

## NASBA Staff Moves on to 6th Floor

The redesign of NASBA's Nashville offices to create an open, collaborative environment is moving ahead on schedule. By the end of January, NASBA staff working on the 7th floor will move to occupy the bright, new office space on the 6th floor of 150 Fourth Avenue North.

Michael Bryant, NASBA Senior Vice President and Chief Financial Officer, is overseeing the project along with NASBA's Facilities Manager, Mary Lane. Among the many highlights of the new space is an open reception area with a staircase between the 6th and 7th floors. Other features include technology-equipped collaborative spaces, bathrooms refitted to be ADA compliant, and open-office work areas with sound masking. As the project progresses, NASBA staff on the 13th floor will relocate to the renovated 7th floor. The 8th floor staff will be temporarily relocated during the renovation until they return to their newly renovated space in May. All of NASBA's Nashville staff will then be working on three connected floors. ♦



The work stations are coming together in the new 6th floor space.

## CPT/Baruch Conference Sees Audit's Future

Technology is offering ways to improve audit quality, whether it is through risk assessment or carrying out audit procedures with massive data, Roger O'Donnell, KPMG senior audit partner told the 10th Annual Auditing Conference sponsored by the NASBA Center for the Public Trust and Baruch College of the City University of New York on December 3. "Our customers have the drive to do more and innovate more -- and we need to do the same," he said. "If you look at the software that is out there, it is remarkable how precise you can become." Addressing the students in the audience, he said: "The way we will audit will be very similar, but the information that will be available will be better."

Jim Burton, Grant Thornton Partner-in-Charge of the Audit Methodology and Standards Group, explained: "We relied on physical samples. Now you can look at all the transactions." Panelists agreed that they are analyzing two populations, lower risk and higher risk populations, and auditors will have to determine the needed testing for each. Mary Grace Davenport, PWC partner, observed, auditing standards talk about the whole population, not different populations. "This is a game changer: It will change how we pursue our day-to-day activities," Ms. Davenport noted. "It is a tremendously exciting time for joining this profession." Clients have invested in data analytics and she maintains the audit profession can't be different from the rest of the players in the capital markets.

Looking back at the accounting profession over recent years, retired *Wall Street Journal* reporter Floyd Norris said he believes the reforms passed after the Enron scandal have worked. "The PCAOB inspections have made auditors realize there is a second set of eyes looking at their audits," Mr. Norris observed. He supports the recommendation to require the lead engagement partner's name be published with the audit report. "Routine naming would provide incentive for a partner to stand up to a client," he explained. Investors could then immediately see who was the audit partner when an audit failed to show a company was in trouble, and could ask for the partner who did not find the problem to be replaced. "Audit reports are never

worth reading," Mr. Norris commented and questioned why they don't say more.

PCAOB exposure drafts on the auditor's reporting model and on the supervision of other auditors should be expected in the first half of 2016, PCAOB Chief Auditor and Director of Professional Standards Martin Baumann reported. More research is being done on the auditor's responsibility for reviewing other information, so it will not be part of the 2016 exposure draft but the study will continue, he said. The PCAOB has added six full-time economists to its staff as it continues to evaluate the costs and benefits of adding critical audit matters to the auditor's reporting model. He reported the emerging issues identified by the PCAOB's Standing Advisory Group were: whistleblower activity, economic developments, uses of data/data auditing; non-GAAP measures; the impact of the FASB's materiality proposal; revenue recognition; and cyber security.

Defining an "annual report" is not easy, Mike Sanjay, incoming chair of the Auditing Standards Board stated. He pointed out that investors feel if there is a disclaimer there must be an issue, and the ASB is considering that. They are trying to converge their work with

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## Meeting with Accreditors Set

NASBA and the AICPA are jointly hosting an Accreditation Forum with representatives of accreditation bodies on January 29, 2016 in Washington, DC, following the annual meeting of the Council for Higher Education Accreditation. Facilitating the discussion will be Dr. Jan Williams, past chair of the Association to Advance Collegiate Schools of Business (AACSB) International and past president of the American Accounting Association.

In a joint invitation to accreditation bodies, NASBA President and CEO Ken L. Bishop and AICPA President and CEO Barry C. Melancon stated: "...in the protection of the public interest, NASBA and the AICPA are increasingly concerned about the evolution of accrediting bodies to evaluate the reliability and quality of an education offered at the various higher education institutions. In this regard, we are

weighing and considering whether the statutory reliance on existing accreditation bodies should be changed."

The invitation explains to the key organizations "before we consider any statutory or rule changes, we would like to discuss our concerns with you directly."

*Uniform Accountancy Act Section 5 (c) and Model Rule 5–Education Requirements – Determining Compliance of the Applicant’s Education* rely on the accreditation process of regional, national and programmatic accrediting bodies recognized by the Department of Education to ascertain the credibility of college hours/credits and degrees conferred.

Questions about the Forum should be directed to Brentni Henderson (bhendersonking@nasba.org). ♦

## Comments on Retired/Inactive CPAs Due

February 2, 2016 is the deadline for submitting comments on the proposed changes to Uniform Accountancy Act Section 6(d) and Model Rule 6-7 that would enable qualified professionals to refer to themselves as "Retired-CPA" with appropriate registration with their State Board.

This would enable CPAs who are at least age 55 and who no longer meet their state’s standard CPE requirement to perform activities that others in the "Inactive-CPA" category could not, including offering volunteer tax preparation services if competent, participating in government-sponsored business mentoring programs if competent, and serving on the board of a non-profit organization if competent. All of these activities would be uncompensated and can currently be offered by non-CPAs. Retired-CPAs would be required to affirm to their State Board of Accountancy that they: (1) understand

the scope of limitations on what services they offer; (2) agree not to use their Retired-CPA status in any way which could be misleading; and (3) maintain professional competence, without a specific CPE requirement, when offering any of the permitted volunteer services.

"The AICPA/NASBA Uniform Accountancy Act Committee has debated this issue for over two years and we believe the proposed changes will enable all Boards of Accountancy to come to a uniform definition of this group of professionals," NASBA UAA Committee Chair J. Coalter Baker (TX) stated. "States have come up with varying policies to recognize Retired-CPAs and we are aiming to set guidance that will do away with inconsistencies in expectations and treatment of this class of CPAs."

State Boards are asked to send their comments to lhaberman@nasba.org. ♦

## Conference Sees Audit’s Future

(Continued from Page 1)

the work of both the PCAOB and the IAASB. Currently the ASB’s reporting project is focused on standards or guidance to enhance auditor reporting for benefit plans.

"The litigation environment for the accounting profession now is the best I have seen it in more than 30 years," proclaimed Michael Young, litigation partner at Wilkie Farr & Gallagher. He believes this is in part because audit documentation has gotten better, increasing sophistication of the judicial system to financial information, and the timing of the last financial crisis was after the audit reports had come out. However he warned that the SEC has been talking about going after "gatekeepers," including accountants and audit committees. Mr. Young also warned that the plaintiff’s bar is paying attention to e-mails and voice mails; consequently, if something is mentioned by staff in e-mail or recorded in voice mail, there should be follow through and the action reported in the work papers.

The role of the State Boards in enforcement was underscored by Noel Allen, NASBA legal counsel. He reminded all that if CPAs are under investigation, they are required to report that to their State Board of Accountancy. In some states, failure to so report in a renewal form can subject the CPA to perjury charges.

The 11th Annual Auditing Conference is scheduled for December 1, 2016 at Baruch College. ♦

## Diane Rubin Appointed to FAF



Diane Rubin

On January 1, 2016, NASBA Past Chair (2005-2006) Diane M. Rubin, CPA, began her five-year term as a trustee of the Financial Accounting Foundation. Ms. Rubin is a retired audit partner and quality control partner of Novogradac & Company, LLP, in San Francisco, and was the recipient of the NASBA William H. Van Rensselaer Public Service Award in 2013. She is also a former chair of the California State Board of Accountancy, and former member of the Private Company Council plus many productive NASBA committees.

The mission of the FAF is to "establish and improve financial and reporting standards, fostering financial reporting that provides decision-useful information to investors and other users of financial reports." It provides oversight of the Financial Accounting Standards Board and the Governmental Accounting Standards Board and their Advisory Councils. The FAF Board of Trustees has 14-18 members from varied backgrounds, including: users, preparers and auditors of financial statements; state and local government officials; academics; and regulators.

Charles H. Noski also began his three-year term as chair of the FAF Board of Trustees on January 1. He has served as chief financial officer, board member and audit committee chair for major U.S. corporations. ♦

# PRESIDENT'S MEMO

## It's All Good!

In previous Memos I have mentioned that I live a few miles south of Nashville, in Franklin, TN. There I have become friends with resident artists, performers, poets and song writers. I have observed with interest how writers always carry a notepad or tablet to record things they see, hear or unexpectedly experience. Being married to a published author who is an aspiring novelist, I see the same phenomenon in my personal life. Those scribbled observations ultimately may become part of a story or song.

On a balmy December morning, I was in my favorite coffee shop with several of my friends. As is typical on a nice weekend in historic Franklin, the town was busy with both locals and tourists, and the coffee shop was crowded. A young fellow carrying a tray with several cups of coffee was trying to exit the shop when an apparent out-of-towner bumped into him causing the tray to shift and the hot coffee to spill everywhere. The tourist obviously felt terrible about the mishap and was profusely apologizing when the young fellow tossed his head, smiled, grabbed a few napkins and said, "It's all good!" Then he headed back to the counter for some refills. Sure enough, a couple of my song writer buddies pulled out their notebooks and began writing. While I have no idea what they wrote, I also made a note of the expression and the man's unruffled attitude.

This weekend I received a telephone call from a past NASBA chair who wanted to pass on New Year's wishes. In the ensuing conversation he asked how things were going at NASBA. After brief reflection, I responded: "It's all good!" And I sincerely meant it.

As we enter a new year, it is natural to do an appraisal as to where we are and where we want to be. Having four years under my belt as CEO, I know that we will likely face some challenges, maybe even some drama, in 2016. However, I also know that NASBA has never been better positioned or more able to manage those challenges and, more importantly, to reach new levels of competence to provide support to State Boards of Accountancy.

Last month I wrote about focusing on what is in front of you. At NASBA we are most certainly doing that. In the coming days we will begin moving into our new office space in Nashville. By late spring, all of our operations will be housed in a new cutting-edge and collaborative environment. We look forward to the enhanced capability this will promote. Simultaneously, we are well underway in moving our IT infrastructure into position to meet future needs, as we reinvigorate our existing products and services while developing new opportunities.

As stated earlier, there are continued challenges facing NASBA, State Boards and the accounting profession. We continue to be concerned about the appearance of lack of support for the U.S. CPA credential and license. The ongoing promotion of sub-level credentials for non-CPAs in areas that have historically been held by CPAs continues. NASBA's strategic plan makes maintaining the CPA candidate pipeline, to produce an adequate number of CPAs, a public protection issue. The movement towards promoting non-CPA credential holders as being anywhere near the quality of CPAs conflicts with concentrated efforts to recruit students to the CPA profession. Please note that I am using the phrase "the appearance of lack of support." I know many in the profession and in the professional associations that are selling these new non-CPA credentials are equally concerned about focus being shifted from the CPA credential. NASBA, for its part, will keep this issue on the front burner!

Another issue carried over is the continuing growth of non-traditional methods of education. NASBA in partnership with AICPA has been devoting significant time and resources into trying to mitigate this concern. In late January we will be conducting an unprecedented Accreditation Summit, wherein we will be discussing our concerns with the relevant accreditation bodies and seeking remedies and solutions. We have already made inroads into this matter and I believe that, as a result of our efforts, we will see steps being taken to significantly improve the existing accreditation processes.

The growth of a global economy and its significant impact on the U.S. accounting profession and its regulation continue. NASBA has increasingly developed relationships with the profession and regulators from around the world. 2016 will be an important year as we review and improve existing mutual recognition agreements and consider new recognition protocols for future agreements. The joint NASBA/AICPA International Qualifications Appraisal Board (IQAB) is taking the lead in this process.

There are many more threats and opportunities that I could discuss in this Memo. The important point is that NASBA, with our resources, volunteers and State Board support and involvement, has a handle on them. As you begin the "busy season," we would like to wish you a safe, prosperous and happy New Year.....and remember: "It's all good!"

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



**Ken L. Bishop**  
President & CEO



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

— Ken L. Bishop  
President & CEO

## PCAOB Requires Engagement Partner's Name

The Public Company Accounting Oversight Board has adopted rules and amendments to auditing standards that require audit firms to use the new Form AP (*Auditor Reporting of Certain Audit Participants*) in which to name the engagement partner and other accounting firms that participated in an audit. The December 15, 2015 PCAOB vote to adopt marks the conclusion of a rulemaking initiative that began with a 2008 recommendation from the Treasury Department's Advisory Committee on the Auditing Profession that engagement partners be required to sign their audit reports. In July 2009, the PCAOB took up the recommendation with a concept release and, most recently, the PCAOB requested comments on June 30, 2015. Having commented along the way, on August 25, 2015, NASBA Chair Walter Davenport and President Ken Bishop wrote that NASBA supported the supplemental request for use of Form AP: "We believe that the alternative presented would result in achieving the overall objective of transparency regarding participants in the audit, while at the same time providing easy access to such information and alleviating many of the practical issues, including those related to the need to obtain consents" (as previously outlined in NASBA's January 24, 2014 letter to the PCAOB). NASBA's letters can be found on [www.nasba.org](http://www.nasba.org).

"The fact that the new disclosures will be consolidated in a database available on the PCAOB website means investors, analysts, audit committees and others can conduct meaningful comparisons," PCAOB Chairman James R. Doty stated at the rules' adoption. "At the same time, this approach addresses firms' concerns regarding liability consequences to their partners and other firms." In addressing an

AICPA conference earlier in December, he explained the PCAOB had taken up the comments received in response to its June request which urged the PCAOB to develop a form for auditors to report the information other than in the audit report itself.

Mr. Doty announced at that AICPA conference, and PCAOB Chief Auditor and Director of Professional Standards Martin Baumann similarly announced at the Baruch College/NASBA Center for the Public Trust Annual Auditing Conference in December, the PCAOB expects to propose in early 2016 a new standard on auditor procedures for using the work of other auditors, and a proposal for an expanded audit report. ♦

### Dental Case Webinar on NASBA Site

The December 10, 2015 NASBA webinar on the "North Carolina Dental Case Decision: Implications for State Boards of Accountancy" can be found at <https://nasba.org/mc/legislativesupport/north-carolina-dental-case/>.

Moderated by NASBA Director of Legislative and Governmental Affairs John Johnson, the hour-long webinar features attorneys Noel L. Allen, Brie Allen and Nathan Standley describing how the Supreme Court's 2015 holding in *N.C. State Board of Dental Examiners v. Federal Trade Commission* relates to operations of State Boards of Accountancy. The site also contains a white paper on the topic prepared by NASBA staff and the Allen legal team, and other supporting documents. ♦