



State Regulatory Update

An Update on State Legislative and Regulatory Issues Affecting the CPA Profession

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Please feel free to contact any members of the State Regulation and Legislation Team if you have questions or need additional information:

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Summer 2015

Overview

Welcome to the Summer 2015 edition of the State Regulatory Update. This periodic publication by the AICPA State Regulation and Legislation Team provides news and information of interest to State Boards of Accountancy.

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Legislative Update

Congratulations to the 8 States that Adopted the Comprehensive Definition of Attest this Year

Congratulations to the eight state boards of accountancy and state CPA societies that saw their legislatures adopt the more comprehensive definition of attest this year! Connecticut, Kentucky, Maine, Minnesota, Maryland, Oklahoma, Oregon, and South Carolina have all passed legislation to close a loophole that had allowed non-CPAs to perform certain attest services in those states. Additionally, Iowa and Georgia - which already had the comprehensive definition of attest - passed legislation this year to make needed conforming changes to their accountancy statutes. State boards and CPA societies in Guam, Pennsylvania, and Rhode Island are also working with their legislatures to amend their states' definition of attest this year. If you have a question about the definition of attest or legislation at the state level, please contact James Cox, AICPA Senior Manager for State Legislation, at 202.434.9261 or jacox@aicpa.org.

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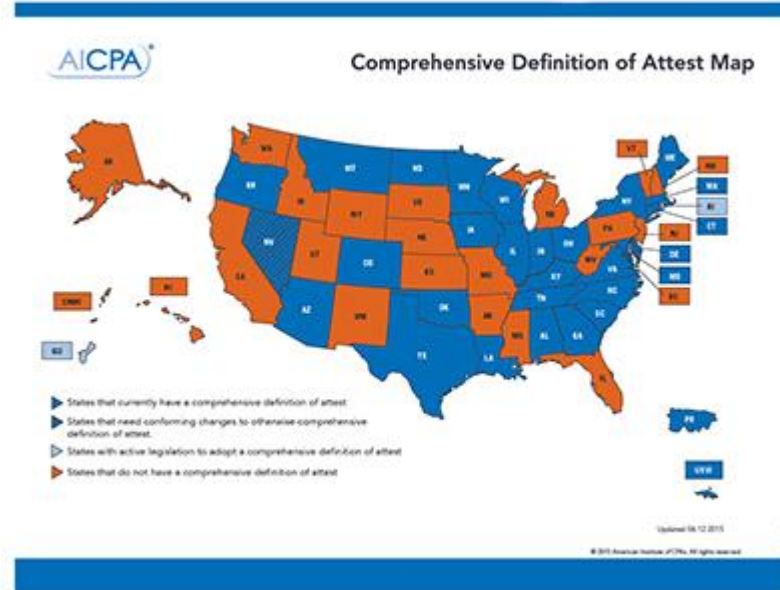
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NASBA and AICPA Encourage States to Adopt Rule Allowing for CPE Reciprocity

The National Association of State Boards of Accountancy (NASBA) and the AICPA are encouraging state boards of accountancy to consider adopting a section of the UAA Model Rules that would allow for CPE reciprocity.

As laid out in UAA Model Rule 6-5(c), CPE reciprocity exempts CPAs who hold more than one license from having to meet the individual CPE requirements of multiple jurisdictions so long as the licensee meets the CPE requirements of his or her home state. Additionally, if a CPA is from a home jurisdiction without any CPE requirements, the rule requires the CPA to meet the CPE requirements of any state in which they hold an additional license. This policy acknowledges the importance of meeting standardized minimum CPE requirements across the country, while preventing unnecessary compliance challenges for CPAs licensed in states that have minor variations in the requirements of their CPE programs.

The AICPA has developed resources for state boards of accountancy interested in adopting the model rule, including a [FAQ sheet](#) with the model language and a [map](#) showing which states already allow for CPE reciprocity. These resources, along with numerous others, are also

available on the AICPA State Regulation and Legislation Team's [State Board of Accountancy Resources](#) website. For additional information, please contact Mat Young, AICPA Vice-President of State Regulatory and Legislative Affairs, at myoung@aicpa.org or 202.434.9273, or John Johnson, NASBA Director of Legislative and Governmental Affairs, jjohnson@nasba.org or 615.880.4232.

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Ethics Update

AICPA Codification/State Board Rules Review Task Force

As part of AICPA and NASBA's joint initiative to facilitate adoption of the AICPA Code of Professional Conduct (AICPA Code) by state boards, the AICPA's Professional Ethics Executive Committee (PEEC) has appointed a task force to review the significant differences between state board rules and the AICPA Code and make recommendations to the PEEC about issues it believes the PEEC should revisit. Members of the PEEC Task Force are Ray Johnson, Chair (Oregon state board), Tom Campbell (public member), Rick David (Michigan state board), Jana Dupree (public practice) and Shelly Van Dyne (public practice).

The Task Force reported that the current status of state board adoption of the AICPA Code is as follows:

- 18 states have adopted the AICPA Code
- 4 states have adopted the AICPA Code with exceptions
- 10 states have adopted sections of the AICPA Code
- 23 states have not adopted the AICPA Code

The Task Force has compared the AICPA Code to the rules of 12 states¹ in order to identify significant differences between the state boards' rules and the AICPA Code. To date, the significant differences reported to the PEEC are:

1. Some states' rules require that the disclosure of permitted commissions and referral fees be in writing.
2. As a result of the revised definition of "attest" in the UAA (Seventh Edition), to include *any* examination, review or agreed upon procedure engagement to be performed in accordance with the SSAEs (i.e., no longer limited to an examination of prospective financial information under the SSAEs), some states prohibit

- commissions and contingent fees for a client for which the licensee performs any engagement under the SSAEs.
3. Some states do not allow licensees to retain certain records for payment of fees.

At the May 2015 meeting, PEEC agreed to appoint a Task Force to re-examine the [Commissions and Referral Fees Rule](#) and the [Contingent Fee Rule](#). The newly-appointed Task Force will consider, among other things, whether the AICPA Code should require written documentation for permitted commissions and referral fees and whether the Code should be broadened so that the restrictions imposed by the Commissions and Referral Fees Rule and the Contingent Fee Rule apply to all attest clients. The AICPA Codification/State Board Rules Review Task Force also reported that it needed to study the retention of records issue further before it could make a recommendation to PEEC.

¹ California, Colorado, Florida, Illinois, Iowa, Louisiana, Nebraska, New Jersey, New York, North Carolina, Pennsylvania and Texas. This sample represents 54% of all active licensees and 57% of all persons regulated by state boards.

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Peer Review Update

Practice Monitoring of the Future

On December 15, 2014, the AICPA released a concept paper, *Evolving the CPA Profession's Peer Review Program for the Future: A provocative vision of what practice monitoring could become*, that imagines how practice monitoring could look in the not-too-distant future. Developed after two years of research and brainstorming by an AICPA task force created on the advice of AICPA's governing Council, the concept represents the long-term efforts of the AICPA's [Enhancing Audit Quality \(EAQ\) initiative](#).

At this early stage in the concept's development, it's crucial that state board members read the paper and provide input on this vision for evolving practice monitoring. The AICPA has created an online community (aicpa.org/futurepracticemonitoring) where stakeholders can post comments, respond to others' comments, answer specific questions from the paper, and participate in discussions. Comments may also be submitted by sending an email to prsupport@aicpa.org. Feedback is requested by **June 15, 2015**.

Learn more about practice monitoring of the future at the NASBA Regionals.

Enhancing Audit Quality (EAQ) Update

On May 14, 2015, the AICPA released a [Six-Point Plan to Improve Audits](#) that provides a roadmap for the profession's continued journey to audit excellence. The Six-Point Plan captures stakeholder feedback from the AICPA's [Enhancing Audit Quality](#) (EAQ) initiative and represents the AICPA's strategic thinking to improve audit quality. It concentrates on financial statement audits for private companies, employee benefit plans, and governmental entities in the United States. The Six-Point Plan demonstrates the AICPA's latest efforts to drive higher audit performance in an increasingly complex and constantly changing business environment.

The Plan outlines enhancements in the following areas:

1. *Pre-CPA Licensure*
2. *Standards and Ethics*
3. *CPA Learning and Support*
4. *Peer Review*
5. *Practice Monitoring of the Future*
6. *Ethics Enforcement*

Access the plan and numerous other resources on the EAQ Resources web page: <http://aicpa.org/auditquality>. For more information, contact Kim Ellis at kellis@aicpa.com.

Find out more on all of the peer review initiatives designed to improve audit quality at the NASBA Regionals.

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Exam Update

Update on the Practice Analysis and the Next Version of the CPA Exam

A strong and relevant Uniform CPA Examination (Exam) is the first step in maintaining the strength of the CPA profession and protecting the public interest. In early 2014, the AICPA launched a practice analysis - a comprehensive research project - to determine the knowledge and skills required for the next version of the Exam.

The practice analysis included an [Invitation to Comment: Maintaining the Relevance of the Uniform CPA Examination](#) (ITC), which was issued in September 2014. The ITC requested feedback from the profession on possible changes to structure, content, fees, score reporting, and other considerations for the next version of the Exam. More than 300 responses to the ITC were received from stakeholders, which included AICPA members, boards of accountancy, firms, academia, standards setters and regulators, and individuals in business and industry.

The AICPA Board of Examiners (BOE) and a BOE Practice Analysis Sponsor Group and Practice Analysis Sponsor Advisory Group consisting of the National Association of State Boards of Accountancy (NASBA), state boards, BOE members, and other representatives from the profession oversaw analysis of the feedback. In May, the AICPA issued a report, [Invitation to Comment Results: Maintaining the Relevance of the Uniform CPA Examination](#), summarizing that feedback, and planned next steps in the development of the next version of the Exam.

Request for Comment: Exposure Draft September - December 2015

In September 2015, the AICPA will distribute an Exposure Draft, a final proposal for the next version of the Exam, for review by stakeholders. The AICPA encourages state board members and members of the profession to provide feedback through the Exposure Draft, and will be issuing communications about the process through 2015. The next version of the Exam will be announced in 2016 and launched in 2017.

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CPE Standards Exposure Draft

The AICPA and NASBA have issued proposed revisions to the Statement on Standards for Continuing Professional Education (CPE) programs for comment. Last revised in 2012, the Standards provide a framework for the development, presentation, measurement, and reporting of CPE programs.

Among the most significant of the proposed revisions is the addition of two new delivery options for continuing education programs. Nano-learning is a tutorial program that allows a participant to learn a subject in ten minutes using electronic media, while blended learning incorporates multiple learning formats. These new learning options are in line with the findings of the AICPA's Future of Learning Task Force and reflect shifting workplace dynamics.

The proposed revisions are the outcome of an extensive review and evaluation of the Standards by the CPE Standards Working Group and the Joint AICPA/NASBA CPE Standards Committee. The Board of Directors of both the AICPA and NASBA approved the proposed revisions for exposure during their April 2015 meetings.

The exposure draft is available [here](#) on the AICPA website and is also available on [NASBA's](#) website. Comments on the proposed Standards may be submitted until October 1, 2015.

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