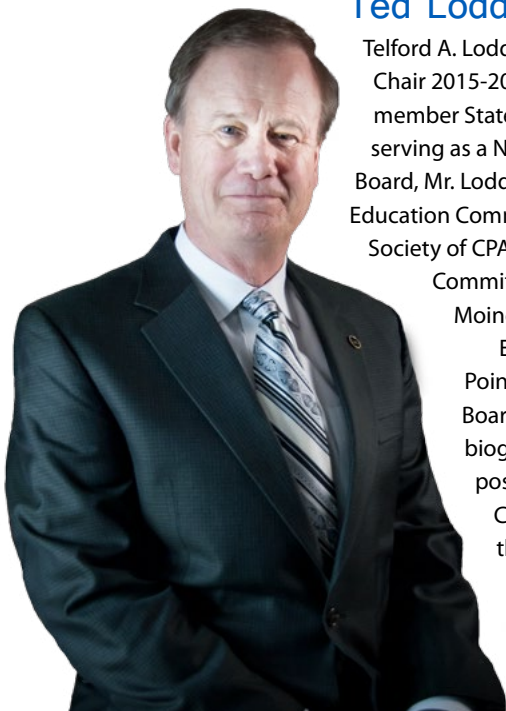


## Ted Lodden Vice Chair Nominee



Telford A. Lodden, CPA (IA), was selected on April 30 as the Nominating Committee's candidate for NASBA Vice Chair 2015-2016, to stand for election at the October Annual Business Meeting. If elected Vice Chair by the member State Boards of Accountancy, Mr. Lodden will automatically accede to NASBA Chair 2016-2017. Currently serving as a NASBA Director-at-Large and Chair of the NASBA/AICPA International Qualifications Appraisal Board, Mr. Lodden previously served as NASBA's Central Regional Director and Chair of its Continuing Professional Education Committee, as well as Chair of the Iowa Board of Accountancy. He is a Past President of the Iowa Society of CPAs, a former member of the AICPA's Governing Council and a former member of the AICPA's Vision Committee. Mr. Lodden is the managing shareholder of Brooks Lodden, PC, a large local firm in West Des Moines, IA, and a member of the Managing Partners Organizing Committee of the BDO Alliance.

Election of NASBA officers will be held at the Annual Business Meeting on October 27, 2015 in Dana Point, CA. Nominating Committee Chair Carlos E. Johnson (OK) has requested that all qualified State Board members interested in serving on the 2015-16 Board of Directors submit a letter of interest and biographical information to [aholt@nasba.org](mailto:aholt@nasba.org) by May 28, 2015. 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 Walter C. Davenport at least 10 days prior to the Annual Business Meeting. No nominations from the floor will be recognized.

State Boards in the Mountain, Northeast, Southwest and Great Lakes Regions are asked to submit their nominations for their Nominating Committee representatives by June 3, 2015. These nominations with bios or resumes should also be sent to [aholt@nasba.org](mailto:aholt@nasba.org). Questions about the election should be directed to Anita Holt (615)880-4202. ♦

## 2015 Research Grants Approved

Acting upon the recommendations of the NASBA Education Committee, the Board of Directors at their April 24 meeting approved the awarding of the 2015 NASBA Accounting Education Research Grants to:

- "Causal Effect of Changes in Business School Accreditation on CPA Exam Success Rates" – Pamela Baker, Ph.D., CPA, CGMA Associate Professor of Accounting, and Robert Maurer, Ph.D., Associate Professor of Health Systems Management at the Texas Woman's University, and
- "Best Practices for Preparing International Students for the Uniform CPA Examination" – Jennifer Wright, CPA, Assistant Chair of the Department of Accounting, and Hubert D. Glover, CRMA, CGMA, CRISC, CIA, CMA, CPA, Ph.D., Chair of the Department of Accounting at the LeBow College of Business – Drexel University, and accounting student Yue Li, M.S.



A summary of the results of their work will be presented at the 2016 NASBA Regional Meetings. The 2015 Regional Meetings will feature summaries of the research completed by the 2014 grant recipients. ♦

## Upcoming NASBA Meetings

- Western Regional Meeting - Coronado, CA, June 17-19
- Eastern Regional Meeting – Baltimore, MD, June 24-26
- Peer Review Oversight Committee Summit – Nashville, TN, July 10
- National Registry Summit - Washington, D.C., September 9-11
- 108th Annual Meeting – Dana Point, CA, October 25-28

Check the Meetings page on [www.nasba.org](http://www.nasba.org) for more details.

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## Board Releases Proposed CPE Standards

Revisions for the *Statement on Standards for Continuing Professional Education Programs*, as appended to the Uniform Accountancy Act, were released for comment on Friday, April 24, by both the NASBA and the AICPA Boards of Directors. The comment deadline is October 1, 2015. Among the most significant proposed changes being recommended by the NASBA/AICPA Joint Committee on CPE Standards are:

- Clarification for self-study programs that permits the qualified assessment to occur during or at the conclusion of the program.
- Standards added for the measurement and development of nano-learning programs, including details on the quality assessment requirements and program re-takes for participants.
- Includes the measurement of one-fifth (0.20) credit for nano-learning and for group programs after the first credit has been earned.
- Standards added for the measurement and development of blended learning programs, including guidelines on the composition of the programs.
- Includes the requirement that the qualified assessment for a self-study program must measure a representative number of learning objectives for the program, and defines a representative

number for such a program.

- Clarifies that prep-program assessments in self-study programs may not be included in the determination of the CPE credit awarded for the program.
- Permits simulations and other innovative tools that guide participants through structured decisions to be used in lieu of review questions.
- Adds that a participant's self-certification of attendance at a group program is not sufficient alone.

The recommended revisions were developed by a 13-member Working Group including representatives from State Boards, State Societies, educators, CPE providers and the AICPA. Their recommendations were then reviewed by the NASBA CPE Committee, which made its recommendations to the Joint Committee on CPE Standards.

A red-lined version of the 2012 Standards as well as the exposure draft of the new *Statement on Standards for Continuing Professional Education Programs* and a more comprehensive list of the significant proposed revisions can be found on [www.nasba.org](http://www.nasba.org). Comments should be submitted to Jessica Luttrull at [jluttrull@nasba.org](mailto:jluttrull@nasba.org) by October 1. ♦

## PCAOB Transparency Bill Back

Once again a bill, that would make hearings by the Public Company Accounting Oversight Board (PCAOB) and all related notices, orders and motions transparent and available to the public unless otherwise ordered by the PCAOB, was introduced by Senator Jack Reed (D-RI) and Senator Chuck Grassley (R-IA) on April 23. "The PCAOB Enforcement Transparency Act of 2015" aims to make the PCAOB's procedures akin to the SEC's Rules of Practice for similar matters in making available to the public hearings and related notices, orders and motions.

The Senators pointed out that the PCAOB oversees more than 2,400 auditing firms that are registered with it, plus thousands of audit partners and staff members who contribute to those firms' audit work. Parties subject to the PCAOB's disciplinary proceedings must give their consent for public disclosure of the proceedings on their alleged wrongdoings. This kind of constraint does not apply to the SEC, the Department of Labor, the Federal Deposit Insurance Corporation, the Commodity Futures Trading Commission and the Financial Industry Regulatory Authority, among others, according to Senator Reed's address to Congress. "PCAOB Chairman James Doty has repeatedly stated in testimony provided to both the Senate and House of Representatives over the past two years that the secrecy of the proceedings 'has a variety of unfortunate consequences' and that such secrecy is harmful to investors, the auditing profession and the public at large," Senator Reed stated.

Noting that the PCAOB's "secret proceedings" are also shielded from Congress, Senator Reed said this makes it "difficult, if not impossible, to effectively evaluate the Board's oversight of auditors and audit firms, and its enforcement program."

This bill was first introduced in 2011. ♦

## Atkinson to Leave PCC

Past NASBA Chair Billy M. Atkinson, CPA (TX), will be concluding his term as Chairman of the Public Company Council (PCC) on December 31, 2015 and has announced that he will not seek a second term at the PCC's helm. As the first Chairman of the organization, established by the Financial Accounting Foundation (FAF) trustees in 2012, Mr. Atkinson guided the PCC in improving the Financial Accounting Standards Board's process for setting accounting standards for private companies. It has advised the FASB on current projects as well as suggested potential alternatives for private companies using Generally Accepted Accounting Principles.

A three-year evaluation of the PCC's accomplishments is underway to help determine its future course. Comments are due this month and NASBA is submitting a comment letter which will be posted on [www.nasba.org](http://www.nasba.org). All ten of the initial PCC members' terms end in December. NASBA Past Chair Diane M. Rubin, CPA (CA), who is serving as another of the PCC's original members, has also determined she will not serve an additional term as a member. She described her time with the PCC as one of the highlights of her professional career, but as she recently retired from full-time practice, Ms. Rubin has encouraged others who are currently working with private companies to take her place as a CPA representative.

FAF Board of Trustees Chairman Jeffrey J. Diermeier stated: "Billy's unique leadership was instrumental in launching the PCC and setting the right tone of collaboration and cooperation in its work with the FASB. Under his tenure, the Council made important progress in achieving the goals that the Trustees established when the PCC was created in 2012." ♦



**Billy Atkinson**

# PRESIDENT'S MEMO

## Audit Quality – A Top State Board Issue?

In late April, the NASBA Nominating Committee met in Dallas to select a nominee for Vice Chair 2015-2016 of NASBA. The Committee, whose members are elected by each of the NASBA Regions, instituted a new process this year wherein the candidates were interviewed using predetermined questions. When asked to name the three biggest challenges facing Boards of Accountancy, all three candidates listed “audit quality” as a significant challenge. This was not particularly surprising as there has been growing criticism from financial information users and investors, federal agencies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, and other regulators who rely on audit quality. For NASBA this raises the question that was on the minds of the Vice Chair candidates: Are the issues raised with audit quality a pressing State Board matter? I believe the answer is clearly “yes”, and NASBA must stand ready to help the Boards in that regard.



**Ken L. Bishop**  
President & CEO

NASBA has already begun to take action. With the Department of Labor’s (DOL) discovery and announcement that a significant number of CPA firms from around the country had performed substandard audits of employee benefit plans (audits required by the Employee Retirement Income Security Act) and had not been peer reviewed for performing these types of audits, NASBA immediately stepped in to ensure that State Boards were being notified and provided referrals of the failures. Many questions were raised: How and why did firms fail to report they were performing these engagements and therefore avoid peer review? Why had the State Boards not received complaints from the DOL? How should Boards handle firms that failed to undergo the mandated reviews and/or those who were the subject of the DOL’s referrals? And how quickly can these failures be remedied? When NASBA heard that an attempt might be made to blame the State Board system for the DOL audit failures, we immediately and aggressively challenged that notion. Our investigation revealed that over the past decade, with the exception of two states because of an anomaly, very few referrals were ever made to the Boards of Accountancy and the vast majority were reported only to the AICPA.

For the past few months, NASBA senior staff and legal counsel have been engaged with AICPA, DOL and others to work towards establishing a viable process for resolving this situation. The discussions have not been about “pointing a finger” or “passing the buck”, but about reaching a solution. Some of the processes under discussion represent unprecedented cooperation and working together with AICPA. Both NASBA and AICPA have a deep commitment to not only audit quality, but to good public policy. To achieve that commitment, we may have to rethink how we work together on some of these major issues.

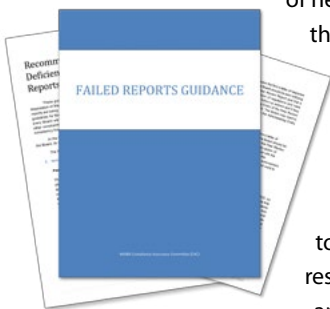
As stated in the introduction to the Uniform Accountancy Act: “...appropriately designed regulation of CPAs serves to protect the public welfare in two principal ways: (a) by providing reasonable assurance of competence on the part of persons and entities that perform those services that require a substantial degree of skill and competence for proper performance and regarding which the consequences of inadequate performance may be of serious dimension; and (b) by preventing deception of the public regarding the level of competence that may reasonably be expected of a given practitioner.”

In the United States, only Boards of Accountancy can license the use of the CPA title and grant practice privileges to perform restricted attest services. Only Boards of Accountancy can revoke those titles and privileges. While the SEC and IRS can limit practice privileges in respect to their operations, and others can revoke membership in an association, the final authority for permitting the practice of public accountancy rests with the State Boards. Any viable process needs to acknowledge that, and NASBA is respectfully articulating that position.

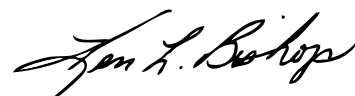
At the recent Executive Directors conference we began having candid conversations about how we should work towards implementation of new approaches. That conversation will continue at the upcoming Regional Meetings in June, hopefully with well thought out processes to consider.

In the meantime, NASBA’s Compliance Assurance Committee at the beginning of May released a white paper for State Boards entitled, “Dealing with Failed Reports Guidance,” which can be found on [www.nasba.org](http://www.nasba.org). It contains recommendations for how Boards should deal with “pass with deficiencies” and “fail” peer review reports.

We have worked hard to enhance the relevance of NASBA and Boards of Accountancy. We are committed to ensuring that Boards are provided timely referrals, given adequate supporting documentation and have the resources to meet and exceed the expectations of the public. Is audit quality a top State Board issue? You betcha it is -- and NASBA will be there to back you up!



*Semper ad meliora (Always toward better things).*



— Ken L. Bishop  
President & CEO

## NASBA Urges DOL to Report to Boards

Talks with leaders of the Department of Labor and NASBA Executive Vice President Colleen K. Conrad and NASBA Chief Legal Officer Maria-Lisa Caldwell have been moving forward to have the DOL provide referrals of inadequate employee benefits plan audits performed by CPAs sent to the State Boards of Accountancy at the same time they are released to the AICPA. Ms. Conrad told the April Board of Directors meeting that over the past 10 years there have been 80 such referrals. "The State Boards have been cut out of the loop," Ms. Conrad observed. "We need to be part of the solution." NASBA and the DOL are also exploring the opportunity for the DOL to share its investigative files with the Boards by obtaining consents for the auditors during the benefit plan review process. This type of collaboration and information sharing is expected to benefit all parties involved in these complaints and significantly streamline the disciplinary process.

Another collaborative effort is underway to enable the AICPA and the State Boards to coordinate their investigations of referrals from the DOL and other government agencies. Under consideration is a program that would allow the AICPA to share its investigative files and conclusions with the Board. The Accountancy Board would commence its own investigation of the matter at the completion of the AICPA's investigation, and could take into consideration the findings and conclusions reached by the AICPA. However, the Board would reach its own findings/conclusions and could request that the licensee provide additional information and/or respond to additional interrogatories. This approach would be available to Boards of

Accountancy at their discretion and would relate to only DOL and governmental audit cases, which is expected to lead to more timely resolutions of the cases. Details of this program will be discussed at the NASBA June Regional Meetings.

President Ken L. Bishop informed the Board of Directors that the California Board of Accountancy is currently engaged in a study of the enforcement practices of other jurisdictions to support the Board's decision to adopt individual mobility. NASBA has offered to help in California's overall evaluation of the states' disciplinary processes.

NASBA's Enforcement Resources Committee released this year "Guiding Principles of Enforcement". The purpose of these Principles is to benefit consumer protection by promoting uniformly effective Board enforcement and disclosure policies and practices.

Ms. Caldwell explained: "While of course not binding on Boards, these Guiding Principles are based on exhaustive, multi-year research into the enforcement and disclosure practices and policies of the Boards of the 55 jurisdictions, and represent common practices for Boards to consider and, potentially, against which to measure themselves."

President Bishop told the Board of Directors that NASBA stands ready to provide resources to help states strengthen their enforcement efforts. ♦

