

## Educating Legislators on the Profession

Explaining how the accountancy profession is distinct from other occupations when it comes to why it is regulated – and defending why those regulations must be preserved have become primary goals of the Legislative Support Committee, chaired by Sharon A. Jensen (MN) and assisted by NASBA Legislative and Governmental Affairs Director John Johnson. Ms. Jensen and Mr. Johnson are developing a white paper to help educate legislators on the significant differences between the licensing practices that are drawing criticism and those of CPAs being regulated by Boards of Accountancy.



Sharon Jensen



John Johnson

Johnson told a February Regional conference call: “Legislators are including entire departments of licensed professions into their proposed bills that seek to dismantle necessary regulation. These critics of licensing have brought up, for example, ‘hair braiders’ and tour guides as fields equivalent to accountants. We need to ensure that there is no confusion about the fact that our regulations are not barriers to competition, but safeguards for the public and the financial systems that accountants serve. We have to lead the charge in differentiating accountancy from the other professions.”

“Over the last two decades,” Mr. Johnson explained, “occupational licensing has grown sharply. And how licensure has been implemented by other professions as a barrier to competition has legislators confused about the merits of licensure for professions as critical to the public trust as accountancy.” Responding to recent legislation and opinions by attorneys general that have spiked since the *North Carolina Dental Board* case decision in February 2015, Mr.

Mr. Johnson reports that this year seven states have introduced bills in response to the *North Carolina Dental Board* case decision (Alabama, Connecticut, Idaho, Virginia, West Virginia, Wyoming, and South Dakota). The December 10, 2015 NASBA webinar on the implications of the Dental Board decision can be found on [www.nasba.org](http://www.nasba.org), along with other guidance written in response to the decision. ♦

## U.S. Senate Holds Licensing Hearing

Licensing problems for D.C. tour guides, the Supreme Court’s decision in the *North Carolina Dental Board* case and the merits of certification over occupational licensing were all part of the presentations made at the February 2, 2015 hearing held by the Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights, chaired by Senators Mike Lee (R-UT) and Amy Klobuchar (D-MN). Entitled: “License to Compete: Occupational Licensing and the State Action Doctrine,” the session included testimony from Commissioner Maureen K. Ohlhausen of the Federal Trade Commission (FTC), State of Wisconsin Solicitor General Misha Tseytlin, University of Minnesota Professor Morris Kleiner, Council of Economic Advisers (CEA) Chairman Jason Furman and Institute for Justice (IJ) Attorney Robert Everett Johnson. NASBA Legislative and Governmental Affairs Director John Johnson has been summarizing this hearing for the NASBA Regional conference calls.

“After *North Carolina Dental [North Carolina Board of Dental Examiners v. FTC]*, 135 S.Ct. 1101 (2015)] licensing boards may continue to regulate professionals in their respective states and be exempt from antitrust laws, so long as they act pursuant to a clearly articulated state policy and, if they are controlled by market participants, under active supervision by the state,” FTC Commissioner Ohlhausen told the subcommittee. She pointed to the October 2015 FTC staff issued guidance on how states can satisfy the “active supervision” requirement. “A one-size-fits-all approach to active supervision is neither possible nor warranted. Moreover, deviation from this guidance does not necessarily mean that the state action defense is

inapplicable. Or that a violation of the antitrust laws occurred,” the Commissioner stated.

CEA Chairman Furman said the Council of State Governments estimates there are over 1,100 occupations that are licensed, certified or registered in at least one state, but fewer than 60 regulated in all states.

Robert Everett Johnson, an attorney for the Institute for Justice, a public interest group that opposes occupational licensing, told the February 2 hearing “Even where proponents of licensing identify legitimate health and safety concerns, those concerns frequently can be addressed through less restrictive alternatives to licensure – including voluntary certification regimes.”

The Subcommittee will next hold a hearing on “Oversight of Antitrust Laws” on March 9. ♦

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## Candidate Stats for 2015 Published

Utah once again came out as the jurisdiction with the highest Uniform CPA Examination candidate pass rate for the year and Wisconsin with the second highest, as reported in the *2015 Candidate Performance on the Uniform CPA Examination – Jurisdiction Edition*, published by NASBA in February. In 2015 Utah candidates had a pass rate of 65.4 percent and Wisconsin of 60.5 percent. Last year Utah had a 62.3 percent pass rate and Wisconsin 58.8 percent. However, this year saw a change in the third highest passing jurisdiction: In 2015 it was Missouri with 58.5 percent, and in 2014 it was South Dakota with 58.3 percent. Looking at the *2015 Candidate Performance on the Uniform CPA Examination – University Edition*, in 2015 the university with the most candidates was Baruch College of the City University of New York with 805, followed by the University of Illinois – Urbana Champaign with 657 and the University of Southern California with 478.

In 2015 there were 42,439 new candidates taking the Uniform CPA Examination out of a total 93,693 candidates. Of those, there were 26,110 candidates passing their fourth section of the Uniform CPA Examination. Of those reporting their gender, women accounted for 47,693 candidates with a 47.2 percent pass rate and men accounted for 44,250 candidates with a 52.8 percent pass rate.

Both publications include statistical data from all four testing windows of the 2015 Uniform CPA Examination, as gathered from the State Boards' submission of eligible candidate information through

NASBA's Gateway System. The reports have been redesigned this year to include candidate pipeline reporting, cohort tracking, and a breakdown of performance on the 23 content areas and four skills areas. Paperback copies of the *Jurisdiction Edition* are available at \$100 each and of the *University Edition* at \$200 each. Both publications are also available in eBook format. Orders may be placed through [nasbareport.com](http://nasbareport.com). State Accountancy Boards are each receiving a copy of both publications without charge. ♦

### Ranking of Institutions by Pass Rate: First-Time, All Programs

*Includes 821 institutions with 10 or more reported candidates*

Rank	State	Institution (FICE)	Candidates			Average Score
			Total	Sections Total	Percent Pass	
1	PA	UNIV PA (3378)	25	53	90.6%	84.2
2	GA	UNIV GA (1598)	279	700	88.4%	83.6
3	MO	WASHINGTON UNIV ST LOUIS (2520)	61	145	86.9%	83.0
4	FL	UNIV FL (1535)	116	262	85.5%	83.5
5	IL	NORTHWESTERN UNIV (1739)	15	34	85.3%	81.7
6	UT	BRIGHAM YOUNG UNIV (3670)	265	651	84.8%	83.3
7	WI	UNIV WI MADISON (3895)	202	510	84.5%	83.3
8	CA	MASTERS COLL & SEM (1220)	10	19	84.2%	79.2
9	IN	UNIV NOTRE DAME (1840)	207	592	84.1%	82.9
10	TN	VANDERBILT UNIV (3535)	36	113	83.2%	82.7

**\*The information in the accompanying charts is printed with permission from the NASBA 2015 Candidate Performance on the Uniform CPA Examination.**

## Accreditation Study Continues

Continuing to focus on how accreditors of higher education are meeting the expectations of the State Boards of Accountancy, a task force including representatives of NASBA, the AICPA and the American Accounting Association have been discussing how best to follow-up on the Accreditation Forum held in Washington, DC, on January 29.

"We want to work with accreditors to understand how accreditation is responding to the changing higher education environment, and determine how to appropriately draft regulations regarding education and licensure," NASBA Director of Continuous Improvements and Analytics James Suh explained. The tri-party group wants to identify and build a clear stakeholder group and then to create a functional timeline to be shared with all. Mr. Suh said the tri-party group expects to determine what the profession

can fix, what can be fixed with the help from accreditors and other external stakeholders, and what cannot be fixed.

The NASBA representatives to the tri-party group are NASBA Past Chair Carlos E. Johnson (OK) and Education Committee Chair Raymond N. Johnson, with Mr. Suh and Associate Director – Business Development and Research Brentni Henderson-King.

One of the key conclusions from the January 29 conference was that regional accreditation of educational institutions is necessary, but not sufficient for the State Boards' purposes, Mr. Suh reported. There is a sense that transcript transparency, and standardization around transfer credit practices may be the forefront of the issues that the accreditors are facing, he observed. Among the materials the task force is studying are documents from major accounting firms, the Chamber of Commerce and other regulated professions. ♦

## AACSB Requires Info on Web

The AACSB has alerted accounting department chairmen of their member universities that to comply with the AACSB's updated Standard 4 they are required to provide additional information regarding student achievements on their websites by July 1, 2016. To help the schools provide this information, the AACSB is advising them to turn to NASBA sources, either through purchase of the 2015 statistics, or by using the 2013 edition of the NASBA statistics which is public data available free of charge through <https://media.nasba.org/files/2016/02/2013-University-Book-Website.pdf>.

Examples of the information to be shown on the websites include certification or licensure exam results, graduation rates and job placement outcomes. Professors Fred Mittelstaedt and Mark Ulrich,

co-chairs of the AACSB Education Regulation Committee, wrote to the accounting department deans: "Given that accounting is the primary business discipline with a licensure exam, the dean [of the business school] may request your CPA Exam results. Because accounting standards require separately accredited accounting departments to comply with business standards, including Standard 4, we strongly encourage accounting departments to report some of the above student achievement information on their own websites."

They advised the chairmen that James Suh's APLG/FSA meeting presentation on CPA Exam performance reporting issues in conjunction with assurance of learning is being placed on the American Accounting Association's website. ♦

# PRESIDENT'S MEMO

## Getting to Yes

Many of you probably read *Getting to Yes*, a current top-selling and often quoted business book by William Ury and Roger Fisher, first published in 1981 with a second edition published in 1991 with Bruce M. Patton. I continue to go back to it as I find many of its tenets valuable. Much of the book reflects the work of Harvard University's Negotiation Project, which was an integral part of my studies at the Kennedy School there. Through the years I have often heard interpretations that completely missed the point of the lessons in *Getting to Yes*. To better understand the context of the book, the subtitle, *Negotiating Agreement Without Giving In*, probably better represents the message.

Contrasting to *Getting to Yes* are the "lessons" in Walter Isaacson's book, *Steve Jobs*, a biography of the late founder of Apple, one of the largest companies in the world. Although not intended to be a "business" book, it contains many essential processes and decision making protocols that are important to consider. My friend Michael Brannick, President of Prometric, wrote a fascinating book, *Jobs at Prometric*, wherein he uses the elements of *Steve Jobs* to create decision and management tools that he applied to his company. This past year we invited Mr. Brannick to Nashville to speak to our senior staff about his work, and we followed up by doing an internal study of how those lessons might apply to NASBA.

I would ask you to contrast what I believe may be the most encapsulating quotes from each book. In *Getting to Yes*, Professor Fisher states: "The ability to see the situation as the other side sees it, as difficult as it may be, is one of the most important skills a negotiator can possess." From *Steve Jobs*, the author describes when Jobs (the genius behind Apple Computers, the iPhone, and the iPad) was asked what were his greatest innovations, he responded, "The 2,000 times I said "no"."



This week NASBA's ALD/CPA Verify Committee released an update on the Accountancy Licensing Database (ALD) that now contains data from 51 jurisdictions (only Delaware, Hawaii, Utah and Wisconsin not yet included), which shows that 630,925 active licensed CPAs are in the system. When all U.S. jurisdictions are on board, we will certainly have over 650,000 licensees identified, making the U.S. Boards of Accountancy and NASBA the largest accounting regulatory association in the world. With the increasing complexity of U.S. and world accounting standards, the growing user and investor expectations of the profession, and the accelerating move towards a global economy, the importance of when we say "yes", "no" or when we work to achieve middle ground with our counterparts, becomes critical to our success.

As the CEO of NASBA, I have had to say "no" many times. Certainly not the 2,000 times that Steve Jobs described, but often. You've heard me say: "We are not going to write checks that we can't cash." This cautious approach has yielded some positive results including hiring outstanding people, growing our financial reserves and becoming more collaborative and efficient. Saying "no" at the right times has allowed us to say "yes" to asks that have positive impacts on you, the Boards of Accountancy.

I recently signed one of the largest contracts in NASBA's history to build an intuitive, safe and reliable CPE audit tool for all interested Boards of Accountancy at no cost to them. At last year's Executive Directors' meeting, in a closed session, the executive directors clearly articulated the need for that audit tool system. Many remember that I had to say "no" several times until we knew we had clear expectations and reliable information.

Just this past month we filled a new NASBA staff position: The Director of Technical Research will be a valuable resource for our volunteers serving on important national and international committees, boards and task forces. Again, there were many "no's" before we developed the appropriate job description and found the right person to fill this key post.

There will certainly be more "no's" in our future, but also significant "yes's". We take our "Member Focused, Mission Driven" mantra very seriously. Our goal is to continue growing NASBA's capability and capacity to provide State Boards with the tools and support they need to protect the public and to meet our mission: "To enhance the effectiveness and advance the common interests of the Boards of Accountancy." For you, we are getting to yes!

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



**Ken L. Bishop**  
President & CEO

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is written in a cursive, flowing style.

— Ken L. Bishop  
President & CEO

## States Participate in Regional Calls

Over the last few weeks, many NASBA Regions held conference calls led by their Regional Directors. The calls included a summary of matters discussed at the January Board of Directors meeting as well as updates on legislative issues and trends as summarized by NASBA Vice President – State Board Relations Dan Dustin and Director of Legislative and Governmental Affairs John Johnson. The Boards' representatives, both Board chairs and executive directors, exchanged information on matters that are currently facing them. Among the topics mentioned were:

- *Alaska* – Drop in oil revenues has had a major impact on the state's budget, leading the Governor to ban the Board's travel.
- *Arizona* – House bill seeks to consolidate licensing boards.
- *Arkansas* – Asking NASBA to assist with developing social media strategy.
- *California* – Moving to new office location this spring.
- *Hawaii* – Implementing mandatory peer review in 2017.
- *Louisiana* – Comparing CPE tracking systems to find one that is intuitive.
- *Maryland* – Soliciting new additional members for their Peer Review Oversight Committee through the Maryland CPA Society.
- *Minnesota* – Returning to requiring renewals on an annual basis.
- *New Hampshire* – Determining how to handle firms that have

clients involved with the medical marijuana industry.

- *New York* – Receiving direct referrals from Department of Labor which are being handled by office of discipline.
- *North Dakota* – Looking at “nano learning” for continuing professional education credit.
- *Virginia* – Interested in gathering information on what other states are doing to promote secession planning.
- *Pennsylvania* – Several members of the Board are not being appointed or renewed resulting in no possibility of a quorum to conduct business.
- *Washington* – Studying the impact of SSARS 21 on peer review.

Common topics of discussion during the Regional conference calls were: dealing with budget cuts, potential consolidation of licensing boards, rules covering practice in states allowing recreational marijuana, the impact on the CPA pipeline of the CGMA and other credentials, encouraging secession planning, retirements of Board staff and members, tools available from the NASBA Communications team and attendance at upcoming NASBA meetings.

John Dailey (NJ), chairman of the Committee on Relations with Member Boards, has recommended that all Regional Directors schedule at least two Regional conference calls during the year, to strengthen communication among the neighboring Boards and NASBA. ♦