

EDs of Societies and Boards Meet

Reviving a joint event last staged approximately a score of years ago, the executive directors of State Boards of Accountancy met with the executive directors of State CPA Societies, March 24-25 in Tampa, FL. Executive Directors Committee Chair Russ Friedewald (IL) reported the 33rd NASBA Annual Conference for Executive Directors and Board Staff was the largest ever. It included 64 State Board staff and 22 State Society CEOs. The 20th Annual Conference for Board of Accountancy Legal Counsel, which was held concurrently in Tampa, had 43 attendees, including 14 first-time attendees. NASBA Manager of Regulatory Affairs Stacey L. Grooms explained that this year Board investigators as well as attorneys were invited to attend as a large part of the conference's agenda was focused on investigations. Some of the highlights of those meetings are covered in this issue of the *State Board Report*.

Boyd E. Search, chief executive officer of the Georgia Society of CPAs, summarized how within a few years the Georgia Board of Accountancy was strengthened through cooperation between the Society and the Board. The Georgia Secretary of State had proposed bringing the Accountancy Board under one consumer board that would cover 43 professions. The Georgia Board, aided by NASBA, worked with the Society so that the Accountancy Board became a standalone agency under the State Accountancy Officer. This was accomplished through having an active working group meeting via phone, or in-person, every week including State Board and State Society representation.

John W. Johnson, NASBA Director of Legislative and Governmental Affairs, reported the NASBA State Society Relations



State Society Relations Committee Chair Richard Jones (left) and Executive Directors Committee Chair Russ Friedewald (right) welcome joint conference attendees.

Committee had recently conducted a survey of the State Boards and Societies which drew responses from 45 executive directors of State Boards and from 40 executive directors of State Societies. They expressed high recognition of the worth of working together on legislation, he observed. James T. Ahler, CEO of the North Carolina Society of CPAs, said it is really helpful to have the State Board Executive Director attend the Society's board's meetings. Mr. Johnson said the survey found 27 State Societies never miss a Board of Accountancy meeting, and 32 Societies meet with the Board to seek concurrence before moving forward on legislation. Suggestions from the survey participants for improving Society-Board cooperation ranged from attending each other's meetings, to touring college campuses together to educate students about licensure requirements, to having the executive directors "get together for a beer or two at least once a month." ♦

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NASBA Keeps in Contact with Agencies

NASBA representatives have met, held conference calls and/or exchanged email regularly since 2014 with staff of the IRS, DOL, SEC and PCAOB, gaining a better understanding of the enforcement process at each agency, reported NASBA Regulatory Affairs Manager Stacey Grooms at the ED Conference.



Stacey Grooms

These meetings have resulted in the creation of various resources now housed in NASBA's web page's Enforcement Tools section. State Boards can find descriptions of the enforcement process, helpful links and contacts, and the *Quarterly Enforcement Reports* overview with links to the archived reports. The page also includes federal enforcement tutorials that provide background on the DOL, IRS and SEC, an explanation of their enforcement process, forms and contact information.

Through NASBA, State Board Executive Directors have received: the IRS Preparer Tax Identification Number (PTIN) holder list separated

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Business Case for Diversity

Bringing more minority group members into the CPA ranks has been a goal of the AICPA since 1969, but it is now clear that this goal has a strong business case based on demographics, the business imperative and human capital, Ralph A. Thomas, CEO of the New Jersey Society of CPAs, explained to the Executive Directors Conference. While good representation of both genders has been achieved in the profession, diversity in color has not happened. Mr. Thomas pointed out that the buying power of minority groups is growing faster than the buying power of Caucasians, and firms are being challenged to diversify their staffs, particularly if they do government work.

Mr. Thomas observed that the needle has moved slowly on increasing diversity, with minority group members only representing 2.5 percent of the profession. To increase diversity in the profession, the AICPA established its National Commission on Diversity and Inclusion (NCDI) that has released the "Recruitment and Retention Toolkit: A Journey Toward A More Inclusive Workforce," a guide for CPA firms and companies. In addition, they are producing a monthly newsletter *Inclusion Solutions*, which is free of charge to everyone. The NCDI has established a "Pipeline Project" to increase the number of underrepresented minorities entering the accounting profession.

NASBA has set as one of its objectives to: "Increase diversity of NASBA's leadership and volunteer base," Ed Barnicott, NASBA Vice President- Strategic Planning and Program Management, told the Conference. He reported NASBA's Diversity Committee, chaired by



NJ Society CEO Ralph Thomas explains the AICPA's programs for bringing more minority group members into the CPA profession.

Tyrone E. Dickerson (VA), is preparing letters to be sent to the State Governors encouraging them to mix skills and ethnic and gender diversity when making their appointments to the State Accountancy Boards. The letters will first be sent to the Boards' Executive Directors to ensure they will not be problematic in their states. Mr. Barnicott called on the Executive Directors to: Educate their CPAs on the benefits of State Board service; Advocate for diversity and inclusion on the State Board to bring different thinking into the Boards' deliberations; Encourage Board members to serve on NASBA committees. He urged the Executive Directors to become engaged in this effort.

Mr. Thomas gave the meeting's attendees homework: Have a conversation about race with someone of a different race. "Get out of your comfort zone," he said. ♦

VA Board Ups Communications Efforts

Besides having a member on the NASBA Communications Committee, Stephanie Saunders, the Virginia Board of Accountancy has added a communications manager to its staff. Wade Jewell told the Executive Directors conference that, within three months of his becoming the Executive Director of the Virginia Board, he knew a Communications Manager was needed. Now having seen the public service video that NASBA developed for the Wyoming Board of Certified Public Accountants, Mr. Jewell said he is considering working on a similar project with NASBA for the Virginia Board.

Kelli Anderson, the Communications Manager Mr. Jewell hired, rolled out a new logo for the Virginia Board in the spring of 2014. She has redesigned the Board's biennial newsletter so that it includes consistent sections and layout while changing content and elements to keep each issue engaging. Google Analytics is being used to

monitor and analyze traffic on the Virginia Board's website.

The Virginia Board has also used: Heatmap to give a picture of where people clicked on their site; Overlay to determine the number of clicks on each element of the page; and Confetti to distinguish and view all the clicks on the site.

Adding videos to the website can enhance what the Board is already doing, Mr. Jewell advised. The Virginia Board's first video is an 82-second description of its "CPA Active – CPE Exempt" status.

North Carolina State Board of CPA Examiners Executive Director Robert N. Brooks suggested that NASBA create a generic public service video encouraging people to use CPAVerify.org to determine if their CPA is licensed. NASBA Communications Director Thomas Kenny responded that is one of the projects currently under discussion by the Communications Committee and NASBA staff. ♦

Contact with Agencies (Continued From Page 1)

by state; the *Quarterly Enforcement Reports*, based on information from AICPA, SEC (A&A reports and litigation releases), PCAOB and IRS; the Federal Clearinghouse Audit report; and the DOL Employee Benefit Plan auditor list released in June 2014.

Ms. Grooms reported the Department of Labor has discussed drafting language to propose specific continuing professional education requirements for performing the audits it requires. The DOL is also preparing a frequently asked questions document to assist the State Boards in understanding the information in the Employee Benefits Plan auditor list.

A plan to permit State Boards to share the investigative

resources of the AICPA is being considered, Ms. Grooms stated. This would coordinate the AICPA's investigations of the Department of Labor and other governmental audit cases with the individual State Board's enforcement efforts. The concept was approved by the NASBA Enforcement Resources Committee in November 2014 and was discussed at the March 2015 Legal Counsel Conference, for the participants' input.

Ms. Grooms encouraged the Executive Directors to contact her to assist the NASBA Enforcement Resources Committee with its development of guiding principles for enforcement. The Committee is looking to facilitate the sharing of best practices among the Boards. ♦

PRESIDENT'S MEMO

A Shout-Out for the Public

Often, the topics for this *Memo* are the result of current events, developing issues or on-going matters of importance. On occasion, I get recommendations from stakeholders, which I truly appreciate. I recently received an email from a former public member of a northwest Board of Accountancy who remains an important part of NASBA as an Associate Member. In her email, she suggested that I write a column on “public members” and the key role that they play in our regulatory system. So in this *Memo*, I would like to give a shout-out for the public — public members that is.

In the United States, almost all Boards of Accountancy include public members. In fact, a super majority of all regulatory boards in the U.S. have public members, and most have included them for many years. In my 15-year relationship with State Boards and NASBA, I don't recall any serious discussion about the specific role or the importance of public members. Recent events (including the Supreme Court's decision in *FTC v. NC State Board of Dental Examiners*, see *sbr* 3/15) and my research for this *Memo* have led me to conclude that this discussion is needed and timely.

Let me begin by saying that my personal experience with public members has been a positive one. Public members I have witnessed come to meetings well-prepared and attentive, and are fully engaged in the process.

I have seen this across the country as I have visited many State Boards' meetings. Most of these folks have learned “accounting” as a second language through their businesses, civic activities or formal education, and they have developed a comprehension of accounting-related matters without being engaged in public practice. Among the many valuable “public members” there have been teachers, ministers, attorneys, retired Civil Service workers and small business owners, to name a few. However, the most important role they play is not based on their accounting-related experience or education, but on their being unbiased observers who are participating in fair regulatory processes to insure good public policy for the protection of the public.

The much talked about *Dental Examiners* decision has been somewhat of a wakeup call for all regulatory boards. An important allegation of that case was that a regulatory board made disciplinary decisions that, at least, appeared to be based more on competition than on public protection. All regulatory boards, including Boards of Accountancy, should be cognizant of the risks associated with even the appearance of their professional members being self-serving or allowing competitive considerations to become a determining factor in setting public policy. Who better than our public members to serve as a check and be particularly focused on insuring that regulatory boards never lose sight of their main purpose for existing — to protect the public.

I want to stress that I am a dedicated advocate and defender of the regulatory model used by State Boards of Accountancy. Our system of allowing professional peers, who are subject matter experts, to judge conduct based on the extremely complex and ever changing rules and standards is a proven one. The fact that the system is self-funded by licensees and practitioners, and thus protecting the public with no cost to them, is a level of practicability that does not usually exist in government. Having well-prepared public members integrated into the process only amplifies the integrity of the process.

My hat is off to all the volunteers who serve on Boards of Accountancy. It is often a thankless job that requires significant time investment and sacrifice so that the public can continue to rely on the accounting profession. We should all give special thanks to those with no direct nexus to the profession who do the same heavy lifting as those who are CPAs. So here is a special shout out for our public Board members.

Semper ad meliora (Always toward better things).



Ken L. Bishop
President & CEO



A handwritten signature in black ink that reads "Ken L. Bishop".

— Ken L. Bishop
President & CEO

EDs Hear Accreditation is a Top Issue

One of NASBA's biggest issues this year continues to be education, NASBA Chair Walter Davenport told the Boards' Executive Directors and Legal Counsel attending the March meetings in Tampa. While many universities are awarding course credit for life experience, that is not recognizable on the transcripts sent to State Boards. "We are trying to have a conversation with the educational accrediting bodies because the Boards are assuming their candidates are getting 150 hours of education – not of life experience," Chair Davenport said. It is important to get an understanding of what is being done so that it does not affect mobility, he explained.

"We are not saying education must be delivered in brick-and-mortar universities, but the model has to be defensible," President Ken L. Bishop said. "The Uniform Accountancy Act calls for 150 hours of education, not 150 hours or its equivalent. We believe the transcripts should be transparent." He reported NASBA leaders and staff will be meeting shortly with the accrediting bodies to discuss this issue.

"Accreditation has been a brewing issue," NASBA Continuous Improvements and Analytics Director James Suh said. "But the sky is not falling yet." He predicted that NASBA will be working on this issue for the next couple of years. Only 16 State Boards explicitly accept transcripts from schools with national accreditation, 14 explicitly do not accept national accreditation and 25 have no specific language on national accreditation. Mr. Suh observed that some states have much more liberal rules on accrediting bodies. An accreditation summit is being planned for late summer 2015 to be sponsored by NASBA and the AICPA, and to include regional, national and specialized accreditors.

A large component of the education landscape is distance learning, Mr. Suh noted. Southern New Hampshire University, a distance education university, quickly grew to 60,000 students and their credits are based on direct assessment, not time-in-seat. Competency-based education has a questionable image because a lot of people don't



NASBA President & CEO Ken Bishop (left) and NASBA Chair Walter Davenport summarize NASBA's activities and goals.

understand it, Mr. Suh observed. Georgia Tech is offering a master's degree in computer science based on the MOOC (massive online open course) framework, a model he predicted may be adopted by other universities as time goes on.

Making comparisons of educational credentials is complex as records covering programs from domestic universities, international universities, international institutes and international associations are submitted to the State Boards, NASBA Manager of Business Development and Research Brentni Henderson –King explained. In her work for the NASBA International Evaluations Service (NIES), Ms. King pointed out that she has observed the transfer of credits from one institution to another varies and schools don't say what kind of documentation is needed for the awarding of credit. For example, the University of Phoenix now has the authority to issue the transcript for Meritus University, a Canadian university that only existed for five years and is now out of operation. According to some State Boards' rules, they would have to accept those credits earned at Meritus, she noted. NIES reports to each Board based on the Board's rules. ♦

Cases to Consider

In Tampa, the Executive Directors and Legal Counsel were alerted to several recent cases that have potential bearing on the Boards of Accountancy. Among the cases highlighted by Noel Allen, NASBA outside legal counsel, were:



Simic v. Accountancy Board of Ohio, 15 N.E.3d 1246 (Ohio Ct. App 2014) - The Ohio Board's notice on a sole practitioner's firm was not notice on the individual CPA. The court concluded the Board did not have the authority to discipline a CPA's certificate for his firm's failure to abide by a cease-and-desist order when the Board did not provide the required notice.

Commscope Credit Union v. Butler & Burke, LLP, 764 S.E. 2d 642 (2014) - This case is currently on appeal. The Credit Union sued the accounting firm stating a breach of fiduciary duty because the firm represented that it had special expertise in auditing credit unions and other nonprofits and the credit union had failed to file a Form 990 with the IRS every year from 2001-2009.

Jo Ann Howard & Assocs. P.C. v. Cassity, No. 4:09CV01252 ERW, 2014 U.S. Dist. - A Missouri federal district court determined that whether the plaintiff's CPA expert witness passed the licensing

examination on his first try was irrelevant to his qualifications to testify as an accounting expert.

Welsco, Inc. v. Brace No. 4:12-cv-00394-KGB, 2014 U.S. Dist. - The court determined testimony on damages from an Arkansas CPA with an inactive license on behalf of his employer would not be excluded.

Mr. Allen also outlined some cautions that State Boards can draw from the decision in ***N.C. State Board of Dental Examiners v. Federal Trade Commission, No. 13-534, 2015***. These included:

- Discuss the *Dental Examiners* case with the Board's legal counsel.
- Do not call pre-litigation letters "cease-and-desist orders."
- Use declaratory rulings.
- Consider rule making.
- Refuse to consider complaints regarding pricing.
- Remove "competition" from the Board's vocabulary.
- Consider insurance.

Many good things have been accomplished through joint efforts of the State Boards of Accountancy and the CPA professional associations, Mr. Allen observed. His list included: inter-state mobility, the Uniform CPA Examination and common standards. He noted there is a difference between "cooperation and conspiracy." ♦

Education Pathways Progressing

There is a need to bring accounting practice and accounting education better together, William F. Ezzell, Co-Chair of the American Accounting Association/AICPA Pathways Commission, told the Executive Directors. A huge shortage of accounting faculty exists, he noted, and transitioning retired CPAs into the academic community has been one of the projects the Commission's task forces have undertaken. Recent steps the Commission has completed include:

- Compiled best practices from professionally-oriented faculty surveys;
- Developed professionally-oriented faculty integration principles; Encouraged periodicals, including the *Journal of Accountancy*, to publish more practice-oriented research summaries;
- Developed and planned faculty "boot camps" process for three sections of the AAA; Listed activities provided to academics;
- Explored opportunities for externships/internships.

Mr. Ezzell said the AAA is setting up a Center for Excellence in Accounting Education and will be giving awards focusing on the elements of teaching. The Commission is also exploring requiring alternative terminal degrees, rather than the Ph.D., to provide additional faculty.

An advanced placement accounting course for high school students has been developed and awaits approval by the College Board. Over 450 schools want to offer the course, Mr. Ezzell reported. The goal is to improve accounting's ability to attract high-potential, diverse entrants into the profession. Five schools in Kentucky have



William Ezzell discusses the Pathways Commission's continuing work to implement recommended changes.

already shown the program works.

A straw man educational model for the common body of knowledge for someone who graduates from accounting has been developed. The employers of accounting graduates have indicated the need for graduates to have foundational/soft skills because their staff can obtain the content needed but have to be able to apply professional judgment.

"We have to scramble to find data" on how many are taking accounting, how many are teaching accounting, etc., in order to put together a platform so that everyone gets included in the classroom what they need to influence future generations. "Saying there is only one curriculum will not work," Mr. Ezzell stated.

Information about the Pathways Commission can be found on www.pathwayscommission.org. ♦

A Glimpse at the 2015 ED Conference



Mary Medley, Colorado Society CEO, discusses the impact of marijuana laws on CPA practice.



John Patterson, Accountancy Board of Ohio ED, explains Ohio's rule on nano learning for CPE.



Attendees enjoy the 2015 ED Conference in Tampa, FL.

Nominating Committee Request

There is still time to submit names to NASBA's Nominating Committee for positions on the 2015-16 NASBA Board of Directors. Qualified current State Board members and NASBA Associates are encouraged to submit letters of interest with biographical information to Nominating Committee Chair Carlos E. Johnson (via Anita Holt at aholt@nasba.org) by May 28, 2015.

Three Directors-at-Large and all eight Regional Directors will be elected at the Annual Business Meeting on October 27, 2015. All Regional Directors must be members of their State Board of Accountancy at the time of the Annual Business Meeting or within six months of completion of their term on the State Board at that time. Interested individuals will receive a questionnaire for their completion from the Nominating Committee.

June 3, 2015 is the deadline for nominations for the Great Lakes, Mountain, Northeast and Southwest members of the 2015-2017 Nominating Committee. The election of Nominating Committee members and alternates will take place during the Regional breakout sessions at the June Regional Meetings. A letter of interest and biographical information should be submitted to aholt@nasba.org.

Nominating Committee members are not eligible to serve on the NASBA Board of Directors while on the Committee or for a year following their service. ♦

ACAUS Members Seek US Recognition

Over 7,000 members of the Association of Chartered Accountants in the United States are at work in this country. Approximately 2,600 call the Institute of Chartered Accountants of England and Wales their home institute, and 2,500 are members of the Chartered Professional Accountants of Canada, with the rest being members of other chartered bodies from countries affiliated with the United Kingdom. The NASBA/AICPA International Qualifications Appraisal Board has developed mutual recognition agreements with the Australian, Canadian, Irish and New Zealand bodies, which many states have adopted. However, IQAB has not completed MRAs with the ICAEW, the Institute of Chartered Accountants of Scotland and the South African Institute of Chartered Accountants.

"Recognition of our members is one of the top interests of our members," ACAUS President Mark Coles told their annual meeting on March 4. The association has recently developed an associates program opened to chartered accountants in India and Pakistan.

NASBA President Ken Bishop stated in his address to the ACAUS meeting that NASBA and the AICPA are studying the creation of a pathway that could allow non-U.S. professionals who have the ability to perform public audits in their home countries to have an expedited route to obtaining their CPA licenses from the State Boards. This would be based on the requirements those individuals have met, as determined by IQAB, not on whether mutual recognition would be granted to U.S. CPAs in other countries. President Bishop explained, "We believe by recognizing qualified professionals within the United States, we will be increasing public protection for our citizens." ♦

Planning for NASBA June Regionals

The NASBA Western Regional Meeting, June 17-19 in Coronado, CA, and the NASBA Eastern Regional Meeting, June 24-16 in Baltimore, MD, will feature sessions on the proposed new continuing professional education standards, the practice analysis for the Uniform CPA Examination, the current and future peer review, legal cases that impact regulation, the Private Company Council's achievements, and findings from NASBA's candidate statistics. Smaller breakout sessions will enable participants to share their views on recognition of international professionals, facing changes in education, peer review concerns and understanding how new CPE standards could work for individual Boards. Representatives of neighboring State Boards will also meet to share questions and answers on common issues. In addition there will be receptions, meals and a final social event to provide networking opportunities for Accountancy Board members from different states to consult. A spouse program is also planned.

For on-line registration and details about the Meetings' agenda, including social programs, go to www.nasba.org. New members of Boards of Accountancy are encouraged to take advantage of NASBA's scholarship program to attend their Regional Meeting plus a special orientation session. The goal is to have every state represented at its Regional Meeting. ♦