA. When she accedes to the position of Chair in 2019, she will be the first woman in that role since Diane Rubin served in that post 2005-6 and only the fifth in NASBA's 100-year plus history. Ms. Gray is a highly accomplished professional and regulator, as noted in the story on page 1. She currently sits on a NASBA Board of Directors that includes seven women, African-Americans and Hispanic-Americans and all contribute to a 20-member Board which has a balance of age and geographic diversity. In the past four years we have selected two African-Americans to be Chair of NASBA. More important than gender or ethnicity, the members of NASBA's governance body are individuals of the highest intelligence, integrity and ability. All of this is no accident, but is because of the foresight, diligence and hard work of the Nominating Committee.

This June the Great Lakes, Mountain, Northeast and Southeast Regions will be electing at the Regional Meetings their representatives to the Nominating Committee. For the good of this association and the State Boards it serves, we need people who truly care about regulation to throw their hats into the ring. To qualify you need to have served two years on a State Board and attended at least one NASBA Regional Meeting and one NASBA Annual Meeting. Just contact Anita Holt for details (aholt@nasba.org). The Regions will be voting for both a delegate and an alternate delegate for a two-year term.

Each of us will have a relatively short tenure and opportunity to make positive change. It is my hope that the culture nurtured by the Nominating Committee will entice a mix of diverse folks to be interested in serving in NASBA leadership positions and, hopefully, on "NASBA's most important committee."

Semper ad meliora (Always toward better things).

Ken L. Bishop

— Ken L. Bishop
President & CEO

EDs Consider Peer Review Administration

Oklahoma Board Executive Director Randy Ross, commenting at the Executive Directors' Meeting on the AICPA's January 2017 plans for administering its Peer Review Program, said: "The progress that has been made since last year is exceptional." The comment deadline on the revised AICPA plan for administration has been extended until June 30, but the AICPA has already started to make changes to what it originally was considering in February 2016. "We recognize engagement with the State Boards is crucial," Beth Thorensen, AICPA Director of Peer Review, said. "This proposal is to outline what the plan will look like." She pointed out that while the original plan would have eliminated an administering entity (AE) if it did not handle a minimum number of peer reviews annually, the current plan does not set a minimum. Instead there will be benchmarks that the AEs will need to meet, with swift consequences resulting in remediation or removal if they do not. The benchmarks will be monitored closely and will be transparent, Ms. Thorensen said. Details of the monitoring process are to be fleshed out further as comments on the proposal are received, but she offered some examples of benchmarks being considered.

Some state CPA societies are talking about no longer being administering entities, reported Ms. Thorensen, and the AICPA will work collaboratively with them. However, the names of those societies have not been released. "We want everything in place by next year," she said. The final plan is to be released on August 31, 2017.

The Boards' basic concerns with the previous proposal were mapped out by NASBA Associate Director of Compliance Services Rebecca Gebhardt. Having reviewed the new proposal, questions still remain about how benchmark violations are defined, how transparency will occur, who would oversee a national AE and how the State Board would be involved in disqualifying and/or approving a new AE.

Beth Thorensen, AICPA Director of Peer Review, describes proposal for AEs.

Ms. Gebhardt also noted that on April 17 the AICPA will be launching a new web-based tool, the Peer Review Integrated Management Application (PRIMA). The Facilitated State Board Access (FSBA) program is to be integrated into this new website that will be accessed via aicpa.org. The FSBA provides an avenue for State Boards to see firms' peer review reports with the firms' permission.

NASBA will issue a response to the AICPA's proposal by the end of June. The NASBA Compliance Assurance Committee plans to begin working through the changes that will be needed to the Peer Review Oversight Committee's procedures, based on the AICPA's final plan for transition to the new process. All of the new AICPA criteria should be implemented by May 1, 2018. ♦

PCAOB Transparency Bill Reintroduced


Jack Reed


Chuck Grassley

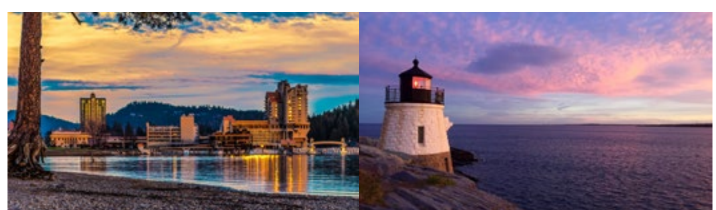
U.S. Senators Jack Reed (D-RI) and Chuck Grassley (R-IA) reintroduced the PCAOB Enforcement Transparency Act on March 21. This bill would allow the Public Company Accounting Oversight Board to make public the disciplinary proceedings it has brought against auditors and audit firms earlier in their process. The Senators cite the case of an accounting firm that while it was subject to PCAOB disciplinary proceedings continued to issue no fewer than 29 additional reports on public companies without those companies knowing the relevant information about the proceedings.

Senator Reed stated: "Unlike other oversight bodies, such as the SEC, the U.S. Department of Labor, the Federal Deposit Insurance Corporation, the U.S. Commodity Futures Trading Commission, the Financial Industry Regulatory Authority, and others, the Board's disciplinary proceedings are not allowed to be public without consent from the parties involved. Of course, parties subject to disciplinary proceedings have no incentive to consent to publicizing their alleged wrongdoing and thus these proceedings typically remain cloaked behind a veil of secrecy. In addition, the Board's decisions in disciplinary proceedings are not allowed to be publicized until after the complete exhaustion of an appeals process, which can often take several years."

Besides undermining the congressional intent of the Sarbanes-Oxley Act of 2002, "which was to shine a bright light on auditing firms and practices, and to bolster the accountability of auditors of public companies to the investing public," Senator Reed said transparency proceedings "can serve as a deterrent to misconduct because of a perceived increase in the likelihood of getting caught."

Bill S.610 would make hearings by the PCAOB, and all related notices, orders and motions, transparent and available to the public unless otherwise ordered by the Board. "This would more closely align the PCAOB's procedures with those of the SEC for analogous matters," Senator Reed pointed out.

Senators Reed and Grassley first introduced this bill in 2011. ♦



REGISTRATION NOW OPEN

2017 WESTERN REGIONAL MEETING	2017 EASTERN REGIONAL MEETING
JUNE 6-8, 2017	JUNE 27-29, 2017
COEUR D'ALENE, ID	NEWPORT, RI
REGISTRATION DEADLINE: MONDAY, MAY 5, 2017	REGISTRATION DEADLINE: MONDAY, MAY 30, 2017

Visit nasba.org for more information.

Bill to Eliminate MT Boards Tabled

Unlike many other nations, certified public accountants in the United States are not required to hold membership in any national professional association to be in practice; however, Montana Senate Bill 365 would have changed that to: "use of the following titles is protected…a certified public accountant or CPA, who must be nationally accredited as a certified public accountant by the American Institute of Certified Public Accountants or the National Association of State Boards of Accountancy…." State Boards of Accountancy are the bodies that license CPAs and regulate the practice of public accountancy and the use of the CPA title. NASBA is an organization that supports the Boards of Accountancy and does not issue any licenses, unless contracted and authorized to do so by a State Board, and the AICPA does not have legal authority to issue a CPA license or to allow use of the title.

The Bill, introduced by State Senator Tom Facey (D), specifically deleted "Board" from being defined as the Montana Board of Public Accountants. Accordingly the Department of Administration would no longer notify the Board of failures by independent auditors to meet auditing standards. Besides certified public accountants, the bill also covered professional engineers and surveyors, landscape architects, real estate brokers, sellers, property managers and timeshare salespeople. These were all included because "certain professions have national testing and certifications that provide the potential for industry-driven monitoring, regulation, and guidelines for professionalism; and …public health and safety are not major concerns for certain business-oriented professions that generally have experienced few consumer complaints related to public health or safety; and…other national and state organizations and associations can provide licensing or certification…."

Montana Board of Public Accountants Chair Dan Vuckovich and NASBA Director-at-Large Rick Reisig testified at the Montana State Senate Business, Labor and Economic Affairs Committee's hearing on March 28 along with members of the Montana CPA Society. NASBA Director of Legislative and Governmental Affairs John Johnson worked with the Board to provide talking points and background information for their discussions with members of the Senate committee.

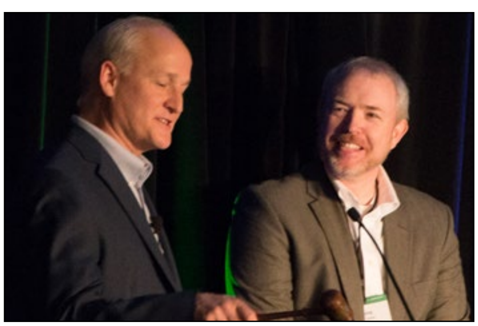
On March 29, Senate Bill 365, "Generally Revise Laws Regarding Business and Occupational Licensing," was tabled in Committee.

Read more about this and other recent legislative developments in the April issue of *Legislative E-News* on www. nasba.org. ♦

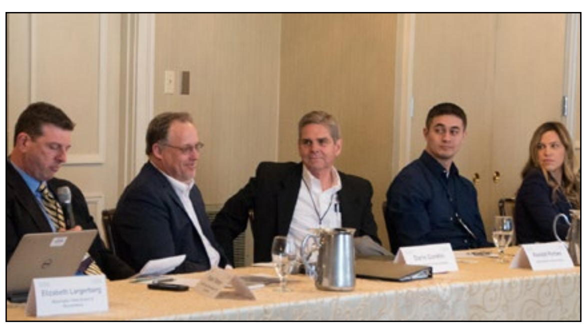
A Glimpse of the Executive Directors and Legal Counsel Conferences

State Board Executive Directors and State CPA Society CEOs ponder topics of mutual concern.

Student choir opens joint session with singing of the National Anthem.



Wade Jewell praises Jimmy Corley's leadership.



State Board Legal Counsel Conference shares information.

NASBA Chair Ted Lodden welcomes all.

Randy Ross praises progress on administration plan.

Attendees learn about legislative trends.

Russ Friedewald poses a question about the Examination.

Brexit May Speed Reciprocity

UK Prime Minister Theresa May's sending a letter to the European Council President on March 29 informing him of the UK's intention to leave the EU may hold some special significance for CPAs who want to practice internationally as well as State Boards. President Ken Bishop told the Executive Directors and Legal Counsel in New Orleans: "Brexit has opened a door for having MRAs with the UK. With Brexit we may have new dialog with Scotland, England, Wales and Ireland that could not have taken place before." Not only could such agreements make it simpler for experienced CPAs to gain credentials abroad but the agreements could smooth the path for bringing foreign credential holders in the U.S. under the authority of the State Boards.

"Mutual recognition is the end goal. Intellectual capital should be shared throughout the globe," NASBA Chair Telford Lodden (IA) added. He told the Executive Directors that several of the mutual recognition agreements (MRA) which have been under development for many years will be completed this year. The merging of a few non-US professional associations have presented some issues in drafting MRA renewals, he noted, but the NASBA/AICPA International Qualifications Appraisal Board (IQAB) believes they are well along in solving them.

IQAB Chair Sharon Jensen (MN) met with Chair Lodden and the members of IQAB on March 23-24 in Nashville to update all on the progress being made on the agreements. AICPA's examination team and NASBA's International Evaluation Services staff are assisting IQAB's members in their determination of the comparability of U.S. and other international credentials' requirements. ♦

Accreditation Task Force Update

The NASBA/AICPA Accreditation Task Force continues to have discussions with accrediting bodies and expects to have recommendations to leadership this month and then to have them discussed at the NASBA Regional Meetings in June, NIES Associate Director of Business Development and Research Brentni Henderson told the executive directors' conference. The Task Force's final report will focus on transfer credit practices and transcript transparency.

Ms. King reported on provisions that currently exist in the Accountancy Boards' laws:

- Limits on non-accredited coursework -55 jurisdictions
- Community college coursework accepted - 55
- Specific course requirements – 50
- Limits on introductory courses –31
- Military credit acceptance -18
- Limits on internships – 16
- Limits on life experience – 10
- Exam-based education – 2
- On-line programs/coursework – 1

Looking at the changing education landscape, the Task Force will be asking the State Boards to consider whether their statutes, regulations, polices and rules address the acceptance of new modalities of education. The AICPA/NASBA Task Force includes: Carlos Johnson and Raymond Johnson from NASBA and Tanya Flesher and Sharon Lassar from AICPA plus education consultant Jan Williams and staff from both organizations. ♦

State Board Report
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