

NASBA State Board Report

A Digest of Current Developments Affecting State Accountancy Regulation

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VP/COO Conrad Selected for FASAC



Colleen Conrad

The Financial Accounting Foundation has chosen NASBA Executive Vice President and Chief Operating Officer Colleen K. Conrad, CPA, to be a member of the Financial Accounting Standards Advisory Council (FASAC) beginning on January 1, 2014. FASAC's primary function is to advise the Financial Accounting Standards Board on issues related to projects on the FASB's agenda, possible new agenda items, project priorities, procedural matters that

may require the FASB's attention, and other matters that the FASB chairman requests. FASAC's members include CEOs, CFOs, senior partners of public accounting firms, professional organizations' executive directors, and senior members of the academic and analyst communities. The FASAC serves as a sounding board that helps the FASB understand its constituents' views.

"The individual Council members are not expected to agree with the Board's decisions on all of the technical aspects of the

projects on the Board's agenda, but it is important that FASAC members support the institution and its due process," the FAF's Website states.

NASBA President Ken L. Bishop stated, "NASBA is pleased to have Colleen join the FASAC. We are sure she will be a strong addition to the Council."

Ms. Conrad joined NASBA's staff two years ago, having served as a partner in a large regional CPA firm, where she had practiced for more than 25 years. She is a former chair of the Missouri Board of Accountancy and was a member of the AICPA Board of Examiners for ten years. Currently she oversees the work of all of NASBA's business units.

The other nine new members named to the FASAC are: John Boulton, Cathy Engelbert, Larry Gray, Wendy Hambleton, Xihao Hu, Marsha Hunt, Dan Mahoney, Daniel Meader and Jeff Wilks. In addition, 24 current FASAC members had their terms extended.

Charles Noski, present FASAC chairman, concludes his two-year term at the end of 2013. The Financial Accounting Foundation is currently looking for a new FASAC chairman. ♦

Pathways Studies Continue

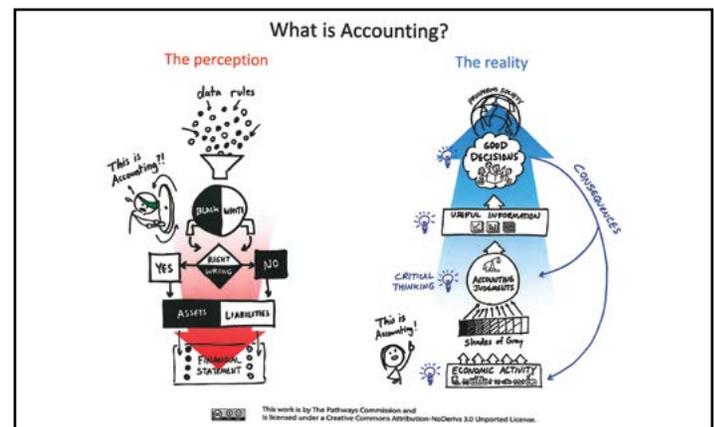
Several of the many task forces spawned by the American Accounting Association's Pathways Commission's recommendations are scheduled to have work products completed by the end of 2013. One identifiable product, displayed by Professor Karen Pincus at NASBA's 2013 Annual Meeting, was the visual portrayal of the perceived versus the actual role and function of accounting in society

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(see graphic above). This stemmed from a task force's visioning session, facilitated by Dan Roam, to identify the ideal first exposure to accounting. The task force is encouraging educators to use the graphic in their classes and in posters to show what people should understand as a result of their first term of accounting.

Slated for completion by the end of 2013 is a mapping of the Accounting Common Body of Knowledge (ACBOK). The task force is reviewing the competencies identified in recent years by U.S. and international professional organizations and is beginning to identify the knowledge, skills and competencies that constitute the ACBOK. Upon completion, feedback is to be obtained from professional and academic constituencies in order to achieve alignment and commitment. ♦

Baumann Speaks at CPT/Baruch Conference

The train is on the track for changing the auditor's report, according to multiple speakers at Baruch College's Eighth Annual Auditing Conference, cosponsored by the NASBA Center for the Public Trust, held December 5, 2013 in New York City. Martin F. Baumann, the Public Company Accounting Oversight Board's Chief Auditor, cautioned that the change is "just leaving the station, not racing by." He explained that the PCAOB's proposed auditor reporting standards (see *sbr* 9/13) would retain the pass/fail model and the basic elements of the current auditor's report, but would require the auditor to communicate a wider range of information specific to the particular audit, the critical audit matters.

The PCAOB's proposal differs with the International Auditing and Assurance Standards Board's proposed changes to the auditor's report in that it calls for the communication of KAM "key audit matters" (rather than CAM "critical audit matters") which must have been also communicated with those charged with governance. Also, the IAASB's proposal would not require disclosure of the auditor's tenure. The IAASB addresses reporting on other information in a separate project, as the PCAOB addresses reporting on going concern and disclosure of the name of the engagement partner in separate projects. Mr. Baumann said there are more similarities between the PCAOB's and IAASB's proposals than differences.

Audit Quality Indicators are being studied by the PCAOB and a concept release is anticipated in the first quarter of 2014, Greg Jonas, PCAOB Director of Research, told the conference. The staff is setting as a definition for audit quality: "Operating in full

compliance with PCAOB standards and SEC requirements in or to (1) meet the needs of an issuer's investors and the marketplace for independent, skeptical, and reliable audits of the issuer's financial statements and (2) facilitate the timely and effective supply of information to the issuer's audit committee." Mr. Jonas explained the framework sets out audit quality indicators divided among audit inputs, audit processes and audit results. Some of the audit quality indicators will be seen as controversial, but others will not, he said.

"It's a political discussion now as to what audit quality is," Phil D. Wedemeyer, a retired Grant Thornton partner and present audit committee member, observed. "Under the Sarbanes-Oxley Act, the PCAOB is to improve the quality of audits. It is important to know the definition of what audit quality is so that we can agree on what we want to improve."

Introduced by Center for the Public Trust Chairman David Costello, IAASB Chairman Arnold Schilder told the conference that the auditor's report change train has definitely left the station in some parts of the world, like the United Kingdom. Some countries have already decided to use KAM and the first experiences are encouraging, he noted. The next meeting of the IAASB will be in March and they intend to finalize the reporting ISAs by the end of 2014.

"We already have a project on other information, but we are looking at the PCAOB's proposal and will be studying the comments it receives," he said. "Where we are developing standards, we try to stay as close as possible." ♦

NASBA Gearing Up for 2014 Sessions

With 12 jurisdictions in session year-round (District of Columbia, Guam, Illinois, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, Puerto Rico, U.S. Virgin Islands and Wisconsin), and another 28 convening in January, NASBA has been monitoring 2013 legislation as well as pre-filed legislation for 2014. In addition, 26 legislatures work within the framework of a two-year cycle, allowing them to carry over legislation. In fact, of the 209 high-priority bills monitored by NASBA that were filed during this year, 58 of those bills can potentially carry over to 2014 sessions.

To review legislation of interest to a Board of Accountancy, simply log on to NASBA's website and look for "Legislative Tracking" under the Member Center tab. Once on the Legislative Tracking home page, click on any "green" state or jurisdiction — green indicates active legislation being monitored by NASBA — to see a list of legislative bills from that particular state/jurisdiction. Once the list of legislation appears, the title of each bill acts as a link to the legislation and provides other important information (the bill number, sponsor, bill summary, and status of the bill within the legislative process).

If you have questions or comments about any legislation, please contact John Johnson, Director of Legislative and Governmental Affairs, at jjohnson@nasba.org. ♦

CPT Unveils Ethics Certificate

Students who want to demonstrate that they have learned their ethics lessons will be able to earn a certificate through the NASBA Center for the Public Trust's (CPT) Ethics Certification Program. Developed by outstanding ethics educators, Drs. O.C. and Linda Ferrell of the University of New Mexico, and reviewed by other members of the CPT Board of Directors, the six-module on-line program requires students to pass examinations at the conclusion of each part with a grade of 80 percent or more. Each module has a viewing time of 12-17 minutes.

Alfonzo Alexander, CPT President, announced that the program is first being used by Florida State University for their executive MBA program, and five other schools are expected to sign up for the CPT certification program by the end of the semester. CPA firms have also indicated their interest in the program for their staff members. Professors will be able to sign up their entire class at one time, Mr. Alexander said. The program's fee for members of a CPT Student Chapter is \$40 and for non-members \$80. ♦

The "Trade Association" Slur

As I was preparing to write this month's *President's Memo*, I was reflecting on the great year we have had at NASBA. It was a record year financially, including the most direct support to State Boards, with many successes in our business operations. We took on challenges, sought after opportunities and continued to advance the relevancy of this great organization. However, with all that happened and was accomplished, it is evident that 2013 will be remembered by many as the year of the Financial Reporting Framework for Small- and Medium-Sized Entities (FRF-SME) disagreement. I am pleased that NASBA and AICPA were able to resolve the FRF-SME matter in an appropriate and accountable manner, and I am still somewhat amazed by the amount of attention given the issue in the world of bloggers and instant communications. It only shows that controversy makes more headlines than consultation.



Ken L. Bishop

In one article, a writer remarked about the audacity of the AICPA calling NASBA "a trade association," and another wrote that "the two [AICPA and NASBA] have resorted to calling each other 'trade associations'." Now, I am not sure that NASBA is actually a trade association by definition, as government regulation of accountancy by State Boards and State Board members is clearly not a trade. I see NASBA more as a consolidation of regulators. But I was never offended by the description and was somewhat baffled by the inferences of slander or maliciousness by the authors. In fact, Merriam-Webster's definition of "trade association" includes the words "for the protection and advancement of their common interest," which nearly paraphrases our mission: "To enhance the effectiveness and advance the common interests of Boards of Accountancy."

To those who have been associated with keeping the standards for becoming a CPA high, the slur comes when accounting is frequently referred to as an "industry," not a "profession." As the Uniform Accountancy Act underscores, the Boards are regulators of a profession, not an industry. Again referencing Merriam-Webster, a profession is "a calling requiring specialized knowledge and often long and intensive academic preparation."

As I look back at this year, it becomes clear that "Mission Driven, Member Focused" was and is not just a slogan, theme or sound bite. It has become the core underpinning of NASBA and all that we do. In 2014, we will be addressing many important changes, developments and issues including: planning for a new practice analysis for the Uniform CPA Examination, consideration of new methods of recognition of foreign credentials, creating enhanced CPE auditing capability, exploring the possibility of mobility opportunities with Canada, discussing possible changes in accounting education measurement and many others. The core elements of "enhanced effectiveness" and "common interests" will be foundational in how NASBA approaches each of these issues.

This is the time of the year that our newly constituted committees, task forces and groups begin to come together to organize, develop and prioritize the elements of their various charges. The nearly 200 volunteers that make up these groups bring tremendous talent, passion and energy to the process. The exciting new Leadership Development and Diversity work groups certainly fall within our mission, but they also are indicative of the continued advancement of this organization.

As we enter into a new calendar year, across the country legislation will be introduced that could impact Boards of Accountancy either positively or negatively. While some legislation is anticipated, other bills may be a surprise. This legislative year NASBA, working closely with AICPA and State Societies, will provide unprecedented support for State Boards in monitoring and dealing with proposed legislation. The Legislative Support Committee will be able to provide expertise and resources to impacted State Boards. NASBA will also monitor and review: federal legislation, changes in standards or rules, and proposals from the Private Company Council, FASB, GASB and others. Our Regulatory Response Committee and other committees will be monitoring these developments and recommending appropriate responses to NASBA leaders.

I, for one, am looking forward to all that is possible in the new year. NASBA is well positioned to fulfill our mission. I think I can speak for all of our leadership, volunteers and staff when I say: We are proud to be your "trade association" for the regulation of the profession!

Happy holidays and a fantastic new year to all!

Semper ad meliora (Always toward better things).

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

— Ken L. Bishop
President and CEO

PCAOB Re-Proposes Partner Signatures

In 2005 the Public Company Accounting Oversight Board's Standing Advisory Committee began discussing the need for disclosing the name of the audit partner in the auditor's report. After much study, analysis and discussion, the PCAOB has again released for public comment amendments to the PCAOB's auditing standards that would require the disclosure in the auditor's report of the engagement partner for the most recent period and other firms that participated in the audit, including the extent of participation.

"I look forward to a new round of public comment," PCAOB Chairman James R. Doty stated at the PCAOB's meeting on December 4. "There is a robust record on this proposal. The questions accompanying the re-proposal are intended to encourage commenters to think deeply about both their own views as well as opposing views expressed in earlier comments, and to engage constructively."

PCAOB member Jeanette M. Franzel commented: "I am pleased that we are today considering a re-proposal instead of an adopting release, as originally planned earlier this year. In my view, a number of fundamental questions remain to be addressed before we can reach a conclusion about any final standard in this area." Similarly, PCAOB member Jay D. Hanson told the December 4 meeting: "While I support gathering additional feedback on our possible courses of action, I do have strong reservations about today's proposal." PCAOB Chairman Doty and PCAOB members

Lewis H. Ferguson and Steven B. Harris voiced their support for the proposal.

The re-proposed amendments would require disclosure in the auditor's report of: (1) the name of the engagement partner who led the audit for the most recent period, and (2) the names, locations, and extent of participation (as a percentage of the total audit hours) of other public accounting firms that took part in the audit, and the locations and extent of participation of other persons (whether an individual or a company) not employed by the auditor who performed procedures on the audit. The staff believes information on such other firms would be particularly helpful to investors when that firm is not inspected by the PCAOB, such as those from countries that will not allow such inspections.

At the PCAOB's December 4 meeting they also approved amendments to conform the PCAOB's rules and forms to the Dodd-Frank Act and the SEC's Rule 17a-5. Chairman Doty explained, "Although the primary goal is to make the PCAOB's rules apply to audits of brokers and dealers, the amendments before the Board today will conform the Board's rules to other significant provisions of the Dodd-Frank Act. These include reflecting in our rules the Board's authority to share certain otherwise confidential documents with self-regulatory organizations and clarifying the Board's enforcement jurisdiction over persons formerly associated with registered public accounting firms." ♦

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