

30 States at PROC Conference

Compliance Assurance Committee Chair Janice Gray (OK) reported to the NASBA Board of Directors that the July 10, 2015 PROC (Practice Review Oversight Committee) Summit in Nashville had the largest attendance in the event’s history, with 30 states participating either through a representative of a Board of Accountancy or the State Society, and a total of 90 attendees. She noted that participants raised over 35 questions for the meeting’s speakers to address.

AICPA Vice President Jim Brackens underscored actions to enhance the AICPA’s Peer Reviewer quality that will be effective as of December 31, 2015: The reviewer must be practicing public accounting in the last five years; The reviewer must have experience at the level of the engagement he or she is reviewing;



Janice L. Gray



James W. Brackens



Richard N. Reisig

The reviewer must be currently involved in his or her own firm in the types of engagement he or she is reviewing; Their firm must also be associated with the Audit Quality Center if one exists for

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BOD Considers Exam, IT and Discipline

At the July 17, 2015 NASBA Board of Directors meeting, potential changes in the NASBA Bylaws were discussed, IT security measures reviewed, the organization’s investment strategy clarified, and plans for leadership development outlined. NASBA Chair Walter Davenport (NC) congratulated the Regional Directors for the success of the 2015 NASBA Regional Meetings and for bringing forward for discussion topics raised by the member Boards during those meetings.

As requested by the NASBA Audit Committee, NASBA Chief Information Security Officer Roy Hall summarized the security program in place at NASBA, first presenting a governance process overview, then a description of external and internal IT audit results, an overview of today’s cyber security threats, control opportunities, security incident trending and finally a security program roadmap update. NASBA is doing daily web server vulnerability scans and monthly control testing status meetings are being held to make sure all groups are properly executing the key IT controls. President Ken L. Bishop noted that NASBA allocates significant funding to security measures, as it recognizes the vital importance of IT security.

NASBA is working to develop contacts with federal agencies that make referrals to the State Boards, President Bishop told the NASBA Board. He explained that NASBA wants to know if complaints are going to Boards, that Boards are following through and letting the federal agencies know about the final disposition of the complaints. NASBA is ready to offer resources to the State Boards to help with tracking referrals from federal agencies, funding expert witnesses, or other possible enforcement assistance.

As the practice analysis for the Uniform CPA Examination has proceeded, suggestions involving the administration of the Examination have been offered that will need to be carefully considered by the State Boards of Accountancy, as they are under the Boards’ purview, NASBA Executive Vice President Colleen K. Conrad pointed out to the NASBA Board of Directors. Richard N. Reisig, chair of the NASBA CBT

Administration Committee, reported he had seen a draft of the practice analysis’ results, which is to be released at the beginning of September, and underscored the need for the State Boards to review the document carefully because of its impact on their responsibilities. Both the CBT Committee and the Executive Directors Committee have been offering their input on the proposals for the Examination.

Ms. Conrad said there are several test administration-related discussion points that the State Boards need to consider that will not be in the exposure draft, including: extension of testing windows, possible retesting within windows and other topics. If adopted, some test administration changes might require states to make rule or statute changes. Ms. Conrad stressed the need for the State Boards to discuss these issues since uniformity in the Examination’s administration is crucial to preserve mobility. She indicated the Boards would be asked for their input in the coming months. ♦

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White House Study on Licensing

As more than one-quarter of U.S. workers now require a license to do their jobs, the White House issued a report on July 28 on "Occupational Licensing: A Framework for Policymakers," calling for state legislators to adopt reforms that promote "a more careful and individualized approach to occupational regulation that takes into account its costs and benefits, and harmonizes requirements across State Lines." This would result in "making it easier for qualified workers to find jobs and move where they choose, increasing access to essential goods and services, and lessening heavy burdens on certain populations, such as military families, immigrants, and individuals with criminal records." The report was prepared by the Department of the Treasury Office of Economic Policy, the Council of Economic Advisers and the Department of Labor.

At NASBA's 2015 Eastern Regional Meeting, a member of the D.C. Board of Accountancy asked what other states are doing about licensing individuals with criminal convictions. The Boards represented had varying responses. According to the White House report: "In half the States, applicants can be denied a license due to any kind of criminal conviction, regardless of whether it is relevant to the license sought or how long ago it occurred. It often takes six months to a year for some States to simply review an applicant's criminal history and make an initial determination about whether she qualifies for a license." Bloomberg BNA reported that as of January 2015, new laws and policies had been enacted in 13 states that require employers to remove questions about whether a prospective employee has a criminal record.

About 35 percent of military spouses in the labor force are working in professions that require state licenses or certification

and these people are ten times more likely to have moved across state lines in the last year than their civilian counterparts. Michelle Obama's and Jill Biden's request at the February 2012 National Governors Association meeting to streamline occupational licensing for service members, veterans and their families has met with success: The report finds that all 50 states had streamlined the process for spousal licensing by May 2015.

The White House report observes: "Licensing requirements often make it difficult for immigrants to work in fields where they have valuable experience and training. This deprives the U.S. market of a large share of their skills, and makes it difficult for these workers to make their full contribution to the workforce." The NASBA/AICPA International Qualifications Appraisal Board continues to consider pathways for the State Boards of Accountancy to recognize substantially equivalent non-U.S. professionals.

Although the report recognizes that licensing reform takes place at the state level, it points out: "The President's FY2016 Budget includes \$15 million in new discretionary funding at the Department of Labor to identify, explore, and address areas where licensing requirements create barriers to labor market entry or labor mobility." The first round of grants are expected to go toward developing cross-state reciprocity and another portion would go to discovering criteria that identify occupations for which licensing is not justified. A second round of grants will go to states that are working to reduce licensing barriers. ♦



PROC Conference (Continued from Page 1)

that practice area; and The reviewer must maintain certain levels of performance.

Mr. Brackens also told the PROC Summit that the AICPA Peer Review Board is considering: strengthening the Peer Review's approach to evaluating the design of a firm's quality control system; enhancing requirements for corrective action when a peer reviewer detects certain non-conforming engagements; and streamlining the removal of firms from the Peer Review program should they fail to properly complete required corrective actions.

NASBA Director-at-Large Richard N. Reisig (MT) discussed how the State Board's Peer Review Oversight Committee can work more effectively utilizing the Facilitated State Board Access program. Mr. Reisig encouraged the State Boards to be "nimble enough to revise what we have," to take advantage of the improvements AICPA is making in the Peer Review Program. He observed some peer reviewers are feeling unappreciated and are getting out of performing reviews. While the loss of some reviewers would not be a bad thing, Mr. Reisig said, "We are asking them to do this job for us. We need to have them have faith in the system." He proposed each State Board consider holding a forum with their peer reviewers to let them know they are appreciated and what the Board needs them to do.

Through the AICPA's Facilitated State Board Access program, Boards can obtain the current and prior copies of a firm's system or

engagement peer review report, Ms. Gray explained. They can also run other reports including: enrolled firm report; firms expanding access report; accepted reviews report; pass with deficiencies or fail report; firms by report grade; and dropped and terminated firms report. Additional information about the FSBA can be obtained through <http://www.aicpa.org/interestareas/peerreview/resources/transparency/oversight/pages/oversightvisitsresults.aspx>

Colonel Francis X. Ryan's presentation on "Peer Review Oversight: The Final Line of Defense in Protecting the Public" did an excellent job of shining a light on the significance of being on a not-for-profit board, Ms. Gray reported to the NASBA Board. She observed that 22 State Boards now have PROCs, but all jurisdictions should have one.

"There are so many differences among the states and the way their PROCs work," Ms. Gray told the NASBA Board. "I firmly believe in the PROC concept if the PROC can provide information for the State Board to follow up with remediation if necessary." ♦

108th Annual Meeting in California

It is not too early to start making plans to attend NASBA's 108th Annual Meeting to be held in the Laguna Cliffs Marriott in Dana Point, CA, October 25-28, 2015. Check www.nasba.org for details. ♦

PRESIDENT'S MEMO

World's Premier Accounting Credential = U.S. CPA

Some of you may have flinched a bit when you read the title of this month's *President's Memo*. For many of us who have been associated with the regulation of the accounting profession for years, any promotion of the profession was considered conflicting — and for a few it bordered on heresy or hubris. Some might question why, at a time when there is public scrutiny of the profession with concerns being raised about audit quality and investor confidence, would the President of NASBA make such a declaration. As a high profile friend in the U.S. accounting profession recently commented to me, "The quality of audits performed by U.S. CPA firms is still the highest in the world." In fact he is correct. The benchmark of audit quality, whether admitted to or not by the rest of the planet, is auditing performed by U.S. CPA firms.

I am not too far out on a limb here. I recently returned from meetings with Japanese and Chinese educators and regulators. The constant and recurring theme of those meetings was the recognition of the premier status of the U.S. CPA, even compared to their native credentials. Students and practitioners in both countries testify to the importance of acquiring a U.S. CPA license. Interestingly, the message from Asia echoed what I have heard from the United Kingdom, that our failure to promote and protect the U.S. CPA credential, and our willingness to allow the use of credentials that are confusingly close to the regulated credential, could ultimately damage credibility and harm the public.

As I reported at the June Regional Meetings, the volunteer members of the NASBA Strategic Planning Task Force for the first time included the importance of maintaining the CPA candidate pipeline as one of our priorities. Recognizing and articulating that most of the work performed by U.S. CPA firms is the best in the world can go a long way toward continuing to attract the best and brightest to the profession.

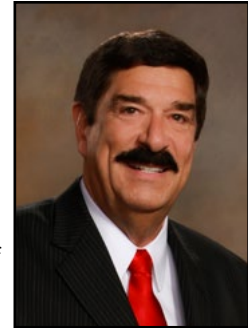
I should be clear that my assertions are in no way acceptance of insufficient and/or bad work. In fact, in the U.S. regulatory structure, mediocre and technically deficient work is not accepted. The State Board regulatory system is formidable. The U.S. CPA credential has grown to its dominant global role under that regime, while much of the rest of the world has seen inferior credentials gain practice privileges, including attest and audits, which has resulted in loss of consumer confidence and reliance.

For decades, Boards of Accountancy have successfully worked to protect the public from individuals or firms that have attempted to use any credential, title or designation that was likely to have been confused with "Certified Public Accountant" or "CPA." We should anticipate and be prepared for attempts to weaken both our resolve and ability to maintain that protection. This morning, I looked through some websites hawking accounting credentials and they all contained a common message: They use words like "inevitable change," "specialization" and "ethics" to justify, promote and sell their credential.

I am reminded of an event I attended a while back where an "accountant" handed his business card to another attendee. The card contained a string of credentials, abbreviations and letters. After a bit, the confused recipient of the card asked, "So are you a CPA?" A moment passed before the accountant responded, "No. I could never pass that @#%^ test!"

Supplementary credentials may be desirable and useful for designating specializations, but without being linked to the bedrock core of a "CPA" and the integrity of being part of a robust, disciplined and regulated profession, they are just letters on a card. That is unless these credentials are given a toe-hold in the U.S. and lead to the chipping away of the value and relevance of "CPA." It has happened elsewhere. It remains an important part of the role of the State Boards of Accountancy to protect the U.S. CPA credential, the world's premier accounting credential. That's not to promote the profession -- but to protect the public.

Semper ad meliora (Always toward better things).



Ken L. Bishop
President & CEO




— Ken L. Bishop
President & CEO

Canada Readies for 1st CPA Graduates

CPA Canada is anticipating 3,000 candidates will take the initial offering of their Common Final Examination (CFE), to be administered September 16-18, 2015. Successful completion of the three-day examination will produce the first CPA (Chartered Professional Accountants) graduates. The CFE will consist of: Day 1 – A four-hour comprehensive case testing the candidate’s enabling skills; Day 2 – A five-hour comprehensive case testing the candidate’s ability to demonstrate depth in financial accounting and/or management accounting in addition to one of the four elective areas (i.e., assurance, performance management, finance and tax); Day 3 – A four-hour examination made up of three or four cases in which candidates are expected to demonstrate their breadth of knowledge in finance, assurance, financial accounting, management accounting, strategy and governance, and tax.

To be admitted to the CPA Professional Education Program, candidates need to have both an undergraduate degree and specific subject area coverage. In preparation for the CFE, candidates have to successfully complete CPA Canada’s two common core modules, two electives (assurance, performance management, tax and finance), one capstone integrative module and one capstone exam preparation module. Those who intend to practice public accounting must take the assurance and the tax electives. Since September 2014 a reporting tool has enabled candidates to begin tracking their experience to meet CPA Canada’s Practical Experience Requirement. ♦



Bylaws Revisions Proposed

Proposed changes to NASBA’s Bylaws are being sent to the member Boards of Accountancy for their consideration. At the NASBA Board of Directors July 17 meeting in Seattle, recommended changes were presented by Bylaws Committee Chair Edwin G. Jolicoeur (WA) and discussed by the NASBA Board. Changes being proposed to the member Boards include:

- If a Regional Director is unable to preside over the Region’s meeting, the NASBA Chair would designate a delegate or associate to preside.
- An individual can only be appointed to complete one partial/unexpired term of a Board of Directors member.
- To be eligible to serve as Vice Chair, an individual must have served on the NASBA Board of Directors for at least two years.
- The Nominating Committee would be able to meet via telephone conferences for matters other than deliberating or voting on candidates.
- The CPA Examination Review Board Chair and Vice Chair could have extended terms.
- In the event of a Region’s deadlocked vote for its Nominating Committee member or alternate, to make the decision an ad hoc meeting of one State Board representative from each state in the Region could be called.

The Bylaws will be voted on at the Annual Business meeting on October 26 in Dana Point, CA. ♦