

NASBA State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

Volume XLII, Number 4

April 2013

Davenport Nominated for Vice Chair

Walter C. Davenport, CPA (NC) was selected on March 18 as the NASBA Nominating Committee's candidate for NASBA Vice Chair 2013-2014, to automatically accede to NASBA Chair 2014-2015. Mr. Davenport, formerly a NASBA Director-at-Large and Middle Atlantic Regional Director, currently serves on the Uniform Accountancy Act Committee. He is the past chair of NASBA's CPA Licensing Examinations Committee and has served on many NASBA committees, including the Administration and Finance, Audit, CPE Advisory, Compliance Assurance, Strategic Initiatives and Licensing Requirements Committee. He is a past president of the North Carolina State Board of CPA Examiners and a former member of the AICPA's Board of Examiners.

A retired audit partner of Cherry, Bekaert & Holland, LLP, in Raleigh, NC, Mr. Davenport began his accounting career with Arthur Andersen & Company following his graduation from Morehouse College.

Elections for NASBA officers will be held at the Annual Business Meeting on October 29, 2013 in Maui, HI. NASBA Nominating Committee Chair Mark Harris has asked that all State Boards submit to him their recommendations for NASBA Regional Directors and Directors-at-Large for the 2013-2014 NASBA Board of Directors by May 20, 2013.

Nominations for any elected position, including the office of Vice Chair, may also be made by at least five member Boards if filed with NASBA Chair Gaylen Hansen at least 10 days prior to the Annual Business Meeting. No nominations from the floor will be recognized. ♦

Walter C. Davenport, CPA



Executive Directors 31st Annual Conference in Tucson, AZ.

Executive Directors Meet in Tucson

The 31st Annual Conference for Executive Directors and State Board Staff, March 3-6 in Tucson, drew representatives from 39 jurisdictions to discuss common concerns and techniques for successful administration of State Accountancy Boards. Several Boards have been facing consolidation under umbrella organizations, others have been involved in updating their databases and many are paying closer attention to licensees who fail to meet their continuing professional education or peer review requirements.

Chair Gaylen Hansen asked the executive directors to identify early in the State Board members' terms who would work well on NASBA committees and develop into future NASBA leaders. President Ken Bishop stated: "Getting involved in NASBA is an opportunity to talk to each other. This is a great group to get to know."

Executive Directors Committee Chair Nicole Kasin (SD) reported that the executive directors had three requests to NASBA leadership: (1) Develop a universal user password for all NASBA log-ins; (2) Select conference locations that state governments will readily approve; (3) Hold additional discussions on the concept of "firm mobility." Ms. Kasin praised the new legislation tracking tool that has been introduced to the Boards by NASBA Legislative Affairs Director John Johnson, the expanded CPA candidate statistics books presented by Continuous Improvement and Analytics Director James Suh, the international candidate evaluation services as described by Manager Brentini Henderson-King, and the expanded newsletter and video communications assistance offered by Communications Director Thomas Kenny.

During the roll call of State Board executives a variety of topics were discussed: William Treacy, executive director of the Texas Board, asked the other Boards what they were doing about candidates and licensees who report they have had "driving while intoxicated" convictions. The Texas Board is making a grant of

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Published by the
National Association of State Boards of Accountancy
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www.nasba.org

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EDs Meet in Tucson (Continued from page 1)

\$90,000 annually to the Texas Society of CPAs to run a program consisting of CPA volunteers who assist CPAs and CPA candidates overcome alcohol or substance abuse.

The Virginia Board is working with the Virginia Society of CPAs to produce a video clip for its state ethics examination, Wade Jewell, executive director of the Virginia Board reported. The Board produced two e-newsletters this year and received 6,000 responses to its recent survey. A meeting of the Virginia Board is scheduled to be held at Virginia State University.

More outreaches to campuses are planned by the Louisiana Board this year, Executive Director Clinton Cognevich told the meeting. The Board's first meeting on a college campus was held in November at Dillard University in New Orleans, and it was "a huge success," he commented.

Indiana conducted 1,000 CPE audits and found 212 licensees

noncompliant, with 61 of those falling into the violation category. Hearings for the 212 are coming up, reported the Indiana Board's Executive Director, Kate Lowhorn. The Board can impose a civil penalty of \$1,000-5,000 for knowingly or intentionally making a false or misleading statement to the Board concerning compliance with the CPE requirement.

The Alaska, Maryland and New Mexico Boards all made it successfully through sunset reviews this year. The Texas Board's self-directed semi-independent status is undergoing sunset review in the current session of the legislature, as is the Tennessee Board.

The executive directors welcomed as their most recent newcomer Dawne Broadfield, who had only been on the job as the Rhode Island Board's executive director for two days. She reported the state has eliminated its auditing and accounting CPE requirement and is now doing its licensing online. ♦



Mark Crocker (TN) asks a question in Tucson.



ED Committee Past Chair Pamela Hill (MO) receives recognition award from Committee Chair Nicole Kasin (SD).



Executive Directors meet informally during break.



Legal counsel join executive directors for overview.



John Patterson (OH) raises legal issue at meeting.

Prometric Contract Extended to 2019

No major security breaches have been reported since the 2004 launch of computer-based testing for the Uniform CPA Examination, NASBA Director of Examination Services Patricia Hartman told the Executive Directors conference. More than 1.8 million examinations have been delivered since the launch. On March 4, NASBA and the AICPA agreed to an extension of their agreement with Prometric to deliver the Uniform CPA Examination through 2019.

Testing centers have multiple security processes in place and all have to be approved by the state's Board of Accountancy, Prometric's Kimberly Farace told the conference. Every Prometric test center around the world is physically constructed in the same way. There are cameras above the work stations, proctors walking around the room every 8-10 minutes, dividers, glass windows and digital video recorders that directly feed to Prometric's headquarters, Ms. Farace said. The testing centers use digital image capture and, since 2011, handheld metal detector wands. All candidates must show their pockets are empty by turning them out upon check-in and when returning from breaks. Ms. Farace explained that candidates can see what to expect by going to the Prometric

PROMETRIC



Web site. In addition, Prometric conducted 494 secret shopper inspections of test centers last year.

The AICPA monitors the social media sites to see if candidates leaving the tests are reporting Examination questions on blogs, AICPA's Michael A. Decker added. Twenty-five versions of each of the four sections of the Uniform CPA Examination are sent to Prometric each quarter. Test panels are assigned to candidates at random. Mr. Decker assured the executive directors that the AICPA's examination unit is behind locked doors in the AICPA's New Jersey offices and access to Examination questions is based on a need to know basis. Asked when the next practice analysis, the basis for the Uniform CPA Examination's questions, will take place, Mr. Decker responded that it would be no later than 2015.

When weather or other conditions mean a testing center cannot be open for testing, a list of candidates scheduled to test the next day is sent out and phone calls are made to them. Ms. Farace said every effort is made to tell candidates in advance of a closing. The Prometric contact center will then reach out to the candidates to reschedule their test. ♦

'Spring Break'...Really?

About dusk one night in late March, I was wrapping up a few things at the end of what had been a pretty busy week at NASBA. As is typical, the radio in my office was tuned to "95.5 - The Wolf," an FM station that has a country music format with its studio located on Music Row in downtown Nashville, a few blocks from our office. Preparing to end a long day, I was turning out the lights and gathering some reading material when the radio announcer mentioned the large number of families who had chosen Nashville for this year's Spring Break location.

My office looks down on the Ryman Theater, Broadway, parts of 2nd Street and what is generally known as Nashville's "honky-tonk" district. As I listened to the announcer, I looked out my window and confirmed that, in fact, a large number of families seemed to be taking in the sights and sounds of "Music City" in celebration of Spring Break.

Our NASBA Chair, Gaylen Hansen, had been in Nashville that week working through the plans for upcoming meetings, conferences and other activities. As a part of our discussions, Gaylen and I were considering the number of important issues and decisions that are being addressed by our volunteer committees and task forces -- right in the middle of tax season. We expect volunteers to digest complicated information, analyze positions and then make recommendations that impact State Boards, the public and the profession just when many of their practices are in the busiest cycle of the year.

The staff at NASBA, like that of State Boards, have sensitivity to the time of the year and they try to keep the number of meetings and interactions to a minimum until after mid-April. However, the work doesn't stop. When called upon, NASBA volunteers step up and, after putting in extraordinarily long days at the office and balancing personal and other responsibilities, come to consider the issues that impact the regulation of the profession as dedicated, prepared advisers.

I can easily and comfortably articulate the public protection value of having U.S. CPAs and CPA firms provide high quality tax-related services to their clients in any year. This year, with the early uncertainty of what rules, rates and models would shake out of Congress, the value proposition is even higher. Clients of CPAs trust that their tax guy or gal is going to be well prepared, educated and thorough in their behalf. I wonder how many of your clients know that, in addition to insuring your own preparedness and capability for their returns, you have also taken on the holistic task of developing and maintaining a State Board regulatory model that insures the integrity of the system itself.

My hat is off to you, the conscientious multi-tasking professionals, our dedicated volunteers and State Board members during this busiest of seasons for many of you. The staff of NASBA knows firsthand of the sacrifices you make during tax season. Thank you for the sleep deprivation, the missed family time, the skipped trips to the gym, the unwatched games and the lunches by the phone. This is our opportunity to thank you and to wish each of you a successful and enriching tax year – coupled with productive committee activities!

So, while I was listening to the radio announcer's description of Spring Breaks, of folks taking off, traveling with their families, and relaxing during the early spring...I was thinking of you and thinking "Spring Break"...Really? Maybe in late April.

Semper ad meliora (Always toward better things).



Ken L. Bishop

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is fluid and cursive.

— Ken L. Bishop
President and CEO

DOL's Dingwall Urges Communication

Estimating he had sent out about 100 letters to Boards of Accountancy to alert them to substandard work performed by CPAs in their audits of employee benefit plans, Ian Dingwall, Chief Accountant of the Department of Labor, encouraged Executive Directors at their Tucson meeting to respond to these letters. Very few of the Boards' executive directors attending the meeting recalled receiving such a letter. There continue to be problems with these audits, particularly those performed by those professionals who Mr. Dingwall termed "dabblers," those performing only a limited number of employee benefit plan audits each year. Firms that are performing many of these audits are not as likely to have the problems uncovered by the DOL inspectors.

The Department of Labor's Office of the Chief Accountant was established in 1989 to monitor and improve the quality of employee benefit plan audits and to identify and correct substandard audits. However, the DOL does not have the authority to establish special CPE or licensing standards for the CPAs who audit ERISA employee benefit plans, Mr. Dingwall pointed out. It is up to the State Boards to establish standards for competency. The Employee Benefits Security Administration can reject the plan's annual report and penalize the plan administrator, but it cannot impose civil penalties directly on accountants for deficient audit work or for filing a deficient accountant's opinion in the benefits plan's annual report.

There are approximately 9,200 CPA firms performing 80,000 plan audits with \$5.5 trillion in plan assets subject to audit. While 83 firms do the audits on larger plans, the vast majority



(L to R) VP D. Dustin, COO/VP C. Conrad, DOL Chief Accountant I. Dingwall, and President K. Bishop in Tucson discuss DOL/Board relations.

of CPA firms are doing five or fewer benefit plan audits, Mr. Dingwall reported. His division has made over 700 referrals to the AICPA's Employee Benefit Plans Audit Quality Center for rehabilitation. Although he said this has been a very positive program, rehabilitating about half of the firms, it is only for AICPA members, and the DOL contacts the State Board when the program cannot handle a firm. While audit quality has improved for the CPA firms that perform the largest number of plan audits, Mr. Dingwall observed: "Some of the small firms have not invested the time, effort and money in doing this right."

He told the Executive Directors: "I am trying to get into a new relationship with you as we are uncertain what has been done with our referrals. We want to get to a better relationship." He encouraged the Boards to consider requiring additional education for benefit plan auditors and he advised the EDs to call him directly with any questions. ♦

Training Modules for Board Investigators

In Tucson, executive directors were given a peek at the training videos prepared by NASBA, in cooperation with the Enforcement Resources Committee, to prepare investigators for working with Accountancy Boards. Rather than host a day-long investigator training session, NASBA decided to produce a six-module training program that would be available to the Boards' personnel throughout the year at no cost to them. Based on input from the Committee and their subject matter experts, the modules were scripted by NASBA Regulatory Affairs Manager Stacey Grooms, Esq., who previously served as the attorney for the Tennessee Board of Accountancy. Each of the modules is 6-11 minutes long. The training program is on the NASBA home page.

The Committee has also launched other programs to assist the Boards' enforcement efforts, NASBA Director of Compliance Services Maria Caldwell, Esq., told the State Boards' executive directors. In response to Boards' requests, two databases have been created to house information submitted by investigators or expert witnesses who are available to be hired by Boards of Accountancy on a case-by-case basis. Another tool, the Enforcement Resources Guide, is an evergreen collection of information, including model forms and practices. The Enforcement Resource Guide can be accessed through a password protected portal located on the Member Services tab on the NASBA.org site and the Investigator Pool and Expert Witness Pool will be launched soon and be housed in the same area.

Ms. Caldwell pointed out the enforcement value of the Accountancy Licensee Database is increasing as more states come on line. As a single source for current license information and disciplinary action, the ALD lends itself to being a key component for Boards' enforcement efforts at the state level and nationwide in many ways. Disciplinary e-mail alerts are sent to EDs and designated Board staff when a licensee has had his/her license suspended or revoked by a State Board in a different state. There are 43 states on the ALD and 38 on CPAverify now, with most of the remaining Boards in the process of establishing their daily feed. ♦

Tax Preparers' Ads Challenged

Twice this tax season, H&R Block unsuccessfully tried to stop Intuit's TurboTax ads that claim users who need assistance with filing their taxes using the Turbo Tax program could get help from Turbo Tax's CPAs, enrolled agents or tax attorneys. Although neither H&R Block, nor any other tax preparation service, was mentioned by name in the Turbo Tax ad campaign, it portrayed other tax preparers as part-timers who might also be plumbers, sales clerks, etc. The U.S. District Court for the Western District of Missouri rejected Block's request for an injunction for the second time on March 11, 2013 stating the ads are neither false nor misleading. ♦

Candidate Trends Mapped Out

NASBA's in-depth analysis of CPA candidates' data is giving schools greater understanding of their students' performance on the CPA Examination, James Suh, editor of the *NASBA 2012 Uniform CPA Examination Candidate Performance* and *School Performance* volumes, told the Executive Directors' conference. He explained that the candidate data being collected by the State Boards, and then submitted to NASBA when they send information about eligible candidates to NASBA's Gateway System, is of interest to many audiences. The changes in the 2012 published reports are a direct result of the feedback received from the previous years' reports' end users. In 2012, there were 245,193 sections of the four-part Uniform CPA Examination taken and 26,152 candidates passed their fourth part, the data reveals.

Mr. Suh, who heads NASBA's Continuous Improvements and Analytics department, said his team is working with NASBA's Education Committee to standardize the data collected from all the states. Besides the *Candidate Performance* book and the *School Performance* book, the department is also producing customized products with other data sets. School specific trends are being considered, showing differences in the passing percentages for each of the examination's sections, differences in passing rates for all four parts as related to date of when the examination was first

Highest Section Passing Percentages For 2012 First-Time Candidates From Institutions With Ten Or More Candidates

1. Duke University (NC)
2. Wake Forest University (NC)
3. Furman University (SC)
4. Augusta State University (GA)
5. Vanderbilt University (TN)
6. Brigham Young University (UT)
7. College of Saint Scholastica (MN)
8. University of Wisconsin – Madison (WI)
9. University of Georgia (GA)
10. Washington University in St. Louis (MO)

taken, and performance by geographical region.

When one school saw its graduate students had a 20 percent lower passing rate than its candidates who had only a baccalaureate, they contacted NASBA to determine why. Mr. Suh said analysis of the data showed that the numbers reflected the institution's graduate students had transferred in from other schools.

All Boards of Accountancy have been sent copies of both the *Candidate Performance* and the *School Performance* books. Information about ordering copies can be found on www.nasba.org. ♦

Call for NASBA Award Nominees

Awards Committee Chair Michael T. Daggett has called on State Board members, executive directors, associates and staff to submit their nominations for the 2013 William H. Van Rensselaer Public Service Award, the NASBA Distinguished Service Award and the Lorraine P. Sachs Standard of Excellence Award. Award criteria and nomination forms can be found on www.nasba.org. Completed forms should be submitted to Communications Manager Cassandra Gray (cgray@nasba.org) by July 1, 2013. The Awards will be presented at NASBA's Annual Business Meeting on October 29, 2013.

The William H. Van Rensselaer Award, in honor of NASBA's

first full-time executive director, recognizes a volunteer who has contributed to the development of a new or existing program for State Boards of Accountancy, or who has influenced the passage of rules or statutes to strengthen accountancy regulation. The Distinguished Service Award recognizes a volunteer for unswerving commitment and dedication to enhancing the effectiveness of State Boards. The Lorraine P. Sachs Award, in honor of NASBA Executive Vice President Emeritus Sachs, is presented to a current State Board administrator who has done an outstanding job of improving the effectiveness of regulation.

Questions should be directed to Ms. Gray at (615)564-2172. ♦

Communications Assistance to Boards

NASBA's communications department is ready to step in and assist State Boards that need help with their communications efforts, NASBA Communications Director Thomas Kenny told the executive directors. He encouraged the Boards to get involved with social media as a way to increase awareness of the Boards, especially among students, without incurring much cost.

For Boards that want to produce a newsletter, they just need to supply the rough copy in a Word document and NASBA will provide the editing, layout and even help with distribution. NASBA has newsletter templates Boards can select from or new customized designs can be created.

Mr. Kenny pointed out that NASBA had created videos for the Texas and Washington Boards. Staff can travel to the Board, or the video can be done at NASBA's offices, and voiceover talent can be provided.



The Communications Committee has found: 50 percent of the Boards currently produce an annual report; 39 percent of the Boards publish articles or updates in their state society's newsletter or on their Web site; and 46 percent are engaged in social media. Mr. Kenny said for NASBA assistance with newsletters, brochures, annual reports or videos, Board staff can contact him at tkenny@nasba.org. ♦

Legislative Alerts on NASBA Site

Looking for legislation of interest to your State Board of Accountancy? Go to www.nasba.org to find a link to NASBA's Legislative Tracking System, as customized by NASBA Director of Legislative Affairs John Johnson. "The system NASBA is using searches for accountant-specific bills that fit at least one of seven profiles," said Mr. Johnson, who introduced the system during the executive directors' conference. "The profiles are: Boards of Accountancy-related legislation; accounting standards; education/ethics/CPE/exam; military/spouse of military licensure; SOX cascade; tax preparers; or other activity affecting the profession."

Mr. Johnson told the executive directors: "If there is a bill that is important to you, let me know and I will set up an alert so the system will automatically e-mail you the status of that bill anytime it changes." He added, "And If I come across things that would jeopardize the regulation of the profession, I will pick up the phone and notify you."

Through the NASBA Web page, it is possible to see legislative reports by state, alphabetically, or by each of the seven profiles. The current status of the legislation can be learned through the links the system provides. Questions about the legislative tracking system should be directed to Mr. Johnson at jjohnson@nasba.org. ♦

Register for 2013 Regional Meetings

Online registration for NASBA's Western Regional Meeting, June 5-7 in New Orleans, and Eastern Regional Meeting, June 26-28 in Chicago, is now available via www.nasba.org. Besides reporting on the work of the Private Company Council, the AICPA's Code of Professional Conduct codification, emerging changes to the Uniform Accountancy Act, and legal developments, the Regional Meetings this year will include additional sessions to allow Boards more opportunities to exchange ideas on effective regulation. Meeting details can be found on www.nasba.org. ♦

Record Legal Counsel Turnout

Legal counsel and investigators from 23 states participated in NASBA's 18th Annual Conference for State Board Legal Counsel, March 3-5 in Tucson. Besides attending joint sessions with the Boards' executive directors, the attorneys participated in a roll call of states and in-depth discussions of recent case law, codification of the AICPA Code of Professional Conduct, NASBA enforcement resources, international standards, CPE audits, unauthorized use of title and client records of deceased licensees. ♦

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