

NASBA

109th Annual Meeting

October 30 - November 2, 2016
Austin, Texas





National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax 615/880-4290 ♦ Web www.nasba.org

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Navigating the Electronic Binder

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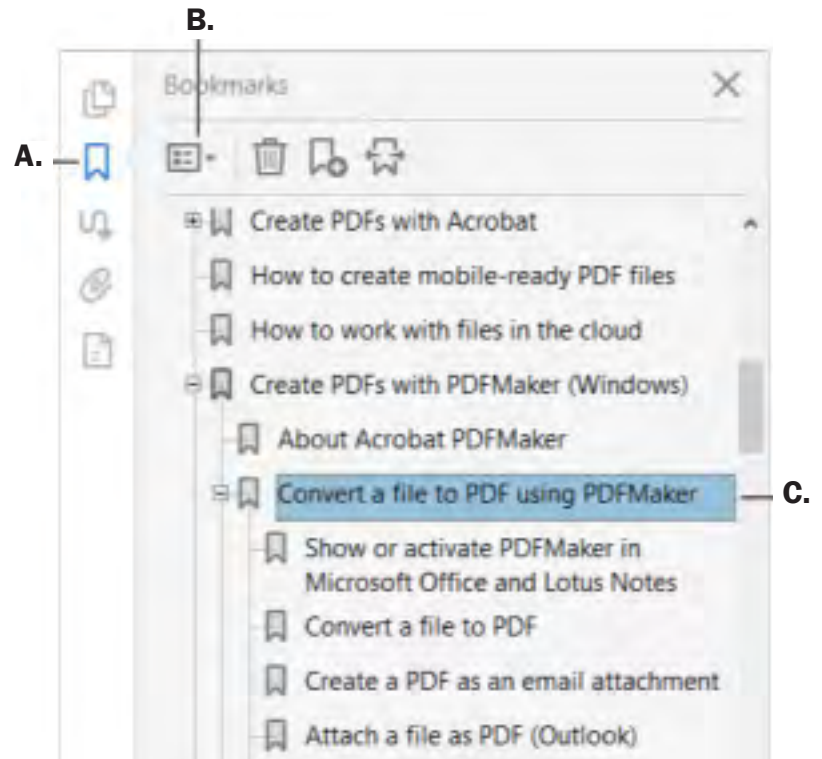
Click the Bookmarks button, or choose View > Show/Hide > Navigation Panes > Bookmarks.

To jump to a topic, click the bookmark. Expand or collapse bookmark contents, as needed.

Note:

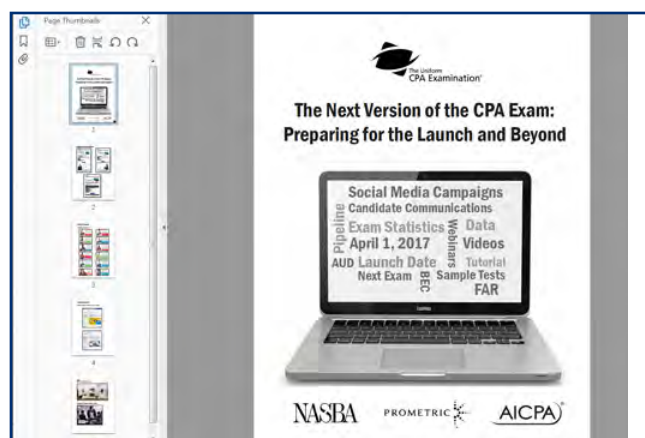
Depending on how the bookmark was defined, clicking it may not take you to that location but perform some other action instead.

If the list of bookmarks disappears when you click a bookmark, click the Bookmarks button to display the list again. If you want to hide the Bookmarks button after you click a bookmark, select Hide After Use from the options menu.



Bookmarks panel

A. Bookmarks button **B.** Click to display bookmark options menu **C.** Expanded bookmark



Use page thumbnails to jump to specific pages

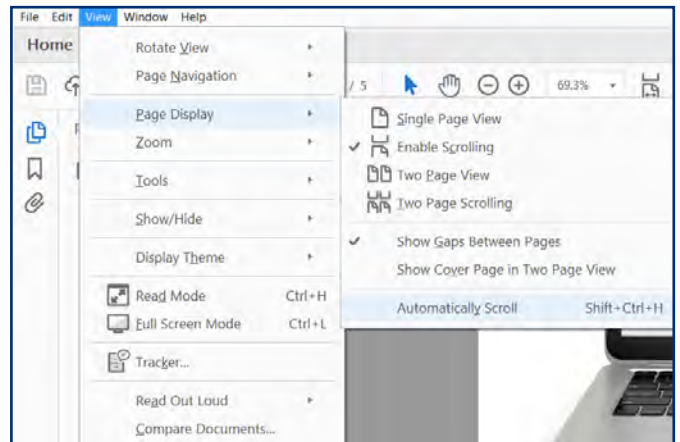
Page thumbnails provide miniature previews of document pages. You can use thumbnails in the Page Thumbnails panel to change the display of pages and to go to other pages. The red page-view box in the page thumbnail indicates which area of the page appears. You can resize this box to change the zoom percentage.

- 1. Click the Page Thumbnails button or choose View > Show/Hide > Navigation Panes > Page Thumbnails to display the Page Thumbnails panel.**
- 2. To jump to another page, click its thumbnail.**

Navigating the Electronic Binder

Automatically scroll through a document

Automatic scrolling advances your view of the PDF at a steady rate, moving vertically down the document. If you interrupt the process by using the scroll bars to move back or forward to another page or position, automatic scrolling continues from that point forward. At the end of the PDF, automatic scrolling stops and does not begin again until you choose automatic scrolling again.



1. **Choose View > Page Display > Automatically Scroll.**
2. **Press Esc to stop scrolling.**

Retrace your viewing path

You can find PDF pages that you viewed earlier by retracing your viewing path. It's helpful to understand the difference between previous and next pages and previous and next views. In the case of pages, previous and next refer to the two adjacent pages, before and after the currently active page. In the case of views, previous and next refer to your viewing history. For example, if you jump forward and backward in a document, your viewing history retraces those steps, showing you the pages you viewed in the reverse order that you viewed them.

1. **Choose View > Page Navigation > Previous View.**
2. **To continue seeing another part of your path, do either of the following:**
 - **Repeat step 1.**
 - **Choose View > Page Navigation > Next View.**

Note:

You can make the Previous View button and Next View button available in the toolbar area by right-clicking the Page Navigation toolbar and choosing them on the context menu, or choosing Show All Tools.

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and photos on Twitter using

#NASBAAnnual

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attendees and conference
organizers have to say!



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NASBA

109th Annual Meeting

October 30 - November 2, 2016 | Austin, Texas



FOREWORD

Recognizing the need for cooperation and communication among State Boards of Accountancy, NASBA sponsors an Annual Meeting in the fall of each year that provides a unique opportunity for state board members, executive directors and others interested in the profession to discuss freely and candidly the major issues facing state regulation of public accountancy. So, we evolve.

The site of NASBA's 109th Annual Meeting, Austin, is the vibrant heart of government, education and music in Texas. In this inspiring setting, we will exchange new ideas and consider how to help the boards protect the public by creating an environment of open discussion among regulators, professionals, academics and other interested parties.

Throughout the year, NASBA committees and staff have been engaged in communication with the member Boards of Accountancy to keep information flowing. The Annual Meeting is the capstone of those efforts. Speakers from the Public Company Accounting Oversight Board, Institute of Chartered Accountants of Scotland and American Institute of Certified Public Accountants will join NASBA leaders in addressing the major regulatory issues involved in ensuring the boards' licensees meet the public's expectations. Through plenary presentations, regional meetings and informal gatherings, participants will be encouraged to share their views with colleagues from other jurisdictions, and consider the ways in which accountancy boards can be responsive to the public's needs.

In addition to the informative business program, NASBA has arranged a variety of social events that are designed to provide an opportunity to interact in a casual way and to make everyone's visit to Texas a memorable occasion.

REGISTRATION

On Sunday, October 30, registration will be open from 3:00 p.m. until 5:00 p.m. in the Lone Star Foyer. Thereafter, it will be open one half-hour before and during all business sessions and will continue to be located in the Lone Star Foyer.

WELCOME NEW ATTENDEES

New state board members and executive directors bring fresh ideas to NASBA. Because they are so important to our organization, we have affixed a first-time ribbon to the name badges of all delegates (board members) and executive directors attending their first NASBA Annual Meeting. If you are wearing a first-time ribbon, NASBA is particularly pleased you have joined us. If you see first-time attendees, please extend a sincere welcome to them.

SUNDAY, OCTOBER 30, 2016

3:30 – 5:30 p.m.

Brazos Room

CPT Ethics Pre-Workshop – A Deeper Look into Corporate Scandal

The NASBA Center for the Public Trust (CPT) welcomes white-collar crime expert, Dr. Kelly Richmond Pope, who will take a deeper look into the largest municipal fraud in American history. Discover how trust is developed and broken, learn how competing values can impact ethical decision-making, identify risk areas within organizations, and more. Workshop participants can earn up to 2 Ethics CPE credits.

Kelly Richmond Pope, Ph.D., CPA

Helios Digital Learning, Founder & Chief Content Officer

6:00 – 8:00 p.m.

Lone Star D

Welcome Reception

Say “Hello” or “Howdy” to old friends and new acquaintances as we start to consider the issues that will unfold over the next few days.

MONDAY, OCTOBER 31, 2016

7:15 – 8:15 a.m.

Lone Star D

Breakfast (All Welcome)

8:30 a.m. – 12:00 p.m.

Lone Star E

OPENING PLENARY SESSION

8:30 – 8:40 a.m.

Call to Order and Introductions**Donald H. Burkett, CPA**

2015-2016 Chair, NASBA

Member and Past Chairman, South Carolina Board of Accountancy

Partner, Burkett, Burkett & Burkett, CPAs

8:40 – 9:00 a.m.

Welcome from Texas**Carlos H. Cascos, CPA**

Texas Secretary of State

Partner, Pattillo, Brown & Hill, LLP

9:00 – 10:00 a.m.

Accountability and Achievement

Medal of Honor recipient, Marine Sergeant Dakota Meyer, will elaborate on courage and leadership describing, first-hand, the events of the battle of Ganjigal Valley, in Afghanistan. He will talk about taking advantage of the opportunities that life presents, holding one another accountable to achieve our potential, striving for the best possible outcome and creating a support network.

Sergeant Dakota L. Meyer

Medal of Honor Recipient

U.S. Marine Corps Veteran

MONDAY, OCTOBER 31, 2016 *continued***10:00 – 10:15 a.m.****Report from NASBA Chair 2015-2016**

Donald H. Burkett summarizes NASBA's activities during the past year. His focus on success for Boards of Accountancy was carried out by proactively listening to needs of state boards and ensuring that boards are provided the tools to carry-out their regulatory responsibility of protecting the public. This has resulted in enhanced legislative monitoring, coordination of pipeline and diversity initiatives and development of rules that strengthen board operations. Assisted by the work of NASBA's committees and staff, Chair Burkett has been actively involved in responding to exposure drafts affecting all aspects of regulation. He has strengthened ties with international regulators, educators and other regulatory bodies, and guided state boards to more cooperative and productive relationships with the profession. Chair Burkett reports on the progress of initiatives he launched, as well as those launched by his predecessors.

Donald H. Burkett, CPA

2015-2016 Chair, NASBA

10:15 – 10:45 a.m.**Integrity and a Mobile Global Profession**

"Audit quality relies on quality people," Anton Colella recently stated as the Institute of Chartered Accountants of Scotland (ICAS) and the Financial Reporting Council (FRC) rolled out their paper on "Auditor Skills in a Changing Business World." As professionals are called on to share their expertise internationally, pathways to regulated practice need to be clear. We will hear from the leader of the ICAS on how integrity can be ensured across geographic boundaries.

Anton Colella

Chief Executive, Institute of Chartered Accountants of Scotland

10:45 – 11:00 a.m.**Lone Star Foyer****BREAK****11:00 – 11:15 a.m.****Lone Star E****Future Plans from the 2016-2017 AICPA Chairman**

As the incoming leader of the American Institute of CPAs (AICPA), Kimberly Ellison-Taylor reports on its ongoing and upcoming projects and how they will impact the state accountancy boards. Ms. Ellison-Taylor looks at the roles that the AICPA and the Boards of Accountancy need to play in the professional lives of all CPAs.

Kimberly Ellison-Taylor, CPA, CGMA

2016-2017 Chairman, American Institute of Certified Public Accountants

Global Accounting Strategy Director for the Financial and Professional Services Industries, Oracle America

11:15 – 11:30 a.m.**Continuing Professional Education Advances**

The revised Statement on Standards for Continuing Professional Education Programs has been approved and nano and blended learning programs are being offered to CPAs. However, the Model Rules to guide CPAs through the expanded possibilities are coming soon. The highlights are underscored for all.

Maria E. Caldwell, CPA

Chair, NASBA Continuing Professional Education Committee

Southeast Regional Director, NASBA

Member and Past Chair, Florida Board of Accountancy

Audit Director, Deloitte & Touche, LLP

MONDAY, OCTOBER 31, 2016 continued**11:30 – 11:45 a.m.****Uniform Accountancy Act and Model Rules Developments**

The evergreen UAA and Model Rules continually adapt to meet the needs of regulators and the profession. This year, several revisions have been approved and more are under consideration. In the quest for uniformity in regulation, it is hoped that all boards will adopt the UAA and its Model Rules.

J. Coalter Baker, CPA, PFS, CGMA

Chair, NASBA Uniform Accountancy Act Committee
Southwest Regional Director, NASBA
Presiding Officer, Texas State Board of Public Accountancy
Coalter Baker, CPA

11:45 a.m. – 12:00 p.m.**International Update**

The NASBA/AICPA International Qualifications Appraisal Board (IQAB) has been busy this year considering how to create agreements that are transparent and easily understood. Task forces have been evaluating international professional bodies that have merged and created new programs, making renewals of existing mutual recognition agreements more challenging.

Telford A. Lodden, CPA

Chair, NASBA/AICPA International Qualifications Appraisal Board
2015-2016 Vice Chair, NASBA
Managing Partner, Brooks Lodden, PC

12:00 – 1:45 p.m.**Business Luncheon****Lone Star D****12:30 – 1:45 p.m.****National Political Overview**

Political strategist, senior advisor to President George W. Bush (2000-2007), columnist and author, Karl Rove, will share his views on American politics and what the country may look like after Election Day. Mr. Rove looks forward to answering questions from the NASBA audience.

INTRODUCTION:**K. Michael Conaway, CPA**

U.S. Congressman (TX-11th CD)
Past Chair, NASBA

SPEAKER:**Karl Rove**

Contributor to Fox News, *Wall Street Journal* and *New York Times*
Former Deputy Chief of Staff to the President

1:45 – 2:00 p.m.**BREAK****Lone Star Foyer**

MONDAY, OCTOBER 31, 2016 *continued*

2:00 – 3:45 p.m.

Lone Star E

AFTERNOON PLENARY SESSION

2:00 – 2:15 p.m.

The Boards' Role in the Restructured Peer Review Program

The AICPA's proposal for reorganizing its Peer Review Program was distributed to Boards of Accountancy for their input. Boards have voiced their support for the high quality compliance assurance programs, but the AICPA includes some recommendations that could have a major impact on the boards' existing oversight programs. How is NASBA responding?

John F. Dailey, Jr., CPA

Chair, NASBA Compliance Assurance Committee
Northeast Regional Director, NASBA

2:15 – 2:45 p.m.

What Are We Doing for Cybersecurity?

Security is a concern for every organization. Safeguarding candidate and licensee information from across the nation and internationally, places cybersecurity at the top of NASBA's list of priorities. NASBA's CISO, Roy Hall, will present an overview of the steps being taken by NASBA to protect this valuable information.

Roy Hall, Jr., CISSP, CISA, CRISC, CISM

Chief Information Security Officer, NASBA

2:45 – 3:15 p.m.

Enforcement: The Results of the California Initiative and Enforcement Efforts

NASBA staff has analyzed all the member boards' enforcement measures to see how they match against the "Guiding Principles of Enforcement," developed by the NASBA Enforcement Resources Committee, based on input from the boards. In September, NASBA submitted its final assessments to the California Board of Accountancy to help them determine which states are substantially equivalent to California and qualify for interstate mobility. The results of this effort will be discussed.

Stacey Grooms, Esq.

Manager of Regulatory Affairs, NASBA

Katrina L. Salazar, CPA

President, California Board of Accountancy
Controller, California Correctional Peace Officers Association

MONDAY, OCTOBER 31, 2016 *continued*

3:15 – 3:45 p.m.

CPA Candidate Pipeline Project

With so many career possibilities available to bright, promising students, what is being done to attract them to the CPA path? NASBA is working with professional societies, educators and others to bring the best and brightest from all demographic groups into the accounting profession.

Daniel J. Dustin, CPA

Vice President – State Board Relations, NASBA

3:45 p.m.

RECESS

3:45 – 5:30 p.m.

Lone Star D

NASBA Center for the Public Trust Fall Fest

Come join in the fun at the CPT's Fall Fest! Enjoy games, prizes, popcorn and beverages. Plus, learn how the CPT is developing ethical leaders across the country.

TUESDAY, NOVEMBER 1, 2016

7:00 – 8:45 a.m.

Regional Breakfast Meetings

Representatives from neighboring jurisdictions have an opportunity to interact in an informal session to network and discuss matters of mutual concern. Regional directors will moderate the discussions. Attendance at these sessions is limited to past and present state board members and board staff.

Central Region - Room 203**Sharon A. Jensen, CPA**Vice Chair, Minnesota Board of Accountancy
Synergistic Solutions Consulting, Savage, MN**Great Lakes Region - Room 304****W. Michael Fritz, CPA**Past Chair, Accountancy Board of Ohio
AERS Partner, Deloitte & Touche, LLP, Columbus, OH**Middle Atlantic Region - Room 310****Stephanie S. Saunders, CPA**Member and Past Chair, Virginia Board of Accountancy
Shareholder, Saunders & Saunders, PC, Virginia Beach, VA**Mountain Region - Room 205****Benjamin C. Steele, CPA**Member and Past President, Nevada State Board of
Accountancy
Senior Member, Steele & Associates, LLC, Carson City, NV**Northeast Region - Room 311****John F. Dailey, Jr., CPA**Member and Past President, New Jersey State Board of
Accountancy
Retired Partner, Bowman & Company, LLP, Voorhees, NJ**Pacific Region - Room 201****Edwin G. Jolicoeur, CPA**Member and Past Chair, Washington State Board of
Accountancy
Retired Principal, CliftonLarsonAllen, LLP, Spokane, WA**Southeast Region - Room 202****Maria E. Caldwell, CPA**Member and Past Chair, Florida Board of Accountancy
Audit Director, Deloitte & Touche, LLP, Miami, FL**Southwest Region - Room 204****J. Coalter Baker, CPA**Presiding Officer, Texas State Board of Public Accountancy
Coalter Baker, CPA, Austin, TX

7:00 – 8:45 a.m.

Lone Star D

Breakfast for Other Participants (All Welcome)

TUESDAY, NOVEMBER 1, 2016 *continued*

9:00 – 11:30 a.m.

Lone Star E

MORNING PLENARY SESSION

9:00 – 11:30 a.m.

Annual Business Meeting

PRESIDING:

Donald H. Burkett, CPA

2015-2016 Chair, NASBA

The election of NASBA officers and directors for 2016-2017, reports from several committees and the president.

Minutes of the 108th Annual Business Meeting

Laurie J. Tish, CPA

Secretary/Director-at-Large, NASBA

Past Chair, Washington State Board of Accountancy

National Practice Leader for Government Services,

Moss Adams LLP, Seattle, WA

Awards Presentation

PRESENTERS:

Carlos E. Johnson, CPA, Ed.D.

Chair, Awards Committee

Past Chair, NASBA

Past Chair, Oklahoma Accountancy Board

Carlos E. Johnson, PLLC

Lorraine P. Sachs, CAE

Executive Vice President Emerita, NASBA

Election of 2016-2017 Officers and Directors

Walter C. Davenport, CPA

Chair, Nominating Committee

Past Chair, NASBA

Past Chair, North Carolina State Board of CPA Examiners

Retired Partner, Cherry, Bekaert & Holland

Report of the Administration & Finance Committee

E. Kent Smoll, CPA

Chair, Administration & Finance Committee

Treasurer/Director-at-Large, NASBA

Past Chair, Kansas Board of Accountancy

Partner, Smoll & Banning, CPAs, LLC

Report of the Audit Committee

Jimmy E. Burkes, CPA

Chair, Audit Committee

Director-at-Large, NASBA

Member and Past Chair, Mississippi State Board of Public
Accountancy

Consultant and Retired Partner, Haddon Reid Eubank Betts PLLC

Report of the NASBA Center for the Public Trust

Alfonzo Alexander

President, NASBA Center for the Public Trust

Report of the Executive Directors Committee

James Corley, CPA

Chair, Executive Directors Committee

Executive Director, Arkansas State Board of Public Accountancy

Report from NASBA President and Chief Executive Officer

Ken L. Bishop

11:35 – 11:55 a.m.

Room 204

2016-2017 NASBA Board of Directors Meeting

The 2016-2017 NASBA Board of Directors conducts its first meeting to elect its secretary and treasurer.

12:00 – 12:50 p.m.

Lone Star D

Attendee and Guest Luncheon (All Welcome)

TUESDAY, NOVEMBER 1, 2016 *continued*

1:00 – 1:50 p.m.

Lone Star E

Inaugural Presentations

New NASBA leaders are installed into office and outgoing leaders are thanked for their service. Meeting participants and their guests are invited to attend.

Appreciation & Recognition**Donald H. Burkett, CPA**

2015-2016 Chair, NASBA

Inaugural Address of 2016-2017 Chair**Telford A. Lodden, CPA**

2016-2017 Chair, NASBA

Past Chair, Iowa Board of Accountancy

Managing Principal, Brooks Lodden, P.C.

2:00 – 3:40 p.m.

Lone Star E

AFTERNOON PLENARY SESSION

2:00 – 3:00 p.m.

Invigorating the Auditor's Report and Audit Quality

In presenting the PCAOB's 2016 budget to the SEC, Chairman James Doty explained, "At the same time that we protect investor's interests in striving to achieve more reliable audits, we also need to consider how to strengthen the audit's value to stakeholders. The needs of both markets and investors change. We must advance the audit process to meet those needs." Chairman Doty will describe how the PCAOB is accomplishing its goal.

James R. Doty, Esq.

Chairman, Public Company Accounting Oversight Board

3:00 – 3:20 p.m.

Major Current Legal Topics

NASBA Legal Counsel Noel L. Allen alerts the Boards of Accountancy to cases that could have a major impact on their future operations. He will present concise summaries of top cases from across the spectrum of professional regulation.

Noel L. Allen, Esq.

Outside Legal Counsel, NASBA

Legal Counsel, North Carolina State Board of CPA Examiners

Partner, Allen & Pinnix, P.A.

TUESDAY, NOVEMBER 1, 2016 *continued*

3:20 – 3:40 p.m.

Progress of the PLC Initiative

The Professional Licensing Coalition (PLC) brings together NASBA and eight other organizations representing professional licensing boards in efforts to amend the Local Government Antitrust Act to remove the threat of treble damages for professional licensing boards and board members. NASBA Director, Legislative and Governmental Affairs, John Johnson, reports on the efforts of this lobbying group.

John Johnson

Director, Legislative and Governmental Affairs, NASBA

3:40 p.m.

RECESS

6:30 – 9:30 p.m.

The Bullock Texas State History Museum

Denim and Diamonds Gala

(Buses will depart from the hotel lobby at 6:30 p.m.)

Join us for an evening at The Bullock Texas State History Museum. At this event, you will enjoy dinner and dancing in a beautiful setting celebrating Texas history and culture.

WEDNESDAY, NOVEMBER 2, 2016

8:00 – 9:15 a.m.

Room 202

State Board Presidents' and Chairs' Breakfast Meeting

Board of Accountancy presidents and chairs are invited to meet with members of the NASBA Board of Directors for an exchange of ideas during breakfast.

MODERATOR:**Telford A. Lodden, CPA**

2016-2017 Chair, NASBA

8:00 – 9:15 a.m.

Room 205

Executive Directors' and State Board Staff's Breakfast Meeting

Board of Accountancy administrative staff will have an opportunity to informally gather for breakfast as they update each other on their states' activities.

MODERATOR:**Wade A. Jewell**

2016-2017 Chair, Executive Directors Committee
Executive Director, Virginia Board of Accountancy

8:00 – 9:15 a.m.

Room 201

State Society and Professional Association Breakfast Meeting

Enjoy breakfast and conversation on 2017 legislation with colleagues and NASBA's Director of Legislative & Governmental Affairs.

MODERATOR:**John Johnson**

Director, Legislative & Governmental Affairs, NASBA

WEDNESDAY, NOVEMBER 2, 2016 *continued*

8:00 – 9:15 a.m.
Breakfast (All Welcome)

Room 203

9:30 a.m. – 12:00 p.m.
 Morning Plenary Session
PRESIDING:
Telford A. Lodden, CPA
 2016-2017 Chair, NASBA

Lone Star E

9:30 – 10:15 a.m.
The Next Version of the CPA Exam – Preparing for the Launch and Beyond

In April 2017, the next version of the Uniform CPA Examination will launch. NASBA, AICPA and Prometric have been preparing for the announced arrival. In the meantime, many candidates are scurrying to take the current version of the Examination. NASBA Executive Vice President and COO, Colleen Conrad, will lead a panel discussion on how things are coming into place and what boards can expect to see in the days ahead.

MODERATOR:

Colleen K. Conrad, CPA
 Executive Vice President and COO, NASBA

PANELISTS:

Michael A. Decker
 Vice President – Examinations, American Institute of Certified Public Accountants

Richard N. Reisig, CPA
 Chair, CBT Administration Committee
 Director-at-Large, NASBA
 Shareholder, Anderson ZurMuehlen & Company

Dan Sweetwood
 Executive Director, Nebraska State Board of Public Accountancy

10:15 – 11:15 a.m.
Evaluating Education – Accreditation and State Board Rules

MODERATOR:

Jan R. Williams, CPA, Ph.D.
 Dean and Professor Emeritus, University of Tennessee-Haslam College of Business

PANELISTS:

Carlos E. Johnson, CPA, Ed.D.
 Past Chair, NASBA

Yvonne L. Hinson, CPA, CGMA, Ph.D.
 Academic in Residence, American Institute of Certified Public Accountants

As the boards rely on accrediting bodies to validate the quality of the education required for CPA licensing, NASBA and the AICPA have formed a joint task force to look at how those bodies are performing their jobs. The panel will provide an outline of the task force's work, the specific issues they are dealing with, identification of obstacles to overcome and a timeline for achieving its objective.

WEDNESDAY, NOVEMBER 2, 2016 *continued*

11:15 – 11:30 a.m.

Questions for NASBA Leaders

Chair Telford A. Lodden and President Ken L. Bishop take questions from the audience.

11:30 – 11:40 a.m.

Closing Remarks

Incoming NASBA Chair Lodden summarizes some of the Meeting's highlights and shares how he will carry forward these ideas during his year in office.

Telford A. Lodden, CPA

2016-2017 Chair, NASBA

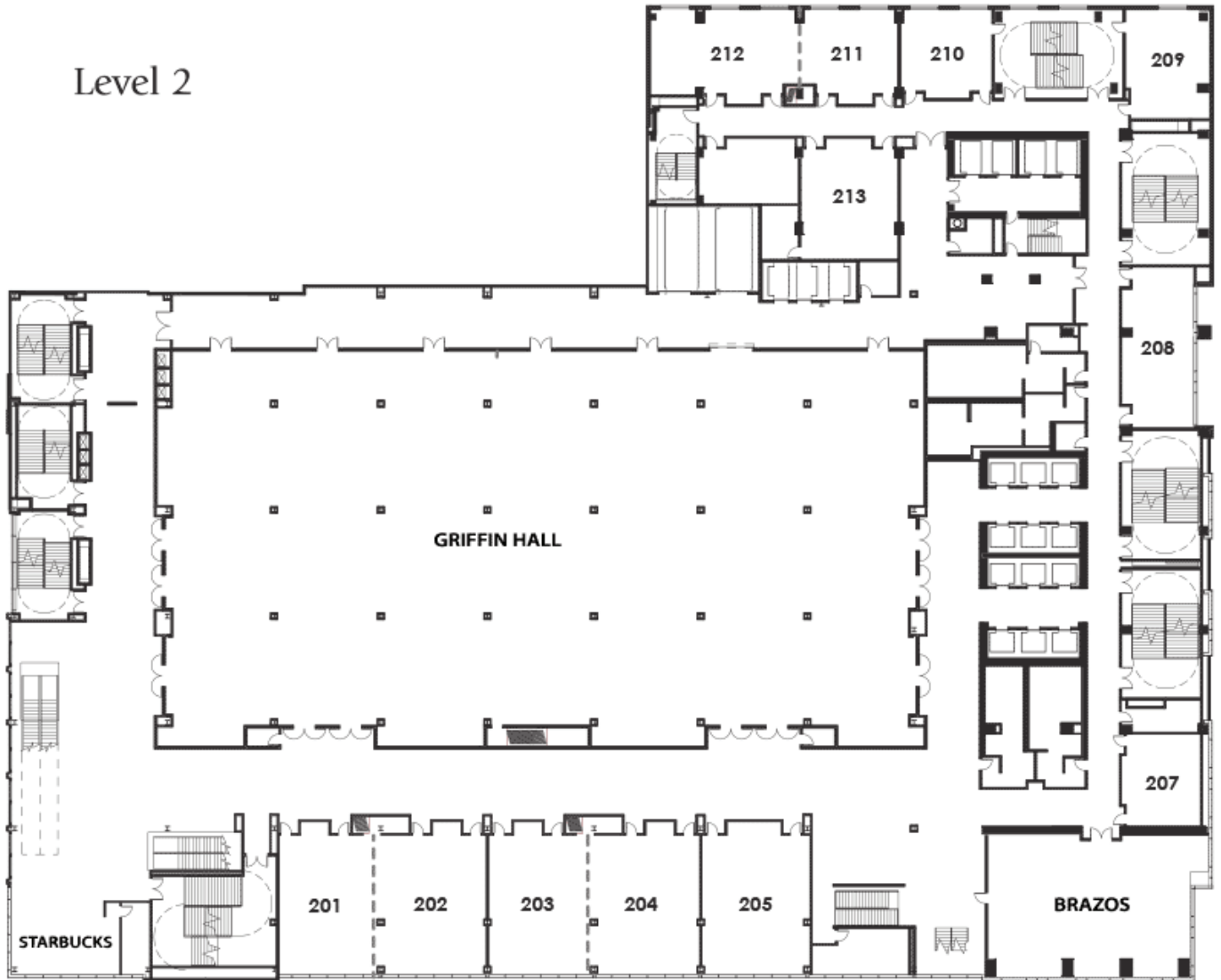
11:40 a.m. – 12:00 p.m.

Super Raffle

NASBA Communications Director, Thomas Kenny, and staff host a fun-filled raffle of super prizes. Only those in the room will be eligible to be win, so be sure to stick around.

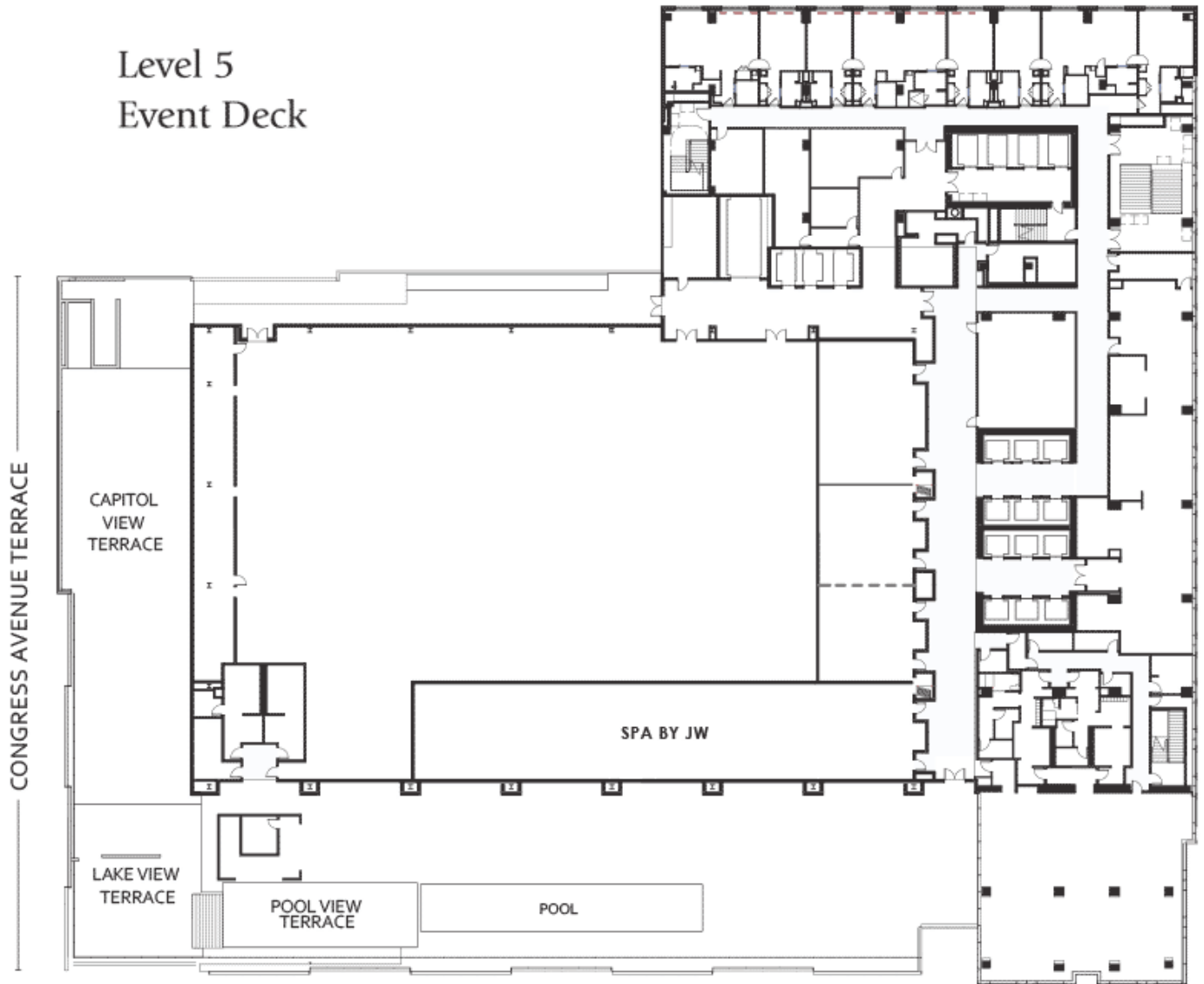
12:00 p.m.

NASBA 109th Annual Meeting Adjourns

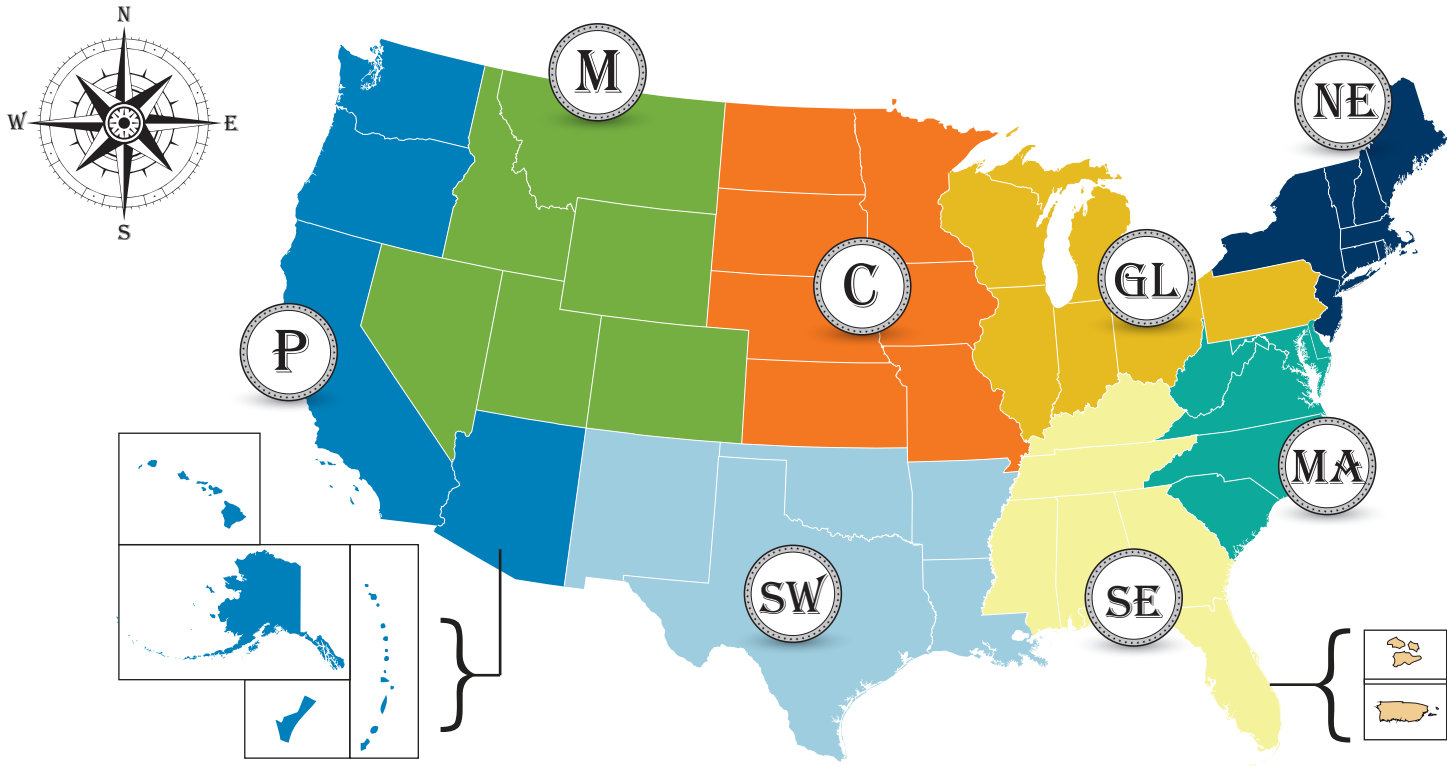










Level 3













NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY



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 <i>Arizona</i>
 <i>California</i>
 <i>CNMI</i>
 <i>Guam</i>
 <i>Hawaii</i>
 <i>Oregon</i>
 <i>Washington</i></p>  |  <p>MOUNTAIN
 <i>Colorado</i>
 <i>Idaho</i>
 <i>Montana</i>
 <i>Nevada</i>
 <i>Utah</i>
 <i>Wyoming</i></p>  |  <p>SOUTHWEST
 <i>Arkansas</i>
 <i>Louisiana</i>
 <i>New Mexico</i>
 <i>Oklahoma</i>
 <i>Texas</i></p>  |  <p>CENTRAL
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 <i>South Dakota</i></p>  |
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|  <p>GREAT LAKES
 <i>Illinois</i>
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 <i>Michigan</i>
 <i>Ohio</i>
 <i>Pennsylvania</i>
 <i>Wisconsin</i></p>  |  <p>SOUTHEAST
 <i>Alabama</i>
 <i>Florida</i>
 <i>Georgia</i>
 <i>Kentucky</i>
 <i>Mississippi</i>
 <i>Puerto Rico</i>
 <i>Tennessee</i>
 <i>Virgin Islands</i></p>  |  <p>MIDDLE ATLANTIC
 <i>Delaware</i>
 <i>District of Columbia</i>
 <i>Maryland</i>
 <i>North Carolina</i>
 <i>South Carolina</i>
 <i>Virginia</i>
 <i>West Virginia</i></p>  |  <p>NORTHEAST
 <i>Connecticut</i>
 <i>Maine</i>
 <i>Massachusetts</i>
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 <i>New Jersey</i>
 <i>New York</i>
 <i>Rhode Island</i>
 <i>Vermont</i></p>  |
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NASBA

109th Annual Meeting

October 30 - November 2, 2016 | Austin, Texas



Registration List - Board of Accountancy Affiliates

ALABAMA STATE BOARD OF PUBLIC ACCOUNTANCY

Steven Barranco	Connie Harris
Boyd Busby*	Delbert Madison
Michael Comer	Carol Preston*
Billington Garrett*	Chad Singletary

ALASKA BOARD OF PUBLIC ACCOUNTANCY

Cori Hondolero*
Leslie Schmitz

ARIZONA STATE BOARD OF ACCOUNTANCY

Alan Augenstein**	Monica Petersen*
Michael Daggett**	Layne Simmons
Gary Freed	

ARKANSAS STATE BOARD OF PUBLIC ACCOUNTANCY

Sherry Chesser	Robert Redfern
James Corley*	David Vaden
John Peace**	Jeremy Watson

CALIFORNIA BOARD OF ACCOUNTANCY

Ruben Davila**
Andrew Marincovich**
Diane Rubin**
Katrina Salazar

COLORADO STATE BOARD OF PUBLIC ACCOUNTANCY

Kristal Bernert	Kurt Kofford
Ofelia Duran*	Michael Weatherwax**
Gaylen Hansen**	

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

David Burger

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Alfonzo Alexander serves as chief relationship officer of NASBA and president of NASBA's Center for the Public Trust (CPT). In his role as president of CPT, Alexander oversees the day-to-day operations and the growing number of CPT programs, including the Student Center for the Public Trust, the Ethical Leadership Training and Certification program, the *Being a Difference* Award program and a professional membership network, all of which position the organization to accomplish its mission to champion public trust. Prior to joining NASBA in 2006 as a staff director and vice president of the CPT, Alexander served as regional manager and managing director for the Southeast region of INROADS, Inc., where he led operations and business development in Alabama, Georgia, Mississippi, North Carolina, South Carolina, Tennessee and Virginia. Before joining INROADS, Alexander held several leadership positions in operations management and human resources at the Quaker Oats Company. He holds a B.S. degree in business administration with an emphasis on human resources management from Tennessee Technological University, and an M.B.A. degree from Lipscomb University.



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Noel L. Allen, Esq., has served as legal counsel for NASBA since 1997, and for the North Carolina State Board of CPA Examiners since the early 1980s. Prior to entering private practice, Allen was an assistant attorney general in the antitrust division of the North Carolina Department of Justice. He has authored books on antitrust and trade regulation, including *North Carolina Unfair Business Practice* (Lexis, Third Edition), and is the U.S. editor of two multi-volume treatises, *Competition Law in Western Europe and the U.S.A.* (Kluwer) and *Comparative Law of Monopolies* (Kluwer). Mr. Allen has taught antitrust/trade regulation law and international business law as an adjunct professor and visiting lecturer at law schools in the U.S. and Europe, and is a recipient of International Service Awards from the North Carolina World Trade Association and the Bar Association. He is listed in the *Bar Register of Preeminent Lawyers* and in U.S. News' *Best Lawyers* (Administrative/Regulatory & Antitrust Law). He earned his bachelor's degree at Elon University, his J.D. at the UNC-Chapel Hill and a graduate diploma in international competition law at the University of Amsterdam, the Netherlands. In 2009, Elon University awarded Allen an Honorary Doctorate. In its January 2013 issue, *Business North Carolina* profiled him as the state's "Top Antitrust Lawyer."



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J. Coalter Baker, CPA, PFS, CGMA is NASBA's Southwest regional director. He was appointed to the Texas Board of Public Accountancy in 2003 where he served in various leadership roles, including presiding officer, until 2008. The Governor reappointed Baker in 2011 to serve through 2017, and he is currently presiding officer. Mr. Baker has been involved with NASBA since 2003. He has served on NASBA's Ethics, Nominating, Strategic Planning and Uniform Accountancy Act Committees. He currently chairs NASBA's UAA Committee. Mr. Baker has also served the profession through membership in the AICPA's Tax Practice Responsibilities and Professional Ethics Executive Committees. A CPA and personal financial specialist, Baker provides tax planning and compliance services for corporate, partnership, fiduciary and individual clients. Estate and trust administration, business and family succession guidance and personal financial planning are additional services provided. Baker is a former lecturer in taxation at the University of Texas, McCombs School of Business. He is a graduate of the University of Texas at Austin.



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Ken L. Bishop serves as president and chief executive officer of NASBA as well as chief executive officer of NASBA's ethics arm, the NASBA Center for the Public Trust (CPT). Prior to being selected to serve as president and CEO in January 2012, Bishop served as executive vice president and chief operating officer of NASBA, responsible for leading NASBA's business and testing operations. In recent years, Bishop has been instrumental in the adoption of legislation for "CPA mobility," whereby CPAs increase their ability to practice throughout the U.S. without the need to be licensed separately in each state. Additionally, he played a key role in the international administration of the U.S. Uniform CPA Examination, which is now offered in Japan, Bahrain, Kuwait, Lebanon, the United Arab Emirates and Brazil. Mr. Bishop joined NASBA on January 1, 2007, as president and chief executive officer of Professional Credential Services (PCS), NASBA's former wholly-owned subsidiary, and director of CPA Examination Operations. During his tenure as president of PCS, the company grew to provide services to more than 50 professions, both nationally and internationally. Before joining NASBA, Bishop had a successful career in the areas of state government and law enforcement, having served in roles including executive director of the Missouri State Board of Accountancy, assistant director of the Missouri Department of Public Safety, undercover narcotics officer, under-sheriff, chief of police and commander of the Missouri Major Case Squad. A Missouri native, Bishop holds a bachelor's degree in education from the University of Missouri, Columbia and a master's degree in criminal justice. He is a graduate of Harvard University's Kennedy School of Government Executive Program. He is also a graduate of the Missouri State Highway Patrol Academy and the Federal Criminal Justice Academy. Currently, Bishop serves as a member of the Vanderbilt University MAcc Advisory Board, The PhD Project Board of Directors and the Nashville Downtown Partnership Board of Directors. His honors include being named to *Accounting Today's* Top 100 Most Influential People in Accounting, from 2011-2016.



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Jimmy E. Burkes, CPA, is a NASBA director-at-large and former Southeast regional director. Mr. Burkes is chair of NASBA's Audit Committee and a former member of NASBA's Awards and Compliance Assurance Committees. He served two terms as chair of NASBA's Bylaws Committee and formerly served on NASBA's Relations with Member Boards Committee and Regulatory Response Committee. Mr. Burkes is currently serving in his third, five-year term on the Mississippi State Board of Public Accountancy and formerly served as Board chair. Mr. Burkes is a past president, board member and council representative of the Mississippi Society of CPAs and a recipient of its Public Service Award. A former member of the AICPA's Governing Council, Burkes was recently appointed to the AICPA's Accounting and Review Services Committee (ARSC). He was also recently elected to serve on the Board of Directors of NASBA's Center for the Public Trust. On January 1, 2016, Burkes retired from Haddon Reid Eubank Betts PLLC (Haddox Reid), a large local firm in Jackson, MS. He was senior partner in charge of assurance services and the litigation support practice. For many years, he provided assurance and business advisory services to privately held entities in retail, wholesale, professional services, manufacturing, non-profit, funeral home, and life and casualty insurance industries. He now serves as a consultant to the firm.



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Donald (Donny) H. Burkett, CPA, is NASBA's chair, 2015-16. Since 2007, Burkett has held numerous leadership positions as a member of NASBA's Board of Directors, including director-at-large, Middle Atlantic regional director and NASBA vice chair, 2014-15. An active member of NASBA, Burkett has chaired a number of NASBA committees including NASBA's Legislative Support Committee, Audit Committee, Ethics Committee and Relations with Member Boards Committee. In addition, he has served as a member of the Board of Directors of the NASBA Center for the Public Trust and on NASBA's Communications Committee, Administrative and Finance Committee and the Standards Study Group. Mr. Burkett has been a member of the South Carolina Board of Accountancy since 2003 and has served as chairman, vice chair and secretary. Mr. Burkett has over 33 years of public accounting experience and is the former president and current vice president of the firm of Burkett, Burkett & Burkett, CPAs, PC, with offices throughout South Carolina. He is a member and past president of the South Carolina Association of CPAs and a member of the American Institute of CPAs' Vision Project Team. *Money* magazine's article on "The Best Tax Practitioners" cited him as one of the four South Carolina "tax pros" available for middle and upper-middle income taxpayers. Mr. Burkett is a graduate of the University of South Carolina.

**Maria E. Caldwell, CPA****Deloitte & Touche LLP**

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Maria E. Caldwell, CPA, is NASBA's Southeast regional director, chair of NASBA's CPE Committee, co-chair of the NASBA/AICPA CPE Standards Committee, and a former member of NASBA's Diversity Group and Strategic Planning Task Force. Ms. Caldwell is currently serving her third term as a member of the Florida Board of Accountancy. An active member of the Florida Board since 2004, Caldwell has served as board chairman for two terms and chaired several committees including the Probable Cause Panel, Ethics and Rules Committee, Minority Scholarships Committee and CPE Committee. She was instrumental in advancing the mobility rules as well as Florida's participation in NASBA's Accountancy Licensee Database. Ms. Caldwell is an audit director at Deloitte & Touche where she has had extensive experience working with international teams in countries including Russia, Mexico, Morocco, United Kingdom, Dubai and the Bahamas. She received her bachelor's degree in business administration-accounting from Florida Atlantic University.

**Honorable Carlos H. Cascos, CPA****Texas Secretary of State**

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Secretary Carlos H. Cascos was appointed to serve as the 110th Texas Secretary of State by Governor Greg Abbott, his first appointment as governor. Not new to the public, Secretary Cascos was elected as Cameron County Judge in 2006, and was re-elected in 2010 and again in 2014. Previously, Secretary Cascos served on the Texas Public Safety Commission and as a Cameron County Commissioner from 1991 through 2002. As county judge, Secretary Cascos served in a number of statewide roles including chairman of the Texas Border Security Council, vice-chair of the Panama Canal Stakeholder Workgroup, and vice-chair of the state's Freight Advising Committee. A Certified Public Accountant, Secretary Cascos is a partner in the regional accounting firm of Pattillo, Brown & Hill, LLP. He is a member of the American Institute of CPAs, Texas Society of CPAs and the Rio Grande Valley Chapter of CPAs. In addition, Secretary Cascos is a past member of the Association of Government Accountants and the American College of Forensic Examiners. Born in Mexico, Secretary Cascos became a U.S. citizen in adolescence. He is a graduate of the University of Texas at Austin.


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Anton Colella became chief executive of ICAS in October 2006. Previously, he was the chief executive of the Scottish Qualifications Authority (SQA), from December 2003 to October 2006, following a period as director of Qualifications. He was elected chair of the Global Accounting Alliance in November 2011. The GAA has approximately one million members in 165 countries, and represents a collection of leading institutes from around the world. Mr. Colella became an honorary professor of education at the University of Glasgow in 2012, and has been a member of the University's Adam Smith Business School Advisory Board since 2011. He received an honorary Doctorate from BPP University in 2014. Mr. Colella is a Trustee of Columba 1400, an award winning social enterprise and charity to help young people realize their potential, a trustee of the Scottish International Education Trust (SIET), which offers financial assistance to individuals for further education and training, and he is chairman of the Executive Board of the Scottish Catholic Education Service. A graduate of the University of Stirling, Colella's career began as a teacher of religious education.


Honorable K. Michael Conaway, CPA

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Congressman K. Michael Conaway, CPA, is NASBA past chair 2002-2003 and a former Southwest regional director. An active participant in NASBA, Congressman Conaway is a member of NASBA's Past Chair Advisory Council, a former chair of NASBA's Nominating and Education Committees and former member of NASBA's Education Committee, Relations with Member Boards Committee and Administration and Finance Committee. Serving his sixth term in the U.S. House of Representatives, Congressman Conaway represents 29 counties in Texas' 11th Congressional District, including the cities of Midland, Odessa and San Angelo. His background as a CPA gives him a unique perspective on fiscal responsibility and ensuring every taxpayer dollar is being spent wisely. Congressman Conaway is the chairman of the House Committee on Agriculture, and also serves on the House Armed Services Committee and the Permanent Select Committee on Intelligence. A native Texan, he earned a Bachelor of Business Administration degree in accounting from Texas A&M University-Commerce. After serving in the Army at Fort Hood, he returned to the Permian Basin with Price Waterhouse and settled in Midland, later working with George W. Bush as the chief financial officer for Bush Exploration.


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Colleen K. Conrad, CPA, serves as executive vice president and chief operating officer of NASBA. She is responsible for NASBA operations including CPA Examination Services, licensing, continuing education, IT and risk management. Ms. Conrad also oversees governmental, international and professional relationships. She brings more than 25 years of accounting expertise and leadership to NASBA. As a former partner in a large regional CPA firm, she practiced in the firm's Real Estate Services Group, providing real estate, attest, tax and consulting services to clients nationwide. From 1997 to 2007, Conrad served on the Missouri Board of Accountancy, with two terms as chair. Her contributions to NASBA as a volunteer committee member and featured speaker during NASBA forums date back to 1997. A long-time member of the AICPA, Conrad served a three-year term on the AICPA Council. She was a member of the AICPA Board of Examiners for 10 years, serving one term as chair, and was also a member of the AICPA/NASBA International Examination Task Force. A Kansas native, Conrad is a member of the Tennessee Society of CPAs and past president and member of the St. Louis Society of Women CPAs. Among her numerous honors, she was named as an AICPA/Missouri CPA Woman-to-Watch, Experienced Leader in 2008. Ms. Conrad is currently serving on the Financial Accounting Standards Advisory Council (FASAC). Ms. Conrad earned a bachelor's degree in accounting from Truman State University and she was named Outstanding Alumna of the Business School in 2015.

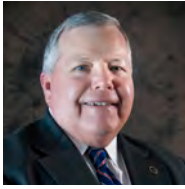

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James Corley has served as executive director of the Arkansas State Board of Public Accountancy since 2010. He is a licensed CPA in Arkansas, and holds a bachelor's degree in accounting from the University of Central Arkansas. Mr. Corley began his professional career in public accounting, working for Arthur Andersen and PricewaterhouseCoopers. He also has experience in private industry, working in the telecommunications and staffing industries. Mr. Corley served on the AICPA CPA Exam Practice Analysis Sponsor Group and currently serves as chair of the NASBA Executive Directors' Committee. He is also a member of the AICPA's State Board Committee as well the UCA College of Business Advisory Board.



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John F. Dailey, Jr., CPA, is NASBA's Northeast regional director, chair of NASBA's Relations with Member Boards Committee, the Compliance Assurance Committee and former chair of NASBA's CPE Committee. He is a former member of NASBA's Ethics and Strategic Issues Committee. A member of the New Jersey State Board of Accountancy since 2005, Dailey is the past president of the Board. He is a member of the New Jersey Registered Municipal Accountants Association, the New Jersey Society of CPAs, formerly serving as president, vice president, treasurer and as a member of the Executive Committee and Board of Trustees. In December 2009, Dailey was awarded the NJSCPA's Distinguished Service Award for "Exceeding Expectations and Setting the Standard of Excellence for Others to Follow." Mr. Dailey is a former AICPA Council member and served as a member of the AICPA's Professional Ethics Executive Committee. Mr. Dailey joined Bowman & Company LLP CPAs in 1973 upon earning his B.S. degree in business administration from Villanova University. From July 1984 to June 30, 2016, he was a partner of the firm specializing in audits of governmental entities. From July 1, 1994 to June 30, 2010, Dailey served as chairman of the firm's governmental services and serves as the firm's ethics compliance officer. Mr. Dailey retired as a partner on June 30, 2015, but continues to serve the firm as a consultant.



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Walter C. Davenport, CPA, is NASBA's past chair 2014-2015. Mr. Davenport is chair of NASBA's Nominating Committee, and a member of NASBA's Board of Directors, Diversity Committee and Past Chair Advisory Council. From 2003-2012, Davenport served on NASBA's Board of Directors, as director-at-large and as Middle Atlantic regional director. He is a former chair of NASBA's Administration and Finance Committee, Audit Committee, CPA Licensing Examinations Committee, CPE Advisory Committee, and Strategic Initiatives Committee. Additionally, Davenport is a former member of NASBA's Uniform Accountancy Act Committee, Compliance Assurance, Relations with Member Boards, Meetings and Events, Nominating, and Licensing Requirements Committees, as well as the Standards Study Group. A past president of the North Carolina State Board of CPA Examiners and member of the AICPA Board of Examiners from 1999-2005, Mr. Davenport began his career in public accounting in 1970 with Arthur Andersen & Company in Atlanta, GA. In 1974, he returned to North Carolina to join Nathan Garrett and, in 1998, Garrett & Davenport, P.C., the largest and oldest minority-owned CPA firm in North Carolina, merged into Cherry, Bekaert & Holland. Mr. Davenport retired in April 2008, from Cherry, Bekaert & Holland, where he was an audit partner engaged in financial and business consulting for not-for-profit entities. He was also responsible for firm-wide, not-for-profit operations as director of Cherry, Bekaert & Holland's Not-for-Profit Industry Group. Mr. Davenport is a graduate of Morehouse College with a bachelor of arts degree in business administration.



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Michael A. Decker is vice president of Examinations at the American Institute of CPAs (AICPA). In this role, he is responsible for the architecture, development, production, administration, scoring and maintenance of the Uniform CPA Examination. Mr. Decker leads a team whose mission is to ensure the Examination is valid, reliable and legally defensible for state licensing of U.S. CPAs. Mr. Decker has led the Examinations Team through several pivotal initiatives, including implementation of the 2011 version of the Examination, which resulted in faster score reporting and the ability to test candidates globally. Under his direction, the Examination Team has strengthened the AICPA's technological capability, and supported advancements in research and development. Prior to joining the AICPA in 2008, Decker was vice president, U.S. Program Management and Operations, at Prometric. Earlier in his career, he led strategic development and testing support for healthcare industry clients including the National Board of Medical Examiners and the American Dental Association, and held positions in customer support services, account and project management and software development for clients including VerticalNet, Reed Elsevier and Bell Atlantic. Mr. Decker holds a B.S. in computer science/mathematics from Arcadia University and an M.S. in computer science from Villanova University.



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James R. Doty was appointed by the Securities and Exchange Commission as the chairman of the Public Company Accounting Oversight Board in January 2011. From 1990 to 1992, Doty served as General Counsel of the SEC. In that role, Doty advised the Commission on matters of law and regulatory policy related to the Commission's oversight of U.S. securities markets, including initiatives relating to the integrity of financial reporting and disclosure standards in the context of the globalization of capital markets, enforcement practices and policies in the wake of the savings-and-loan crisis, international technical assistance and coordination efforts, and adoption of the Remedies Act of 1990. Prior to and following his SEC service, Doty was a partner at the law firm of Baker Botts LLP, which he first joined in 1969. At Baker Botts LLP, he practiced securities and corporate law, and counseled boards of directors and audit committees on regulatory and compliance matters, including matters arising under the Sarbanes-Oxley Act of 2002. He also represented the PCAOB in obtaining a successful result in the United States Supreme Court in the landmark challenge to its constitutionality, *Free Enterprise Fund v. PCAOB*. Mr. Doty was presented with a 2011 Statesman Award by the Foreign Policy Association for his commitment to worldwide audit integrity. He earned a B.A. in history from Rice University and was a Rhodes Scholar at Oxford University in England. He also received an M.A. in history from Harvard University before earning an L.L.B. from Yale Law School.



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Daniel Dustin, CPA, joined NASBA on January 1, 2012, as vice president of State Board Relations. In this role, Dustin serves as an advocate for Boards of Accountancy and finds new ways and opportunities to provide support and service to NASBA's member boards. Prior to joining NASBA, he served as executive secretary of the New York State Board for Public Accountancy, an appointment that was made in 1998 by the New York State Board of Regents. As executive secretary, he was responsible for professional licensing, practice and conduct, including professional discipline of Certified Public Accountants and Public Accountants in New York. A key point person in the regulatory process, Dustin monitored the evolution of professional practice at national and state levels, and developed and drafted proposed legislation and amendments to New York State accountancy rules and regulations. He is the 2010 recipient of NASBA's prestigious Lorraine P. Sachs Standard of Excellence Award for distinction in accountancy regulation and public protection, and he is former chair of NASBA's CPA Examination and Administration Committee, Accountancy Licensee Database Task Force and Executive Directors Committee. Mr. Dustin also served as a member of the AICPA's Peer Review Task Force and Board of Examiners, including having chaired the BOE's Operations Committee. Mr. Dustin earned a bachelor of science degree and a master of science degree in accounting from Clarkson University, and became a licensed CPA in 1988.



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W. Michael Fritz, CPA, is NASBA's Great Lakes regional director. Mr. Fritz is chair of NASBA's Regulatory Response Committee and a member of NASBA's Standard-Setting Advisory Committee. He is a former member of NASBA's Ethics & Strategic Issues Committee and NASBA's Global Strategies Committee. Mr. Fritz completed his seven year-term with the Accountancy Board of Ohio in December 2015, and served as Board chair and chair of several committees. He is a member of the AICPA Government Audit Quality Center Executive Board, a past Executive Board member of the Ohio Society of CPAs and presently serves on their Legislative Screening Committee. Mr. Fritz is a partner with Deloitte & Touche LLP, in Columbus, OH, and serves as the industry professional practice director for the state and local government, higher education and not-for-profit industries. With more than 34 years of experience serving clients in an audit and advisory capacity, he has extensive experience in serving higher education, state and local government, manufacturing and consumer products companies. He has also served as lead partner on a number of publicly held entities in Central Ohio. Mr. Fritz received his B.S.B.A. in accounting from Ohio University, magna cum laude.

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Stacey Grooms, Esq., serves as NASBA's manager of Regulatory Affairs. She is a graduate of University of Alabama School of Law. After becoming licensed in Alabama in 1996, she was a plaintiff personal injury litigator in Huntsville, AL. Upon moving to Tennessee, she obtained her Tennessee license and provided general practice services with the firm of Harwell & Plant in Lawrenceburg, TN. In 2002, Grooms moved to the Nashville area, and became a regulatory attorney for the Department of Commerce and Insurance, representing several different boards in the Regulatory Boards Department, including the Tennessee State Board of Accountancy. Ms. Grooms joined NASBA in 2006 as manager of Regulatory Affairs with primary responsibility to conduct research, and follow changes in the statutes and regulations of the Boards of Accountancy. In addition to those duties, she also maintains the information for mobility in *CPAMobility.org* and the Accountancy Licensing Library (ALL), as well as serving as liaison for the Enforcement Resources Committee and coordinating the annual Legal Counsel Conference.



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Roy Hall serves as chief information security officer (CISO) for NASBA. As CISO, Hall is responsible for cybersecurity, IT risk management and compliance. He joined NASBA in 2014. Prior to joining NASBA, Hall provided CISO, audit, ethical hacking and other security consulting services to banks, healthcare, manufacturing and financial institutions. Before starting his own consulting company, Hall held several technical and leadership positions in information technology security, audit and compliance for Fresenius Medical, Renal Care Group, Sprint, USAir and Piedmont Airlines. Hall is frequently invited to speak as an expert in cybersecurity, at public and private speaking events discussing today's most relevant threats. In addition, he also works closely with the local FBI cybersecurity division. Mr. Hall earned his degree in technology from Nashville State Technical College and his B.S. degree from Mid America Nazarene College in Olathe, KS.



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Yvonne L. Hinson, CPA, CGMA, Ph.D., is currently the academic in residence with the AICPA. The academic in residence is a newly created position to foster closer relationships with universities and faculty. Dr. Hinson began her accounting career with Arthur Andersen in Charlotte, NC. After returning to the University of Tennessee to pursue her Ph.D., she accepted a position with Wake Forest University (WFU). During her 18.5-year career at WFU, she served as a faculty member, director of Graduate Studies, director of Accountancy and dean of Charlotte Programs. Dr. Hinson has served as president of the Federation of Schools of Accountancy, chair of the AAA Membership Advisory Committee and served on the AICPA National Business Valuation Committee and Conference Committee. She earned her undergraduate degree in accounting and MBA from the University of North Carolina - Charlotte.



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Sharon A. Jensen, CPA, is NASBA's Central regional director. Ms. Jensen is chair of NASBA's Legislative Support Committee and a member of NASBA's International Qualifications Appraisal Board. She is a former member of NASBA's Global Strategies Committee and the Governance Task Force. Ms. Jensen was appointed to the Minnesota Board of Accountancy in 2011, and currently serves as the Board's vice chair, chair of the Board's Firm Credential and Peer Review Committee, as well as a member of the Complaint Committee. She has served on the Minnesota Society of CPAs' Board of Directors, is a past president of the Wyoming Society of CPAs and previously served on several AICPA committees including the AICPA's Joint Trial Board. Ms. Jensen is a finance and accounting consultant specializing in strategic initiatives, U.S. and international regulatory accounting and reporting, organizational governance and risk management. She has more than 15 years of experience in public accounting as an audit partner and providing consulting services to companies in many industries. Ms. Jensen previously served as chief executive officer for a multinational manufacturing company, leading strategic expansion into Europe and Latin America.



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Wade A. Jewell is the executive director of the Virginia Board of Accountancy. As executive director, Jewell is responsible for providing regulatory enforcement, policy development, and coordination of services to constituents and stakeholders, budgeting, financial and operational management, and leadership to the organization. Mr. Jewell has served Virginia State government since 1988. His early experience includes 15 years with the Department of Corrections (including Financial Systems, Financial Reporting and Budget manager), and shorter financial and operational management stints with the Department of Social Services, the Department of Transportation and J. Sargeant Reynolds Community College. Prior to joining the Board of Accountancy, Jewell spent three and a half years with the State Compensation Board, leaving as the assistant executive secretary with responsibilities for the Budget, Finance, Auditing, Reporting & Policy Sections of the agency. Prior to joining state government, Jewell held numerous positions with Reynolds Metals Company and as controller for Smith-Midland Corporation. He holds a B.S. in business administration (accounting) with honors from the University of Richmond. He is a 2004 graduate of the VDOT Executive Institute, a 2005 graduate of the Commonwealth Management Institute, a 2006 graduate of the Advanced Management Institute and a 2008 graduate of the Virginia Executive Institute



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Carlos E. Johnson, CPA, Ed.D., is a NASBA past chair, having served as NASBA vice chair, director-at-large, and Southwest regional director. Dr. Johnson is chair of NASBA's Leadership Development Group and chair of NASBA's Awards Committee. He is a former chair of NASBA's Uniform Accountancy Act Committee, Nominating Committee, state board Relevance and Effectiveness Committee, Legislative Support Committee, Audit Committee, and Substantial Equivalency Strike Force (Mobility Task Force). Dr. Johnson is a former member of NASBA's Administration and Finance Committee, NASBA's Regulatory Structures Committee and Relations with Member Boards Committee. Dr. Johnson served on the Oklahoma Accountancy Board for 10 years, serving three terms as chair and two terms as vice chair. He has also served in various positions with the American Institute of Certified Public Accountants and the Oklahoma Society of Certified Public Accountants. Dr. Johnson is president of Carlos E. Johnson, CPA, PLLC, having retired from his position as senior investment banker with BOSC, Inc., a subsidiary of BOK Financial Corp. He was a partner with KPMG, LLP, for 24 years, a partner with the firm of Horne & Co. of Ada, OK, and dean of the School of Business of East Central University of Ada, OK. Dr. Johnson earned his master's degree and Ed.D. in accounting and business education from Oklahoma State University's College of Business. Oklahoma State University recently celebrated its 100th anniversary, and Dr. Johnson was honored as one of the Spears School Tributes: 100 for 100, representing a rich history and diversity of experience among those who earned a business degree from OSU.



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John W. Johnson is NASBA's director of Legislative and Governmental Affairs. Prior to joining NASBA, Johnson served as director of Governmental Affairs of the Florida Institute of Certified Public Accountants (FICPA), where he was a registered lobbyist, responsible for the administration of the FICPA's government relations program, which included serving as staff liaison to the Florida State Tax Section, the State Legislative Policy Committee, State and Local Government Section, and the Common Interest Realty Association Section. A graduate of Florida State University, with degrees in accounting and political science, Johnson became involved in government at a young age as an intern for former Florida State Senator Van B. Poole. Upon graduating from FSU, he began his career as an auditor for the Division of Pari-Mutuel Wagering for the Department of Business and Professional Regulation, where he served for 12 years and moved up through the ranks to tax audit supervisor, audit administrator, chief of operations, chief of audit, and, finally, deputy director. In 2002, he became executive director for the Florida Board of Accountancy, and served in that capacity for four years.

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Richard N. Reisig, CPA, is a NASBA director-at-large and former Mountain regional director. He is the chair of NASBA’s CBT Administration Committee and a former member of NASBA’s Relations with Member Boards Committee, NASBA’s Compliance Assurance Committee and CPA Licensing and Examinations Committee. Mr. Reisig was a member of the Montana Board of Public Accountants for over nine years and served two terms as Board chair. He is a past president of the Montana Society of CPA’s, and the recipient of the MSCPA’s George Anderson Distinguished Service Award, its highest honor. Mr. Reisig presently serves on the AICPA’s Auditing Standards Board and the AICPA’s Practice Analysis Sponsor Advisory Group. He is a former member of the AICPA’s Governing Council and the Board of Examiners. He has 34 years of public accounting experience and serves his firm, Anderson ZurMuehlen & Company, P.C., as shareholder and business unit advisor for Attest Services, working out of the Great Falls, MT office. He has a bachelor’s degree in business, accounting option, from Montana State University, and has served on MSU’s College of Business Advisory Council and its Accounting Advisory Council, the Board of Directors for the MSU Alumni Association and MSU Foundation.



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Karl Rove, an iconic political strategist, is best known for his provocative and robust knowledge of the major political issues of the day. Mr. Rove served as senior advisor to President George W. Bush from 2000-2007 and deputy chief of staff from 2004-2007. He is a Fox News contributor, *Wall Street Journal* columnist and *New York Times* best-selling author of *Courage and Consequence: My Life as a Conservative in the Fight*. At the White House, he oversaw the Offices of Strategic Initiatives, Political Affairs, Public Liaison, Intergovernmental Affairs and, as deputy chief of staff for Policy, he coordinated the White House policy-making process. Before Rove became known as “The Architect” of President Bush’s 2000 and 2004 campaigns, he was president of Karl Rove & Company, an Austin-based public affairs firm that worked for Republican candidates, non-partisan causes, and non-profit groups. His clients included over 75 Republican U.S. Senate, Congressional, and gubernatorial candidates in 24 states, as well as the Moderate Party of Sweden. Mr. Rove has taught graduate students at University of Texas-Austin’s Lyndon B. Johnson School of Public Affairs and undergraduates in the joint appointment from the journalism and governmental departments at the university. He was also a faculty member at the Salzburg Seminar. Mr. Rove serves on the UT Chancellor’s Council Executive Committee and on the Board of Trustees for the Texas Parks and Wildlife Foundation, and the Texas State History Museum Foundation.



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Lorraine P. Sachs, CAE, NASBA’s former executive vice president and chief operating officer (1984-2008), was responsible for all of NASBA’s programs and services until her retirement in January 2008. Ms. Sachs spearheaded NASBA’s efforts to transition the paper-based CPA Examination to the computer-based format. Prior to joining NASBA, Sachs was director-test services for the National League for Nursing. Since retiring in 2008, Sachs has been involved in many civic and professional activities, and she is CPA adviser in the Stan Ross Department of Accountancy at Baruch College in New York City. Ms. Sachs has a B.A. from the University of Michigan, received her M.A. from Columbia University, and earned designation as a certified association executive from the American Society of Association Executives.



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Katrina Salazar, CPA, is president of the California Board of Accountancy. Ms. Salazar was appointed to the California Board of Accountancy in December 2012 by Governor Edmund G. Brown, Jr., and served as vice president and secretary/treasurer prior to her election as president in November 2015. She currently serves as the controller for the California Correctional Peace Officers Association. She has also served as the executive director of the Rotary Club of Sacramento, chief financial officer at the Academic Senate for California Community Colleges and the American Red Cross Sacramento Sierra Chapter. Ms. Salazar previously held several positions in public accounting, including senior audit manager for Reznick Group, and has been an adjunct accounting professor for the Los Rios Community College District. Ms. Salazar is a member of the California Society of Certified Public Accountants and the American Institute of Certified Public Accountants.



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AUDITOR SKILLS IN A
CHANGING BUSINESS
WORLD



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FOREWORD

The annual external audit has long been a cornerstone of corporate governance and the operation of equity and debt markets. However, a series of corporate scandals – such as Enron and WorldCom – and the financial crisis of 2007/2008, led some to question whether audit remains fit for purpose in modern society given the increasing complexity of business.

These challenges have led to some significant changes to audit and to the role of audit in the overall corporate governance structure. Recent innovations include the introduction of enhanced audit reports, and also jurisdiction specific innovations, such as, in the UK extended audit committee reports and viability reports – all of which entail heightened auditor involvement.

Furthermore, technological developments, such as robotics process automation, continuous controls monitoring and the use of data analytics techniques, have highlighted that the role of audit, and indeed, how it is undertaken, will continue to evolve. That evolution will be both demand and supply led: demand, as users seek assurance over new types of information; and supply, as audit firms seek to utilise technological advances to increase the effectiveness and efficiency of the audit.

However, whilst there has been extensive focus on how audit should evolve to meet societal expectations, there has not been the same focus on the skills that auditors will need to use the new technology, provide the audit of the future and make the assessments expected of them.

In light of the challenges and opportunities facing the auditing profession, the Financial Reporting Council (FRC) and ICAS

commissioned two pieces of research in 2013 to assess the mix of attributes, competencies, professional skills and qualities that require to be combined in an audit team in order for it to perform a high quality public interest audit in a modern and complex global business environment. The two bodies also established a Steering Committee to oversee these research projects and to produce a report highlighting the implications of the key findings from the research reports.

This report of the FRC/ICAS Steering Committee:

- (i) assesses the findings of the two research teams that were published in April 2016; and
- (ii) builds on those research findings to identify the key themes emerging and to recommend where changes are required to enable the audit to serve the perceived needs of society in the future.

This report will be of interest to anyone who has an interest in audit and indeed corporate reporting. The 2014 EU Audit legislation will undoubtedly have an impact on the audit profession. However, only by keeping pace with market led developments will audit continue to play its key role in the proper functioning of capital markets.

The key themes explored in this report will have far reaching implications for the role of audit and for those who undertake such engagements.

Richard Fleck CBE
Chairman of the joint ICAS/FRC Steering Committee

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EXECUTIVE SUMMARY

We are facing a future characterised by unprecedented organisational and informational complexity across business, with corporate and business reporting evolving rapidly. If audit is to evolve to keep pace with these changes, now is the time to consider what the audit of the future will look like and whether audit teams have the skills that will be needed to deliver a different kind of audit.

There appears to be a clear choice. The statutory audit could be maintained, much as it is now, to provide a basic policing function within the corporate world; or the audit profession could be a driver for change and develop a more insightful audit for a more complex world, and by providing such an audit, auditors could help to meet the evolving needs of stakeholders, including investors, and society.

The Steering Committee believe that, in relation to the audits of large multi-national companies, the latter option is the way forward. However, the profession currently finds itself in a catch-22-like situation. A real opportunity exists for the audit profession to be at the forefront of evolving the audit into a more holistic assessment of a company's strategy, business model, risk profile, operations and performance. However, based on the findings from the research commissioned by ICAS and the FRC, referred to later in this report, it is doubtful whether the profession currently has the skill base necessary to deliver an audit beyond the traditional financial statement audit. It is important to appreciate that the audit skill base needs to be developed at the same time as the audit of the future evolves – however that might be defined. Waiting for the audit to change before developing the skill base will be just too late, given the time-lag involved in recruiting, developing and training staff.

The Steering Committee recognise that changes to audit do have to be demand driven and it is important that stakeholders, in particular, investors are involved in the debate on the future of audit. The audit is already starting to evolve and there is evidence¹ (Forbes Insights, 2014) that the audit of the future will need to provide:

- more transparency into what has been learned during the course of the audit;
- perspectives on key information generated by management; and
- deeper insights on company performance, operations and risks.

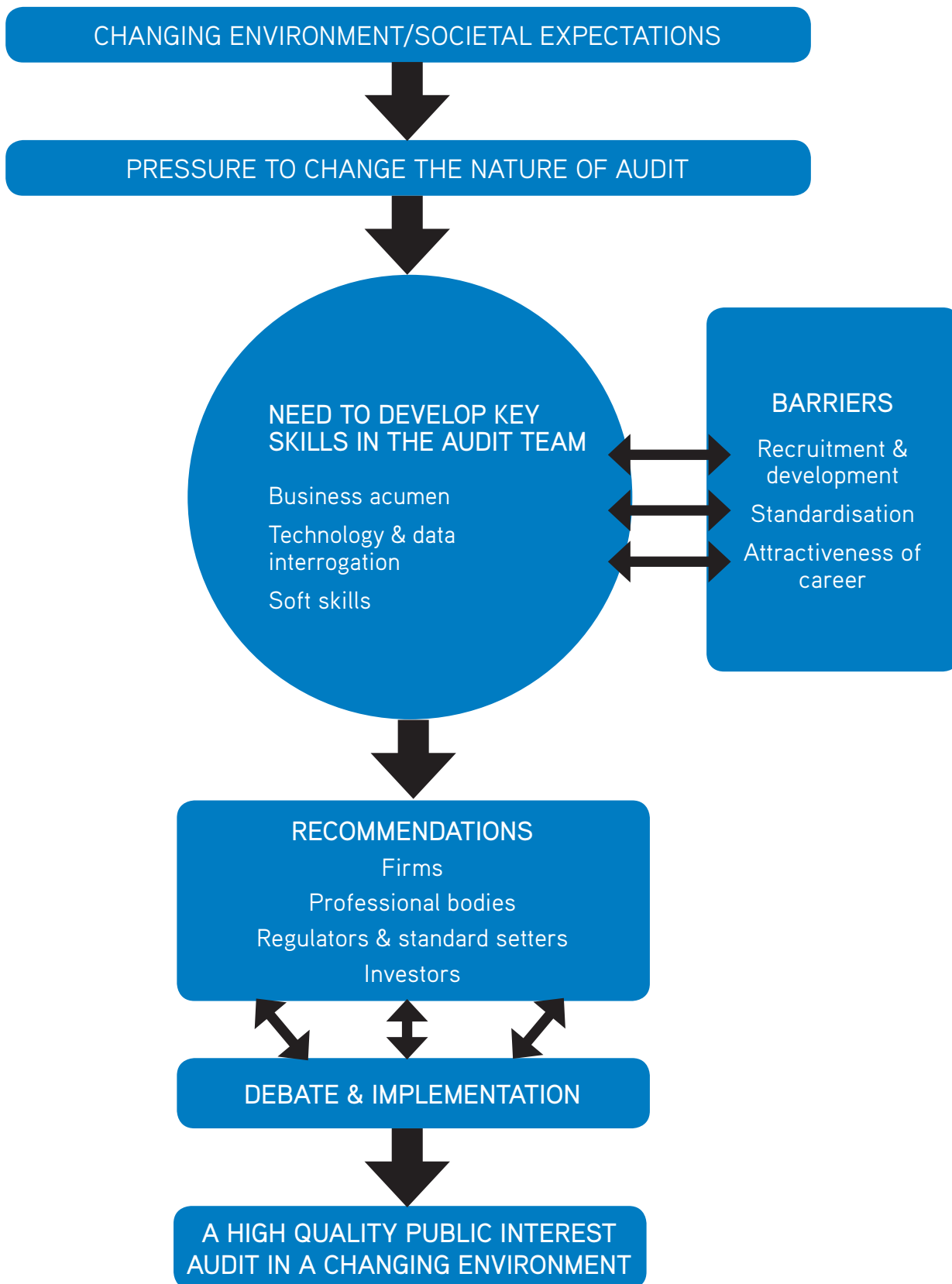
An enhanced audit may also provide a more attractive and compelling audit career path for the profession. In this way, a new, varied and different talent profile may be attracted into the profession to deliver the audit of the future.



This report highlights the Steering Committee's view of what needs to change to bring about this vision. We focus on three main skill areas that need to be developed to equip the audit team of the future to undertake such an audit that is more holistic and useful for stakeholders and society. These are categorised as advanced business acumen skills, technology and data interrogation skills and soft skills. We also identify barriers or current impediments to change which we believe need to be overcome in order for this vision to become a reality, such as the problems of recruiting and developing audit team members, the extent to which standardisation may impair the development of judgement and audit innovation and the perception of audit as a career of choice. We finally conclude with a number of recommendations for all stakeholders to consider. Maybe the most important of these is that all those in the profession need to engage in a meaningful debate on both the future of audit and the resultant skills needed to meet that vision.

We do not claim to have all the answers to the issues raised in this report but hope that this publication and the academic research which it is drawn from, will be a starting point to that constructive debate. The profession needs to develop a vision of the audit of the future and the skill set needed. And it is essential that the profession engages stakeholders in the debate if it is to deliver a high quality public interest audit for the future.

Auditor skills in a changing business world



This figure summarises the content of the Steering Committee report and the process which will need to take place to ensure that the profession can meet the needs of changing stakeholder and societal expectations.

1. INTRODUCTION

In 2013 The Financial Reporting Council (FRC) and The Institute of Chartered Accountants of Scotland (ICAS) jointly commissioned two major research projects² to investigate the competencies and professional skills of auditors of large multi-national companies.

The research teams were asked to address the following key question:

What mix of attributes, competencies, professional skills and qualities need to be combined in an audit team in order for it to perform a high quality public interest audit in a modern and complex global business environment?

The research was commissioned at a crucial time in the evolution of corporate reporting and audit, where public and market confidence in audit was low and a number of regulatory initiatives were being considered by, among others, the FRC, governments, the European Commission, the International Auditing and Assurance Standards Board (IAASB) and the International Accounting Education Standards Board (IAESB) to enhance confidence in the value of audit and to support reform of the audit market.

The research teams were asked to consider whether a fundamental reassessment of the auditor's skills and competencies is required to create an audit team that can enhance confidence and meet the challenges of a changing landscape. In doing so the teams were directed to explore the mix of skills that need to be combined in an audit team for it to perform a high quality public interest audit, and look at associated staffing models and training implications.³

The focus of the research and this report is on the audit of large multi-national companies. The Steering Committee recognise that a changing audit and societal landscape will also have an impact on other audited entities but this is beyond the scope of this report.

The research was undertaken in a number of different jurisdictions, seven countries in total, and the Steering Committee report's findings and recommendations are intended to have international relevance. However, owing to practical reasons, the Steering Committee report draws on the regulatory framework in the UK and the UK response to the questions that were raised about the effectiveness of audit (see chapter two). This is used as the basis for considering how audit skills will further need to evolve. We recognise that other countries will have responded in similar or different ways but are unable to cover all these responses in this report. EU and international regulatory responses are also covered in chapter two.

Throughout this report and in the original call for research reference is made to 'audit quality'. Audit quality is hard to define and measure; but is sometimes described as being dependent on two variables. First, the competence of the auditor

Corporate reporting is changing so as to integrate better narrative and financial reporting. As a result, the nature of audit is changing and auditors need to be more involved in the narrative elements of the annual report.

Against this backdrop, it is also likely that the attributes, competencies, professional skills and qualities required of auditors will need to evolve in order to keep pace with the needs and expectations of stakeholders.

Richard Fleck, Chairman of the joint ICAS/FRC Steering Committee

– for example, the ability to detect a breach in the company's accounting system. Second, the objectivity of the auditor – for example, the willingness to report any identified breach in the company's accounting system.⁴ It is also the case that 'audit quality' means different things to different constituencies. For example, a regulator will primarily focus on compliance with the relevant framework of auditing standards, on the assumption that such compliance will result in a high quality audit, whilst investors are likely to be concerned more with the reliability of the auditor's opinion and the likelihood that where the financial statements contain material errors that the auditor will discover and report them. Another way of looking at audit quality is to frame it in the context of behavioural attributes and professional competencies, skills and qualities – such as scepticism, professional judgement, industry expertise, and business acumen – all of which have a direct impact on audit quality.

The research projects were overseen by a Steering Committee that combined experienced individuals from the professional accountancy firms, industry, the profession and academia. Richard Fleck chaired the Committee.

This report brings together the key findings from both research reports, and takes forward the issues that the Steering Committee believe are crucial if audit is to meet the changing needs of all stakeholders.

The report is structured as follows:

- chapter two provides context for the research and explores the changing societal and audit landscape, which demonstrates the need for audit and auditors' skills to evolve;
- chapter three identifies the key themes, based on the research and the changing landscape, which the Steering Committee believe need to be addressed.
- the report concludes with the recommendations of the Steering Committee and suggested next steps to take forward the debate.
- appendix A provides a brief summary of the research undertaken and the findings and implications thereof; the full reports can be accessed on the ICAS and FRC websites.⁵

2. THE CONTEXT FOR THE RESEARCH

The Steering Committee believe that the audit profession is facing a future characterised by unprecedented organisational and informational complexity across business, and the audit process will be at risk if it fails to respond appropriately to this complexity. Against this background, it is quite possible that the statutory audit could be maintained much as it is now to provide a basic policing function within the corporate world, or the profession could be a driver for change and provide a more insightful audit that would help to meet the changing needs of stakeholders and society. It is within this context that the two research projects were commissioned.

It is important to put the question of audit skills in the context of a changing societal and audit landscape. The value of audit has been questioned post the financial crisis and stakeholders have expressed real concerns about the quality of audit, the value gained from audit and the ability of auditors to be adequately sceptical given the complexity of the transactions and evidence to be assessed. Auditors have a role in society to help meet the needs of investors for reliable information on corporate governance and financial performance so as to facilitate the flow of capital – yet we are living in times when the audit assesses and reports on a system of business and finance that no longer enjoys broad social confidence.

If audit is to meet the expectations of business and other stakeholders and deliver on its public interest role it surely must change. Whilst it is not the purpose of this report to address what ‘audit’ in the future will look like – it is important that there is an awareness of the future direction of travel of audit, if firms and audit teams are going to develop so as to be able to meet future challenges.

This section of the report therefore looks at some of the questions which have been raised about the effectiveness of audit, the regulatory response to date, market led developments, stakeholder demand for increased transparency and the implications of these changes.

Questions about the effectiveness of audit

Following the financial crisis there have been many evaluations of the role of audit by various bodies around the globe. One such review was undertaken by the Treasury Select Committee as part of its inquiry into the banking crisis in the UK. In its report of May 2009⁶ it stated:

We have received very little evidence that auditors failed to fulfil their duties as currently stipulated. The fact that some banks failed soon after receiving unqualified audits does not necessarily mean that these audits were deficient. But the fact that the audit process failed to highlight developing problems in the banking sector does cause us to question exactly how useful audit currently is. We are perturbed that the process results in ‘tunnel

vision’, where the big picture that shareholders want to see is lost in a sea of detail and regulatory disclosures. (para 221, Treasury Select Committee, 2009)

Likewise, in its Green Paper on audit policy⁷, published in October 2010, the European Commission (EC) stated:

While the role played by banks, hedge funds, rating agencies, supervisors or central banks has been questioned and analysed in depth in many instances, limited attention has been given so far to how the audit function could be enhanced in order to contribute to increased financial stability. The fact that numerous banks revealed huge losses from 2007 to 2009 on the positions they had held both on and off balance sheet raises not only the question of how auditors could give clean audit reports to their clients for those periods but also about the suitability and adequacy of the current legislative framework. It seems thus appropriate that both the role of the audit as well as the scope of audit are further discussed and scrutinised in the general context of financial market regulatory reform. (pg. 3, European Commission, 2010)

The EC also commented that:

Extension of the auditor’s mandate

The focus of audits so far to a large extent has been based on historical information. It is important to consider the extent to which auditors should be assessing forward looking information provided by the company, and given their privileged access to key information, the extent to which auditors should themselves provide an economic and financial outlook of the company. The latter would be particularly pertinent within the context of ‘going concern’. Forward looking analysis, at least for large listed companies, has so far been covered by equity analysts and credit rating agencies. The role of the auditor should thus be extended in this direction only if there is real value added to the stakeholders. (pg. 9, European Commission, 2010)

The regulatory response

The EC Green Paper was the starting point for the development of new audit legislation in the EU in the form of an EU Directive (Directive 2014/56/EU) and an EU Regulation (Regulation 537/2014) which were entered into the EU Official Journal in May 2014.⁸ These reforms are being implemented by the various EU member states, including the UK, and take effect for periods beginning on or after 17 June 2016.

The introduction of mandatory tendering of audits and mandatory rotation of audit firms for public interest entities has led to firms competing on audit quality and innovation to win tenders by increasing audit efficiency and effectiveness and through the novel utilisation of technology within the audit. The implementation of the EU Audit Regulation will require audits to be tendered in the UK at least every ten years with the maximum consecutive duration of an audit firm tenure being twenty years. In the UK this has been coupled with revisions to the UK Corporate Governance Code⁹ and the Order issued by the Competition and Markets Authority (CMA)¹⁰, which have significantly increased the frequency at which the audits of large entities are put out to tender. This has led to considerable pressures on audit partners to win new audits and also, at least in the shorter term, to seek to retain existing audit clients.

Other regulatory measures in the UK have been introduced, not via legislation, but by the FRC making changes to standards and guidance. One such FRC innovation relates to the reports issued by auditors. The FRC revised its International Standard on Auditing (ISA) 700 (UK and Ireland)¹¹ to require auditors to provide shareholders with greater insight into the key risks that they had identified in the audit and how they had gained sufficient evidence to mitigate those particular risks. The FRC has published separate analysis of the first two years of implementation of this revised standard¹², which illustrates the innovation that has taken place within the profession. The International Audit and Assurance Standards Board (IAASB) has also now issued its revised ISA 700¹³ which has adopted a similar approach, although unlike the FRC it has not required auditors to disclose the level of materiality adopted.

There has also been recognition of the importance of the narrative component (the 'front-half') of annual reports if companies are to provide a more cohesive and holistic explanation of their performance and their business model. The UK Government introduced the strategic report requirements¹⁴, which has led to a more cohesive story between the front-half and back-half of the annual report. The FRC subsequently introduced requirements for boards to include a 'viability statement' in the strategic report¹⁵, this aims to provide an improved and broader assessment of long-term solvency and liquidity than the traditional going-concern requirements.

The FRC also introduced a provision in the UK Corporate Governance Code for annual reports to be 'fair, balanced and understandable'.¹⁶ Whilst this responsibility falls upon the directors of a company, auditors are now requested to report by exception where they believe the annual report prepared by a company's directors is not fair, balanced and understandable. This has led some within the profession to debate the exact nature of the assurance being provided, particularly in relation to the front-half of the annual report. Some experts believe that auditors are now providing negative assurance on such matters; whilst others would argue that the nature of the assurance being provided is outwith the International Auditing and Assurance Standards Setting Board's assurance framework.¹⁷ There is little doubt that what is required of auditors is more than the previous consistency check between the narrative information and that featured in the financial statements.

The EU, in their 2014 revision (Directive 2014/56/EU) of Directive 2006/43/EC on statutory audits, has made no material change to the requirements for skills, knowledge and values either in the initial or continuing professional development area. The basic statutory requirement originating in the 1984 EU Directive and enacted in the UK originally in the Companies Act 1989 have changed little over the past 30 years. Audit is evolving but the qualification requirements in statute are not.

The IAESB¹⁸ issued in 2008 International Education Standard 8 (IES8) - Competence Requirements for Audit Professionals. This has been significantly revised by a replacement IES8 - Professional Competence for Engagement Partners Responsible for Audits of Financial Statements - which is effective from 1 July 2016. Both the original IES8 and the revised IES8 set skills and knowledge requirements for audit professionals yet the effect, currency and recognition of this private sector self-regulation is open to question. Auditing firms are not bound by the International Education Standards (IES), the IES are not referenced in legislation in Europe and both regulators and professional bodies are, at best, ambivalent about application of IES8.

Market-led developments

As well as regulatory changes that have impacted on the role of the auditor there have also been market led developments in other fields in which the auditing profession has a keen interest. For example, in the environmental, social and governance field, such as the area of natural capital, it is highly likely that some form of assurance will be sought over such information within corporate reports in the future.¹⁹ The introduction of integrated reporting, which is mandatory in South Africa and Brazil, and the work of the International Integrated Reporting Council (IIRC)²⁰ has also led to discussion on the role of the auditor.

As a result, auditors are breaking new ground and will be issuing assurance opinions over different types of information from that with which they have normally been associated in the past, including key elements of the 'front-half' of the annual report, corporate social responsibility (CSR) reports and other corporate information. Much of this information will be more subjective in nature than that featured in a traditional financial statements' audit, requiring auditors to exercise more judgement and business knowledge. That said, some would argue that considerable subjectivity is also present in various areas of the financial statements of a multi-national enterprise, for example, the valuation of certain financial instruments, goodwill impairment assessments etc.

Stakeholder demand for increased transparency

Auditors have a societal role and audit is a service that can provide formal structure to the environment of trust that business and society need to operate within. However, trust in the audit and in auditors was dented as a consequence of the financial crisis, although recent evidence suggests that this has recovered.²¹ In addition, audit is a 'black-box' process which is largely invisible to those who rely on it, making it difficult for stakeholders to properly understand or trust the audit

process. We therefore need to explore the ways in which audit can demonstrate its value and contribute to a more trust-rich society.

Until very recently the actual output from the audit, i.e. the auditor's report, had not changed significantly since its introduction. Auditors were effectively required merely to issue a binary opinion as to whether the financial statements of an entity showed a true and fair view of its financial performance and financial position. The recent revisions to audit reports, referred to above, have changed how the significant findings of the audit are reported and provide more useful information for users in the audit reports.

These developments have been driven by regulators responding to stakeholder demands for there to be greater insight into the audit process. Stakeholders want increased transparency from auditors; they want more information about the risks being faced by the business, how those risks are managed and the key judgements in the financial statements. Therefore, more light is now being shone on the work that the auditor undertakes behind closed doors before reaching their opinion. This increased transparency is likely to be a continuing theme as stakeholders will want even more information in relation to the key judgements that have been made in the preparation of the financial statements. For example, in the case of goodwill impairment testing, the auditor currently provides details of the work they undertook in relation to forming their judgement on impairment and how they satisfied themselves that the company's provision is within an acceptable range. Going forward, however, it is likely that there will be a need for the auditor to state what he believes the acceptable range to be. The sensitivity of information is likely to become accepted as something that requires to be disclosed to better inform users. The audit profession surely has a role to play in informing stakeholders about the role of audit and what it can and cannot deliver.

What will the future hold?

It is clear, therefore, that the nature of audit has already begun to evolve more rapidly than has previously been the case and this process is likely to continue. In the future it is likely that auditors will provide more assurance on the annual report as a whole, particularly the narrative sections, than is currently provided. It is also likely that other information that is provided to the market will require assurance, and that assurance will be provided in areas involving considerable uncertainty and subjectivity. Although it is not yet clear what experience and expertise will be involved in providing such additional assurance, audit firms will want to provide these services. The developments in audit since the crisis and the likely changes in the future all point to a move away from 'just' auditing the financial statements to a more risk and judgement based assessment upon a business. Whilst technology will have a part to play in this process, it is important to remember that technological solutions often tend to forget about the importance and role of people. In this respect, enhanced assurance is likely to require considerable professional judgement.

Whilst the creation of new potential income streams will be viewed as an undoubted opportunity for the profession, questions will be raised as to the readiness of the profession to meet the assurance expectations of stakeholders. Indeed, there may be more stakeholders with an interest in reports on matters such as the use of natural capital than there are in relation to financial statement audits. Do audit firms have the breadth of skills required to meet the challenges that are beginning to emerge today and will continue to emerge in the years ahead? If not, how will they bring in the necessary experience and skills?

How will audit evolve in the future? Will we move to real time continuous audit – continual monitoring of controls and assurance at any point in time and more focus on real-time assurance on communications to the market place, rather than just corroborative assurance over historical financial information? Or will we be auditing the culture of an entity? Whilst this appears a long way from the traditional audit, an assessment of an entity's culture is important in any audit risk assessment. The FRC's current 'Culture Project'²² already includes a workstream 'embedding and assurance' which is looking at measuring and monitoring culture, the role of internal audit, risk management and public reporting of cultural indicators. A 2014 Forbes Insights report, which was commissioned by the Global Public Policy Committee (GPPC) of the largest six accountancy firms, and based on engagement with hundreds of stakeholders worldwide, suggested that audit needed to evolve to provide:

- more transparency into what has been learned during the course of the audit;
- perspectives on key information generated by management; and
- deeper insights on company performance, operations and risks. [Forbes Insights, 2014²³]

The Forbes' study purposely did not address implementation challenges. This Steering Committee report therefore takes the debate further by covering some of the implementation challenges relating to the composition and skills of the future audit team.

In summary, there are a number of changes that have and indeed are taking place in business and in society that will continue to impact on the role of the auditor. The Steering Committee believe that these developments will require a change in the skills required of tomorrow's auditor. It is within this changing context that the research was commissioned and undertaken. Appendix A provides a short summary of the research findings of the two research projects⁵ that were commissioned to consider the professional competencies and skills needed by audit teams to deliver a high-quality audit today and in the future. The next chapter looks at the key themes which the Steering Committee believe have emerged from the two research studies and seeks to provide suggestions as to how the role of the auditor, the assurance services to be provided and the related skill sets are set to develop.

3. KEY THEMES

In this chapter of the report the Steering Committee assess the skill set that is currently required of a competent auditor and contrasts that with the skill set that would put that auditor into a much stronger position to deal with the changing expectations of an auditor in a fast developing business/societal environment. The barriers to change are then discussed before concluding with questions which need to be debated and addressed in order to achieve the audit skill set necessary for the future.

The chapter draws upon and highlights its acceptance of the findings from the research commissioned by ICAS/FRC, which are summarised in appendix A of this report. The Committee's assessment is based on both the full research reports and the collective knowledge and experience of the members of the Steering Committee.

The changing nature of audit - a future skills crisis?

The research undertaken by the research teams confirms that audit teams have the skill sets to meet today's requirements. However, as discussed in chapter two, demands on corporate reporting and auditing are changing and the financial crisis brought increased challenge to the role of reporting and auditing. Many have criticised the audit profession for failing to 'see the train coming down the line' and, whilst it is questionable as to whether this was due purely to a skills shortage in the auditing profession, the crisis and the subsequent investigations and debate have changed expectations.

The concerns that the Steering Committee has as to the skill set that the audit profession requires are borne out by the research which suggests that – whilst there is a general satisfaction with auditors' current capabilities – there is a concern about a skills shortage in the future, especially if the scope of audit is to widen.²⁴ Whilst auditors will continue to be required to provide assurance on historical financial data, this may be a subset of what will be expected of them in the future. It is likely that the range of the information that will be subject to audit or assurance will expand. In particular, there will be a focus on more forward-looking and narrative information within the annual report and also to new types of assurance on issues such as corporate culture, natural capital, social and environmental issues. Indeed, some of this is already happening.²⁵

The revised International Education Standards issued by the IAESB (IES2-6) effective from July 2015, set requirements in the areas of professional scepticism and professional judgement, softer skills, data analysis and business strategy at the point of initial qualification. The revised IES8, effective from July 2016, applied these requirements specifically to the role of the audit engagement partner. Whilst there is currently little evidence of the effect of these changes, the Steering Committee consider that a plan for gathering such evidence should be established and that the full suite of International Education Standards (1-8) be reappraised in light of the findings of this research.

These changes in audit have implications for the required skill set of auditors and these are explored in the following section.

Key skills required

If audit teams are to be equipped to meet the challenges of today and tomorrow, the Steering Committee has concluded that auditors will need to enhance the following key skills:

- i. business acumen;
- ii. technology and data interrogation; and
- iii. soft skills.

The research reports, particularly the Barac *et al.* report, identify a large number of skills and competencies required of auditors today and in the future. The Steering Committee recognise the extensive and broad base of skills required of auditors and rather than repeat the research findings here we focus on these three key areas which the Committee believe require specific attention.

Business acumen

Both research projects identify business acumen as a key skill. However, it appears that the development of business acumen requires greater focus than it currently receives within the firms, especially at the entry and lower levels of the profession. Put simply, if an auditor does not understand the dynamics of the business, that auditor cannot audit or challenge it effectively – because he or she will not have the necessary understanding to assess any information or explanations that may be provided.

The auditing standards require the auditor of an entity to have an adequate understanding of that entity's business, and its industry. In order to have that adequate understanding, the Steering Committee believe that there needs to be much more emphasis within the audit firms on ensuring that members of audit teams better understand the businesses they audit and the drivers of value within their industries.

Business and commercial acumen is also perceived to be essential as the scope of audit increases, in response to stakeholders' expectations, to cover more of the narrative or 'front-half' of the annual report or wider company information. Such acumen is essential if the risks to the business and thus the audit are to be identified. As financial statements have become more complicated, the auditor has a role to play in helping users interpret information. This is seen in the extended audit report, introduced by the FRC in the UK, and also more recently by the IAASB. In this more detailed report, the auditor takes time to draw to the users' attention and to help them understand, not just the technical issues, but the business implications and key risks that might impact on the financial statements. In addition, the key judgements and their impact on the financial statements are now highlighted by the company and the auditor is expected to be able to report by exception on whether the annual report is fair, balanced and understandable.

Given that both research reports demonstrate that business acumen is an essential skill, the challenge is to enable auditors to acquire this skill set, especially at the trainee and early career stage. It would not be realistic to expect that the auditor should have more business specific knowledge than those running the business. However, new methods of increasing business knowledge within audit teams need to be adopted. This may be achieved through training, particularly ‘on the job training’ with a focus on understanding business models. Audit firms may also obtain the necessary knowledge and experience by employing people from business or facilitating secondments from practice to business. The Steering Committee concur with the recommendation of the Barac *et al.* research team that audit teams of the future should include industry specialists who receive appropriate training in audit to make them effective members of an audit team. Furthermore, as well as developing business acumen in audit teams, there may also be a case for increased dialogue between institutional investors and audit firms to better understand the information needs of investors.

The Steering Committee believe that the experience gained from undertaking other types of accounting services such as due diligence and forensic services helps staff to develop more business acumen and enhance their audit skills. Whilst auditors used to be able to obtain this type of experience, there is a perception that this is no longer the case. Enhanced ethical and independence standards now reduce or prevent audit firms from accepting such engagements for audit clients, although such engagements are undertaken by the firms for non-audit clients. However, these assignments are largely undertaken by corporate finance teams, thus audit team members do not gain the valuable experience from undertaking such assignments.

Technology and data interrogation

The technological landscape is changing fundamentally and this requires a fundamental rethink on how we plan and conduct an audit. Does the profession currently have the skill set to do this?

Advances in technology provide opportunities for improving audit quality. The Steering Committee believe that the key question is how firms can audit big data most effectively and efficiently in the future in order to provide a more insightful audit. Do the firms have the skills and technology to do so and do we have the auditing standards that enable such innovation. At the moment there appears to be a disconnect between the firms’ approach to auditing big data using data analytics and auditing standards. The implication of this for auditing standards is discussed later in this chapter.

The Steering Committee welcome the fact that the larger firms are making substantial investments in data analytics. Data analytics enable audit teams to interrogate entire populations of data, rather than relying on results of sampling a small part of the data available. This resource should enable companies and their auditors to identify inconsistencies in business activity – often an indicator of impending business problems and fraud and offers the opportunity for significant improvements in audit effectiveness and efficiency. The use of data analytics requires significant specialist expertise, for example to identify

the objective and data requirements of the analysis, to apply the necessary technology to capture the data, and finally to organise the data in a meaningful way so that the results of the analysis can be interpreted appropriately in order to provide relevant audit evidence.

There is no doubt that the firms have individuals and specialists with extensive technology skills. However, to be able to make use of that expertise, the audit teams need to have the knowledge and experience to identify when to commission these services, to know what questions to ask the internal specialists, and to know how to decipher the answers they get back. The Steering Committee question whether audit teams generally have the necessary experience to make use of internal specialists to make effective use of technology, to mitigate the risks that such technology poses and the ability to interrogate and interpret data.

There is also the opportunity for firms to deploy in their audits some of the analytical tools used in their advisory businesses, such as fraud analytics tools, to provide some of the greater insights which are being demanded by stakeholders.¹

Advances in technology also pose new challenges and risks both for businesses and their auditors. These new challenges include auditing in an environment of robotics process automation and continuous controls monitoring, and these new risks include issues such as cyber security and reputational risk. Against this background, the question is whether auditors have the requisite skills to recognise and analyse the risks that ever advancing technology poses to the companies they are auditing and the ways in which technology risks can turn into major business risks for the client.

On a more positive note the advances in audit technology, whilst requiring new skills, may also offer an opportunity to reduce the time spent by staff on ‘routine’ audit tasks, enabling them to spend more time analysing evidence, following up anomalies, and exercising professional judgement (with the benefit of their greater understanding of the business) – the value added elements of the audit process.

Soft skills

The ability to apply professional judgement and exercise professional scepticism are pre-requisites for audit quality. Whilst not new skills, the auditor will be expected to exercise judgement over a much greater range of professional issues and the Steering Committee question whether professional judgement receives sufficient ranking in firms’ development and performance measurement procedures.

Applying professional judgement is not easy and it is a skill that takes time to be developed and needs appropriate mentoring and coaching. The ICAS Professional Judgement Framework first published in 2012 and updated in 2016 aims to support professionals in making a judgement and can also be used as a training resource.²⁶

There is a perception, identified in the Turley *et al.* research, of 'auditors being stuck in a room' somewhere and not spending sufficient time 'face-to-face' with client staff. Yet challenging management requires the auditor 'to be able to read the person across the room'. The remoteness of audit teams from the client and the client's staff means that this skill is potentially not as developed as it should be. If auditors had more engagement with the client, they would surely understand the business better and the thoughts and motives of the client staff. Auditors are also increasingly required to consider and assess the ethical and cultural make up of boards, management and organisations and the resultant impact on risk. Audit teams are also required to have a greater understanding of different international cultures on a multi-national audit.

To exercise professional judgement and professional scepticism more effectively, the Steering Committee believe that much greater emphasis should be given to the development of the psychological and behavioural skills that are key to successful auditing. These skills are essential to the auditor's assessment of management, its integrity and reliability, and board culture. Whilst the ability to apply judgement and scepticism is gained through experience, training auditors in how to evaluate corporate culture, behaviours and conscious and unconscious bias would help with the development of these skills.

If the audit profession is to earn respect and deliver its role in society, the profession and the individuals within it must act ethically and with integrity, and importantly must be seen to do so. The Steering Committee believe that giving audit professionals appropriate training in ethics and a supportive environment is key if individually they are to learn how to challenge judgements and be able to stand up for their views.²⁷

To some, these issues are ones which have all been discussed before and are nothing new. The ICAS motto *Quaere Verum* meaning 'seek the truth' and the Latin for 'audit' comes from 'to hear' – demonstrates that such skills have always been required in the profession. However, the context in which audit is undertaken and the complexity of modern business have changed - so the time is right to find a modern day solution.

Barriers to change

The current environment is not necessarily conducive to the changes required and a number of barriers or impediments to change do exist. So if audit teams and skills are to change to ensure the viability of a high-quality audit what barriers to change need to be overcome?

The Steering Committee has identified the following main barriers to change:

- i. recruitment and development issues;
- ii. the implications of standardisation; and
- iii. the lack of attractiveness of a career in audit.

Recruitment and development

In an audit requiring more and more sophisticated judgements, who will have the experience and expertise to make these judgements? Junior staff cannot be expected to have the requisite skills for these judgements. If they are not exposed to the audit decision makers and the processes for making these judgements, they will not develop the skills necessary to make these types of decisions in the future. The firms' current pyramid training model does not appear conducive to the development of staff with the appropriate business knowledge and skills required for the future. The traditional pyramid model in accounting firms refers to a business model where high numbers of trainees are recruited to undertake accountancy training, with large numbers then leaving upon qualification and only a minority staying to progress to more senior levels within the firm.

The profession competes in the market place for student intake from prestigious universities. However, there is a view that whilst high quality talent is being recruited, some of the initiative and enthusiasm is driven out of the trainees by the time they qualify, due to the routine nature of the work they undertake. Others believe that the current recruitment process does not obtain the 'right' talent. New initiatives in the UK include recruiting school leavers in addition to the traditional university graduates and removal, in some cases, of the academic requirements.²⁸ Diversity is required within the profession if we are to bring in people who are willing and able to challenge the 'emperor's new clothes'. A third view arises from the fact that, whilst you can teach the technical and accounting elements, it is more difficult to teach someone to develop an enquiring mind – and there is concern that the recruitment process focuses on whether the candidate is likely to pass their professional exams, without equivalent focus being given to the personal characteristics of the individual and whether they are suited to one of the many disciplines that firms now undertake, including audit.

The Steering Committee believe that audit recruitment processes need to recognise that the required skill set for auditors has changed. These skills are identified in the research (see appendix A) and are discussed further on pages 9 to 11 of this report. In particular, the Steering Committee believe that the profession needs to recruit for the audit practice individuals who have a questioning mind. However, this is challenging. Audit has become a smaller proportion of fee revenues for the firms and, as a result, a more client focused attitude has prevailed. Yet the 'personality' needed for audit may not be the same as for the more client focused service lines within the firm. How will the person who is keen to find problems, i.e. 'look for trouble', and have the courage to escalate issues be identified and recruited? And most importantly how will these individuals be retained within audit after completion of their qualification?

The research reports identify the need for multi-disciplinary teams with individuals with specific specialisms, for example geologists, engineers etc., being brought together on audit teams. Whilst to some degree this is already taking place, the integration and functioning of these teams and the impact on

how and who the firms recruit, and on the traditional pyramid model, needs further consideration. As discussed previously, there is also a need to consider how such specialists should be trained and/or qualified in audit to make them more effective members of the audit team. The dynamics of any team are crucial, yet not easy to manage, especially if individuals are coming to the team with different backgrounds and specialisms. Firm and audit team culture are therefore an important issue. Having a team that enables the development of less experienced staff and gives individuals the courage to ask the 'stupid question' is essential if skills are to be developed at the same time as the delivery of a high-quality audit. There has to be scope for staff to have access to 'on the job' training, which will cover aspects such as knowledge of the business, communication skills and professional scepticism.

Both research reports reveal that at least some now believe that the audit firms' pyramid model, with its associated high staff turnover, will need to evolve. In fact, its shape is already starting to change. The model is dependent upon people leaving the firm. But there is a concern that the firms are losing the 'wrong' people from audit - with the best leaving to pursue a career outwith the firms or in another service line. In addition, the recruitment of more specialists is likely to have an impact on this model. A change to this model, with a higher ratio of senior to junior staff and the recruitment of specialists, could lead to an improvement of the knowledge of business as a result of more senior and thus experienced staff being involved in an audit. This would also provide an opportunity for more mentoring of junior staff - which would, in turn, provide an opportunity to educate junior staff in handling the difficult judgemental areas and in business acumen etc. This however may have implications for the pricing of audit services and the economies of engagement, and may impact on the ability to build a strong development 'pipeline'.

For all these reasons, the Steering Committee believe that firms should review how they recruit, develop and retain talented individuals to provide the skill needs identified in this report.

Standardisation

The research reports demonstrate the importance of auditors being able to apply professional judgement and appropriate scepticism to ensure the delivery of a high-quality audit. As demonstrated in chapter two of this report, it is likely that enhanced levels of professional judgement will be required in the future if the profession is to be able to meet demands from society for further or broader assurance in the future.

Despite the existence of different recruitment and qualification models operating around the world, not one model appears to produce an obviously different outcome in terms of audit quality. So, if the profession is recruiting the best talent with the appropriate individual skills, is there something in the way in which the profession currently operates which prevents the quality of individual judgement and scepticism and challenge coming through?

The research identifies a concern that the current levels of global standardisation, where an auditor needs to follow a firm's methodology through its audit software, may inhibit the exercise of professional judgement and therefore audit quality. Audit firm methodologies, regulation and international auditing standards are all interlinked and may all contribute to this problem. For example, it is argued by some on the Steering Committee that regulatory inspections impact on firm methodologies resulting in a documentation rather than a judgement focus. The Steering Committee is concerned that the current regulatory approach and firm methodologies, although focused on increasing quality, may instead be driving out judgement and affecting recruitment and retention of quality people within the audit function. The Steering Committee believe that this may be an area that the firms and audit regulators should consider collectively in order to see, first, whether there is indeed an issue and, second, if there is that a solution might be found.

Audit firms establish global audit methodologies for very good reasons - to ensure compliance with standards, for regulation purposes, for consistency and uniformity across the globe, to facilitate staff mobility, to ensure appropriate levels of quality control and to mitigate risk. However, does the existence of such methodologies create a lack of space for auditors, in the first instance, to develop and ultimately exert professional judgement and scepticism? The Steering Committee is concerned that any potential enhanced quality from recruiting and training the best individuals may get subordinated to the requirements of firm's methodologies which in turn may constrain individual judgement and restrict innovation and potentially inhibit issues being elevated within the firm. Audit methodologies and standardisation in general may, therefore, present an evolving threat to the profession.

The research highlights that a common feature of highly regulated modern audits is that different parts of the audit are being undertaken by different members of the team, with different mind-sets²⁹ - junior members of the team focussing on ensuring compliance with the auditing standards and undertaking mechanistic tasks, whilst senior members of the team apply judgement to enable the expression of the auditor's opinion. If trainee staff are only involved in the 'compliance or more mechanistic part of audit', how can they develop the necessary judgemental skills required if they are to stay within audit and progress to more senior levels. It is also worth noting that even junior members of an audit team need judgement skills so that they know when to escalate issues to more senior members of the team. Also, the resultant reputation of auditors as 'box tickers' does nothing to encourage recruitment and retention of quality staff.

Do we currently have the international auditing standards which enable innovative use of technology in the modern audit, for example the use of data analytics? It is not realistic to expect auditing standards to always keep pace with developments in practice and particularly technological developments - not least because actual experience is necessary to inform the limitations and risks involved in using new technologies and so inform the development of the standards. Whilst the auditing

standards do not prevent firms from using data analytics in their audit, there is currently some duplication of effort as despite testing of an entire population of data, the standards still require further testing in order to ensure compliance with the specific requirements of the standards. Thus for firms to be able to take advantage of data analytics in their audits and dispense with other testing, some commentators have argued that international auditing standards and the approach of regulators would need to be updated to reflect this innovation in audit evidence.

The Steering Committee is concerned that technology will increasingly introduce a disconnect between the way in which audit has been traditionally done and the way in which the audit objective could be achieved in the future. So unless the standards catch up and there is a transition in methodologies, there may be an inevitable duplication of effort in audit procedures. Whilst as explained above this is currently an issue in relation to the use of data analytics, this issue will continue to arise with future technological advances. This is clearly a matter that needs to be debated by regulators and practitioners.

However, the Steering Committee believe that if a closer adherence to a more principles or objectives-based approach was adopted, then auditors could use their judgement on how best to meet the core principles of an auditing standard and thus advances and practices, such as data analytics, which could improve the quality of an audit, could be adopted without requiring changes to the auditing standards. In this case, an auditor would (and should) be judged by whether the objective of the standard was achieved – and not by whether every step in the process set out in the standard has been observed. If auditing standards do not develop in this way, they will continue to be outpaced by technology and will hold back opportunities to enhance the effectiveness and efficiency of the audit process.

Auditing - an attractive career choice?

Audit quality relies on quality people delivering the audit. The key is both to attract and to retain quality people within the audit profession. So how can the audit profession attract and retain the next generation?

In the past a professional accountancy qualification has perhaps been seen as a route to a 'good career', with good prospects and good earnings potential. And there is a perception that audit, rather than having its pick of talent from the profession, is the place where people who do not find jobs elsewhere in the profession are left. Yet those in audit are dealing with complex clients, meeting and dealing with a large variety of people, assessing risks, making significant judgements and assisting their clients and the wider economy, and gaining valuable experience of a variety of different businesses. The profession should emphasise the wider societal contribution that audit makes, as well as the value to business and investors.

The Steering Committee believe that the profession needs to take this opportunity to reposition audit to the next generation by demonstrating the role which audit plays in society and changing the perception of the accountancy profession in general and

of audit in particular. Collectively the profession needs to 'sell' the story and demonstrate that the audit profession can be an exciting and fulfilling career choice. In essence, therefore, audit should be promoted as a key specialism, involving intellectual rigour, and requiring specialist skills in the same way as other service lines, such as tax and corporate finance. There is an opportunity to promote the fact that 'to cut it in the audit world, one will need to be a quality operator'. This promotion needs to be targeted at those already training within the firms and to those considering a career in business or the profession. The 'audit professional role' needs to be respected by others within the firm as well as by external parties if it is to attract the best talent.

Another issue which came through the research which affects the retention of quality staff within the audit function, is the extent to which audit is now seen as a regulatory compliance function. There is a perception amongst the Steering Committee that regulation can often be directed at finding where people have done things wrong and punishing them - rather than highlighting good practice and encouraging its wider adoption. This may lead to a fear of making decisions in case the wrong decision is made and, as a result, subsequent judgement paralysis. Some research participants argued that this can already be seen in the firms, with audit inspections and the regulation burden specifically mentioned as a reason for quality partners and senior managers leaving the firms. Regulatory approaches differ internationally, so it may be hard to generalise and it is notable that in the UK the FRC is currently positioning itself as an 'improvement regulator', rather than a 'punishment regulator'.

The research and the Steering Committee recognise that regulation has led to identifiable improvements in audit quality, however, this unintended consequence of regulation needs to be highlighted and resolved – as currently this is perceived as acting as a barrier for the profession to retain and promote the best people.

Concluding thoughts

The Steering Committee recognise that it is raising as many questions as it is addressing. However, one of the aims of this project has been to provide a platform for considered debate amongst firms, professional bodies, regulators and other interested parties.

If we are to achieve the audit skill set necessary for the future a number of key questions need to be addressed. These are summarised below under three broad themes.

Motivation for change

- Is there a demand for broader assurance from the investment community? What are the costs and benefits?
- Is there an appetite for change within the professional firms, the audit regulators and the corporates?
- Whilst the role and services provided by an auditor will evolve, an auditor cannot do everything or be an expert

in everything. Is there an understanding and acceptance amongst stakeholders and society that there are limitations to the auditor role?

- Who will pay for the additional cost of higher level staff and experts undertaking an audit? Or will the greater use of technology reduce the overall staff costs in audit?
- In an increasingly global, litigious and regulated environment, if there is an appetite for more forward-looking assurance, can this be met without a change to the auditor liability regime? Alternatively, is that change inevitable – and, therefore, the consequences must be addressed?
- If the scope of assurance changes, who will provide any additional assurance provided? What impact will a changing competitive landscape have on the firms and demand and supply of assurance experts?

- How can business acumen be effectively developed at the entry and lower levels of the profession?
- How can the profession improve the perception of a career in audit and how can the firms retain some of their best people in the audit function?
- How can the profession most effectively incorporate specialists into audit teams?

The next chapter of this report identifies how the Steering Committee believe the profession should respond if we are collectively to address some of these questions and the emerging skills gap.

Compliance versus judgement

- Is regulation, in its drive to improve audit quality, actually having the opposite effect and driving out judgement?
- Whilst a dual mind-set approach within an audit team may be acceptable and a necessity in the short term to address current regulatory requirements and standards, should regulators and the profession not be working towards a one audit mind-set which satisfies both the public interest and the regulatory compliance requirements. Would objectives-based auditing standards help resolve this issue?
- Can regulators accept a more principles or objectives-based approach to standard-setting – or is political and societal focus on being able to hold people to account (which is facilitated by prescriptive behavioural requirements) always going to take precedence?
- Firms are wary of not just the financial exposure but also the reputational exposure which acts as a barrier to innovation. Reputational risk to both individual audit partners and firms may, therefore, inhibit the development of audit and the use of professional judgement. How can these risks be managed?
- How can the notion of ‘value added’ for audit and the implications for perceived or actual auditor independence be reconciled?

Development of individuals

- Are the statutory requirements for knowledge, skills and values for auditors fit for purpose?
- Do the revised International Education Standards (IES1-8) go far enough in their footprint of relevant knowledge, skills and values?
- Can firms develop a culture that values ‘forensic’ mind-sets that challenge and identify problems, and then escalate any problems through the hierarchy?
- How do audit team members gain the experience and knowledge to enable them to understand diverse international cultures?

4. THE NEXT STEPS

To some the findings of the research may be no surprise, in fact to some members of the Steering Committee the research findings were actually more positive than expected. But unless action is taken are we walking into a crisis - with audit becoming less and less relevant, the audit profession failing to attract and retain the best, the profession being unable to deliver the requisite skills and thus being unable to meet the demands of complex company audit. Yesterday's solution will not solve tomorrow's problem. So what next?

The Steering Committee recommend the following next steps:

Recommendations for the firms

People

- A review of recruitment procedures:
 - to focus on the skills identified in the research and this report; and
 - to identify those with an enquiring mind and judgement potential, and to allow those individuals to develop their skills in these respects.
- A re-assessment of how firms retain talented individuals within their respective audit teams.
- Initiatives should be undertaken to change the perception of audit and promote audit as an attractive career choice, both within the firm and externally.
- More time should be devoted to on the job training, more direct client contact and more exposure to senior members of the team, difficult accounting issues and judgements.
- An acknowledgment that not all members of a team need to be chartered accountants, instead specialists could be provided with wrap around audit training or provided with a post-graduate auditor qualification to enable them to become more effective members of an audit team. This will need to include appropriate training on professional ethics.

Environment of the audit firm

- A re-evaluation of audit firm methodologies which appear to promote consistency over judgement and may restrict innovation. This should be carried out in parallel with the audit regulators to ensure that the objectives of audit methodologies and audit inspections are aligned.
- An appropriate audit team and firm culture is essential to encourage the recruitment and rewarding of sceptical individuals and to provide an encouraging and supportive environment for the development of judgement. It is essential that professional ethics is embedded into that culture.
- There should be consideration as to how the current pyramid model will need to evolve and change.

Skills

- An emphasis is needed on developing the business acumen of audit staff and new methods of increasing business knowledge in audit teams should be adopted.
- There should be a focus on the development of IT skills within audit teams to complement the use of IT specialists within the firms.
- Further consideration is needed of the integration and functioning of multi-disciplinary teams and the impact on how and who the firms recruit.

Recommendations for professional bodies

- Provision of wrap around training or post-qualification audit training to specialists to enhance their contribution to the audit team.
- Initiatives should be undertaken to change the perception of audit and promote audit as an attractive career choice.
- Professional bodies' requirements at IPD and CPD need to reappraise the emphasis on:
 - understanding businesses;
 - psychological and behavioural skills – 'reading the client'; and
 - the risks and use of technology, particularly data analytics.
- Professional bodies, firms and IFAC should evaluate the appropriateness of IES2-8.

Recommendations for regulators and standard setters

- There needs to be a constructive debate on how to combine the two different mind-sets (compliance versus judgement) which currently operate within an audit team.
- Auditing standards should be more principles or objectives-based. This would alleviate the problem of standards lagging behind practice and technology.
- Regulators should assess audits on whether the objective of a standard has been achieved, rather than whether every step in a standard has been observed.
- Whilst the expanded audit report has played a role in improving transparency and hopefully reducing the expectations gap, further initiatives should be debated to continue to educate society and stakeholders on the role and scope of audit.
- Whilst regulation is essential for audit quality and the public interest, care needs to be taken that regulation does not have a perverse effect on audit quality by deterring the exercise of judgement and deterring capable individuals from remaining within the audit profession.

- Regulators should question whether current statutory requirements for the content of the qualification of auditors are sufficient to address the changing need for skills, as identified in the research.

Recommendations for investors

- The introduction by the FRC of the expanded audit report is probably the most significant innovation in auditing for a generation. It has provided investors with significantly greater insight into what goes on in the auditing black box. However, for the audit of the future to evolve in the way suggested in this report, it is essential that investors – as the primary beneficiaries of the audit – become fully engaged in the debate.
- The evolution of the audit is too important for investors to remain as silent spectators. The profession, regulators and standard-setters need their commitment to engage in a meaningful way.

Engagement in meaningful debate

- There needs to be a willingness from the profession to adapt to society's changing expectations of audit and acceptance that the 'status quo' is not a solution.
- All those involved in the profession need to demonstrate its response to these issues and engage in a meaningful debate on the way forward. This will need to involve all stakeholders.
- The research and resulting Steering Committee report has focused on the largest multi-national audit clients and the largest audit firms but this is only one part of the audit profession and market. The profession should also investigate the issues in other tiers of the audit market and identify whether the skills and pressure points are the same.

The Steering Committee recognise that this report, and the underlying research reports, do not have all the answers but hope that it is a first step in a constructive debate on the future skills' requirements of audit teams.

APPENDIX A: RESEARCH SUMMARY

In the following two sections a brief summary of the research undertaken by the two research project teams and their findings and/or implications are outlined. For further details please see the full research reports, which are available on the ICAS and FRC websites.³⁰

The capability and competency requirements of auditors in today's complex global business environment

Researchers: Barac, Gammie, Howieson, Van Staden

This project involved 84 interviews with relevant stakeholders in three countries: Australia, South Africa and the United Kingdom. The sample was restricted to audits conducted by the Big 4 auditing firms for some of their largest listed company clients in the aforementioned countries. In addition, stakeholders who have some oversight, public policy or educative role in audit also participated in the study.

The researchers propose the following recommendations that are aimed at ensuring that the auditors of today and tomorrow, both individually and collectively as audit teams, have the necessary capabilities and associated competencies to deliver high quality public interest audits.

Individual capabilities

Regulators

- Professional competence of engagement partners responsible for audits of financial statements (International Education Standard (IES) 8) should include guidance for mid-career professionals. This could include a standard on competence levels expected from managers of audit engagements.

Professional bodies

- Competency frameworks should be adapted for the development of data interrogation and analytic skills, broad business acumen and forensic skills.
- CPD offerings of professional bodies should provide the above mentioned skills.
- Education and training models of professional bodies should, as some already do, be adapted to include hybrid training options, allowing trainees in public practice to undergo industry-related training periods.

Firms

- Firms should revise the competency maps for individuals to include the augmented capabilities identified in this study (data interrogation and analytics, broad business acumen, project management, team dynamics, forensic skills

and relationship building and marketing skills) and they should align their training and development programmes accordingly.

- Firms should offer programmes directed towards the development of mid-career professionals with a view to exploring their potential to develop into engagement partners. Firms should offer programmes directed towards the development of professional scepticism as an attribute for junior staff members and audit simulations could be used to teach them this skill.

Educators

- Educators should expand their syllabi in accordance with competency framework adaptations.
- Educators should change their teaching methods to foster learning of broad business acumen skills and include practical courses on data interrogation and analytics.

Collective capabilities

Audit firms

- The requirement for collective capabilities within more multi-disciplinary teams will involve recruiting and training graduates who will specialise in accounting and auditing but who will gain exposure across a range of global audit clients. The complexity of financial services demands specialism from an early stage.
- Graduates should be recruited and trained within specialist capabilities such as IT, valuation, actuarial work, business consultancy and then subsequently develop their audit capability.
- Lateral hires will need to be made, bringing more senior people with direct industry experience or key specialist capabilities into the audit team.
- It is therefore proposed that there are three types of individuals who make up an audit team, some of whom will be recruited as school leavers or at the graduate level and others will be hired in laterally. The three types are as follows:
 - those with a core specialism in accounting and audit who receive appropriate industry training and some exposure to the different specialism of relevance to the particular audit client;
 - those with a core industry specialism who receive appropriate training in audit to make their contribution to the audit team more effective; and
 - those with specific core specialisms required by the particular audit assignment who receive appropriate training in audit to make their contribution to the audit team more effective.

- Need to emphasise the potential that the assurance environment holds therefore providing an environment that is attractive both for recruitment and retention.
- Specific training and development interventions, such as mentoring and coaching should be introduced for the development of potential engagement partners for multi-national clients in complex industries, thereby expanding the pool of engagement partners to lead such audits.
- Achieving compatibility and cohesion within such a diverse team will necessitate a cultural shift in attitude by the firms to accommodate this new structure. Partners will also need training in how to manage the inevitable change in team dynamics that are likely to result from this change.
- Firms' structures, operational and financial business models should be aligned with the suggested strategy. For example, firms will have to consider whether expert team members should be situated in their consultancy/advisory or assurance divisions and how that will impact upon the structuring of their internal groupings, their engagement team planning, as well as their training and recruitment practices.
- The expanded UK audit report should be disseminated as best practice and subsequently adopted on a more global basis. It is noted that the IAASB has taken this forward.
- Consideration needs to be given to the appropriateness of the current regulatory regime to evaluate whether the perceived current checklist approach is in fact in the best interests of audit quality.

Regulators, professional bodies, audit firms and global business

- There is a need to work together in a cohesive manner to have a constructive debate about the future of audit.

Firms

- Firms should ensure capability needs are met by their business models taking into account the following future expectations:
 - increased competition due to higher levels of rotation and retendering;
 - increased risk complexities and globalisation of business;
 - increased complexity of financial reporting standards;
 - embedding the application of technology and data analytics in audits;
 - adding value by providing wider assurance on client's business models and risks;
 - being more forward-looking, predictive and warning of corporate collapses; and
 - improved audit efficiencies requiring more reliance on other assurance providers.
- Consideration needs to be given to firms' audit methodologies, adapting them to promote fully integrated audits and discourage parallel audits (i.e. a compliance and a judgement audit), thus capitalising on the training and development opportunities offered by integrating more junior staff on the assurance aspects of the audit in addition to the regulatory aspects.

Professional bodies

- Professional bodies could offer conversion programmes to provide the wrap round training for those individuals who have developed their 'specialism' outside of the audit and accountancy specialism route the opportunity to acquire the audit skills and competence that would make them suitable members of audit teams.

Regulators and professional bodies

- Guidance should replace the auditing-is-only-done-by-auditors mentality with a more inclusive approach by providing requirements for a mutually supporting team of multi-disciplinary specialists.
- Guidance and standards, in particular ISA 220, should be revised to include factors to consider for the composition of an appropriate audit team.
- Guidance and standards, in particular ISA 620, should be revised to provide clarity on experts' responses to assessed risks.
- Consideration needs to be given to the impact of the proposed strategy on current developments in the audit landscape, including suggestions of audit-only firms.

Audit report and scope

Regulators and professional bodies

- There is a requirement to be more pro-active in articulating in a public forum the roles and responsibilities of auditors to narrow the still evolving expectation gap and increase the public profile of the profession.

Skills, competencies and the sustainability of the modern audit

Researchers: Turley, Humphrey, Samsonova-Taddei, Siddiqui, Woods, Basioudis, Richard

This project involved a series of focus group discussions across several European cities. The European locations (Paris, Stockholm, London, Edinburgh, Brussels, Dusseldorf and Birmingham) were chosen to capture a wide range of viewpoints and experiences. Focus group participants included individuals from a variety of relevant backgrounds: audit partners in public practice, audit committee members, users of financial statements, regulators and audit quality inspectors, academics, and early career accountants in practice.

The approach adopted in this study centres on discussing the overall competence and sustainability of the audit function rather than defining a specific schedule of skills or a new competency framework for auditors. The analysis in this report uncovers a series of significant 'pressure points' for auditor skills and competency. Eleven pressure points, discussed in four categories, are identified as being important for effective auditing in the current and likely future environment. These are:

The context of the specific audit engagement

- Understanding the complexity of modern business – The auditor's ability to understand the business is critical.
- Accounting complexity – Developments in financial reporting have given rise to concerns that 'the auditor is no longer the accounting expert'.
- Systems complexity – The speed, complexity and remoteness of information processing places considerable pressure for skills to supervise and evaluate analytical work and is changing the nature of what constitutes evidence for audit purposes.

The development of audit personnel

- Individual professional judgement and resilience – The ability to exercise professional judgement and possessing 'soft skills' such as psychological awareness and courage are widely seen as critical for auditing, but the routinisation of audit processes and reliance on checklists can undermine the development of the quality of judgement required.
- The development of staff and partners – How can firms ensure that it is the best quality auditors who progress to senior positions and partnership?

Firms as suppliers of audit services

- Recruitment and retention of suitable staff – The loss of attraction of auditing as a destination career.
- The place of audit in multi-service professional firms – Auditing has become less identifiable as a defining characteristic of the firms.

Interactions with stakeholders and society

- Satisfying the requirements of regulation – The dominance of a compliance mind-set is detracting from the development of other important judgemental skills.
- Governance contribution – High quality communication with those charged with governance can make a considerable difference to audit effectiveness but the requisite interpersonal skills place additional pressures on audit recruitment and training.
- Value to the reporting entity – The capacity for auditors to develop and demonstrate suitable understanding of the entities they audit is advocated as being essential to the development of auditor insight and respect. Commercial pressures on audit fee margins, regulatory restrictions on auditor-client relationships and the intangible nature of audit quality are all factors capable of being cited as impacting on the 'value contribution' of audit.
- Communication with stakeholders – How can developments to enhance the quality of auditor communications succeed?

The following challenges are identified, which the authors argue should be confronted if auditing is to have a sustainable future and be regarded as a valued and highly skilled function relevant and appropriate for the demands of the modern, 21st century business environment and broader society:

Conceptualising the audit as a skilled, judgemental activity

- Continuing to make more visible the nature and value of the exercise of professional judgement.
- Developing a structure for audit skills beyond just individual attributes to give consideration of the contextual influences on audit practice and the overall competence of the audit function.
- Revisiting the professional and regulatory emphasis on audit uniformity, typically represented by the notion and insistence that 'an audit is an audit', in order to give due recognition to the fundamental, idiosyncratic essence of audit and the acceptability of variation in the ways of meeting/being compliant with 'standards'.

Recruiting and developing suitable audit professionals

- Ensuring that generic firm recruitment processes sufficiently reflect the necessary attributes that are specific to audit.
- Enhancing the nurturing of the development of relevant disciplinary expertise in ways that prioritise intellectual curiosity and not just technical compliance.
- Reviewing the manner in which softer skills (such as psychological awareness and interpersonal capabilities) are developed and assessed through education, training and experience.

Managing the delivery of the audit as a professional service

- Ensuring that audit teams exhibit a collective competence that goes beyond the generic standards and skills required of each individual auditor.
- Recognising that the overall effectiveness and sustainability of audit depends critically not just on the people employed as auditors but also on the structures within which such auditors work.
- Re-asserting the importance of auditing and associated skills and competencies to the identities and defining characteristics of professional firms and in relation to professional career development paths.

ENDNOTES

- 1 Forbes Insights (2014), *Future role of audit: A more insightful audit for a more complex world*, Research report for the Global Public Policy Committee (GPPC).
- 2 An open call for research was issued and following a number of applications the following teams were selected to undertake two complimentary projects, using different research methodology and locations, to address the research question. The two teams were as follows:
 - Karin Barac (University of Pretoria), Elizabeth Gammie (Robert Gordon University), Bryan Howieson (University of Adelaide) and Marianne van Staden (University of South Africa).
 - Stuart Turley, Christopher Humphrey, Anna Samsonova-Taddei and Javed Siddiqui (Manchester Business School), Margaret Woods and Ilias Basioudis (Aston Business School) and Chrystelle Richard, (ESSEC Business School).
- 3 The questions of specific interest to ICAS and the FRC and outlined in the initial call for research were:
 - What is required of auditors today and what are they responsible for?
 - How do they currently deliver what is required of them and what should they be doing that they are not currently doing?
 - What skills and competencies are needed in order for auditors to execute a high quality audit?
 - Is there a need to reconsider the staffing model for the audit of complex businesses to incorporate, for example, individuals with relevant business experience within the audit team and, if so, what are the training implications thereof?
 - Is there a gap between firms' existing competency frameworks for auditors and the skills needed to achieve audit quality?
 - Are the recruitment models and development processes of the modern audit firm adequate to address future needs?
- 4 DeAngelo, L. E. (1981), 'Auditor size and audit quality', *Journal of Accounting and Economics*, 3(3), 183-199.
- 5 The research reports are available at icas.com and frc.org.uk. Details below:
 - Barac, K., Gammie, E., Howieson, B. and Staden, M.V. (2015), *The capability and competency requirements of auditors in today's complex global business environment*, ICAS and FRC, Edinburgh.
 - Turley, S., Humphrey, C., Samsonova-Taddei, A., Siddiqui, J., Woods, M., Basioudis, I. and Richard, C. (2015), *Skills, competencies and the sustainability of the modern audit*, ICAS and FRC, Edinburgh.
- 6 Treasury Select Committee (2009), *Ninth Report, Banking Crisis: reforming corporate governance and pay in the City*, May 2009, available at: <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmtreasy/519/51902.htm>.
- 7 European Commission (2010), *Green Paper, Audit Policy: Lessons from the Crisis*, October 2010, available at: http://ec.europa.eu/internal_market/consultations/docs/2010/audit/green_paper_audit_en.pdf.
- 8 Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities, available at: http://ec.europa.eu/finance/auditing/reform/index_en.htm.
- 9 Financial Reporting Council (2014, 2016), *The UK Corporate Governance Code*, available at: <https://frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK-Corporate-Governance-Code.aspx>.
<https://www.frc.org.uk/News-and-Events/FRC-Press/Press/2016/April/Revised-UK-Corporate-Governance-Code-Guidance-on.aspx>.
- 10 Competition and Market Authority (2014), *Statutory Audit Services Market Investigation*, available at: <https://www.gov.uk/cma-cases/statutory-audit-services-market-investigation#orders>.
- 11 Financial Reporting Council (September 2014), *ISA (UK and Ireland) 700, The independent auditor's report on financial statements*, available at: [https://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/ISA-\(UK-and-Ireland\)-700-The-independent-auditor's.aspx](https://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/ISA-(UK-and-Ireland)-700-The-independent-auditor's.aspx).
- 12 Financial Reporting Council (2015), *Extended auditor's reports: A review of experience in the first year*, March 2015, available at: <https://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/Extended-auditor-s-reports-A-review-of-experience.pdf>.
Financial Reporting Council (2016), *Extended auditor's reports: A further review of experience*, January 2016, available at: <https://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/Report-on-the-Second-Year-Experience-of-Extended-A.pdf>.
- 13 *IFAC Reporting on Audited Financial Statements – New and Revised Auditor Reporting Standards and Related Conforming Amendments*, available at: <https://www.ifac.org/publications-resources/reporting-audited-financial-statements-new-and-revised-auditor-reporting-stand#node-32595>.
- 14 *The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013*, available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206241/bis-13-889-companies-act-2006-draft-strategic-and-directors-report-regulations-2013.pdf

- 15 Financial Reporting Council (September 2014), *Guidance on Risk Management, Internal Control and Related Financial and Business Reporting*, available at: <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Risk-Management,-Internal-Control-and.pdf>.
- 16 Financial Reporting Council (2014), *The UK Corporate Governance Code*, September 2014, available at: <https://frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>.
For a review of the impact of the implementation of FBU see Fraser, I. and Lee, B. (2016), *Fair, balanced and understandable: Enhancing corporate reporting and assurance?*, ICAS, Edinburgh, available at: [icas.com](https://www.icas.com).
- 17 The framework is available in the latest IAASB *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*, available at: <http://www.ifac.org/publications-resources>.
- 18 The International Accounting Education Standards Board (IAESB) is an independent standard-setting body that serves the public interest by establishing standards in the area of professional accounting education that prescribe technical competence and professional skills, values, ethics, and attitudes. The education standards are included in the *Statements of Membership Obligations* produced by the Board of the International Federation of Accountants (IFAC). For further details, visit <http://www.ifac.org>.
- 19 For further information on current developments in this area please see the work of the Natural Capital Coalition: www.naturalcapitalcoalition.org.
- 20 For further information on the IIRC see: <http://integratedreporting.org>.
- 21 For further information, please see the FRC 'Confidence in Audit' survey: <https://frc.org.uk/News-and-Events/FRC-Press/Press/2016/July/Confidence-grows-in-audit-but-more-needs-to-be-do.aspx>.
- 22 For further details, please see: <https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/Culture-Project.aspx>.
- 23 Forbes Insights (2014), *Future role of audit: A more insightful audit for a more complex world*, Research report for the Global Public Policy Committee (GPPC).
- 24 This finding is also replicated in recent ICAS UK based research on the implementation of the 'fair, balanced and understandable' requirement introduced by the FRC. See Fraser, I. and Lee, B. (2016), *Fair, balanced and understandable: Enhancing corporate reporting and assurance?*, ICAS, Edinburgh, available at: [icas.com](https://www.icas.com).
- 25 In the UK the Department of Business, Energy & Industrial Strategy is currently consulting on the UK implementation of the EU Directive on disclosure of non-financial and diversity information. The Directive introduces European wide disclosure requirements for environmental, social, employee, human rights, anti-corruption and bribery matters, and Board diversity and one of the member state options is whether there should be assurance around the non-financial statements.
- 26 ICAS (2016), *A professional judgement framework for financial reporting: An international guide for preparers, auditors, audit committees, regulators and standard setters across business and not-for-profit sectors*, ICAS, Edinburgh, available at: [icas.com](https://www.icas.com).
- 27 ICAS, in its 2015 publication *The Power of One*, emphasises the importance of the individual accountant and states that no matter the career stage or level of seniority, every CA can have a strong role in shaping the culture and values of the organisations in which they work, available at: [icas.com](https://www.icas.com).
- 28 EY announced in 2015 that in the UK students will no longer be required to have a minimum of 300 UCAS points (equivalent to 3 B's) and a 2:1 degree classification to make an application. Instead, EY will use a new and enhanced suite of online 'strengths' assessments and numerical tests to assess the potential of applicants for 2016.
- 29 In the research this is often referred to as performance of a parallel audit.
- 30 The research reports are available at [icas.com](https://www.icas.com) and [frc.org.uk](https://www.frc.org.uk). Details below:
- Barac, K., Gammie, E., Howieson, B. and Staden, M.V. (2015), *The capability and competency requirements of auditors in today's complex global business environment*, ICAS and FRC, Edinburgh.
 - Turley, S., Humphrey, C., Samsonova-Taddei, A., Siddiqui, J., Woods, M., Basioudis, I. and Richard, C. (2015), *Skills, competencies and the sustainability of the modern audit*, ICAS and FRC, Edinburgh.

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Continuing Professional Education Update

MARIA CALDWELL, CPE COMMITTEE CHAIR

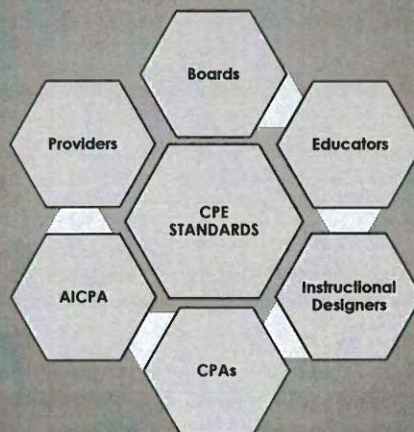
AGENDA

- Changes to CPE Standards
- Update on CPE Model Rules
- Future of CPE

CPE Standards Revision Process

- Meetings with NASBA CPE Taskforce
- Exposure drafts and response to comments
- Approval by NASBA CPE Committee and NASBA Board
- Approval by AICPA/NASBA Joint Committee
- Approval by AICPA Board

CPE Taskforce



CPE Standards Update

- Revised standards are effective September 1, 2016
- Programs in process have until December 31, 2016 to comply

CPE Standards Update

Most significant changes include:

- Adoption of two new delivery methods:
 - Nano-learning
 - Blended learning
- Changes to group live – elements of engagement
- Update to Fields of Studies

Model Rules for CPE

My dream...

- Purpose
- Model Rules Taskforce

Model Rules for CPE

Selected proposed changes:

- Total of 40 hours required annually, 20 hours minimum per year
- Ethics CPE – 2 hours per year
- 50% of technical CPE required

Rules are in review with the UAA Committee, final adoption is estimated to be in April 2017.

What is next?

- Adoption of Model CPE rules
- Seeking more effective learning
- Competency based learning – AICPA Framework

Questions???

UAA and Model Rules Developments

J. Coalter Baker, CPA - Chair, NASBA UAA Committee

October 2016

AICPA/NASBA UAA Committee Members

- ▶ J. Coalter Baker - NASBA UAA Chair
- ▶ Barton W. Baldwin
- ▶ David L. Dennis
- ▶ David de Silva
- ▶ Andrew L. DuBoff
- ▶ Karen Garrett
- ▶ Kenneth R. Odom
- ▶ John E. Patterson
- ▶ Donovan W. Rulien, II
- ▶ Kim Tredinnick
- ▶ Debbie Lambert - AICPA UAA Chair
- ▶ Gregory Burke
- ▶ Michael Colgan
- ▶ Leroy Dennis
- ▶ Robert Mancini
- ▶ Gary McIntosh
- ▶ Thomas Neill
- ▶ Jenny Ng
- ▶ Paul Preziotti
- ▶ Tammy Velasquez

What Will Be in UAA Version 8?

- ▶ Completed
- ▶ Almost Completed
- ▶ Pretty Close
- ▶ Coming Attractions

Completed Changes Approved by NASBA and AICPA Boards of Directors

- ▶ UAA Section 6 and Model Rules to allow
for "CPA-Retired"

Almost Completed

- ▶ Unilateral pathway for recognition of qualified international credential holders - Section 6 - Expected to be approved at October NASBA BOD meeting just prior to Annual Meeting. Expected to be approved by AICPA in January.
- ▶ UAA Sections 3 and 14 revised to include definition of SSARS 21. Approved by NASBA Board. Expected to be approved by AICPA in January.
- ▶ Model Rules Article 5 to reflect revisions to the 2017 Uniform CPA Examination
- ▶ Overall cleanup of UAA to delete outdated items and grammatical errors. Expected to be approved by AICPA and NASBA BODs in January.

Pretty Close

- ▶ Model Rules for CPE (Articles 3 and 6) - More specific guidance for licensees in harmony with approved Statement on Standards for Continuing Professional Education Programs. Expect NASBA BOD approval in January.

Coming Attractions

- ▶ Changes to Model Rules Article 7 to reflect changes to peer review administration and oversight.
- ▶ Modification of UAA Section 14(2) to permit non-CPAs to use management accountant designations under specifically defined criteria.
- ▶ Changes in response to accounting accreditation project's conclusions.

Send comments to staff liaisons:

- | | |
|---------------------------|---------------------|
| ▶ <u>NASBA</u> | ▶ <u>AICPA</u> |
| ▶ Louise Dratler Haberman | ▶ Mat Young |
| ▶ Daniel J. Dustin | ▶ Suzanne Jolicoeur |



Uniform Accountancy Act - Evergreen

INTERNATIONAL UPDATE

Telford A. Lodden, CPA
Chair, NASBA/AICPA International Qualifications Appraisal Board
2016 NASBA Annual Meeting

NASBA/AICPA IQAB

- Telford A. Lodden – Chair
- Charles P. Heeter – Vice Chair
- William Treacy – Chair Emeritus
- Sharon A. Jensen
- Raymond N. Johnson
- Sara L. Lord
- Joseph P. Petito
- Jose Ramon Rodriguez
- Kathleen J. Smith

MRA RENEWALS UNDER STUDY

- Instituto Mexicano de Contadores Publicos with CPA Canada (formerly Canadian Institute of Chartered Accountants)
- Institute of Chartered Accountants Australia/ New Zealand (formerly Institute of Chartered Accountants of Australia and New Zealand Institute of Chartered Accountants)
- Hong Kong Institute of CPAs
- Institute of Chartered Accountants in Ireland

IN DISCUSSION WITH OTHERS

- CPA Australia
- Institute of Chartered Accountants in England and Wales
- Institute of Chartered Accountants of Scotland
- South African Institute of Chartered Accountants

APPROVED REVISED UAA SECTION 6(G)

- The Board shall issue a certificate to a holder of a substantially equivalent foreign designation, provided that:
- ~~The foreign authority which granted the designation makes similar provision to allow a person who holds a valid certificate issued by this State to obtain such foreign authority's comparable designation, and~~
- (1) The Board determines that the foreign designation:
 - was duly issued by a foreign authority that regulates the practice of public accountancy and the foreign designation has not expired or been revoked or suspended;
 - entitles the holder to issue reports upon financial statements; and
 - was issued upon the basis of educational, examination, and experience requirements established by the foreign authority or by law; and
- In making its determination regarding compliance with this Section 6(g)(1), the Board may rely on the recommendations of the International Qualifications Appraisal Board jointly established by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants.

DELETED

~~The foreign authority which granted the designation makes similar provision to allow a person who holds a valid certificate issued by this State to obtain such foreign authority's comparable designation~~

A COMPARISON

Mutual Recognition Agreement

- Covers experienced holders of credentials that have been determined by IQAB to be substantially equivalent to US CPA
- Requires passing IQEX
- Transparent agreement clearly mapping out what candidate holding each designation must do to obtain certificate and/or license
- Already recognized in U.S. jurisdictions
- To be renewed in five years

New Unilateral Pathway

- Covers experienced holders of credentials that have been determined by IQAB to be substantially equivalent to US CPA
- Requires passing IQEX
- Transparent agreement clearly mapping out what candidate must do to obtain to CPA license
- Model document not yet developed or accepted in any jurisdiction
- Expected to lead to mutual recognition

RECOGNIZING QUALIFIED ACCOUNTANTS

- Qualified experienced accountants are working in the United States who are not regulated by the State Boards of Accountancy. The new pathway can bring them under the Boards' jurisdiction even if their home country is not considering mutual recognition. The Boards' responsibility is to protect the public in their states.
- The new pathway should encourage other countries' regulators to open their doors to U.S. CPAs. A unilateral pathway is not intended to continue if there proves to be no future possibility that mutual recognition will be accomplished.
- IQAB will continue to carefully analyze the non- U.S. credentials, how they are obtained and maintained, before making any recommendations to State Boards for admitting pathway participants.

WE ARE EVOLVING TO STAY IN STEP WITH
THE GLOBAL ECONOMY



Proposed Evolution of Peer Review Administration

*A supplemental discussion paper seeking input from
State Boards of Accountancy.*

Released for comment: July 18, 2016
Feedback requested: Oct. 31, 2016

Administration). The group offered a variety of suggestions that shaped the model developed by AICPA staff, and though they did not offer consensus on proposed criteria for AEs they all agreed a reduction in the number of AEs was needed to ensure consistency.

The proposed model was presented to the society CEOs (the Program administrators) in a discussion paper on February 22, 2016, as a first step in gathering feedback from the Program's key stakeholders. The paper primarily focused on issues directly impacting the societies that administer the Program, including staffing, Peer Review Committees and RABs. The objective was to first gather feedback on the proposal from societies, then solicit input from state boards of accountancy (boards) after consideration of initial feedback.

The proposed model was next introduced to board executive directors at the National Association of State Boards of Accountancy (NASBA) Executive Directors conference in March 2016, with the Evolution paper distributed more broadly to boards shortly thereafter. Further discussions were held at the June 2016 NASBA Regional Meetings.

This follow-up discussion paper is being provided for further consideration and feedback by boards. It includes responses to initial comments as well as thoughts on additional issues of importance to boards, including oversight of the Program and access to peer review information.

Process Improvement

The goal of the proposed model is to enhance quality by reducing inconsistencies in peer review administration and acceptance, enhance objectivity and professional skepticism in the report acceptance process and improve timeliness of review acceptance.

All AEs are required to administer the Program in accordance with the Standards and other guidance established by the PRB. Any issues identified during the AICPA's annual administrative oversight process are noted in the [AE oversight report](#) and are required to be rectified for the state to remain an AE. However, many inconsistencies exist with the way the Program guidance is applied. Improving consistency is important for quality and supports the profession's overall efforts to increase mobility in the profession.

Achieving Greater Consistency

History has demonstrated that it is difficult to achieve consistency among 40 or more AEs, and consistency is critical. Firms and their regulators should expect the same peer review results regardless of where the peer review is conducted and administered. While some lower volume AEs excel at Program administration, AEs that administer a larger volume of reviews generally have more effective and consistent administrative processes. Such AEs have important attributes, including full-time staff dedicated to peer review. Although staffing specifics vary, each has *at least* one full-time administrator, manager and technical reviewer with appropriate qualifications. Further, these AEs have dedicated management focusing exclusively on peer review. As the profession and the assurance services it performs continues to evolve and become more complex, the Program continues to evolve with it, becoming increasingly complex and making it more challenging for staff to remain fully versed on the Program if they are also focused on non-peer review related responsibilities. Throughout the rapid changes in the Program, dependency on technology for all steps of the process, including administration, has

increased (and will continue to increase). The ability to adapt and work effectively with changing technology has been considered critical in determining the qualifications of staff necessary to perform these roles.

A high-level summary of the duties AE staff perform is outlined below.

Administrator

- Confirm all enrolled firms schedule reviews in accordance with Standards and board requirements and assist firms to resolve scheduling errors or issues
- Work with peer reviewers to coordinate the submission and processing of peer review documents to the AE to ensure that all required documentation is received and work papers are accessible for Technical Reviewers
- Maintain Facilitated State Board Access (FSBA) records in a timely manner

Manager

- Develop processes and procedures for the scheduling and processing of reviews, maintain information on the status of reviews and monitor compliance with deadlines
- Coordinate the review of working papers with Technical Reviewers, and coordinate and document activities of the RAB

Technical Reviewer

- Perform full work paper reviews before the presentation of a peer review to the RAB
- Work closely with peer reviewers and public accounting firms to identify and resolve questions and issues prior to RAB presentation
- Assist the RAB member responsible for presenting the review by providing additional detailed information as necessary

AEs that administer a larger volume of reviews also have a greater pool of available volunteer committee and RAB members with the expertise needed to accurately assess high risk reviews. Coupled with a proportionately lower number of technical reviewers (since full-time technical reviewers are employed), these AEs are able to have more frequent RAB meetings, resulting in a more efficient and consistent process, and are more easily able to minimize the threat of being overly familiar with the reviewers whose reports they consider.

Noted Inconsistencies

The nature of some of the inconsistencies across the current structure include how the following are identified and addressed.

- Peer review report ratings – inconsistency in identifying and/or requiring a modification to a report (e.g., from pass to pass with deficiency or fail)
- Corrective actions and implementation plans – inconsistently imposing appropriate corrective action or implementation plans on the reviewed firm

- Reviewer performance matters (including feedback) – inconsistency in appropriately addressing reviewer performance issues and reluctance to eliminate reviewer from the pool when warranted
- Firms with consecutive non-pass reports – inconsistencies among AEs referring such firms to the PRB for non-cooperation
- Determination of pervasiveness (and impact on the firms as a whole) – inconsistencies in requiring expansion of scope or study when problems encountered in a review
- Determination of systemic cause – inconsistencies in requiring peer reviewer to determine (and opine on) systemic cause
- Inconsistencies in implementation of and compliance with new and existing Standards
- Inconsistent treatment of documentation issues – verbal acceptance that audit work was completed where no or little documentation exists
- Engagement selection – scope and reasonable cross-section – inconsistency in challenging the reviewer on the number or scope of engagements selected
- Inconsistent timeliness of presentation to RABs, following-up with overdue reviews and firms with corrective action – general timeliness due to staffing priorities
- Matter for Further Consideration (MFC) and Finding for Further Consideration (FFC) – inconsistency in properly elevating a matter to a finding where remediation should be monitored and implementation plans required
- Accuracy of information input into peer review database (PRISM)

Initial Proposed Criteria for AEs of the Future

To help improve audit quality, a peer review process is needed that appropriately and consistently detects and corrects issues by providing feedback in a timely manner. This means that peer review staff must be thoroughly versed on the rapidly changing Standards and processes, and the pool of volunteer participants must be large enough to support frequent RAB meetings and provide the expertise needed for appropriate review and acceptance of reviews.

Accordingly, the following criteria were initially proposed for AEs to be most effective and to continue to administer the Program. The criteria are based upon discussions with society leaders, meetings with AEs and the results of AE and RAB oversights. The criteria have been proposed as a “straw-man” to begin the discussion and are expected to change based on stakeholder feedback received.

- Consistent AE peer review management, employee and consultant structure, qualifications and responsibilities
- Effective performance of Peer Review Committee and RABs
- Administration of at least 1,000 peer reviews annually to improve efficiencies

Oversight

The PRB has always recognized and supported the value of oversight to boards and is an active partner with NASBA in promoting the board Peer Review Oversight Committee (PROC) process.

By way of this paper and other means, the AICPA expresses its understanding that proposed changes in peer review administration will have an impact on the current model for board oversight of the program and may necessitate changes by boards of the current PROC process. The AICPA, and members of the PRB and its Oversight Task Force, are cooperating with NASBA's Compliance Assurance Committee and NASBA leadership to assist boards in considering and vetting new potential models for board oversight based on the proposed new administration model and will continue to work with boards to ensure an effective board oversight process is implemented.

Initial Feedback on Discussion Paper:

Provided below is clarification for questions and commentary received on a number of issues.

Continuing as AEs

Many states currently and successfully have their states' peer reviews administered by an AE outside of their state. Additionally, prior to the release of the discussion paper, some societies had already been considering transitioning out of Program administration due to the exit of an employee or other factors, and had begun conversations with other states independent of the discussion paper proposed model. As a result of the discussion paper, societies have advised us that they are considering continuing to be an AE, transitioning administration to another state (or AICPA) or are unsure. A process for states to transition to another state (or AICPA) will be developed once final criteria and structure are determined. Societies have been advised to engage in discussions with their respective boards regarding their future vision for peer review administration.

Cost of Peer Review

The reduction in the number of AEs should not, in and of itself, cause a rise in administrative fees. However, the cost of peer review for firms will increase moderately with or without the Evolution of Administration, as a result of enhancements to the program designed to better detect and correct deficiencies. Peer Review administrative fees have always been expected to be based on cost recovery, and this will continue to be the expectation.

Peer Reviewer Pool

The current active reviewer pool is larger than ever before. In addition, many reviewers already perform reviews for firms administered in multiple states. Some reviewers may choose to discontinue reviewing due to changes in the Program, but many qualified reviewers are available and ready to handle reviews if some leave the pool. The AICPA remains committed to monitoring and taking action to ensure an appropriate pool of reviewers remains available.

Performance by a Peer

The Evolution of Administration does not change the review process as articulated in the Standards, including having peers performing the peer review, considering and accepting the review and determining the appropriate remedial action, when necessary. Some states have statutes and other state-specific considerations, and future guidelines will address this concern.

Proposed Number of AEs (8-10) and Administering 1,000 Annual Reviews

The straw-man suggested in the initial discussion paper is a proposal, as are the other criteria and timeline. None of the proposed criteria including the total number of AEs or annual reviews are fixed. It is possible the final number of AEs and the number of annual reviews administered will be different, if stated at all. In addition, though the discussion paper indicates the AICPA will develop a new national AE to provide an additional option for societies that choose not to administer the program in their state, the AICPA is encouraging societies to look first to other societies to share administration.

RABs and RAB Members

Inconsistencies among RABs

Achieving consistency among 40+ AEs has been difficult and costly. PRB oversights have noted inconsistencies in the RAB process from state to state and peer reviewers who perform reviews in multiple states have voiced concerns about this as well. Firms and regulators should be able to expect the same review results regardless of the state in which they are based.

Commitment required of RAB Members

The commitment effort for individual volunteers is not expected to change from the current program. The 50 hours per year estimate was developed by AICPA staff based on the time anticipated volunteers would need to prepare for and participate in RAB meetings. Though the proposed model articulates more frequent RAB meetings than are currently held by lower-volume AEs to better assist firms in meeting state licensing requirements, the increased frequency will be possible due to the larger number of volunteers participating in the consolidated AE.

Pool of RAB Members

The majority of the current volunteers will continue to play a significant role in the new RAB structure. Society CEOs are already having discussions with existing peer review committees, indicating their value and need for their continued service. In addition, as they do now, states that administer peer review and those that do not will be involved in the active recruitment of both peer reviewers and volunteers.

Timeline

The original proposed model suggested a timeline for implementation of the new model. However, initial feedback has clearly indicated that more time will be needed for the proposed changes, and it is now assumed the previously proposed implementation dates will be pushed back.

Board Involvement

Choosing Future AEs

Virtually all of the laws or regulations of states that mandate peer review provide the board the ability to withdraw its recognition of a program or AE if it is shown to be ineffective. The AICPA fully supports such provisions and are confident that all AEs formed from the evolution initiative will be as or more effective than existing AEs.



AICPA[®]
Peer Review Program



NASBA 109th Annual Meeting
JW Marriott Austin
Austin, TX
October 30-November 2, 2016

WHAT ARE WE DOING FOR CYBERSECURITY?

Roy Hall, Chief Information Security Officer, NASBA

- The Commercialization of Hacking
- Cybersecurity-State of the Union
 - Statistics
 - Most Viable Threats
 - Security Program Overview
- Q/A



Katrina L. Salazar, CPA
CBA President

California's Mobility Law

- **Senate Bill 1405**
- **No notice, no fee practice privilege**
- **Mobility Stakeholder Group**
- **CBA working with NASBA**

Determinations of Substantial Equivalency

Legislatively Required Conditions for Substantial Equivalence:

1. NASBA adopts enforcement best practices guidelines.
2. CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet.

Disciplinary History

- **Disciplinary history must be indicated online by a "flag" indicator**
- **Can be on a license lookup tool or in CPAverify**
- **NASBA working with boards to add the information to CPAverify**
- **Online information helps to protect consumers**

California's Evaluation Timeline

- July 2016: CBA accepts 36 states as substantially equivalent. Additional states to be considered at September 2016 meeting.
- September 2016 – March 2017: CBA gathers additional data it may need on states not approved as substantially equivalent.
- March – July 2017: Evaluation of additional information.
- July 2017: CBA may initiate a rulemaking to remove states from no notice, no fee mobility (rulemaking process typically requires 12-18 months).

California Board of Accountancy



FOCUS ON ENFORCEMENT

- Recent coordination efforts with the DOL have increased the referrals that are being sent to boards
- Ongoing discussions with AICPA to help boards leverage the AICPA's investigative resources
- Boards are receiving more information on disciplinary matters through referrals from other boards and state/federal agencies
- Distribution of PTIN listings, EBP audit listing, Federal Clearinghouse listings, and Quarterly Enforcement Reports are notifying boards of actions by other agencies that may require enforcement action by their board

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MOBILITY

- The Guiding Principles Enforcement review process calls for a “standard” for a culture of enforcement at every board of accountancy
- Boards should have confidence in the enforcement process across the nation
- Boards of the home jurisdiction and the mobility jurisdiction need to be equipped to protect their citizens

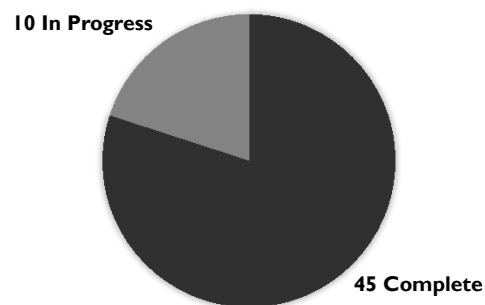
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IMPROVEMENT IN DISCIPLINARY DATA SHARING

- The California law required that discipline be available on-line by a “flag” indicator; can be satisfied by a notation on the licensee look-up tool or in CPAverify/ALD
- NASBA will continue to work with boards that do not currently have information available on-line to create a feed for CPAverify/ALD
- This step improves the disciplinary information that is available to other boards as well as to citizens in all jurisdictions, improving the consumer protection aspect of mobility

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DISCIPLINARY FLAG



After addition of disciplinary flags by the remaining 10 jurisdictions, all 55 jurisdictions will be substantially equivalent to the Guiding Principles of Enforcement.

DEADLINE - JUNE 2017

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WIN – WIN OUTCOME

- Guiding Principles may provide boards with leverage to request more resources to improve their enforcement process and a timeframe in which to make certain items (such as a disciplinary marker) a priority
- Creation of the Guiding Principles has provided an enforcement resource to the boards that did not exist previously, and provided insight into areas where more resources could be created to benefit the boards

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ENFORCEMENT RESOURCES

- IRS PTIN Lists (June)
- Enforcement Newsletter (January & July)
- Quarterly Enforcement Reports
- Follow up on DOL referrals – including Auditor Statistics and EFAST guidance
- Tutorials/forms for handling DOL, SEC, and IRS referrals
- Probation Tools
- Investigator Training – quizzes and certificates

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CPA Candidate Pipeline Projects

Joint AICPA-NASBA Initiatives

Daniel J. Dustin – Vice President, State Board Relations

2016 NASBA Annual Meeting

1. Drop-Out Research

Similar to the 2015 CPA Candidate Pipeline research, AICPA and NASBA will be working with a research firm to better understand the reasons candidates drop out of the examination process.

The objectives of the joint project include:

- Identifying why candidates drop out during the exam process
- Understanding the factors that influence candidates' attitudes and behavior, and
- Identifying improvement initiatives that address findings and may reduce dropout rate.

2. State Board Ambassador Program

Boards of Accountancy have shown interest in becoming more involved in the educational arena by holding Board of Accountancy meetings on college campuses and participating in various on-campus activities. The project seeks to develop programs to assist Boards of Accountancy in their efforts by identifying topics of interest to students that will further enhance students' interest in the accountancy profession. The program may also include information about Uniform CPA Examination updates and process guidance, an introduction to professional ethics and the Center for Public Trust, and introductory information about the Boards of Accountancy, State Societies and AICPA.

3. Gap Between Graduates and Conversion Rate

Reportedly there are some high volume (number of students) colleges and universities that do not result in a high percentage of graduates sitting for the Uniform CPA Examination. Once these programs are identified, are there specific accounting program elements that may impact student interest in the profession that could be investigated? For example, does the mission of the accounting program focus on something other than contributing to the CPA pipeline?

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Minutes of the 108th Annual Business Meeting

Marriott Laguna Cliffs Resort, Dana Point, CA

Tuesday, October 17, 2015

A duly called Annual Business Meeting of the National Association of State Boards of Accountancy, Inc., was held at the Marriott Laguna Cliffs Resort in Dana Point, California, on Tuesday, October 17, 2015.

1. Call to Order

The meeting was called to order at 9:00 a.m. Chair Walter C. Davenport (Associate – North Carolina) presided. Mr. Davenport announced that Noel L. Allen (Legal Counsel – North Carolina) had agreed to serve as parliamentarian for the meeting.

Chair Davenport announced the additions and corrections to the registration list which had been distributed to all registrants had been made and indicated there was a designated voting representative for each Member Board in attendance. He noted that the list as corrected showed that 120 delegates (current members of State Boards) from 50 jurisdictions were present. There was a total registration of 438, including delegates, associates, executive directors, legal counsel, spouses, guests and staff.

Chair Davenport pointed out that under Article VI, Section 6.4 of NASBA's Bylaws, a quorum for the transaction of business of any meeting of the Association shall be one or more designated voting representatives from a majority of the Member Boards.

Mr. Davenport noted that the registration list, as corrected, showed 50 designated voting representatives from 50 Member Boards were in attendance.

In the absence of objection, the final registration list was accepted as evidence that a quorum was present. (A copy of the final registration list is appended to the official minutes.)

2. Approval of the Minutes of the 107th Annual Business Meeting

Secretary Laurie J. Tish (Associate – Washington) reported that the minutes of the Association’s 107th Annual Business Meeting, held in Washington, DC, on November 2, 2014, had been distributed to all registrants. A motion by Ms. Tish to dispense with the reading of the minutes and to accept them as presented, was seconded by John F. Dailey, Jr. (Delegate – New Jersey) and approved.

3. Awards Presentations

NASBA Past Chair Gaylen R. Hansen (Associate - Colorado) presented the NASBA Distinguished Service Award to Kenneth R. Odom, CPA (Associate – Alabama), partner of Rabren Odom Pierce & Hayes, P.C., former NASBA Director-at-Large, former Chair of the Uniform Accountancy Act Committee and former Chair of the NASBA Compliance Assurance Committee. Mr. Hansen noted that Mr. Odom had spoken up for small firms and Boards of Accountancy throughout his volunteer service. He had been instrumental in promoting the Private Company Council and its purpose, as well as introducing the concept of firm mobility when each jurisdiction was ready to do

so. Mr. Odom was not present to receive the award at the Business Meeting as a result of Hurricane Patricia's impact on travel from Alabama.

Vice President Emeritus Lorraine P. Sachs recognized the Nebraska State Board of Public Accountancy's Executive Director Dan Sweetwood for his work in promoting the Accountancy Licensee Database. Ms. Sachs lauded Ms. Sweetwood's commitment, determination and success in his efforts to have the ALD span the country. Mr. Sweetwood thanked NASBA for providing a great team of professionals to work together with the Nebraska Board to protect the citizens of Nebraska.

Mr. Hansen presented the 2015 William H. Van Rensselaer Award to Samuel K. Cotterell, CPA (Idaho), who was NASBA Chair 2007-8, NASBA's original representative to the Public Company Accounting Oversight Board's Standing Advisory Committee, and former Senior Vice President and Chief Financial Officer of Boise Inc. Mr. Hansen praised Mr. Cotterell for being a mentor to NASBA leaders. Mr. Cotterell commented: "NASBA gave the opportunity for someone from Idaho to rub shoulders with those in D.C. to contribute to the establishment of the PCAOB." He said his motto was to: "Work hard, be kind to others and do what is right."

4. Report of the Nominating Committee

Carlos E. Johnson (Associate – Oklahoma) chair of the Nominating Committee, presented the slate of officers selected by the Nominating Committee. Carrying out their work in accordance with Article VII, Section 7.3, and Article IV, Section 4.6 of NASBA's Bylaws, Dr. Johnson reported that gender, inclusiveness and diversity were among the factors considered by the Nominating Committee as they developed their slate

of recommended candidates. He asked each of the nominees to stand. Those nominated were:

Vice Chair

Telford A. Lodden (Associate – Iowa)

Directors-at-Large (three-year terms):

Tyrone E. Dickerson (Associate – Virginia)

Raymond N. Johnson (Associate – Oregon)

E. Kent Smoll (Associate – Kansas)

Regional Directors (one-year terms):

Middle Atlantic – Stephanie S. Saunders (Delegate – Virginia)

Great Lakes – W. Michael Fritz (Delegate – Ohio)

Southwest – J. Coalter Baker (Delegate- Texas)

Southeast – Maria E. Caldwell (Delegate - Florida)

Mountain – Benjamin C. Steele (Delegate – Nevada)

Central – Sharon A. Jensen (Delegate – Minnesota)

Pacific – Ed G. Jolicoeur (Delegate –Washington)

Northeast – John F. Dailey, Jr. (Delegate – New Jersey)

Having received no additional nominations from the Member Boards, Dr. Johnson moved that all nominees named by the Nominating Committee be approved by acclamation of the voting delegates. The nominees were so approved with no “nays.”

5. Report of the Administration and Finance Committee

Treasurer E. Kent Smoll (Associate – Kansas) reported on the committee’s work with management and the Board of Directors during the year and stated that through all its activities, the A&F committee fulfilled its charge of overseeing NASBA’s fiscal operations. NASBA had created a new wholly owned subsidiary, AEQUO International LLC, to capitalize on the success of the NASBA International Evaluation Services business and to bring high-quality, international credential evaluation services to various non-accounting related occupations and institutions. Mr. Smoll relayed the work of the Investment Committee, a subcommittee of A&F, as well. He referred to pages 54 and 48 of the 2015 Annual Report and presented operating results for the year, informing the member Boards that NASBA’s operations were “solid.” Resources devoted to mission-related member services were at an all-time high, increasing from \$7.7 million to \$8.5 million in 2015. The year ended with NASBA having \$41.7 million in net assets, Treasurer Smoll reported.

6. Report of the Audit Committee

Audit Committee Chair Rick Issserman (Associate – New York) reported on the activities of the committee as summarized in the Audit Committee letter in the annual report. Based on the auditors’ report, discussions with NASBA management, and the work performed, the Audit Committee decided it was appropriate to issue the financial statements. The Audit Committee addressed cybersecurity risks and had received a report from NASBA Chief Information Security Officer Roy Hall on what steps NASBA is taking to defend against cyber attacks.

The Audit Committee had recommended that LBMC PC, of Brentwood, TN, NASBA's auditor, be reengaged for the year ending July 2016. At the October 2016 Board of Directors' meeting that recommendation was ratified, having previously been approved by the Executive Committee.

7. Report of the Bylaws Committee

Bylaws Committee Chair Edwin G. Jolicoeur (Delegate - Washington) reported the Committee was presenting recommendations to:

- Responsibilities of Regional Directors (Article IV, Section 4.3.5)
- Regional Meetings (Article V, Section 5.3)
- Unexpired Board of Directors' Terms (Article IV, Section 4.5.6)
- Eligibility to Serve as Vice Chair (Article IV, Section 4.5.9)
- Nominating Committee Responsibilities and Procedures (Article VII, Sections 7.1.10, 7.12, 7.2.1.1.-.2)
- CPA Examination Review Board Terms (Article VII, Section 8.6.2).

Mr. Jolicoeur recommended that these Bylaws changes be approved. Jimmy E. Burkes (Delegate – Mississippi) seconded. Via voice vote all signified “aye,” with no “nays.”

8. Report of the NASBA Center for the Public Trust

NASBA Center for the Public Trust (CPT) President Alfonzo Alexander reported the Center for the Public Trust is now in its tenth year of operation. It has created 27 Student CPT Chapters and expects to reach 30 by the end of the year. The annual CPT

student leadership conference is scheduled for June, in conjunction with the NASBA Western Regional Meeting in Denver, to include 67 students. This year the CPT's "Ethics in Action" video competition drew 8,000 viewers over a 10-day period. Mr. Alexander also reported the Ethical Leadership Certification program had 1,315 students enrolled this year. A professional training and certification program for business people is being beta tested, with anticipated release in about a month. In addition, CPE resource programs are being developed. Mr. Alexander said the CPT's goal is to have at least half of its revenue be based on products and services, as now 68 percent of its revenue comes from corporate and foundation contributions.

9. Report of the Executive Directors Committee

Executive Directors Committee Chair Russ Friedewald (IL) reported the Committee had planned its program for the Executive Director and State Board Staff Conference to be held in March in Tucson, AZ, and he encouraged all member Boards to have their staff attend. The March 2015 conference in Tampa, FL, included 64 State Board staff and 22 State CPA Society CEOs. Washington Society Executive Director Rick Jones co-chaired the meeting which covered education delivery, diversity, trends in accounting and marijuana laws.

10. Report of the President

President Ken L. Bishop told the Annual Meeting that the state of NASBA is strong. This year NASBA had achieved all performance measurements and now has more than the \$40 million mark in net assets. CPA Examination Services continues to be

the main driver of revenues, with 32 jurisdictions as clients. President Bishop assured the Boards that NASBA is always looking for ways to provide faster and more intuitive services for CPA candidates. The National Registry of CPE Sponsors has grown to 2,150 providers. Fifty-two State Boards now use the NASBA International Evaluation Services, which has led to the creation of AEQUO, now serving eight clients in areas other than accounting.

Having previously renovated the NASBA offices in New York City and Guam, NASBA is in the process of rebuilding its Nashville offices and expects to have the renovation completed by late spring 2016. Floors 6, 7 and 8 will be reconfigured to provide a more intuitive environment with high-speed wifi, and increased space for collaboration. A complete rewrite of NASBA's National Candidate Database IT system is also in progress. In addition, a new platform for the CPE Audit program is in the business requirement stage, improving the one that had been pilot-tested in eight states.

NASBA has created an accreditation committee in partnership with the AICPA, President Bishop stated. Past Chair Carlos Johnson is heading the committee which will be asking accreditors to say what methodology they are using to determine that colleges and universities are up to standard. There may need to be law changes relative to the reliance State Boards place on accreditation bodies, President Bishop said.

With the creation of new professional designations, President Bishop called on the Boards to review their laws to determine if the use of such titles would create consumer confusion. He reported on the discussions NASBA staff and leadership had held with the AICPA on their creation of the CGMA and how it aligns with current language in the

Uniform Accountancy Act. How the AICPA's promotion of the CGMA might impact the CPA pipeline was also discussed with the AICPA.

11. Call to the 2016 Annual Meeting

NASBA 2016-2017 Chair Donald H. Burkett (Delegate -South Carolina) asked the State Boards to make plans to attend NASBA's 109th Annual Meeting to be held October 31 – November 2 at JW Marriott in Austin, Texas.

12. Adjournment

There being no additional new business, the meeting was adjourned at 11:24 a.m.

REPORT OF THE NOMINATING COMMITTEE

July 6, 2016

Donald H. Burkett, Chair, and
Members of the NASBA Board of Directors

Dear Mr. Burkett:

I respectfully submit the report of the 2015-2016 Nominating Committee. Our work has been carried out in accordance with Article VII, Section 7.3, and Article IV, Section 4.6, of NASBA's Bylaws.

The 2015-2016 Nominating Committee has selected the following slate of officers and directors to be voted on by the member boards at the Annual Business Meeting in October in Dana Point, CA:

Vice Chair

Theodore W. Long (OH – Associate)

Directors-at-Large (three-year term)

(first term)

Jimmy E. Burkes (MS – Delegate)

(first term)

John F. Dailey (NJ – Delegate)

(second term)

Janice L. Gray (OK – Associate)

Regional Directors (one-year term), a Regional Director may serve three one-year terms

(third term) Southwest

J. Coalter Baker (TX – Delegate)

(third term) Southeast

Maria E. Caldwell (FL – Delegate)

(second term) Middle Atlantic

Stephanie S. Saunders (VA – Delegate)

(first term) Northeast

Catherine R. Allen (NY – Delegate)

(first term) Great Lakes

Sheldon P. Holzman (IL – Delegate)

(third term) Pacific

Edwin G. Jolicoeur (WA – Delegate)

(first term) Mountain

Nicola Neilon (NV – Delegate)

(second term) Central

Sharon A. Jensen (MN – Delegate)

The following Board Members will continue to serve for the balance of their unexpired terms. At-Large Directors may serve two three-year terms.

Directors-at-Large (second year of three-year term)

(first term)

Tyrone E. Dickerson (VA – Associate)

(second term)

Raymond N. Johnson (OR – Associate)

(second term)

E. Kent Smoll (KS – Associate)

Directors-at-Large (third year of three-year term)

(first term)

A. Carlos Barrera (TX – Associate)

(first term)

Richard N. Reisig (MT – Associate)

(second term)

Laurie J. Tish (WA) – Associate)

Mr. Lodden, 2015-16 Vice Chair, will accede to the office of Chair.

Mr. Burkett accedes to the office of Past Chair upon the installation of Mr. Lodden as Chair.

Respectfully submitted,



Walter C. Davenport, CPA,
Chair – NASBA Nominating Committee

STANDARD-SETTING AGENDA
OFFICE OF THE CHIEF AUDITOR
JUNE 30, 2016

The Public Company Accounting Oversight Board ("PCAOB" or "Board") seeks to establish and maintain high-quality auditing and related professional practice standards for audits of issuers and brokers and dealers in support of the PCAOB's overall mission to protect investors and the public interest. The PCAOB's Office of the Chief Auditor ("OCA"), with a continued focus on improving the effectiveness of PCAOB standards, takes a priority-based approach in establishing the standard-setting agenda¹ which may include developing new standards or rules, or amending existing standards or rules.

The standard-setting agenda is informed by the PCAOB's oversight activities, monitoring of the environment, consultation with the Board's Standing Advisory Group ("SAG"), input from the Board's Investor Advisory Group ("IAG"), discussion with the U.S. Securities and Exchange Commission ("SEC") staff, and other factors. In addition, as part of establishing its standard-setting agenda, OCA takes into consideration the work of other standard setters (for example, the International Auditing and Assurance Standards Board ("IAASB"), Financial Accounting Standards Board ("FASB"), and International Accounting Standards Board) in the development of new or modified standards.

The development of new or modified standards includes economic analysis. As part of the process, consideration also is given to the applicability of new standards to audits of emerging growth companies ("EGCs").

Finally, the PCAOB issues staff audit practice alerts prepared by OCA to highlight new, emerging, or otherwise noteworthy circumstances that may affect how auditors conduct audits under the existing requirements of PCAOB standards and relevant laws.

The following table and overview of projects present OCA's current standard-setting agenda. Timing of these projects is subject to change.

¹ The PCAOB is implementing changes to its standard-setting process, and some may affect future versions of the standard-setting agenda, such as the possible inclusion of a PCAOB research agenda.

This standard-setting agenda was prepared by the staff of the Office of the Chief Auditor. Standard-setting agendas, staff consultation papers and staff audit practice alerts are not statements of the Board, nor do they necessarily reflect the views of the Board, individual Board members, or other staff.

Standard-Setting Projects

Project	Current Stage	Timing
Supervision of Audits Involving Other Auditors	Proposal issued for public comment	Comment period ends July 29, 2016
Auditor's Reporting Model	Reproposal issued for public comment	Comment period ends August 15, 2016
Auditing Accounting Estimates, Including Fair Value Measurements	Drafting proposal	Q1 2017
The Auditor's Use of the Work of Specialists	Drafting proposal	Q1 2017
Going Concern	Next action under consideration	
Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities	Research and outreach	

Standard-Setting Agenda—Project Overviews

- 1. *Supervision of Audits Involving Other Auditors.*** On April 12, 2016, the Board issued for public comment amendments to improve the auditing standards that govern the supervision of audits involving other auditors, and a new auditing standard for situations in which the auditor divides responsibility for the audit with another accounting firm. The roles of other accounting firms and individual accountants in audits (collectively, "other auditors") have taken on greater significance with the increasingly global operations of companies. The lead auditor often involves other auditors at various locations of the company, including in areas of the audit where there is a high risk of material misstatement in the financial statements. The comment period on the proposal ends on July 29, 2016. For further information, see [Rulemaking Docket No. 042](#).
- 2. *Auditor's Reporting Model.*** On May 11, 2016, the Board issued for public comment a repropoed auditor reporting standard. The reproposal revises the Board's initial proposal issued in August 2013 (the "2013 proposal"). The reproposal would retain the pass/fail model in the existing auditor's report, but would update the form and content of the report to make it more relevant and informative to investors and other financial statement users. In particular, the auditor's report would include a description of "critical audit matters," which would provide audit-specific information about especially challenging, subjective, or complex aspects of the audit. In addition, the reproposal includes other improvements, primarily intended to clarify the auditor's role and responsibilities in the audit of financial statements and to make the auditor's report easier to read. The comment period on the repropoed standard and related amendments to PCAOB standards ends on August 15, 2016. While the 2013 proposal also included a new auditing standard, *The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report*, regarding the auditor's responsibilities for other information outside the financial statements, the Board did not repropoed this standard on May 11, 2016. The staff is continuing to evaluate the other information standard in light of comments received and anticipates making a recommendation for next steps to the Board at a later date. For further information, see [Rulemaking Docket No. 034](#).
- 3. *Auditing Accounting Estimates, Including Fair Value Measurements.*** On August 19, 2014, the PCAOB issued a staff consultation paper to seek public comment on certain issues related to auditing accounting estimates, including fair value measurements. As discussed in the paper, auditing accounting estimates and fair value measurements has proven challenging to auditors. Additionally, there have been changes in the financial reporting frameworks relating to accounting estimates and an increasing use of fair value as a measurement attribute, together with new related disclosure requirements. The paper described the staff's preliminary views concerning the potential need for change and presented potential revisions to

PCAOB standards. The staff is evaluating the responses from commenters in addition to considering feedback received from the discussions at the October 2014 and June 2015 SAG meetings and the September 2015 IAG meeting. In addition, the staff is monitoring developments related to the IAASB's project on Accounting Estimates (ISA 540) and Special Audit Considerations Relevant to Financial Institutions. The staff anticipates recommending that the Board propose for public comment revisions to its current standards on auditing accounting estimates, including fair value measurements, in the first quarter of 2017. The project is also being closely coordinated with the project on specialists. For further information, see Staff Consultation Paper: Auditing Accounting Estimates and Fair Value Measurements.

4. ***The Auditor's Use of the Work of Specialists.*** On May 28, 2015, the PCAOB issued a staff consultation paper to seek public comment on certain matters related to the auditor's use of the work of specialists. As discussed in the paper, the use and importance of specialists has increased in recent years, in part due to the increasing complexity of business transactions and the resulting complexity of information needed to account for those transactions. Specialists covered by the project include specialists employed or engaged by the auditor and also the use by auditors of the work of specialists employed or retained by the company. The paper described the staff's preliminary views concerning the potential need for change and presented potential revisions to PCAOB standards. The staff is evaluating the responses from commenters in addition to considering feedback received from the discussions at the June and November 2015 SAG meetings and the September 2015 IAG meeting. The staff anticipates recommending that the Board propose for public comment revisions to its current standards on the auditor's use of the work of specialists in the first quarter of 2017. The project is also being closely coordinated with the project on auditing accounting estimates, including fair value measurements. For further information, see Staff Consultation Paper No. 2015-01: The Auditor's Use of the Work of Specialists.
5. ***Going Concern.*** The auditor's evaluation of a company's ability to continue as a going concern is an important part of an audit under PCAOB standards and federal securities law. The purpose of this project is to evaluate potential revisions to the existing PCAOB standard on the auditor's going concern evaluation in light of changes in the relevant accounting requirements² and concerns from investors

² On August 27, 2014, FASB issued Accounting Standards Update No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. On September 22, 2014, the PCAOB issued Staff Audit Practice Alert No. 13, to remind auditors to continue to follow existing PCAOB standards when considering a company's ability to continue as a going concern.

about the effectiveness of auditor going concern reporting. This project is considering, among other things, input from the SAG and IAG, observations from the Board's oversight activities, and relevant research. The staff plans to continue its research and outreach activities to seek input on potential approaches to improving the existing standard and addressing the changes in the accounting requirements. These activities could result in a staff consultation paper, a staff audit practice alert, or other possible actions.

6. ***Quality Control Standards, Including Assignment and Documentation of Firm Supervisory Responsibilities.*** Deficiencies identified in PCAOB inspections suggest that improvements are needed in firms' systems of quality control. The staff is exploring whether changes to PCAOB quality control standards—including improvements related to assignment and documentation of firm supervisory responsibilities—could prompt firms to improve their quality control systems and, in turn, audit quality. This project is considering, among other things, observations from the Board's oversight activities, relevant research, input from the SAG, and activities of international audit regulators, as well as related PCAOB activities, specifically, the root cause analysis and audit quality indicator initiatives. The staff is also monitoring developments related to the IAASB's project on quality control. The staff also plans to perform outreach (e.g., staff consultation paper or public roundtable) to seek input on current practice and the potential need to improve the quality control standards, taking into account potential impacts on large and small domestic and international firms.

Top Legal Topics

Noel Allen
Allen & Pinnix, P.A.
NASBA Annual Meeting
November 1, 2016

Baisden v. Bowers

Key points

- CPA whose license was revoked did not timely bring a lawsuit against the California Board and former clients who filed a complaint about him with the Board.

Source

- Eastern District Federal Court, California, May 2016.

Cane v. Nev. State Bd. of Accountancy

Key points

- In a suit against the Nevada Board, the court concluded that the Board had Eleventh Amendment sovereign immunity and thus was not subject to the court's jurisdiction.

Source

- Federal District Court, Nevada, February 2016.

Allen & Pinnix, P.A.

Estep v. Yellow Book USA, Inc.

Key points

- A public accountant whose license was revoked based in part on telephone directory advertising recovered monetary damages against the directory publishers for breach of contract.

Source

- Lower court in Pennsylvania.

Allen & Pinnix, P.A.

Flattum v. State of Cal. Dep't of Consumer Affairs

Key points

- Suit by licensure applicant against the California Board, Department of Consumer Affairs, the Board's executive officer, and deputy attorney general was dismissed on the basis of eleventh amendment and prosecutorial immunity.

Source

- Eastern District Federal Court, California, July 2016.

Allen & Pinnix, P.A.

AICPA v. IRS

Key points

- AICPA did not have standing to pursue its claim regarding the IRS's Tax Preparer/Annual Filing Season Program.

Source

- Washington, D.C. District Court, August 2016.

Allen & Pinnix, P.A.

Commscope Credit Union v. Butler & Burke

Key points

- The relationship between an independent auditor and its audit client did not give rise to a fiduciary duty as a matter of law.

Source

- North Carolina Supreme Court, September 2016.

Allen & Pinnix, P.A.

Conclusions

On the issue of state action and Eleventh Amendment immunity, there are a number of state agency cases to watch.

Recent appeals of board actions have generally resulted in decisions favorable to state boards, on a range of topics.

We will continue to watch for trends and new developments, especially on the subject of immunity.

Allen & Pinnix, P.A.

**NASBA ANNUAL MEETING
TOP LEGAL TOPICS
ALLEN & PINNIX, P.A.
NOVEMBER 1, 2016**

Accountancy Regulation Cases

Baisden v. Bowers, No. 1:16-CV-00641-LJO-SAB, 2016 U.S. Dist. LEXIS 62574 (E.D. Cal. May 10, 2016) [unpublished]. CPA whose license was revoked did not timely bring a lawsuit against the California Board and former clients who filed a complaint about him with the Board.

Baisden, a California CPA, brought suit against the California Board and two of his former clients, a husband and wife. His claims included negligence, gross negligence, defamation per se, negligent infliction of prospective economic relations, abuse of process, and negligent infliction of emotional distress. The claims stemmed from the revocation of Baisden's CPA license, which was prompted by the defendant clients' complaint related to an income tax return that Baisden prepared for their corporation.

In 2015, Baisden filed a complaint in state court against the clients to vacate a judgment that they obtained against him for fees. Documents obtained in discovery in that case allegedly showed that the clients were negligent when they complained about Baisden to the California Board and in subsequent testimony to the Board. In addition, the discovery responses revealed that the clients told Baisden that they could not allow him to prepare their 2003 and 2004 tax returns because they had been charged with civil fraud.

The issue before the federal district court on a motion to dismiss was whether the statutes of limitations had run on Baisden's claims. The relevant statutes of limitations were one or two years. Although he was not aware of the specific facts, the court observed that Baisden at least suspected that a wrong had been done to him—a wrong that resulted in the revocation of his CPA license. In this case, the claims were not filed until more than six years after the statutes of limitations had run; therefore, the complaint was dismissed.

Cane v. Nev. State Bd. of Accountancy, No. 3:15-cv-00569-RCJ-WGC, 2016 U.S. Dist. LEXIS 17713 (D.C. Nev. Feb. 12, 2016) [unpublished]. Federal district court did not have jurisdiction over the Nevada Board, which had Eleventh Amendment sovereign immunity.

This opinion examines the federal court's detailed response to the *pro se* plaintiff's arguments as to why the court had jurisdiction over his lawsuit against the Nevada Board. In particular, Mr. Cane argued that the Board was not an arm of the state for Eleventh Amendment purposes because the Board was self-funded through monies received as fees versus being funded by monies from the state's general treasury.

The district court rejected the plaintiff's argument that financial liability of the State is a prerequisite to state agency for the purposes of sovereign immunity. Although financial impact on a state treasury can be a key indicator of whether a defendant should be considered an arm of the state for purposes of sovereign immunity, other factors were important as well. Those factors

included: “the nature of the entity’s functions, powers and responsibilities; its relation to and control by other units of government; its corporate status; its ability to sue or be sued; and its power to hold property in its own name or that of the state.” In this instance, the Nevada Board was created by the State, its members were appointed by the governor, and its activities were governed by statute to serve the purpose of the regulation of accountants by the state of Nevada. “In summary, the State’s creation of the Board to serve the State’s purposes and the fact that the Board may issue regulations with the force of law in furtherance of those purposes are the important facts.”

Even if financial impact on the State were a requirement for Eleventh Amendment immunity, the possibility that the state treasury might be depleted was not dispositive. If this suit were to result in a money judgment against the Board, the judgment would be satisfied out of state funds even if the source of those funds was not the general treasury. The court reasoned,

The State has insulated the Board’s funds from the general treasury, but the funds are still collected, managed, and paid at the direction of officials appointed by the Governor in order to serve the purposes of the State statutes and the regulations promulgated thereunder. Indeed, the State’s decision to segregate the Board’s funds from the general fund could very well reflect a judgment that the Board’s activities in furtherance of the State’s regulation of accountants are too important to be subjected to the vagaries of the politics of the biannual budget.

The court further instructed that when undertaking Eleventh Amendment analysis, substantial deference was to be given to the Nevada Supreme Court’s determinations as to whether an agency is an arm of the state. The court found three reported opinions of the Nevada Supreme Court where the Nevada Board was a party. The three cases involved judicial review of administrative actions of the Board or were cases in which the Board was a plaintiff—none in which the Board was a defendant in the underlying action. Two of those three cases indicated that the Board was viewed as an agency of the State.

The court also observed that the Nevada Administrative Procedure Act (NAPA) defines an agency as “an agency, bureau, board, commission, department, division, officer or employee of the Executive Department of the State Government authorized by law to make regulations or to determine contested cases.” The Nevada Board is a board authorized to make regulations, thus it was an agency under the NAPA. As such, judicial review of the Board’s rulings was provided for by the NAPA. Further, the Board was not one of the agencies listed in Chapter 233B of the Nevada statutes as exempt from the NAPA’s provisions.

In summary, the court indicated that the plaintiff’s proper remedy against the Nevada Board as an entity was an action for judicial review of the Board’s decision. Plaintiff was also free to sue individual members of the Board for damages and in their official capacity for injunctive relief; however, no individual members of the Board were listed as defendants in Mr. Cane’s lawsuit. (There were “Doe” defendants named, but that did not suffice.) The court dismissed the Nevada Board as a defendant, and the court gave the plaintiff leave to amend his complaint to name individual defendants and add substantive allegations.

NOTE: A stipulation of dismissal was approved by the court on April 1, 2016.

Estep v. Yellow Book USA, Inc., No. 2012-5085, 2016 Pa. Dist. & Cnty. Dec. LEXIS 509 (C.P. Delaware Cnty. Apr. 29, 2016) [unpublished]. Public accountant whose license was revoked based in part on telephone directory advertising recovered monetary damages against the directory publishers for breach of contract.

The Delaware Board of Accountancy suspended Estep's accountancy license for twelve months for violation of the Rules of Conduct contained in the AICPA's Code of Professional Ethics. A subsequent proceeding was based on Estep's failure to comply with the terms of his previous suspension order and operating an accounting firm without proper licensure. It also concerned Estep's continued advertising of his accounting services in the Yellowbook and on the content of his firm's website. Following the second proceeding, Estep's accounting license was revoked.

Estop brought suit against the Yellowbook for negligence and breach of contract. In the Yellowbook contract, Estep warranted that he had the necessary permits and licenses for the services advertised by his firm and himself. However, previous to the date the contract was executed, Estep had operated his accounting firm without a Delaware permit or license for about ten years. The court noted that Estep, who had a duty to maintain the accounting firm permit with the State of Delaware, was guilty of contributory negligence and could not recover on a negligence theory. As to the breach of contract claim, the court found that Yellowbook had indeed printed the advertisement in the Wilmington directory under the "Accountants—Certified Public" heading in error. Thus, Estep was entitled to recover damages for breach of contract related to the advertising at issue.

Flattum v. State of Cal. Dep't of Consumer Affairs, No. 14-15903, 2016 U.S. App. LEXIS 11340 (9th Cir. June 22, 2016), *rev'g* No. 2:11-cv-27711 LKK GGH PS, 2013 U.S. Dist. LEXIS 153088 (E.D. Cal. Oct. 24, 2013) [unpublished]. Suit by licensure applicant against the California Board, Department of Consumer Affairs, the Board's executive officer, and deputy attorney general was dismissed on the basis of immunity.

Flattum, a former Washington CPA, was suspended in that state due to a criminal conviction and was subsequently denied a California CPA license. Flattum requested a hearing, and the California Board offered him a "stipulated settlement offer." He made a counteroffer, but was then informed by the Board that it preferred a hearing as opposed to an out-of-court settlement. Flattum brought suit in federal court, alleging that the Board denied him his right to a hearing. Defendants in that suit included the California Department of Consumer Affairs, the California Board, the Board's executive officer, and the deputy attorney general who represented the Board regarding Flattum's licensure application. The federal action was stayed until the Board's hearing took place about eight months after the lawsuit was filed. Following the hearing, an administrative law judge determined that the denial of the plaintiff's licensure application was improper. The Board declined to adopt the ALJ's proposed decision that licensure be granted to Flattum. After the Board issued its decision, Flattum amended his federal complaint, alleging that the reasons for denying his license were "utter nonsense" and that the defendants had discriminated against him based on his age and injured his pursuit of economic opportunities.

Defendants moved that the federal action be dismissed based on immunity under the Eleventh Amendment and prosecutorial immunity.

The court noted the Eleventh Amendment did not abrogate states' immunity from suit alleging a civil rights claim under 42 U.S.C. § 1983. Flattum provided no evidence that the California Department of Consumer Affairs, Board, or State of California waived their Eleventh Amendment protection. There was also no evidence presented that Congress intended to abrogate immunity for those defendants. However, Eleventh Amendment immunity was not available to the Board's executive officer and the deputy attorney general. As the court explained, "the Ninth Circuit presumes that officials necessarily are sued in their personal capacities where those officials are named in a complaint, even if the complaint does not explicitly mention the capacity in which they are sued." Here, the complaint named the two individuals and alleged that their conduct was "outside their official capacities." Therefore, they were not entitled to Eleventh Amendment immunity.

As to common-law immunity for the executive officer and deputy attorney general, the court explained that "[g]enerally, prosecutors may assert absolute immunity while executive and administrative officials may assert qualified immunity." In its analysis, the court followed a "functional approach" as set out by the U.S. Supreme Court, looking to the nature of the function performed rather than the identity of the actor, to determine whether the two individuals were entitled to absolute immunity. Flattum took issue with the deputy attorney general's preparation for and initiation of the administrative proceeding. "Merely stating that the defendant acted outside the scope of her employment as an attorney is insufficient for removing her immunity, as it is her conduct that is relevant to the analysis." Although the court took seriously Flattum's charges of falsification of evidence by the deputy attorney general, "charges of falsification of evidence are dismissed on grounds of prosecutorial immunity."

The Board's executive officer was alleged to have signed and published the statement of issues relative to Flattum with the knowledge that it contained false statements about Flattum's character and criminal history and that those statements were injurious to his reputation and career. There were no claims by either party that the executive officer presided over hearings, initiated agency adjudication, or performed functions similar to a judge or prosecutor. "Every person who issues an administrative decision is not entitled to adjudicative immunity." The court also noted that the executive officer did not sign the Board's decision. Although the executive officer "may have presented the issues to the Board, and published the proceedings on the agency website, [the court did] not find that such activity [was] analogous to that of a prosecuting attorney. Thus, [the executive officer was] not entitled to absolute prosecutorial immunity." In a later decision, the Ninth Circuit Court of Appeals summarily held that the district court erred when it denied the executive officer absolute immunity and reversed this portion of the district court's opinion.

The Board also urged that the federal district court abstain from any further proceedings and stay the matter until Flattum provided notice that he had exhausted his remedies at the state level via a state administrative mandamus procedure. The court observed that "[t]he doctrine of abstention applies to state administrative proceedings where there is an ongoing state judicial proceeding that implicates an important state interest and that provides a full and fair opportunity

to litigate a claim.” In this case, Flattum’s administrative action with the Board was no longer pending. Although he had an opportunity to raise a constitutional challenge via California’s writ of mandate procedure, there were no allegations that a proceeding that implicated state interests was ongoing. Therefore, there was no basis for a stay of the federal action. Also, in the absence of a statutory provision, it was not necessary to exhaust administrative remedies before bringing a § 1983 action.

Other Accountancy Cases

American Institute of Certified Pub. Accountants v. Internal Revenue Service, No. 14-1190 (JEB), 2016 U.S. Dist. LEXIS 101661 (D.D.C. Aug. 3, 2016). AICPA did not have standing to pursue its claim regarding the IRS’s Tax Preparer/Annual Filing Season Program.

The AICPA filed suit against the IRS and its Commissioner in his official capacity in the U.S. District Court for the District of Columbia. The complaint sought declaratory and injunctive relief under the Administrative Procedures Act (APA) and the Declaratory Judgment Act. The AICPA claimed that the voluntary Annual Filing Season Program (AFSP) was essentially the same rule that was invalidated by the *Loving* case recently decided by the D.C. Circuit Court of Appeals (holding that Congress has not granted the IRS authority to regulate unenrolled tax return preparers). According to the AICPA’s complaint, the voluntary program was “an illegitimate exercise of government power, as it violates the APA and also represents an impermissible end run around *Loving v. IRS*” AICPA argued that the voluntary program was *de facto* mandatory because of the incentives for participation. In addition, the AICPA maintained that the IRS was required, but failed, to allow a notice and comment period on its program. The federal district court granted the IRS’s motion to dismiss, concluding that the AICPA lacked standing to pursue the case. The AICPA appealed.

The Court of Appeals for the District of Columbia Circuit noted that in order to show standing, the AICPA had to demonstrate that the program, rather than the procedures used to adopt it, caused a redressable harm. Associations such as the AICPA could demonstrate representational standing if: “(1) at least one of their members has standing to sue in her or his own right, (2) the interests the association seeks to protect are germane to its purpose, and (3) neither the claim asserted nor the relief requested requires the participation of an individual member in the lawsuit.” Here, the AICPA demonstrated that it had competitor standing to file suit because its members would face intensified competition as a result of the challenged program. Indeed, the court adopted the language in the AICPA’s briefing to summarize the harm the program could potentially cause AICPA members. “[B]ecause the Rule distorts the competitive marketplace and dilutes [Institute] members’ credentials by introducing a government-backed credential and government-sponsored public listing, it harms those members regardless of whether it also confuses consumers.” *American Institute of Certified Pub. Accountants v. Internal Revenue Service*, 804 F.3d 1193 (D.C. Cir. 2015), *rev’g*, No. 14-1190, 2014 U.S. Dist. LEXIS 157723 (D.C. Oct. 27, 2014) [unpublished].

On remand to the District Court for the District of Columbia, the AICPA’s case was once more dismissed for lack of standing. In this instance, the AICPA’s claim’s failed to pass the “zone-of-interests” test. Under that test, a plaintiff’s grievance must “arguably fall within the zone of

interests protected or regulated by the statutory provision ... invoked in the suit.” The statute in question here was 31 U.S.C. § 330(a), regulating practice before the Department of the Treasury. The court first held that the members of the AICPA did not suffer an injury as parties regulated by the AFSP. The court was then left to determine whether AICPA members’ interests as competitors was within the zone of interests protected by 31 U.S.C. § 330(a). It noted that Congress’s purpose in enacting the statute was to protect consumers in the tax-services marketplace. The AICPA’s interest in avoiding intensified competition as a result of the AFSP was not related to consumer protection. However, the court “had little reason to doubt that there may be other challengers who could satisfy the rather undemanding stricture of the zone-of-interests test.”

NOTE: The AICPA appealed this latest decision to the U.S. Court of Appeals for the District of Columbia on September 6, 2016.

Commscope Credit Union v. Butler & Burke, LLP, No. 5PA15 (N.C. Sept. 23, 2016), *aff’g in part, rev’g in part & remanding* 237 N.C. App. 101, 764 S.E.2d 642 (2014). The relationship between an independent auditor and its audit client did not give rise to a fiduciary duty as a matter of law.

The plaintiff credit union retained the defendant CPA firm in 2001 to provide audit services, based on the firm’s representations that it had special expertise in audits for credit unions and other nonprofits. Every year from 2001-2009, the credit union failed to file a Form 990 with the IRS. As a result, the credit union was issued a substantial penalty for its failure to file. The credit union filed a complaint against the CPA firm for breach of contract, negligence, breach of fiduciary trust, and professional malpractice. The trial court granted the defendant’s motion to dismiss, and the credit union appealed.

On appeal to the North Carolina Court of Appeals regarding the CPA firm’s alleged breach of fiduciary duty, the court noted that no North Carolina case had ever found a *per se* fiduciary relationship between an accounting firm and its clients. However, there was some North Carolina case law where a fiduciary relationship was found to exist between clients and accountants who provided accounting and tax-related services. The court observed, “in using specially trained professionals to perform comprehensive audits for credit unions, accounting firms such as Defendant would appear to hold all the . . . technical information.” Even if the relationship between an accounting firm and its audit clients was not a fiduciary one as a matter of law, the credit union had sufficiently alleged such a relationship. “In assuring [the client] that it had the expertise to review financial statements to identify “errors [and] fraud,” even by [the client’s] own management and employees, the [CPA firm] sought and received special confidence reposed in one who in equity and good conscience is bound to act in good faith and with due regard to the interests of the one reposing the confidence.”

The North Carolina Supreme Court allowed discretionary review to address whether the CPA firm owed a fiduciary duty to the credit union. NASBA submitted an amicus curiae brief at the request of the N.C. State Board of CPA Examiners in support of neither party, in favor of a grant of discretionary review on the narrow issue of the lower court’s finding that an independent auditor could have a fiduciary duty as a matter of fact to the audit client. NASBA argued that, in

the absence of a claim that the auditor lacked independence, a fiduciary duty to a client could not coexist with the auditor's public obligation of independence.

The Supreme Court first noted that it had never included the relationship between an independent auditor and audit client in the list of recognized fiduciary relationships. The reason: "Independent auditors often have significant obligations to their parties or to the public at large that would prevent them from acting solely in their audit clients' best interests." This obligation, reasoned the court, "is even more pronounced when a CPA firm audits the financial statements of a company that is subject to the reporting requirements of the Securities Exchange Act of 1934." As recognized by the U.S. Supreme Court in *United States v. Arthur Young & Co.*, 465 U.S. 805, 817-18 (1984), independent auditors "assume[] a public responsibility transcending any employment relationship with the client"; they "owe[] ultimate allegiance to the [client's] creditors and stockholders, as well as to the investing public." Therefore, the court could not conclude as a matter of law that an independent auditor was always in a fiduciary relationship with its audit client.

Another issue before the court was whether the defendant CPA firm owed a fiduciary duty to the credit union in fact—in other words, did the specific circumstances of this case create a fiduciary duty to the credit union? The auditing work at issue was governed by the Generally Accepted Auditing Standards (GAAS), which, under North Carolina law, included the AICPA's Statements on Auditing Standards. According to those standards, the defendant CPA firm had to maintain its independence and "be free from any obligation to . . . the client, its management, or its owners." Thus, the CPA firm's commitment to audit the credit union's financial statements in accordance with GAAS did not create a fiduciary relationship in fact. There were also no allegations made in the complaint that the CPA firm agreed to perform any additional services for the credit union that could give rise to a fiduciary relationship in fact. The CPA firm's pledge to plan and perform audits in a certain way was simply the manner in which every independent audit was to be conducted in accordance with GAAS. The decision of the Court of Appeals was reversed as to the fiduciary duty issue.

N.C. Dental Board Fallout Cases

Petrie v. Virginia Board of Medicine, No. 15-1007, 2016 U.S. App. LEXIS 8931 (4th Cir. May 16, 2016) [unpublished]. The Virginia Board of Medicine did not violate federal antitrust law because the disciplinary action complained of did not establish antitrust injury and the procompetitive advantages of regulation outweighed any anticompetitive effects.

A licensed Virginia chiropractor was disciplined by the Virginia Board of Medicine (which has disciplinary authority over licensed chiropractors) for exceeding the scope of practice allowed by a chiropractor in that state. She sued the medical board and its members (in their individual capacity as competitors and official capacity), claiming that the board's discipline of her violated federal antitrust law. Among its responses, the board and its members asserted that they were entitled to state action immunity. The board's briefs, therefore, included a discussion distinguishing their situation from that of the board in the *N.C. Dental Board* case. The federal district court granted the board summary judgment based on the determination that federal antitrust laws were not violated because

the law is clear that “the elimination of a single competitor, standing alone, does not prove the anticompetitive effect necessary to establish antitrust injury.” . . . Petri has shown no evidence that pricing in the market was altered or that other chiropractors failed to join, or left, the market as a result of the Board’s actions. Without such a showing, Plaintiff has failed to show the necessary anticompetitive effects of a Sherman Act violation.

In addition, the procompetitive benefits of the board’s actions in regulating medical professions outweighed any detrimental restraint on trade. Having granted summary judgment under a traditional antitrust analysis known as the “rule of reason,” the court did not further address the issue of state action immunity in its opinion.

The case was appealed to the U.S. Court of Appeals for the Fourth Circuit, which affirmed the lower court in an unpublished opinion. The Fourth Circuit noted that Petrie was unable to point to any specific evidence that the Board’s order against her had a broader anticompetitive effect on any other Virginia chiropractor. Her efforts to show such a broad effect were labelled by the court as “mere speculation.” The court did not address whether the Board had engaged in an anti-competitive contract, combination or conspiracy or whether Petrie sustained an economic injury that was sufficient to confer standing for her to sue for a Sherman Act violation.

NOTE: The deadline for filing a petition for certiorari with the U.S. Supreme Court has been extended until October 12, 2016.

Teladoc, Inc. v. Texas Medical Board, No. 1:15-cv-00343-RP, 2015 U.S. Dist. LEXIS 166754 (W.D. Tex. Dec. 14, 2015). Board member’s motion to dismiss the antitrust claim was denied because they could not show active state supervision of their actions.

Teladoc, a national telemedicine provider, sued the Texas Medical Board and its members in their individual and official capacities, alleging a violation of the Sherman Act and Dormant Commerce Clause in reaction to the Medical Board’s recent rulemaking. On April 10, 2015, the Medical Board (with 12 of its 19 members being doctors) adopted two rule amendments that required an established, face-to-face relationship between a physician and his or her patient before that physician could provide telemedicine services. If there is no established, face-to-face relationship, the rules would require that a physician, nurse practitioner, or physician assistant be physically present with the patient for the telemedicine consultation. Teladoc alleged that the rules would “not only shut down Teladoc’s operations in Texas, but it will threaten its ability to provide services in other states that welcome telehealth providers.” The complaint did not specifically seek treble damages but, instead, requested injunctive relief and a declaration that the amendments were invalid and unenforceable.

On May 29, 2015, the court granted Teladoc’s motion for a preliminary injunction and enjoined the Medical Board “from taking any action to implement, enact, and enforce” the rule amendments. Notably, the court observed that because the Medical Board did not assert any immunity defenses, “[t]he normal deference afforded to a state under antitrust law is, therefore,

not an issue in reviewing Plaintiff's application for a preliminary injunction. The Court's opinion is properly read through that narrow, and unusual, lens."

On July 23, 2015, the Board was dismissed, as were its fourteen board members in their individual capacities pursuant to a joint stipulation filed by the parties. The members of the board filed a motion to dismiss in their official capacities. They claimed that the plaintiffs' antitrust claim was barred by the state action immunity doctrine for several different reasons. The members argued that there was active state supervision of their actions because they were subject to judicial review by the Texas courts and State Office of Administrative Hearings. The court did not agree. Citing the *N.C. Dental Board* case, the court said the members had not provided any examples of judicial review that had rejected the validity of a rule because it was not "in accord with state policy." Further, the judicial review on which the members relied "merely permits a court to determine a rule is invalid. It does not, therefore, meet the Supreme Court's mandate that 'the supervisor must have the power to veto or *modify* particular decisions to ensure they accord with state policy.'"

Two other examples of active state supervision in regard to rulemaking put forward by the board members failed to satisfy the court. It held that the sections of Texas's version of the Administrative Procedures Act cited by the members did not meet the Supreme Court's requirement that the "supervisor must review the substance of the anticompetitive decision, not merely the procedures followed to produce it."

Another avenue advanced by the board members was that they were actively supervised because their disciplinary actions were subject to judicial review. This argument also did not sway the court because the scope of the review available under the applicable section of the Texas Government Code was limited and failed to provide the reviewing court with a method for determining whether the members' actions were "in accord with state policy." As to the members' argument that the Texas Legislature had sufficient oversight to constitute active supervision via the "sunset review" process, the court rejected this argument because the Sunset Commission did not have to power to veto or modify any rule adopted by the Board.

NOTE: The board members filed a notice of appeal with the Fifth Circuit. However, in an amicus brief, the American Antitrust Institute argued that the Fifth Circuit did not have jurisdiction to hear the appeal. Due to procedural and jurisdictional issues, the district court denied the Board's motion for certification of the interlocutory appeal. *Teladoc*, No. 1:15-CV-343-RP, 2016 U.S. Dist. LEXIS 107443 (W.D. Tex. Aug. 15, 2016).

The Professional Licensing Coalition (PLC)

A Federal Approach to the North Carolina Decision

NASBAs 109th Annual Meeting

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NASBA
National Association of State Boards of Accountancy
Mission Driven - Member Focused

REMINDER
NORTH CAROLINA DECISION
FEDERAL BOARD OF ACCOUNTANCY

**ANTITRUST LAW AND STATE ACTION IMMUNITY:
A PRIMER FOR STATE BOARD MEMBERS, STAFF
AND LEGAL COUNSEL**
JUNE 1, 2016

West Virginia Board of Accountancy and Legal Counsel:
As you know, on March 15, 2016, Governor Tomblin signed into law Senate Bill 271. This legislation adds a new section to Chapter 30 (§30-9-33) that requires members of the West Virginia Board of Accountancy, and their representatives from the Attorney General's office, to obtain initial training on the subject of federal antitrust law and state action immunity by July 1, 2016.

In order to be in compliance with the §30-9-33, the National Association of State Boards of Accountancy (NASBA) is pleased to provide the following training in federal antitrust law and state action immunity. Please click on the below link to participate in this webinar.

VIEW THE WEBINAR

NASBA experts on federal antitrust law and state action immunity will be available via

Dear Board of Accountancy President,
We have preliminarily reviewed the decision in *Allen*. The following is a general summary. Obviously, the decision left some important questions from a perspective since some of the reporting is still in progress.

Overview

DATE IN THE WEBINAR
Click the button below after you have signed in as a member.

CLICK THE WEBINAR

NASBA
Phone Number: 1-719-867-0497

Overview of Supreme Court Ruling

- 6-3 decision (Alito, Scalia and Thomas dissenting)
- **Majority's Conclusion:** Because a "controlling number" of the Board's decision makers are "active market participants in the occupation the Board regulates," the Board is treated as a **private actor** and must show active supervision by the State.

The logo for the National Accountancy State Boards of Accountancy (NASBA), consisting of the letters "NASBA" in a teal, sans-serif font.

How Much State Supervision is Required?

- Test is "flexible and context-dependent"
- Don't need day-to-day involvement in operations or micromanagement of every decision
- Review mechanism must provide "realistic assurance" that conduct "promotes state policy, rather than merely the party's individual interests"
- **Four requirements:** (1) supervisor must review substance, not merely procedures; (2) must have power to veto/modify; (3) mere potential for supervision not enough; and (4) supervisor can't be an active market participant

The logo for the National Accountancy State Boards of Accountancy (NASBA), consisting of the letters "NASBA" in a teal, sans-serif font.

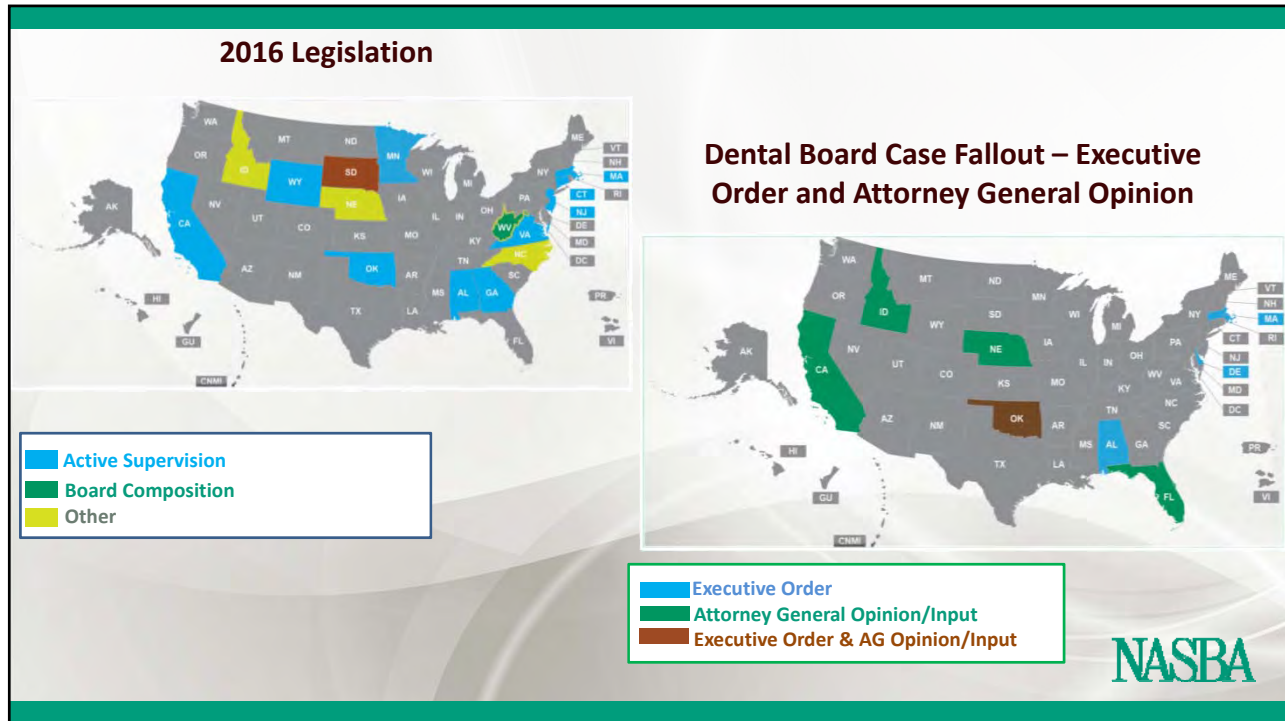
*“It may take years for many
States to decide what steps
they will take”*


*Justice Samuel Alito ~ Dissent
2015 FTC/NC Dental Decision*

Navigating Through NC Dental

- These short-term solutions implicate interests of licensing boards and their members -
 - Added layers of “active supervision” oversight may undercut the role of board independence and expertise in matters of public health and safety.
 - Board members and employees are subject to the threat of treble antitrust damages and ongoing litigation expense while elements of a board’s state action defense are adjudicated.
 - Qualified professionals may be deterred from public service in fear of personal liability overhang; board recruitment more difficult.

NASBA





Mary Fallin
Governor

FILED
JUL 17 2015
OKLAHOMA SECRETARY
OF STATE

EXECUTIVE DEPARTMENT
EXECUTIVE ORDER 2015-33

I, Mary Fallin, Governor of the State of Oklahoma, pursuant to the power and authority vested in me by Section 2 of Article VI of the Oklahoma Constitution, hereby order all state boards who have a majority of members who are participants of markets that are directly or indirectly controlled by the board, to immediately implement and adopt the following procedures.

Attorney General Guidance

Attorney General Scott Pruitt issued a letter to this office on July 6, 2015, recommending

LEGISLATURE OF THE STATE OF IDAHO Sixty-third Legislature Second Regular Session - 2016	
IN THE HOUSE OF REPRESENTATIVES	
HOUSE BILL NO. 482	
BY HEALTH AND WELFARE COMMITTEE	
AN ACT	
TO REVISE QUALIFICATIONS FOR MEMBERS OF THE BOARD OF ACCOUNTANCY	
8	CORRECTIONS; AMENDING SECTION 54-313, IDAHO CODE, TO PROVIDE FOR RE-
9	MOVAL OF A BOARD MEMBER; AMENDING SECTION 54-314, IDAHO CODE, TO REVISE
10	PROVISIONS REGARDING FILLING VACANCIES ON THE BOARD; AMENDING SECTION
11	54-521, IDAHO CODE, TO REVISE QUALIFICATIONS FOR MEMBERS OF THE BOARD OF
12	BARBER EXAMINERS, TO PROVIDE FOR REMOVAL OF A BOARD MEMBER AND TO MAKE
13	A TECHNICAL CORRECTION; AMENDING SECTION 54-604, IDAHO CODE, TO REVISE
14	QUALIFICATIONS FOR MEMBERS OF THE BOARD OF PODIATRY AND TO MAKE TECHNICAL
15	CORRECTIONS; AMENDING SECTION 54-828, IDAHO CODE, TO REVISE QUAL-
16	IFICATIONS FOR MEMBERS OF THE BOARD OF COSMETOLOGY; AMENDING SECTION
17	54-829, IDAHO CODE, TO REVISE QUALIFICATIONS FOR MEMBERS OF THE BOARD OF
18	COSMETOLOGY; AMENDING SECTION 54-907, IDAHO CODE, TO REVISE QUALIFICA-
19	TIONS FOR MEMBERS OF THE BOARD OF DENTISTRY; AMENDING SECTION 54-908,
20	IDAHO CODE, TO AUTHORIZE THE GOVERNOR TO APPOINT CERTAIN PERSONS TO
21	THE BOARD; AMENDING SECTION 54-1006, IDAHO CODE, TO REVISE QUALIFICA-
22	TIONS FOR MEMBERS OF THE IDAHO ELECTRICAL BOARD AND TO MAKE A TECHNICAL
23	CORRECTION; AMENDING SECTION 54-1105, IDAHO CODE, TO REVISE QUALIFICA-
24	TIONS FOR MEMBERS OF THE BOARD OF MORTICIANS; AMENDING SECTION 54-1203,
25	IDAHO CODE, TO REVISE QUALIFICATIONS FOR MEMBERS OF THE BOARD OF LI-
26	CENSURE OF PROFESSIONAL ENGINEERS AND PROFESSIONAL LAND SURVEYORS;
27	AMENDING SECTION 54-1204, IDAHO CODE, TO PROVIDE FOR A PUBLIC MEMBER OF
28	THE BOARD; AMENDING SECTION 54-1206, IDAHO CODE, TO REVISE A PROVISION
29	REGARDING REMOVAL OF BOARD MEMBERS; AMENDING SECTION 54-1403, IDAHO
30	CODE, TO PROVIDE THAT ALL MEMBERS OF THE BOARD OF NURSING SHALL SERVE AT
31	THE PLEASURE OF THE GOVERNOR; AMENDING SECTION 54-1503, IDAHO CODE, TO
32	REVISE QUALIFICATIONS FOR MEMBERS OF THE BOARD OF OPTOMETRY; AMENDING

Defense and Indemnification of Board Members

- Risk Management advises that there is no coverage of defense costs, damages or attorney fee awards in the event a Board Member is sued for Antitrust Violation
- However, if suit includes both Antitrust and other covered claims, i.e. 1983, total defense cost would be covered, but only damages for covered claims would be paid by Risk Management
- Explore options for obtaining coverage through DMS

Who pays?

The above information was provide by the Florida Attorney General in a PowerPoint presentation to all Florida regulatory boards (Slide #38)

NASBA

March 1, 2016

Honorable Rick Scott, Governor State of Florida
The Capitol
400 South Monroe Street
Tallahassee, Florida 32399-0001

Re: Florida State Board of Accountancy
Federal Trade Commission Antitrust Activities

Dear Governor Scott:

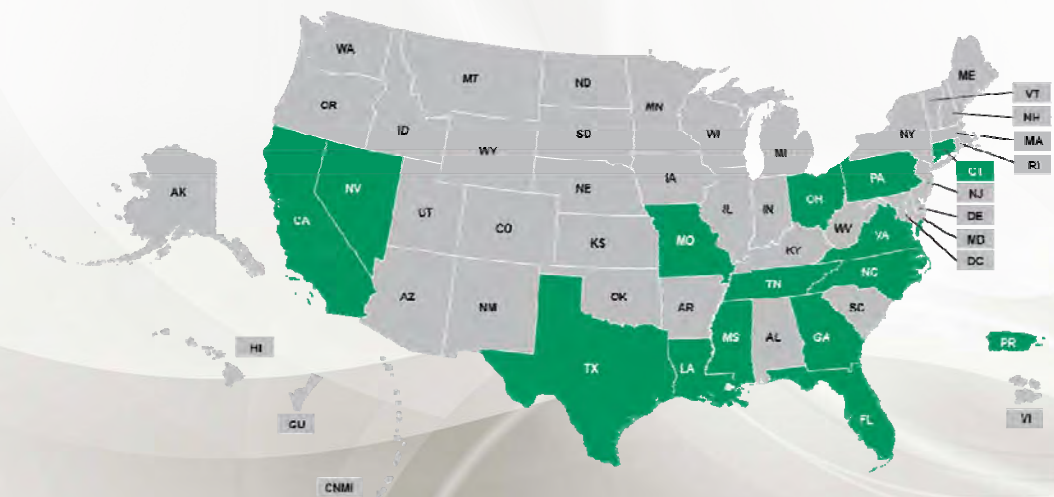
I was honored to learn when you appointed me to the Florida Board of Accountancy in 2011 and reappointed me in 2014. Having served as a member of this Board for five years, we have operated in a manner that balances protection of the public while creating a regulatory environment to embrace CPA mobility which encourages job

I was disappointed to recently learn that our volunteer service will now come at great personal and financial risk.

great personal and financial risk. When the members were appointed to serve in essentially a voluntary position, we understood that the BOA was immune from antitrust suits so long as we acted in the best interest of the State. A recent Supreme Court Case involving the North Carolina Dentistry Board interpreted requirements for antitrust immunity and held that Regulatory Boards and their members in States like Florida have **NO** immunity from antitrust claims because of the composition of Florida Regulatory Boards and Florida's regulatory oversight structure.



States With NC Dental Fallout Litigation Seeking Monetary Damages Against Boards and/or Board Members





Test Long Vice Chair Nominee

Theresa M. Long, a CPA, was selected as Vice Chair of the Accounting Committee for NASBA for the 2016-2017 term. She will be elected as Vice Chair for the 2017-2018 term. Long will automatically serve as NASBA Vice Chair for the 2018-2019 term.

Long is currently Director at Large and Chair of the CPA Advisory Council Strategic, HR, Mobility, Implementation, and Relations with Member Boards Committee. She has also served as NASBA's Chief Liaison Regional Director and was a member of the Accounting Board of Directors for several years, including three terms as its Chair. Mr. Long is a retired partner of Ernst & Young LLP.

NASBA Joins Coalition

NASBA has joined with representatives from other national professional licensing board associations to form a coalition in response to the *North Carolina Dental Board* case. The Professional Licensing Coalition (PLC) has spearheaded a federal effort to eliminate the threat of anti-trust financial liability from regulatory boards and their members when they are acting in their official capacity. The strategy is to amend the 1984 Local Government Anti-Trust Act (LGAA) to include state regulatory boards. NASBA Director of Governmental and Legislative Affairs John Johnson is serving as NASBA's representative to the coalition to help shape legislation that will protect those who serve on State Boards from potential litigation. ♦

Board Exposes UAA Changes

Changes to the Uniform Accountancy Act (UAA) are being reviewed by the Uniform Accountancy Board (UAB) and the American Institute of Certified Public Accountants (AICPA). The UAB is a joint venture of the AICPA and the Institute of Management Accountants (IMA). The UAB is currently reviewing the UAA to ensure it remains relevant and effective in the 21st century. The UAB is currently reviewing the UAA to ensure it remains relevant and effective in the 21st century. The UAB is currently reviewing the UAA to ensure it remains relevant and effective in the 21st century.



Professional Licensing Coalition (PLC)

American Association of Veterinary State Boards (AAVSB)

American Institute of Architects

American Psychological Association (APA)

Association of Social Work Boards (ASWB)

*Association of State and Provincial Psychology Boards (ASPPB) **

Board of Certification for the Athletic Trainer (BOC)

*Council of Landscape Architectural Registration Boards (CLARB) **

*Federation of Association of Regulatory Boards (FARB) **

*Federation of State Boards of Physical Therapy (FSBPT) **

*Federation of State Medical Boards (FSMB) **

*National Association of State Board of Accountancy (NASBA) **

*National Board for Certification in Occupational Therapy (NBCOT) **

*National Council of Architectural Registration Boards (NCARB) **

* Original Coalition Partners



United States Supreme Court
COMMUNITY COMMUNICATIONS CO., v. BOULDER, (1982)

No. 80-1350

Argued: October 13, 1981 Decided: January 13, 1982

Respondent city of Boulder is a "home rule" municipality, granted by the Colorado Constitution extensive powers of self-government in local and municipal matters. Petitioner is the assignee of a permit granted by a city ordinance to conduct a cable television business within the city limits. Originally, only limited service within a certain area of the city could be provided by petitioner, but improved technology offered petitioner an opportunity to expand its business into other areas, and also offered opportunities to potential competitors, one of whom expressed interest in obtaining a permit to provide competing service. The City Council then enacted an "emergency" ordinance prohibiting petitioner from expanding its business for three months, during which time the Council was to draft a model cable television ordinance and to invite new businesses to enter the market under the terms of that ordinance. Petitioner filed suit in Federal District Court, alleging that such a restriction would violate 1 of the Sherman Act, and seeking a preliminary injunction to prevent the city from restricting petitioner's proposed expansion. The city responded that its moratorium ordinance could not be violative of the antitrust laws because, inter alia, the city enjoyed antitrust immunity under the "state action" doctrine of *Parker v. Brown*, 317 U.S. 341. The District Court held that the Parker exemption was inapplicable and that the city was therefore subject to antitrust liability. Accordingly, the District Court issued a preliminary injunction. The Court of Appeals reversed, holding that the city's action satisfied the criteria for a Parker exemption.

NASBA

*“It will take a considerable feat of
judicial gymnastics to conclude
that municipalities are not subject
to treble damages ...”*

*Justice William Rehnquist ~ Dissent
1982 City of Boulder Decision*

INCREASE IN SUITS STRAINS BUDGETS OF MANY CITIES

By **ROBERT LINDSEY**, Special to the New York Times

LOS ANGELES — Officials of cities around the country say they are being swamped by a surge of multimillion-dollar court judgments that are straining their budgets, forcing cutbacks in services and in some cases threatening bankruptcy. Specialists on municipal law estimate that the cost to taxpayers for settling such claims, which runs hundreds of millions of dollars a year, has tripled over the past five years.

They attribute the increase to court decisions and legislation in the 1970's broadening the cities' liability in suits involving antitrust, civil rights and other laws and in personal injury lawsuits. \$6 Million for Surf Injury A swimmer who became paralyzed after diving into the surf at a town beach recently won a \$6 million judgment against the city of Newport Beach in California.

In New York City, jurors awarded \$1.5 million last year to the survivors of a man who drove his car into the rear of a transit bus.

City officials in Grayslake, Ill., face a \$28.5 million antitrust judgment because they refused to allow a developer to tie a new subdivision into the city's sewer system.



Local Government Antitrust Act of 1984

Sec. 2 For purposes of this Act—

(1) the term "local government" means—

(A) a city, county, parish, town, township, village, or any other general function governmental unit established by State law, or
(B) a school district, sanitary district, or any other special function governmental unit established by State law in one or more States,

(2) the term "person" has the meaning given it in subsection (a) of the first section of the Clayton Act [15 U.S.C. 12(a)], but does not include any local government as defined in paragraph (1) of this section, and

(3) the term "State" has the meaning given it in section 4G(2) of the Clayton Act (15 U.S.C. 15g(2)).

Sec. 3 (a) No damages, interest on damages, costs, or attorney's fees may be recovered under section 4, 4A, or 4C of the Clayton Act (15 U.S.C. 15, 15a, or 15c) from any local government, or official or employee thereof acting in an official capacity.

(b) Subsection (a) shall not apply to cases commenced before the effective date of this Act unless the defendant establishes and the court determines, in light of all the circumstances, including the stage of litigation and the availability of alternative relief under the Clayton Act, that it would be inequitable not to apply this subsection to a pending case. In consideration of this section, existence of a jury verdict, district court judgment, or any stage of litigation subsequent thereto, shall be deemed to be prima facie evidence that subsection (a) shall not apply.

Sec. 4 (a) No damages, interest on damages, costs or attorney's fees may be recovered under section 4, 4A, or 4C of the Clayton Act (15 U.S.C. 15, 15a, or 15c) in any claim against a person based on any official action directed by a local government, or official or employee thereof acting in an official capacity.

(b) Subsection (a) shall not apply with respect to cases commenced before the effective date of this Act.



Local Government Antitrust Act of 1984

Ronald Reagan on Signing the Local Government Antitrust Act of 1984 -October 24, 1984:

"Today I am signing into law H.R. 6027, the Local Government Antitrust Act of 1984, which clarifies the application of the Federal antitrust laws to the official conduct of local governments. This bill provides much needed and timely relief for our cities, towns, school districts, sanitary districts, and other similar local governmental bodies from the threat of massive treble damages in the antitrust cases that are being brought with increasing frequency against them. *While the antitrust laws serve very important purposes, they were never intended to threaten public treasuries and the taxpayers' pocketbooks, or to disrupt the good faith functioning of local units of governments.* The administration has been a strong supporter of this legislation, and I commend the efforts of the local officials and those in the Senate and House of Representatives who worked so hard for its enactment during the 98th Congress."



Proposed Legislation Would Insert "State Licensing Board" Into the LGAA

State Licensing Board Antitrust Act

Sec. 2 For purposes of this Act—

(1) the term "local government" means—

(A) a city, county, parish, town, township, village, or any other general function governmental unit established by State law, or

(B) a school district, sanitary district, or any other special function governmental unit established by State law in one or more States,

(2) the term "state licensing board" means a board composed of two or more members established by a State for the purpose of: (a) regulating the qualifications and practices of any occupation or profession; or (b) determining whether specific persons are authorized to engage in and/or practice such occupation or profession.

~~(3)~~ the term "person" has the meaning given it in subsection (a) of the first section of the Clayton Act [15 U.S.C. 12(a)], but does not include any local government as defined in paragraph (1) of this section, and

~~(4)~~ the term "State" has the meaning given it in section 4G(2) of the Clayton Act (15 U.S.C. 15g(2)).

Sec. 3 (a) No damages, interest on damages, costs, or attorney's fees may be recovered under section 4, 4A, or 4C of the Clayton Act (15 U.S.C. 15, 15a, or 15c) from any local government **or state licensing board**, or official or employee thereof acting in an official capacity.

(b) Subsection (a) shall not apply to cases commenced before the effective date of this Act **with respect to a local government, or the State Licensing Board Antitrust Act with respect to a state licensing board** unless the defendant establishes and the court determines, in light of all the circumstances, including the stage of litigation and the availability of alternative relief under the Clayton Act, that it would be inequitable not to apply this subsection to a pending case. In consideration of this section, existence of a jury verdict, district court judgment, or any stage of litigation subsequent thereto, shall be deemed to be prima facie evidence that subsection (a) shall not apply.

Sec. 4 (a) No damages, interest on damages, costs or attorney's fees may be recovered under section 4, 4A, or 4C of the Clayton Act (15 U.S.C. 15, 15a, or 15c) in any claim against a person based on any official action directed by a local government **or state licensing board**, or official or employee thereof acting in an official capacity.

(b) Subsection (a) shall not apply with respect to cases commenced before the effective date of this Act **with respect to a local government, or the State Licensing Board Antitrust Act with respect to a state licensing board.**





Professional Licensing Coalition

Legislative Counsel
Constantine Cannon LLP
Steve Cannon

Wilmer Hale
Jonathan Yarowsky

**NASBA Umbrella
Participants**

AICPA – Diana Deem
Georgia Society of CPA – Don Cook
Georgia BOA – Julian Deal and Mike Mixon
Iowa Society of CPA – Cindy Adams
*Iowa BOA – Ted Lodden**
Minnesota Society of CPA – Geno Fragnito
Minnesota BOA – Sharon Jensen and Alan Wilensky
Pennsylvania Society of CPA – Mike Colgan and Peter Calcara
*Texas BOA – Congressman Mike Conaway**

** Former BOA Members*

NASBA

**House of Representative Committee
On The Judiciary – 114th Congress**

Minority Members

John Conyers, Jr. (D-MI) *Ranking Minority Member*
Jerrold Lewis "Jerry" Nadler (D-NY)
Zoe Lofgren (D-CA)
Sheila Jackson-Lee (D-TX)
Stephen Ira "Steve" Cohen (D-TN)
*+Henry C. "Hank" Johnson, Jr. (D-GA)
Pedro R. Pierluisi (D-PR)
Dr. Judy Chu, PhD (D-CA)

Theodore Eliot "Ted" Deutch (D-FL)
Luis V. Gutierrez (D-IL)
Karen R. Bass (D-CA)
Cedric Levon Richmond (D-LA)
*Suzan K. DelBene (D-WA)
*Hakeem Jeffries (D-NY)
*David N. Cicilline (D-RI)
*Scott Harvey Peters (D-CA)

*Antitrust Subcommittee Member
+Ranking Democrat on Subcommittee

NASBA

[DISCUSSION DRAFT]

114TH CONGRESS

2D SESSION **H. R.** _____

To limit the liability of State licensing boards under the antitrust laws.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

"STATE LICENSING BOARD ANTITRUST ACT OF 2016"

2. *vices of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "State Licensing Board

5 Antitrust Act of 2016".

6 **SEC. 2. DEFINITIONS.**

7 For purposes of this Act:

8 (1) STATE.—The term "State" has the mean-

9 ing given it in section 4G(2) of the Clayton Act (15

10 U.S.C. 15g(2)).

NASBA

**House of Representative Committee
On The Judiciary – 114th Congress
Minority Members**

John Conyers, Jr. (D-MI) <i>Ranking Minority Member</i>	Theodore Eliot "Ted" Deutch (D-FL)
Jerrold Lewis "Jerry" Nadler (D-NY)	Luis V. Gutierrez (D-IL)
Zoe Lofgren (D-CA)	Karen R. Bass (D-CA)
Sheila Jackson-Lee (D-TX)	Cedric Levon Richmond (D-LA)
Stephen Ira "Steve" Cohen (D-TN)	*Suzan K. DelBene (D-WA)
*+Henry C. "Hank" Johnson, Jr. (D-GA)	*Hakeem Jeffries (D-NY)
Pedro R. Pierluisi (D-PR)	*David N. Cicilline (D-RI)
Dr. Judy Chu, PhD (D-CA)	*Scott Harvey Peters (D-CA)

*Antitrust Subcommittee Member
+Ranking Democrat on Subcommittee

NASBA

House of Representative Committee On The Judiciary – 114th Congress

Majority Members

Robert W. "Bob" Goodlatte (R-VA) Chairman
 Frank James "Jim" Sensenbrenner, Jr. (R-WI)
 Lamar S. Smith (R-TX)
 Steve Chabot (R-OH)
 *Darrell Edward Issa (R-CA)
 J. Randy Forbes (R-VA)
 Steven A. "Steve" King (R-IA)
 Trent Franks (R-AZ)
 Louie Gohmert (R-TX)
 James D. "Jim" Jordan (R-OH)
 Ted Poe (R-TX)
 *Michael D. "Mike" Bishop (R-MI)

*Antitrust Subcommittee Member
 +Ranking Republican on Subcommittee

Jason Chaffetz (R-UT)
 *+Thomas Anthony "Tom" Marino (R-PA)
 Harold W. "Trey" Gowdy, III (R-SC)
 Raúl Rafael Labrador (R-ID)
 *Randolph Blake Farenthold (R-TX)
 *Doug Collins, USAFR (R-GA)
 Ron DeSantis, USNR (R-FL)
 *Mimi Walters (R-CA)
 Kenneth R. "Ken" Buck (R-CO)
 *John Ratcliffe (R-TX)
 *David "Dave" Trott (R-MI)



Senate Committee On The Judiciary – 114th Congress

Majority Members

*Charles E. "Chuck" Grassley (R-IA) Chairman
 *Orrin G. Hatch (R-UT)
 Jefferson Beauregard "Jeff" Sessions, III (R-AL)
 Lindsey O. Graham, USAFR (Ret) (R-SC)
 John Cornyn (R-TX)
 *Michael S. "Mike" Lee (R-UT)
 R. Edward "Ted" Cruz (R-TX)
 David Vitter (R-LA)
 Jeff Flake (R-AZ)
 *David A. Perdue, Jr. (R-GA)
 *Thom Tillis (R-NC)

*Antitrust Subcommittee Member

Minority Members

Patrick J. Leahy (D-VT) Ranking Minority Member
 Dianne Feinstein (D-CA)
 Charles E. "Chuck" Schumer (D-NY)
 Richard J. "Dick" Durbin (D-IL)
 Sheldon Whitehouse (D-RI)
 *Amy Klobuchar (DFL-MN)
 *Al Franken (DFL-MN)
 *Christopher A. "Chris" Coons (D-DE)
 *Richard "Dick" Blumenthal (D-CT)



Talking Points to our Federal Antitrust Remedies Solution to *NC Dental Board v. FTC* Supreme Court Opinion

U.S. Supreme Court's February 2015 opinion in *NC State Board of Dental Examiners v. Federal Trade Commission* (No. 13-534) requires state agencies "controlled" by "active market participants" to demonstrate two elements if they seek to invoke/enjoy state action immunity from federal antitrust law:

- 1) clearly-articulated state policy supporting their otherwise anticompetitive actions; and
- 2) active state supervision over such actions by a disinterested state official/entity.

Supreme Court expressly left open whether boards and board members could be liable for treble damages and attorneys' fees if found liable under antitrust law.

Most licensing boards are populated by gubernatorially appointed volunteers looking to serve their state by utilizing their expertise to regulate. These individuals may now be unnecessarily subjected to personal liability for simply serving on these state boards.

As states have tried to grapple with the case's fallout, they have struggled with interpreting the case and determining whether and how to implement its requirements.

A federal solution is necessary to ensure that we do not deter current and prospective state board members from serving because they are uncertain as to any potential liability that could arise from their public service.

This situation has a lot of similarities to 1978-1984, the timeframe leading up to the passage of the Local Government Antitrust Act of 1984 (which was enacted to protect local governments and local government officials by removing the threat of monetary damages and removing the incentives for attorneys' fees that might encourage private damage litigation).

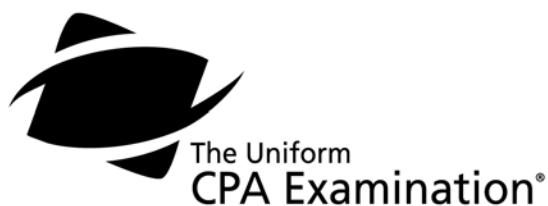
We are seeking a bipartisan federal legislative solution to the problems created by the Supreme Court's opinion. This solution focuses on adding state licensing boards and board members into the Local Government Antitrust Act.



A Venn diagram consisting of two overlapping circles. The left circle is green and contains the text "AICPA" at the top, "NASBA" in the middle, and "CPA/SEA" at the bottom. The right circle is red and contains the text "TAC" at the top, "BOA" in the middle, and "Society GA FOOD Group" at the bottom. The intersection of the two circles is a darker green and contains the text "US".

Questions?

NASBA



The Next Version of the CPA Exam: Preparing for the Launch and Beyond




NASBA

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Uniform CPA Examination Webinars



JOIN US FOR A FREE WEBINAR ON...
THE VALUE OF THE U.S. CPA CREDENTIAL

WEDNESDAY, NOVEMBER 9, 2016 [Add to calendar](#)
4:00 PM (LEBANON TIME)
5:00 PM (BAHRAIN & KUWAIT TIME)
6:00 PM (UAE STANDARD TIME)


We invite you to participate in a live question and answer (Q&A) session on the U.S. CPA credential.

Featuring:

Patricia Hartman
Director of Examination Services, NASBA



Henrietta Eve, CPA
Technical Manager, AICPA

[REGISTER HERE](#)



The webinar will provide information for students exploring a career in business or accounting and prospective CPAs, including:

- Benefits of being a licensed CPA
- Process involved in attaining licensure
- Resources and information on the CPA Exam
- Details about the next CPA Exam launching in April 2017



JOIN US FOR A FREE WEBINAR ON...
THE VALUE OF THE U.S. CPA CREDENTIAL

WEDNESDAY, NOVEMBER 9, 2016 [Add to calendar](#)
8:00 PM (JAPAN TIME)

We invite you to participate in a live question and answer (Q&A) session on the U.S. CPA credential.

Featuring:




Patricia Hartman
Director of Examination Services, NASBA

Henrietta Eve, CPA
Technical Manager, AICPA

[REGISTER HERE](#)

The webinar will provide information for students exploring a career in business or accounting and prospective CPAs, including:

- Benefits of being a licensed CPA
- Process involved in attaining licensure
- Resources and information on the CPA Exam
- Details about the next CPA Exam launching in April 2017



Please join us for...
What to Expect from the Next Version of the CPA Exam

Hosted by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA)

WEDNESDAY, NOVEMBER 9, 2016 [Add to calendar](#)
2:00 PM (EASTERN TIME)

We invite you to participate in a free webcast, "What to Expect from the Next Version CPA Exam," featuring a presentation and Q&A session with the team who helped develop the next Exam. Hear how the next Exam will be different from the current version, have your questions answered, and learn about all the resources available to best prepare for the next version of the exam.


Featuring:

Joseph Maslott, CPA, CGMA
Senior Technical Manager, AICPA

Patricia Hartman
Director of Examination Services, NASBA

Henrietta Eve, CPA
Technical Manager, AICPA

[REGISTER HERE](#)



Social Media Campaigns

12 Common CPA Exam Errors



Don't Text and Test

After months of preparation, Jenny was confident and prepared for the CPA Exam. During her scheduled break, Jenny sent a text message to her mother to say things were going well. Unfortunately, this is a direct violation of Exam policy. Prometric is required to write up the incident and report it to the Board of Accountancy for further investigation. This may jeopardize Jenny's score. Don't Text and Test like Jenny! Follow the instructions and leave your cell phone turned off in the locker.

Cell Phones: Once you enter the testing center, you may NOT access your cell phone. This includes using your cell phone during a scheduled break.



Not My Fault!

The test scores were released and Steven didn't do as well as he had anticipated. Bitterly, he blamed the bad storm on the day of the Exam, in which he decided to contact NASBA and issue a formal complaint two weeks following his test date. Unfortunately, it was too late. Don't procrastinate like Steven! Issue a formal complaint to NASBA within five (5) days of taking the Exam.

Notifying NASBA: If you have any difficulties related to your test experience, a formal complaint should be sent to NASBA at candidatecare@nasba.org within five (5) days of taking the Exam. Do not wait until the score has been released.



Don't Be Late!

Following years of preparation for the CPA Exam, Michelle made one wrong turn during her drive to the test center and arrived 35 minutes late. To her disappointment, she was turned away and not allowed to take the Exam. Michelle not only missed her appointment, but she was also denied a refund. Don't be tardy like Michelle! Map out the directions to the testing center before your test date and arrive at least 30 minutes before your scheduled appointment time.

Late Arrive: If you arrive at the testing center after your scheduled appointment time, Prometric is not obligated to allow you to test. Know where you are going well in advance.



But I Rescheduled!

Carla needed to postpone her CPA Exam due to a medical issue. She decided to reschedule her appointment on-line with Prometric. Unfortunately, she ended her session on the verification screen and not the "appointment complete" screen. When she arrived at the test center, Prometric had no record of her attempt to reschedule. Don't jump off-line too early like Carla! Follow the instructions on each screen and check your email for confirmation of your new appointment time and place.

Rescheduling: If you reschedule an appointment with Prometric, you must go to the "Reschedule Appointment/ Appointment Complete" screen. This follows the "Appointment Verification" screen. Also, make sure that you have received a confirmation email from Prometric verifying the new appointment time and place.



Oh No! Wrong NTS!

Brody didn't check his Notice to Schedule (NTS) before leaving the house to take the CPA Exam. Mistakenly, he grabbed the previous NTS and not the current one. When he arrived at the test center, he was refused entry and could not test. Avoid taking a walk in Brody's shoes! Check your NTS the night before your scheduled test date to ensure you have the current NTS to bring with you.

Wrong NTS: Check the date on your NTS to make sure it is the current one and not one from a previous test section.



But I Want to Sit Now!

Never thinking ahead, Kate tried to schedule her appointment one week before sitting for the CPA Exam. Unfortunately, all the testing centers were completely booked and Kate was forced to schedule her test later in the summer. Don't wait or procrastinate like Kate! Schedule your appointment early for a better opportunity to test on your preferred day and time.

Finding a Seat: Candidates are advised to schedule an appointment at least 45 days before they plan to take the Exam to ensure that they will get the date and time that they wish.



Don't Get Caught in Time Out

It was Brad's big day to sit for the CPA Exam. He had everything he needed to begin testing. Unfortunately, he was completely thrown off by the introductory screens while he worked. The Exam timed out and couldn't be restarted. Don't get caught like Brad! Proceed directly through the introductory screens as instructed.


Introductory Screens: Each candidate is given ten (10) minutes to read and navigate through three (3) introductory screens before the Exam starts. If all three introductory screens are not completed before the time lapses, the Exam will end and cannot be restarted.



Oops! Forgot Something

Sheldon started the Exam with no problem. As luck would have it, the answer for Question 2 came to him suddenly, but he was already on Question 5. In a panic, Sheldon clicked the exit button rather than the number and his Exam was prematurely over. Don't mis-click like Sheldon! Click on the question numbers to go directly to a specific question.


Navigation: To navigate from question to question, use the controls at the bottom of the screen. Click the **Next** button (not the **Exit** button) to advance to the next question, or the **Previous** button to go to the previous question. To go directly to any question, click on its number.



What NTS?

After years of preparing for the CPA Exam, Henry made the mistake of not bringing his Notice to Schedule (NTS) with him to the test center. Unfortunately, he left his NTS at home. Henry knew the date and time and assumed bringing a copy of his NTS wasn't necessary. To his horror, he was promptly refused entry into the test center. Don't forget like Henry! Bring your NTS with you to the test center.

NTS: Do not forget to take your Notice to Schedule (NTS), which has the launch code printed on it, to the test center. This is not to be confused with the "Confirmation" received from Prometric after scheduling an Examination.



Only Ten Minutes

After entering his launch code, Roger had ten (10) minutes to navigate through the three introductory screens of the Exam. Thinking it would take 30 seconds to breeze through them, he began to jot down notes first. Don't get off course like Roger! The ten (10) minutes were up before he went through his test screens and the Exam ended without the option of restarting.

Introductory Screens: Each candidate is given ten (10) minutes to read and navigate through three introductory screens before the Exam starts. If all three introductory screens are not completed before the time lapses, the Exam will end and cannot be restarted.



Don't Stress!

During testing, Shelly encountered a lousy pair of headphones. All through the Exam, she kept fidgeting with the headphones and could barely concentrate. Don't stay hush-hush about your issue like Shelly! If you encounter a problem during testing, report it immediately to the staff. They may be able to help and document the incident.

Reporting Issues: Candidates should immediately report any difficulties during testing to the staff at the test center. Do not wait until the Exam has ended.



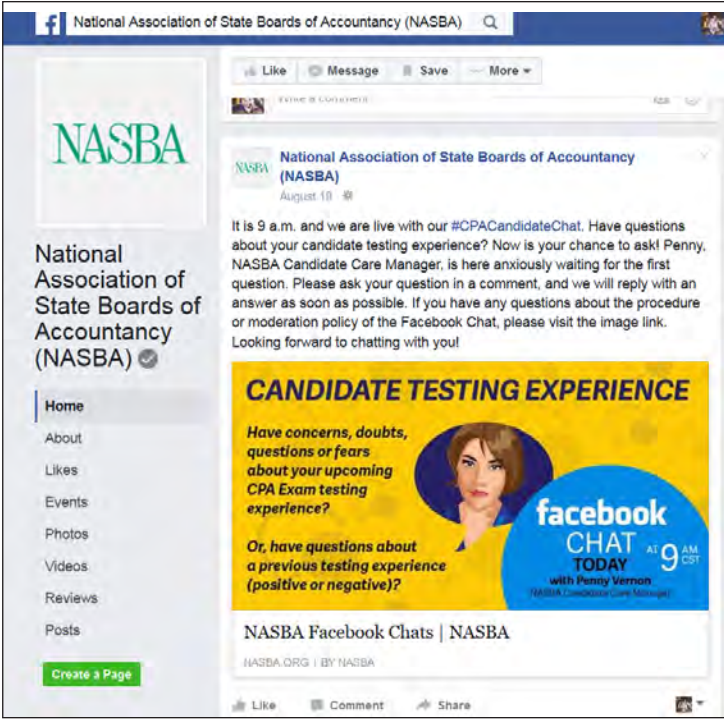
That's the End?

After entering her launch code, Maria saw the clock begin with a ten (10) minute countdown. She thought this was the perfect time to meditate before completing the introductory screens. As the clock ticked away, Maria continued to sit there. Don't lose track of time like Maria. You are allotted ten (10) minutes to complete the introductory screens before the Exam officially begins.

Introductory Screens: Each candidate is given ten (10) minutes to read and navigate through three introductory screens before the Exam starts. If all three introductory screens are not completed before the time lapses, the Exam will end and cannot be restarted.

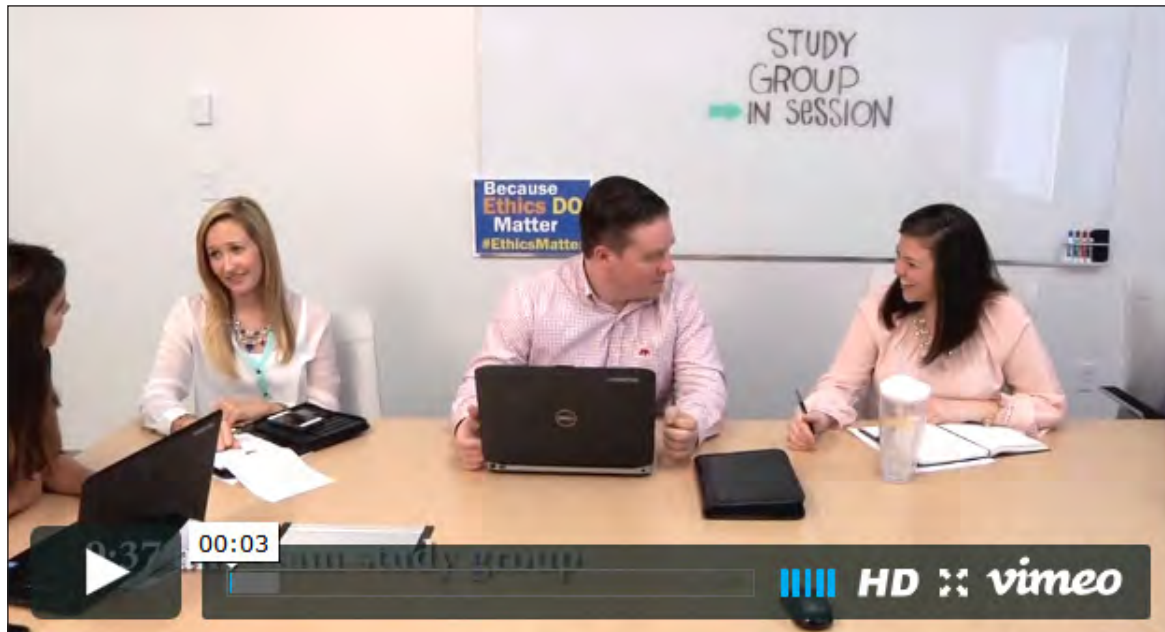
Social Media Campaigns

Monthly Facebook Chats (Two have been hosted in 2016)



Video

Next Version of the CPA Exam Video



Uniform CPA Examination Booklet – 2016



1

Evaluating Education – Accreditation & State Board Rules

MODERATOR:
CARLOS E. JOHNSON, CO-CHAIR AICPA - NASBA ACCREDITATION TASK FORCE

PANELISTS:
YVONNE L. HINSON, AICPA ACADEMIC IN RESIDENCE, DIRECTOR
JAN R. WILLIAMS, NASBA EDUCATION CONSULTANT

2

Agenda: Commitment to State Boards

- ▶ NASBA and AICPA Commitment to Accreditation (Johnson)
- ▶ Learning from Other Professions (Williams)
- ▶ New Age Education (Johnson)
- ▶ Current NASBA/AICPA Project (Williams)
- ▶ Accreditation as Academic Peer Review (Hinson)
- ▶ Obstacles to Overcome (Williams)
- ▶ Future Plans and Timeline (Johnson)

Levels of Accreditation

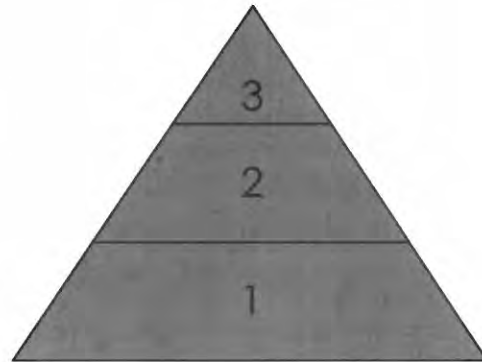
5

Regional

- ▶ Focus at the institutional level

Program

- ▶ Focus at the business or accounting program level



Regional Accreditation Purpose

6

- ▶ Voluntary peer reviewed means by which colleges demonstrate to each other, and to employers and licensing agencies, that their credits and degrees meet minimum standards.
- ▶ Regionals are gatekeepers and responsible for the federal regulation (Title IV Funding)

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

9

Program Accreditation Purpose

- ▶ Business program accreditation is a voluntary process that includes an external peer review of a business school's ability to provide high quality business education and programs.
- ▶ The process is a comprehensive review of a school's mission, faculty qualifications, and curricula.
- ▶ All degree programs within the business school are reviewed.

10

Major Business/ Accounting Accreditation Organizations

1. Association to Advance Collegiate Schools of Business (AACSB International)
2. Accreditation Council for Business Schools and Programs (ACBSP)
3. International Assembly for Collegiate Business Education (IACBE)

13

Engineering

- ▶ Program accreditation is by ABET (Accreditation Board for Engineering and Technology)
- ▶ ABET is not required, but almost
- ▶ Exceptions from non-ABET schools are rare
- ▶ Alternative path includes
 - ▶ Endorsement by ABET-appointed representative
 - ▶ Five references supporting candidate's work experience
 - ▶ Final decision by engineering board
- ▶ No reliance on regional accreditation



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Architecture

- ▶ National Architectural Accrediting Board (NAAB) accredits architecture programs in U.S.
- ▶ Architecture is highly structured five-year program
- ▶ All 54 licensing boards accept NAAB accredited degree
- ▶ 37 boards require a NAAB accredited degree
- ▶ Most common model is for school to have both regional and NAAB accreditation
- ▶ Exceptions from non-NAAB schools are rare
- ▶ No reliance on regional accreditation



NATIONAL ARCHITECTURAL ACCREDITING BOARD

17

NASBA/AICPA Matrix Summary

Other Items

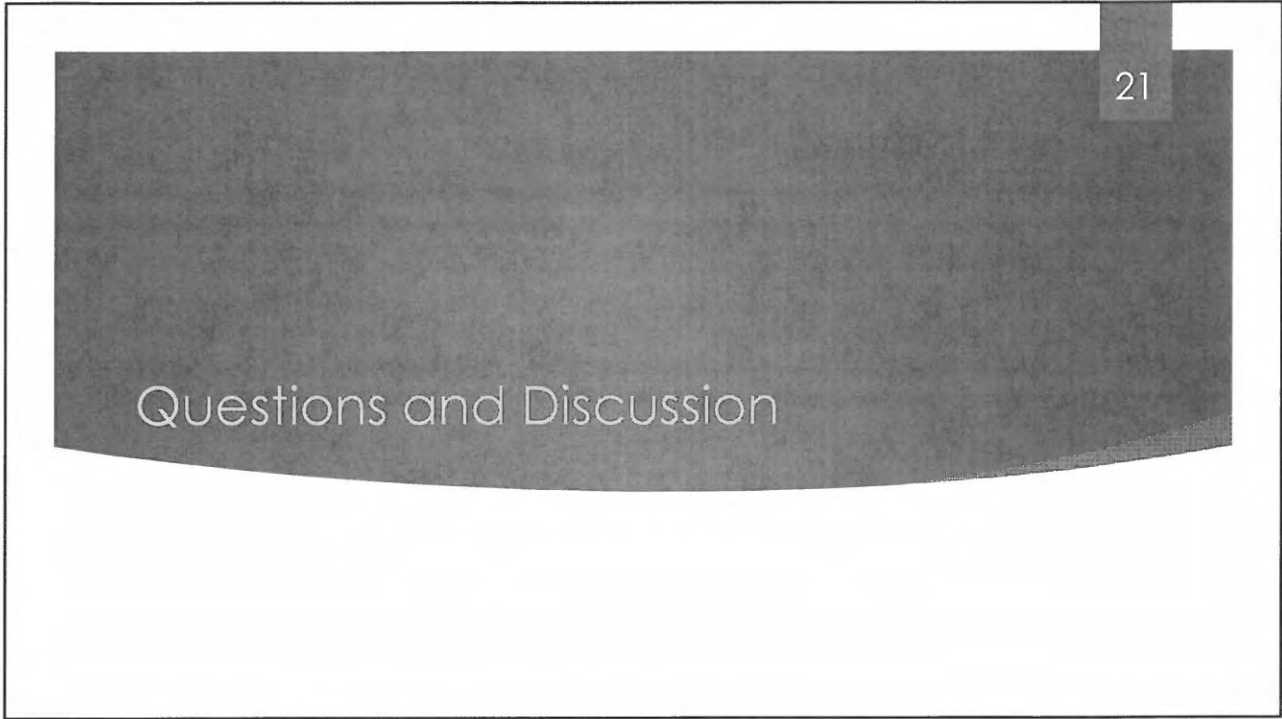
	REGIONAL ACCREDIT	PROGRAM ACCREDIT	STATE BOARDS
-Competency-based work	1	2	3
-Quality control	--	1	2
-Use of CPA review material	--	1	2
-Masters without UG degree	--	1	2
-Co-op/internships credit	--	--	1
-Advanced courses at community colleges	--	--	1
-CPA review hours cap	--	--	1

1 = First priority for quality assurance
 2 = Second priority for quality assurance
 3 = Third priority for quality assurance

18

Obstacles to Overcome

- ▶ Convincing state boards that regional accreditation is not sufficient
- ▶ Lack of responsiveness of regional accreditors to needs of state boards
- ▶ Continuous evolution of accounting programs and higher education
- ▶ Diversity among regional accreditors
- ▶ Wide variation in program accreditors
 - ▶ Quality
 - ▶ Rigor
 - ▶ Frequency



Acronyms Heard at NASBA Meetings

AAA - American Accounting Association
AACSB – Association to Advance Collegiate Schools of Business
ACAP – Advisory Committee on the Auditing Profession (US Treasury Department)
ACCA – Association of Chartered Certified Accountants
ACAT – Accreditation Council for Accountancy and Taxation (NSA affiliated)
ADA - Americans with Disabilities Act
AEQUOS – NASBA international transcript evaluation service for non-accountants
AG - Attorney General
AICPA - American Institute of Certified Public Accountants, Association of International Certified Professional Accountants
ALD – NASBA’s US Accountancy Licensee Database
ALL – Accountancy Licensing Library
AQS – Audit Quality Study
ARSC – AICPA Accounting and Review Services Committee
ASAF – Accounting Standards Advisory Forum
ASB – AICPA Auditing Standards Board
ATT – Authorization to test (for Uniform CPA Examination)
AUD – Auditing and Attestation (section of Uniform CPA Examination)
BEC – Business Environment and Concepts (section of the Uniform CPA Examination)
BOA - Board of Accountancy
BOD - Board of Directors
BOE - Board of Examiners
CA - Chartered Accountant
CAANZ – Chartered Accountants of Australia and New Zealand
CAC – Compliance Assurance Committee
CAG – Consultative Advisory Groups advise various IFAC committees
CAI – Chartered Accountants Ireland (formerly Institute of Chartered Accountants in Ireland)
CAQ – Center for Audit Quality
CBT - Computer-based testing
CGA – Certified General Accountants Association of Canada (now CPA Canada)
CGMA – Chartered Global Management Accountant
CICA - Canadian Institute of Chartered Accountants (now CPA Canada)
CIMA – Chartered Institute of Management Accountants
CLEAR - Council on Licensure, Enforcement and Regulation
COSO – Committee of Sponsoring Organizations (of the Treadway Commission)
CPA – Certified Public Accountant; Chartered Professional Accountant
CPAC – Chartered Professional Accountants Canada
CPAES - NASBA's CPA Examinations Services division
CPC - Contador Publico Certificado (Mexican equivalent to CPA)
CPE - Continuing professional education
CPT – NASBA Center for the Public Trust
CSG – Contract Steering Group (NASBA/AICPA/Prometric CBT examination contract)
DOL – Department of Labor
EA – Enrolled Agent
EBP – Employee Benefit Plan
EBSA – Employee Benefit Security Administrator
ED - Exposure draft or executive director
ERB - CPA Examination Review Board
FAF – Financial Accounting Foundation

FAR – Financial Accounting and Reporting (section of the Uniform CPA Examination)
FASB - Financial Accounting Standards Board
FEI - Financial Executives International
FRC – Financial Reporting Council (independent regulator in United Kingdom)
FSA – Federation of Schools of Accountancy
FRF-SME – Financial Reporting Framework for Small- and Medium-Sized Entities
FTC – Federal Trade Commission
GAAP – Generally Accepted Accounting Principles
GAAS – Generally Accepted Auditing Standards
GAGAS – Generally Accepted Government Auditing Standards
GAO - Government Accountability Office
GASB - Governmental Accounting Standards Board
GATS - General Agreement on Trade in Services
HHS – Health & Human Services
HKICPA – Hong Kong Institute of Certified Public Accountants
IAASB – International Auditing and Assurance Standards Board
IAESB – International Accounting Education Standards Board
IASB – International Accounting Standards Board
ICAA - Institute of Chartered Accountants in Australia
ICAEW – Institute of Chartered Accountants of England and Wales
ICAS – Institute of Chartered Accountants of Scotland
IESBA – International Ethics Standards Board for Accountants
IFAC - International Federation of Accountants
IFRS – International Financial Reporting Standards (prior to 2002 referred to as IAS)
IFIAR – International Forum of Independent Audit Regulators (IFAC affiliated)
IG - Inspector General
IMCP – Instituto Mexicano de Contadores Públicos
IND/BHS – Independence/Behavioral Standards
IOSCO – International Organization of Securities Commissions
IPSASB – International Public Sector Accounting Standards Board
IPSB – Independent Professional Supervisory Board
IQAB - NASBA/AICPA International Qualifications Appraisal Board
IQEX - International Qualification Examination
IRS – Internal Revenue Service
LPA - Licensed Public Accountant
MOOCs – Massive Open Online Courses
MRA - Mutual recognition agreement
NABA – National Association of Black Accountants
NAFTA - North American Free Trade Agreement
NASBA - National Association of State Boards of Accountancy
NCCPAP - National Council of CPA Practitioners
NCD – National Candidate Database
NIES – NASBA International Evaluation Service for accounting
NQAS - NASBA National Qualification Appraisal Service
NSA - National Society of Accountants
NSF – National Science Foundation
NTS – Notice to schedule (for Uniform CPA Examination)
NZICA – New Zealand Institute of Chartered Accountants (now Chartered Accountants Australia/New Zealand)
OCBOA – Other Comprehensive Basis of Accounting
OIG – Office of Inspector General
PA - Public Accountant

PCC – Private Company Council
PCRC – Private Company Review Committee of the FASB
PEEC - AICPA Professional Ethics Executive Committee
PCAOB - Public Company Accounting Oversight Board
PIOB – Public Interest Oversight Board (IFAC body)
PMRA – Professional Mutual Recognition Agreement (variation of MRA)
POB – United Kingdom’s Public Oversight Board
PR – Peer Review (as well as Puerto Rico)
PRB – Peer Review Board
PROC – Peer Review Oversight Committee
PTIN – IRS issued Preparer Tax Identification Number
QAS - Quality Assurance Service (associated with the NASBA CPE Sponsor Registry)
RCA – [Letter of] Required Corrective Action
REG – Regulation (section of the Uniform CPA Examination)
SAC – Selection Advisory Committee
SAICA – South African Institute of Chartered Accountants
SAS - Statements on Auditing Standards
SASB – Sustainability Accounting Standards Board
SBR - *State Board Report* (NASBA's monthly newsletter)
SEC – Securities and Exchange Commission
SFAS – State Facilitated Access System (AICPA Peer Review transparency initiative)
SOX - Sarbanes-Oxley Act of 2002 (also called “Sarbox”)
SQCS - Statements on Quality Control Standards
SSAE - Statements on Standards for Attestation Engagements
SSARS - Statements on Standards for Accounting and Review Services
TAC - The Accountants Coalition (E&Y, PWC, D&T, KPMG, GT)
TNS – Technical Standards
UAA - Uniform Accountancy Act
USTR - US Trade Representative
WTO - World Trade Organization
XBRL – Extensible Business Reporting Language

5.16.16

NASBA

2017 MEETING CALENDAR

35TH ANNUAL CONFERENCE FOR EXECUTIVE DIRECTORS AND BOARD STAFF

ROYAL SONESTA
NEW ORLEANS, LOUISIANA
MARCH 14-16, 2017



22ND ANNUAL CONFERENCE FOR BOARD OF ACCOUNTANCY LEGAL COUNSEL

ROYAL SONESTA
NEW ORLEANS, LOUISIANA
MARCH 14-16, 2017



WESTERN REGIONAL MEETING

THE COEUR D'ALENE HOTEL
COEUR D'ALENE, IDAHO
JUNE 6-8, 2017



EASTERN REGIONAL MEETING

NEWPORT MARRIOTT
NEWPORT, RHODE ISLAND
JUNE 27-29, 2017



NATIONAL REGISTRY SUMMIT

LOEWS VANDERBILT HOTEL NASHVILLE
NASHVILLE, TENNESSEE
SEPTEMBER 25-27, 2017



NASBA PUBLICATIONS – SEPTEMBER 2016

100 Years of NASBA Serving the Public Interest

This book provides a panorama of the people, committees and activities that have shaped the history of NASBA over the first 100 years. The majority of the work addresses the past 40 years - a period of rapid growth and development. Sources include minutes of board and committee meetings, NASBA publications and interviews with past leaders, including both volunteers and staff. To view the electronic version of this publication, visit www.nasba.org.

Annual Report

Released in October of each year, the annual report is a comprehensive overview highlighting NASBA's operational and financial performance throughout the preceding year. The annual report is free to state board members and executive directors. To view the electronic version of the report, visit www.nasba.org.

Bylaws

The NASBA Bylaws are the organization's rules and policies and include amendments adopted as of October 2015.

NASBA Report on the Uniform CPA Examination Publications

Jurisdiction Edition – Designed specifically with the State Boards of Accountancy in mind, this report provides a broad view of CPA exam trends from around the world.

University Edition – Focusing on university and accreditation reports, including international, regional, national and state. University rankings are also a prominent feature of this edition.

Annual University Brief - This two-page report goes beyond the data available in the jurisdiction and university editions by offering a comprehensive view of how the students from a particular institution are performing on the Uniform CPA Examination. The Annual University Brief is available for purchase in single and multi-year formats.

NASBA Uniform CPA Examination Candidate Performance (formerly Candidate Performance Book) –

Annual editions of this publication include statistical information from all four (4) testing windows for a specific year (ranging from 2006-2014), and have been completely redesigned to better meet the needs of the both NASBA's stakeholders and the book's numerous end users.

These statistics, available only from NASBA, give you the best indication of the market today AND tomorrow.

Learn more about NASBA's candidate performance products and how to order by visiting the NASBA website: <http://www.nasba.org/products/candidateperformancedata/>.

Committee Handbook and State Board Listing

The Committee Handbook is an electronic listing of NASBA's Board of Directors, committees, member boards, delegates, executive directors and associates. The Handbook is produced monthly (in PDF format) and is free to state board members and executive directors.

CPA Examination Review Board (ERB) Annual Report

The ERB Annual Report summarizes the activities of the ERB and the scope of its work for the past year concerning the preparation, administration and scoring of the Uniform CPA Examination. Links to ERB Annual Reports dating 2010-2015 are available in the Publications section of www.nasba.org. Previous editions of the ERB Annual Report are available upon request.

State Board Report

The *State Board Report* (SBR) is a monthly newsletter of current developments affecting state accountancy regulation. The SBR is sent to state board members and executive directors. Available to others upon request.

CPE Monitor

The *CPE Monitor*, published quarterly, is an eNewsletter providing news and updates regarding the National Registry of CPE Sponsors as well as information pertaining to the world of Continuing Professional Education.

Enforcement Newsletter

This new quarterly eNewsletter combines pertinent information from the former *ALD News* (representing the ALD/CPAverify Committee) with important news and information from the Enforcement Committee under one title designed to bring you all the latest NASBA updates related to enforcement and compliance efforts at your board.

Ethics Matters

Published bi-monthly, *Ethics Matters* serves as the official publication of the NASBA Center for the Public Trust. The newsletter shares news and updates regarding the CPT, StudentCPT and other relevant items pertaining to the world of ethics. *Ethics Matters* is available in both print and electronic versions.

Board of Accountancy Online Directory

The state board listing is a current directory of names, addresses, telephone numbers and executive directors of the 55 U.S. Boards of Accountancy. Links to state board social media sites are also included on the listing. This listing can be obtained by visiting www.nasba.org.

Uniform Accountancy Act, Seventh Edition, May, 2014. Approved for publication by the Boards of Directors of the AICPA and NASBA, the UAA is designed to (1) advance the goal of uniformity, and (2) protect the public interest and promote high professional standards. The UAA seeks to eliminate differing requirements for CPA certification, reciprocity, temporary practice, and other aspects of state accountancy legislation in the 55 American licensing jurisdictions that constitute artificial barriers to the interstate practice and mobility of certified public accountants.

Uniform Accountancy Act Model Rules, as approved by NASBA Board of Directors July 29, 2011. The UAA Model Rules have been prepared by NASBA as part of its continuing effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions.

Semi-Independent State Boards of Accountancy Position Paper, as approved by the NASBA Board of Directors October 22, 2010. NASBA developed this position paper because it is deeply concerned that the authority, the resources, and the reporting relationship to the state legislature and Governor are inappropriate or inadequate for many Accountancy Boards. To view the paper in its entirety, visit www.nasba.org.

AUDIOVISUAL MATERIALS

Annual & Regional Meeting Presentations

In an effort to keep the public informed about the latest regulatory developments regarding the accounting profession, NASBA offer videos of regional, national and international conferences. Additionally, NASBA offers a variety of outreach videos. Links to the video gallery can be found in the Media & Resources section of www.nasba.org. Note: Access to some video footage is password protected. In these instances, members are asked to contact the NASBA Communications Department for details regarding access.

NASBA

National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700, Nashville, TN 37219-2417
Tel 615/880-4200 Fax 615/880-4290 Web www.nasba.org

109TH ANNUAL MEETING EVALUATION

Your evaluation of the Annual Meeting is important to us. Please rate the various aspects of the meeting by circling the number that best corresponds to your opinion. **Note:** Anonymous comments will not appear in the summary report.

NAME: _____ BOARD/AFFILIATION: _____

MONDAY, OCTOBER 31, 2016

	Excellent	Good	Satisfactory	Fair	Poor
Call to Order and Introductions – <i>Donald H. Burkett</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Welcome from Texas – <i>Carlos Cascos, Texas Secretary of State</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Keynote Address: Accountability and Achievement – <i>Sgt. Dakota Meyer</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Report from NASBA Chair 2015-2016 – <i>Donald H. Burkett</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Integrity and a Mobile Global Profession – <i>Anton Colella</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Future Plans from the 2016-2017 AICPA Chairman – <i>Kimberly Ellison-Taylor</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Continuing Professional Education Advances - <i>Maria E. Caldwell</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
UAA and Model Rules Developments – <i>J. Coalter Baker</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
International Update – <i>Telford A. Lodden</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
BUSINESS LUNCHEON SPEAKER					
Introduction – <i>K. Michael Conaway</i>					
Remarks – <i>Karl Rove</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1

NAME: _____

	Excellent	Good	Satisfactory	Fair	Poor
The Boards' Role in the Restructured Peer Review Program – <i>John F. Dailey, Jr.</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
What Are We Doing for Cybersecurity? – <i>Roy Hall</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Enforcement: The Results of the California and Enforcement Efforts <i>Stacey Grooms and Katrina Salazar</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
CPA Candidate Pipeline Project – <i>Daniel J. Dustin</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1

TUESDAY, NOVEMBER 1, 2016

Regional Breakfast Meetings for Board Members and Staff

Comments/Suggestions _____

Annual Business Meeting

• NASBA Awards – <i>Carlos E. Johnson and Lorraine P. Sachs</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• Administration & Finance Committee Report – <i>E. Kent Smoll</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• Audit Committee Report – <i>Jimmy E. Burkes</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• Center for the Public Trust Report – <i>Alfonzo Alexander</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• Executive Directors Report – <i>James Corley</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• President's Report – <i>Ken L. Bishop</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1

ATTENDEE AND GUEST LUNCHEON

Inaugural Presentations

• Appreciation and Recognition – <i>Donald H. Burkett</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• Inaugural Address – <i>Telford A. Lodden</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1

NAME: _____

	Excellent	Good	Satisfactory	Fair	Poor
Inigorating the Auditor’s Report and Audit Quality – <i>James R. Doty</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Major Current Legal Topics – <i>Noel L. Allen</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
Progress on the PLC Initiative – <i>John Johnson</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1

WEDNESDAY, NOVEMBER 2, 2016

Presidents and Chairs Breakfast Meeting

Comments/Suggestions _____

Executive Directors and State Board Staff Breakfast Meeting

Comments/Suggestions _____

State Society and Professional Association Breakfast Meeting

Comments/Suggestions _____

The Next Version of the CPA Examination – Preparing for the Launch and Beyond

Moderator: Colleen K. Conrad

Panelists: Michael Decker, Richard N. Reisig, Dan Sweetwood

Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• <i>Michael Decker</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• <i>Richard N. Reisig</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1
• <i>Dan Sweetwood</i>					
Topic	5	4	3	2	1
Presentation	5	4	3	2	1

Evaluating Education – Accreditation and State Board Rules

Moderator: Carlos E. Johnson

Panelists: Jan R. Williams and Yvonne L. Hinson

Topic	5	4	3	2	1
Presentation	5	4	3	2	1

NAME: _____

OVERALL EVALUATIONS

Your evaluation of the Annual Meeting is important to us. Have a safe trip home. Thank you.

	Excellent	Good	Satisfactory	Fair	Poor
1. Overall Conference	5	4	3	2	1
2. Raffle Drawing	5	4	3	2	1
3. Agenda Materials	5	4	3	2	1
4. Schedule	5	4	3	2	1
5. Cost	5	4	3	2	1
6. Location	5	4	3	2	1
7. Social Programs	5	4	3	2	1
8. Meeting App	5	4	3	2	1
9. Conversation Café	5	4	3	2	1

10. What aspects of the meeting were most beneficial to you? _____

11. What aspects of the meeting needed improvement? _____

12. What topics should be considered for discussion at next year's Annual Meeting or Regional Meetings?

13. Comments. _____

Because Ethics DO Matter

Take a look at the NASBA Center for the Public Trust's new interactive, customizable, online ethics and leadership training:

- 1. Training Module 1 – Culture Matters:
The Value of an Ethical Culture**
- 2. Training Module 2 – Leadership Matters:
The Need for Ethical Leaders Everywhere**
- 3. Training Module 3 – Strategy Matters:
The Key Components of Ethical Business**

Contact Alexia Kammer at akammer@thecpt.org or 1-877-48-TRUST to learn more.

www.thecpt.org/ethical-leadership-certification-program

Ask about our in-person training options.

