



## State Regulatory Update

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

### In this issue

[Overview](#)

[Legislative Update](#)

[Peer Review Update](#)

[Exam Update](#)

[Ethics Update](#)

### Contact us

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

#### **Sue Coffey**

Senior Vice President  
Public Practice & Global  
Alliances  
[scoffey@aicpa.org](mailto:scoffey@aicpa.org)  
212-596-6197

#### **Mat Young**

Vice President  
State Regulatory &  
Legislative Affairs  
[myoung@aicpa.org](mailto:myoung@aicpa.org)  
202-434-9273

#### **Suzanne Jolicoeur**

Senior Manager  
State Regulatory Outreach  
[sjolicoeur@aicpa.org](mailto:sjolicoeur@aicpa.org)  
919-402-4906

#### **James Cox**

Senior Manager  
State Legislation

### Spring 2015

#### Overview

Welcome to the Spring 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.

.....▲ [BACK TO TOP](#)

#### Legislative Update

##### Definition of Attest

The CPA profession in 12 states is advocating for updates to their state's accountancy statutes to better ensure the protection of the public by updating the scope of attest services. State legislatures in Arkansas, Connecticut, Kentucky, Maine, Maryland, Minnesota, Oklahoma, Oregon, Rhode Island and South Carolina are considering bills to amend their state's definition of attest. Georgia and Iowa, states that already have a comprehensive definition of attest, are also moving forward with needed attest-related conforming changes to their statutes.

To date, legislation in Georgia has passed the House of Representatives and is currently under consideration in the Senate. Additionally, attest legislation has passed the first house in Arkansas, Kentucky, Maryland, and Oklahoma. In South Carolina, legislation has passed both houses and is awaiting reconciliation.

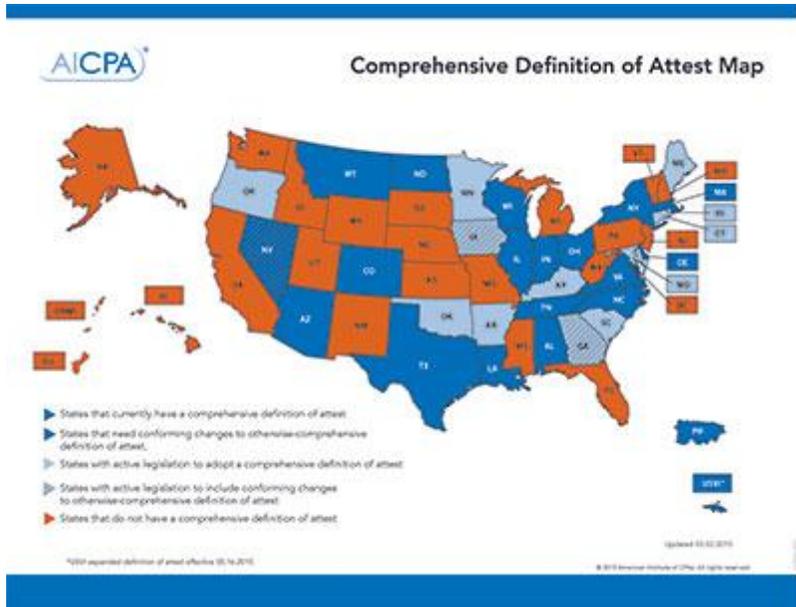
The AICPA and the National Association of State Boards of Accountancy updated the [7<sup>th</sup> Edition of the Uniform Accountancy Act](#) (UAA) last spring to account for several changes related to attestation services. In 2011, SAS 70 was reclassified as SSAE 16, resulting in the unintentional removal of some existing attest engagements from the definition of attest. In addition, clients are increasingly asking for attest services to be performed on not just financial statements, but also on other types of engagements - including security and privacy controls, greenhouse gases, and eXtensible Business Reporting Language (XBRL). Currently, unregulated non-CPAs can perform these services using the accounting profession's standards, thus putting the public at risk. The new comprehensive definition of attest and the conforming changes contained in the UAA close these loopholes.

[jacox@aicpa.org](mailto:jacox@aicpa.org)  
202-434-9261

**Lindsay Patterson**  
Communications Manager  
State Regulatory &  
Legislative Affairs  
[lpatterson@aicpa.org](mailto:lpatterson@aicpa.org)  
202-434-9201

**Phil Miatkowski**  
Project Administrator  
State Regulatory and Legislative  
Affairs [pmiatkowski@aicpa.org](mailto:pmiatkowski@aicpa.org)  
202-434-9229

*Suzanne Jolicoeur, Editor*



### CPA Profession Seeks Exemption from Ban on Questioning Job Applicants' Criminal History

While efforts to remove questions about criminal history from job applications are gaining traction across the country, the AICPA and state CPA societies have been working to ensure this well-meaning legislation includes exemptions for the CPA profession.

Thus far in 2015, 49 "Ban the Box" bills have been introduced in 27 states, and the National Employment Law Project reports that 13 states and over 90 cities and counties have already adopted policies that support the removal of questions about criminal convictions from job application forms. (The proposal draws its name specifically from the requirement to remove a "check box" on job applications indicating whether or not an applicant has a criminal history.)

The "Ban the Box" proposals vary between jurisdictions. While some include appropriate exemptions for professions that handle sensitive information, others may pose serious threats to client confidentiality.

In Georgia, the governor recently issued an executive order that postpones questions about an applicant's criminal history until the applicant has demonstrated that he or she is one of the most qualified candidates. The order, however, includes exemption language for "sensitive governmental positions," allows an applicant's criminal history to be considered later in the hiring process, and only applies to applications for state government jobs.

On the other hand, proposed legislation in New Hampshire would require the state to engage in business only with contractors who adopt and employ policies consistent with the "Ban the Box" requirement - including CPAs. The CPA profession is working to amend such measures, since trust, confidentiality, and the handling of highly-confidential tax and other personal materials are key to the CPA-client relationship.

The AICPA will continue to track "Ban the Box" proposals in state legislatures, and is encouraging state CPA societies to also monitor their municipal governments for similar measures.

## Peer Review Update

### Practice Monitoring of the Future

On December 15, 2014, the AICPA released a new 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](#).

A key aspect of the concept is a technology platform that joins with human oversight to provide near real-time, continuous analytic evaluation. Monitoring would initially be conducted by the firm itself, but the concept paper explains that, eventually, external AICPA-engaged practice monitors would assist firms in addressing quality issues. The concept would be developed and implemented in multiple phases, starting with a voluntary pilot group of small, medium, and larger firms. Future phases would transition from voluntary to mandatory participation.

At this early stage in the concept's development, state board members are strongly encouraged to read the paper and provide input on this vision for evolving practice monitoring. The AICPA has created an online community ([aicpa.org/futurepracticemonitoring](http://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](mailto:prsupport@aicpa.org). Feedback is requested by June 15, 2015.

State board executive directors can learn more about practice monitoring of the future from a panel discussion with NASBA Executive Vice President and COO Colleen Conrad and AICPA Senior Vice President for Public Practice and Global Alliances Sue Coffey at the NASBA Executive Directors' Conference in Tampa later this month.

### Enhancing Audit Quality (EAQ) Update

The AICPA released a paper outlining an extensive approach designed to enhance monitoring the quality of firms' audit and attestation practices. Responses to the Enhancing Audit Quality (EAQ) paper were requested by November 7, 2014. The paper had more than 12,000 hits and 866 responses from a variety of stakeholders, including peer reviewers, state boards, NASBA, other regulators, state societies, AICPA Council members, and practitioners from small, medium, and large firms.

Respondents indicated that the biggest obstacle in the profession's pursuit of enhanced quality is that some firms are taking on audits outside their areas of expertise despite complexity being at an all-time high. Respondents also said the AICPA should focus on both front-end risks (via competence and client acceptance) and back-end risks (via peer review and ethics enforcement). Finally, commenters noted that any reforms should account for the cost to implement for small firms.

Various teams within the AICPA are reviewing applicable Standards, developing competency assessments, incorporating peer review areas of focus into learning and development curricula, and implementing changes to enhance peer reviewer quality and strengthen firm quality.

A panel consisting of New Mexico State Board Chair Jack Emmons, CPA; Illinois CPA Society Chair and CEO Todd Shapiro, CPA; and Andy Wright, CPA, Associate Director - Investigations for the Mississippi State Board, will discuss audit quality at the upcoming NASBA Executive Directors' Conference.

## Exam Update

### Update on the Practice Analysis and the next version of the CPA Exam

To maintain relevance with a changing profession, the AICPA is leading the development of the next version of the CPA Exam through a process known as a Practice Analysis. In 2014, the AICPA Examinations Team conducted extensive research, including an Invitation to Comment (ITC) on *Maintaining the Relevance of the Uniform CPA Examination*. The AICPA received over 300 responses from CPAs representing firms, academia, boards of accountancy, regulatory bodies, and state CPA societies. In addition, the AICPA received over 2,100 responses from newly-licensed CPAs and supervisors of newly-licensed CPAs to survey questions that focused on the content and skill level of tasks that newly-licensed CPAs perform. The Examinations team is using the input from these two milestones, as well as information gained through focus groups, interviews, and research, to determine the outline for the next version of the CPA Exam.

### Requests for Comment: Exposure Draft September - December 2015

Development of an Exposure Draft for the next version of the CPA Exam is underway. Stakeholders will have an opportunity to comment on the Exposure Draft when it becomes available to the public in September 2015. Boards of accountancy are encouraged to place the Exposure Draft on their board's agenda now for the fall of 2015.

Changes to the Exam's outline will be announced in 2016, and the next version will be launched in 2017.

### AICPA Volunteer Opportunities with the Uniform CPA Examination

The AICPA is accepting applications for the 2015-2016 volunteer year, which begins in October 2015, until May 15, 2015. If you are interested in volunteering for one of these committees, please fill out an application, including your résumé, on the AICPA's [Volunteer Central](#) web page.

If you have questions regarding volunteering at the AICPA, please contact [VolunteerServices@aicpa.org](mailto:VolunteerServices@aicpa.org).

## Ethics Update

Want to test your readiness to use the new intuitively-organized [AICPA Code of Professional Conduct](#) that became effective on December 15, 2014? Take the [Ethics Quiz](#) that appeared in the December issue of the Journal of Accountancy.

### Outstanding Exposure Drafts

The Professional Ethics Executive Committee (PEEC) issued a [Proposed Firm Merger and Acquisition](#) exposure draft that provides independence guidance for members regarding instances when firms merge and partners or employees of one firm have certain relationships with attest clients of the other firm. In addition, the PEEC will issue an exposure draft on April 16 that proposes a revised definition of the term "affiliate" related to multi-employer and multiple employer plans. The comment period closes on May 18, 2015.

### Newly Adopted Provisions

The revised [Individual in a Campaign Treasurer or Similar Financial Position](#) interpretation extends the guidance to individuals in similar financial positions as a campaign treasurer and also concludes that independence will be impaired when a partner or professional employee serves in one of these positions for a candidate who is running for election

to a government entity that is an attest client. The revised interpretation also takes a more restrictive position on situations where a partner or professional employee serves in one of these positions and the candidate's political party is an attest client.

Revisions to the [Client Affiliates](#) interpretation and attest client definition add an exception for situations where a financial statement attest client is acquired during the period of the professional engagement by a non-client or non-attest client and the firm has an interest in or relationship with the acquirer that may otherwise impair independence. In order to apply the exception, the attest engagement may only cover periods prior to the acquisition and the member may not continue to provide financial statement attest services to the acquirer.

.....▲ [BACK TO TOP](#)

You are Subscribed to the State Regulatory Mailing List  
[Manage Your Preferences](#) | [Unsubscribe](#) | [Add to Address Book](#)  
[Privacy Policy](#) | [Contact Us](#)

American Institute of Certified Public Accountants, 220 Leigh Farm Road, Durham, NC 27707-8110

A15M117