We have now been through our first CPE audit using the new CPE Audit Service platform. Thanks to all of you who were audited for reaching out with your questions, concerns, and for your patience. As with any data conversion, we had a few challenges to overcome.

A reminder that you are responsible for the accurate reporting of your CPE on the system. Going forward, this will become more crucial. If a self-study certificate indicates the course was from a QAS provider, you MUST enter the course as a QAS self-study course. If you select interactive self-study or non-interactive self-study, you will only receive ½ credit for the course. Some certificates indicate a course was QAS interactive self-study. Choose QAS when entering the course.

Group live is not group internet is not self-study. Again, it is really important that the information you input is accurate. It is sometimes hard to locate all the pertinent information on some completion certificates. You are encouraged to add the course and documentation soon after completing a course rather than waiting until you receive the notice of audit. That will eliminate the rush to input courses and you can timely reach out to a course sponsors if you have questions about the course information. It becomes harder to get clarification later.

When inputting the provider information, if the course provider has a NASBA #, use that number to find the provider. We have several situations where someone just added a provider when they were already in the system, but they hadn’t used the NASBA number. This resulted in not receiving full course credit for self-study or nano-learning. PLEASE use the NASBA provider number if one is available.

You must accurately select the course subject. Do not simply select the default “accounting” when adding courses. This is important now that the 50% technical subject requirement is in place. The completion certificate should include both the hours and subject of the course. Beginning in the 2018-2020 CPE reporting period, you will be audited not just for meeting the 120 hours, including 2 hours of ethics, but also for the 50% technical subject requirement. Inaccurately reporting course subjects could result in showing you are in compliant on your dashboard when you are not.
CPE Changes in Effect

The 2018-2020 CPE reporting period has a few more requirements to consider. Beginning January 1, 2018, a minimum of 50% (60 hours) of CPE completed in a rolling three-year period must be in technical subjects. This 60 hours includes a mandatory 2 hours of ethics. The technical subject defined by board rule are:

- Accounting, including governmental accounting,
- Auditing, including governmental auditing,
- Taxation,
- Management services,
- Information technology,
- Statistics,
- Economics,
- Business law,
- Finance,
- Specialized knowledge, and
- Ethics

Description of each of the technical and non-technical fields of study can be found at nasbaregistry.org.

The CPE Audit Service system will assist you tracking your compliance with the new 50% technical requirement.

You can refer to the summary of CPE requirements and board rules on the website.

Do We Have Your Current Information?

It is important that the Board office has your current contact information. Log on to the Department of Labor & Industry citizen portal (where you renew your license) and go to the “Account Management” area. You can update your mailing address, email, and any other login information. To continue to receive important notices from the Board such as renewal notices, CPE audit notification, and newsletters, it is essential that you maintain this information.

From the Chair

Merriam-Webster defines diversity as-

“The condition of having or being composed of differing elements: variety especially: the inclusion of different types of people in a group or organization....”

We see the term diversity everywhere in today’s society. It has been a hot button in the NFL, the Oscars and Grammy’s just to name a few. Working for a multi-national company, I have an opportunity to experience at least a small dose of diversity almost every day. Not too long ago I participated in a meeting. Around the table there were people from South Africa, France (via New York), Korea (via California), Great Britain and the US. We also came from somewhat diverse professional backgrounds. There were bankers, brokers, accountants and even an economist thrown in for good measure. There were only thirteen of us, gathered to discuss the financial well-being of a company.

Diversity was also the theme that ran through the NASBA National Conference in Boston this past October. Diversity not only in the types of people attracted and encouraged into the profession, but also a diversity of talents. Both NASBA and the AICPA have been working for some time on a CPA Evolution. Part of this evolution is a new licensure and testing model. The proposed model will still focus on Accounting, Auditing, Tax and Technology at its core, but will also include testing to demonstrate deeper knowledge in one of three focus areas (Tax Compliance and Planning, Business Reporting and Analysis or Information Systems and Controls). Other focus areas could be added in the future as the profession continues to evolve. If you haven’t already, take some time to become familiar with the CORE model and get involved where possible. Diversity will make our profession stronger.

Ranetta Jones

NASBA CPE Audit Service (Continued)

When entering courses, attach the documentation for that course only. Don’t attached several certificates to each course listing. That really confuses matters and makes auditing more difficult. Also, when completing a course that covers more than one subject, add the different subjects and associated hours to that one course entry. Don’t list each subject from the same course as separate course entries.

If you have not registered and accessed the new system I encourage you to do so. The farther away we get from the data conversion date the harder it will be to resolve conversion issues.

There are tutorials in the system to assist you in learning how to use it. Please get familiar with the system. If you need technical assistance or help registering your account, you can contact cpeauditservice@nasba.org.

CPE Audit Results

The Board voted to randomly audit 20% of the eligible licensees for CPE compliance. That resulted in 341 licenses audited. Of those randomly selected, 41 licensees failed the CPE audit or a 12% fail rate. This is well below the 20% fail rate in past years.

A licensee who fails the audit is referred to the Audit Unit for further follow up. Those licensees are given 60 days to cure the deficiency. If they cure the deficiency nothing more is required. If they do not cure the deficiency within the 60 days, their license is administratively suspended.

Failure of more than one CPE audit in a 5-year period could result in a complaint filed against and potential disciplinary action.

The Board appreciates the patience of those licensees selected multiple times for audit. The statute requires an audit of randomly selected licensees. Passing the audit one year does not remove you from the audit pool in future years. Keeping your CPE record updated will help eliminate the stress of being audited multiple times.
It Was Only CPE

At the 2019 NASBA Regional Meetings, Chair Janice Gray and I spoke about the importance of ethics and, specifically, the importance of NASBA’s ethics arm, the Center for the Public Trust (CPT). Ethics is the cornerstone of the U.S. CPA profession, so it is appropriate that NASBA invests in the recognition of ethics and provides ethics training and certification to students, business professionals and Certified Public Accountants. CPT has also recognized leaders in the profession, business and industry who have exhibited strong ethical behavior. Regrettably, this Memo is not about that, but about the occasional failures that tarnish the image of the profession.

Nearly 20 years ago, after I retired from my first career in law enforcement and had just become the Executive Director of the Missouri State Board of Accountancy, I saw my first instance of disappointing behavior. For context, my duties as an Assistant Director of the Missouri Department of Public Safety included oversight of our law-enforcement academies and compliance, including professional education and training. In many ways, the rules and regulations for Continuing Professional Education (CPE) were similar to what I found when I began regulating CPAs.

While trying to learn the ropes of my new State Board position, I decided to visit a CPE course that was being delivered in St. Louis. As I was new to the job, no one had any idea who the guy standing at the back of the room was. While observing the sign-in process at a table set up in the back of the classroom, I watched a young lady approach the table and sign in. I noticed that she appeared to sign in multiple times, so when she sat down, I went over to the sign-in sheet and saw that she had signed several different names in slightly different handwriting. Being an old cop and somewhat suspicious by nature, I continued to observe.

At the end of what I thought was a very well-done course, I watched the same young lady dutifully sign out -- five times. My curiosity was peaked, so I approached and asked her about the multiple sign-ins. After enduring the “who are you” and “what is the Board of Accountancy” questions, it became apparent that she knew things were not good. She explained that she was told to sign in for several partners. I asked her to please introduce me to them as I would like to see how they enjoyed the course. After a brief hesitation, she replied that the partners were not present. I began to understand that, just as with some experienced police officers, some experienced CPAs sometimes do bad things.

If you are curious as to how the matter ended, I had the young lady tell the less than diligent CPE table staff that she needed to remove the errant names. I then advised her to call her boss (one of the forged names and the managing partner of a sizeable firm) and tell him I would like to stop by and visit. She timidly replied that she was told that I would have to make an appointment. I responded, “Never mind: I will just have him to Jefferson City [Missouri’s capital].” Amazingly his calendar suddenly opened up and we had the opportunity to have a serious discussion. In cop terms, I ended up giving him and his fellow conspirators a “warning” based on their promise it would never happen again. I later got to know several of these gentlemen during my years at the Missouri Board and never saw another instance of misconduct, but I never forgot their troublesome, and frankly dumb, behavior.

At the Regional Meetings there was some discussion about a big firm being fined $50,000,000 because of cheating on CPE, or as one attendee remarked “about $20,000 per partner.” I heard a range of feedback, some of which was disappointing. One State Board member, with nexus to the impacted firm, made the comment, “It was only CPE.” I thought back to my reaction to hearing a similar excuse 20 years ago. It may “only” be CPE, but it is cheating, pure and simple, and it’s a culpable violation of law.

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NASBA’s members, the U.S. State Boards of Accountancy, have a tremendous responsibility in protecting the public. Regrettably, most Board members will see multiple instances of failed ethical behavior of various degrees during their terms. CPE violations, although arguably less serious than cases of fraud and malpractice, may be indicative of more systemic problematic cultures that may exist. According to the SEC’s settled order in the recent case, the cheating activity was extensive. The SEC concluded: “A number of lead audit engagement partners not only sent exam answers to other partners, but also solicited answers from their subordinates.”

I often have the opportunity to speak to newly certified CPAs. In my recent remarks to such an audience in New Hampshire, I advised the students of the importance of ethics and the reality that in their careers they will see ethical failures, and they may be asked to join in with that behavior. My advice to them, “Don’t do it the first time as it is a slippery slope.” Imagine the impact on the careers of the subordinates of the firm being fed answers to CPE tests (ironically in ethics training mandated by the SEC) by senior partners who they may well consider to be mentors.

CPAs have a reputation for integrity and trust. By far, the majority of them do the right things, but we, and the State Boards, exist for a reason. Not only do we protect the public, but we also protect the important public trust in this great profession.

Semper ad meliora (Always toward better things).

— Ken L. Bishop, President & CEO

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Draft “Core + Discipline” CPA Licensure Model Designed to Future-Proof the Profession

The National Association of State Boards of Accountancy (NASBA) and the American Institute of CPAs (AICPA) have proposed a new CPA licensure model that is designed to evolve newly licensed CPAs’ knowledge and skills, protect the public interest and position the CPA profession for the future. NASBA and AICPA believe this draft model will address the greatly expanding body of knowledge required of newly licensed CPAs, which includes a deeper understanding of systems, controls, SOC engagements and data analysis.

The proposed model reflects dialogue with stakeholders such as AICPA members, firms of all sizes, academia, federal regulators, students, technology experts, state CPA societies and state boards of accountancy on five guiding principles to inform the creation of a new licensure model. Feedback on the principles from more than 2,000 stakeholders indicated these themes:

- There is support for the need to change the CPA licensure model to have a bigger emphasis on technology skills and knowledge in licensure. The majority of stakeholders shared this view.
- All newly licensed CPAs should demonstrate strong common core competencies of accounting, auditing, tax and technology.
- While technological expertise should be required for licensure, there are other factors disrupting the profession, and a revised licensure model should be about maintaining the strength and relevance of the CPA license to ensure continued public protection.

NASBA and AICPA also conducted a study of other professions’ licensure models. The organizations aim to finalize an approach for a new licensure model by Summer 2020, followed by a multi-year implementation plan. Both organizations are still collecting feedback on the proposed model and those wishing to provide input may email Feedback@EvolutionOfCPA.org.

The draft model’s robust requirements start with a strong core in accounting, auditing, tax and technology that all candidates would be required to complete. Then, each candidate would choose a discipline in which to demonstrate deeper skills and knowledge. Regardless of chosen discipline, this proposed model would lead to a full CPA license, with rights and privileges consistent with today’s CPA. A discipline selected for testing would not mean the CPA is limited to that practice area. (See attached image of the possible model.)

“U.S. Boards of Accountancy, as regulators, must remain relevant to protect the public we serve,” claimed NASBA Chair Laurie Tish, CPA. “Today’s marketplace is shifting and CPAs need new skills to continue to serve organizations and the public. We need to ensure that CPAs continue to have the competencies needed to support an accounting profession that plays a critical role in protecting the public interest,” she added.

The proposed model will:

- Enhance public protection by producing candidates who have the deep knowledge necessary to perform high-quality work, meeting the needs of organizations, firms and the public;
- Reflect the realities of practice by requiring candidates to demonstrate deeper proven knowledge in one of three disciplines that are pillars of the profession;
- Be adaptive and flexible, helping to future-proof the CPA as the profession continues to evolve; and
- Result in one CPA license.

“The model we are proposing reflects the realities of practice today. When you look at the profession twenty or thirty years ago, it’s evident that the demands of CPAs have grown,” said Bill Reeb, CPA, CITP, CGMA, chair of the AICPA. “For example, today there are three times as many pages in the Internal Revenue Code, four times as many accounting standards and five times as many auditing standards as there were in 1980. As our body of knowledge has expanded, we’ve stretched the exam and curriculum to cover more and more material, but that approach isn’t sustainable. We need a licensure model that is flexible enough to evolve with our profession.”

More information on the CPA Evolution initiative may be found at www.evolutionofcpa.org.
Invitation to Comment on Exam Released

While other groups are looking at what the future Uniform CPA Examination may be like, keeping the current Exam valid, reliable and relevant has also been a charge of the Board of Examiners and the AICPA Exam Team. The results of the AICPA’s Practice Analysis were released in mid-December along with changes to be operational in the Uniform CPA Examination administered sometime in 2021. Comments on the exposure draft (click here to review) and the invitation to comment items requiring more research are requested by April 30, 2020 and should be sent to practiceanalysis@aicpa.org. NASBA’s CBT Administration Committee, chaired by Tyrone Dickerson (VA), and Executive Directors Committee, chaired by Grace Berger (MT), are drafting a response to the exposure draft to be ready by March. The State Boards are encouraged to consider the exposure document and the NASBA comment letter prior to sending their own comments to the AICPA. Revisions to the CPA Exam Blueprint would need to be approved no later than December 31, 2020.

- The Practice Analysis identified three ways technology is impacting the competencies required of newly licensed CPAs:
  - Understanding business processes from inception to completion including automated aspects, risk identification and internal control mapping.
  - The need for a digital and data-driven mindset and the use of data analytics, and
  - Increased reliance on System and Organization Controls for Service Organizations: Internal Control over Financial Reporting (SOC 1®) reports.

While the Practice Analysis found reliance on SOC 1 reports has dramatically increased, which has required auditors for even modestly-sized clients to obtain and evaluate multiple SOC 1 reports, the research did not support that a significant number of newly licensed CPAs were involved in performing the underlying procedures that support the issuance of a SOC 1 report. That is being done by specialists or those with significant experience. AICPA is continuing to monitor this area.

Another aim of the Practice Analysis was to identify existing Exam content that might be less important to the newly licensed CPA, so that the Exam could focus on those areas that are most critical to the new licensee’s practice. This Practice Analysis does not anticipate major structural changes to the present four-section examination. The AICPA contracted with the American Institutes for Research to lead focus groups. Nearly 150 CPAs participated in virtual rating panels on what should be included in the Exam. Then confirmation panels were held for each of the four Examination sections, with nearly 60 CPAs participating in the virtual confirmation panels. Several topics are suggested for removal as: “The change is proposed to focus the CPA Exam on assessing the critical knowledge and skills needed by newly licensed CPAs.” The exposure draft explains these topics would ordinarily be beyond the scope of the newly licensed.

Respondents to the Practice Analysis document are being asked:

1. Do the findings of the Practice Analysis align with the changes you see impacting the newly licensed CPA’s practice?
2. Do you agree with the proposed Exam changes?
3. Are there other areas affected by technology beyond the findings identified in the Practice Analysis?
4. Do you believe there is additional content that should be removed from the CPA Exam?

Requiring additional research for implementation not before 2022: A- Should the essay question be removed? B- Should accounting for state and local governments continue to be assessed in the CPA Exam?

CPA Evolution Update

December saw stepped-up activity associated with the CPA Evolution initiative: Its website, EvolutionofCPA.org, was refreshed; NASBA committees held preliminary meetings; and a webcast was broadcast for those who had not attended the NASBA Annual Meeting.

- Updated material was added to EvolutionofCPA.org pertaining to recent thinking regarding possible revisions to the CPA licensure model, along with new FAQs and links to recent press articles about the initiative.
- NASBA’s Uniform Accountancy Act Committee held a conference call to discuss their work plan for 2020, including possible UAA amendments and Model Rules tied to the CPA Evolution initiative.
- NASBA’s Education Committee met to hear preliminary discussions about the CPA Evolution initiative and learned about the establishment of an Education Advisory Group. The Committee also discussed plans for a meeting in January 2020.
- NASBA Chair Laurie Tish held a webcast on December 18 to provide an opportunity for those Boards of Accountancy members and Executive Directors who were unable to attend the NASBA Annual Meeting in October to hear a presentation on the initiative and to pose questions to NASBA leadership.

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