



## NCACPA Board of Directors Meeting Minutes

March 20, 2019

**D. Scott Showalter, CPA, CGMA, CGFM, Chair, presiding**

### *Members participating*

Scott Showalter	Rollin Groseclose	George Beckwith
Shawana Hudson	Abi Raja	Sarah Bruce
Kelli Knoble	Whitney Gann	Amin Ainolhayat
Austin Wachter	Scott Hughes	Michelle Tracz
Walter Davenport	Mike Gillis (by phone)	Jonathan Kraftchick
Jared Korver	Beth Monaghan	Alex Lehmann
Malcomb Coley	Tim Fleischmann	

### *Staff participating*

Sharon Bryson, Mark Sotichack, Amelia Hodges, Lorrie Leonhardt, Teka Miller, Jackie Asekhauno, Nikki Vann, Alexis Verbic, and Moira Gill.

### *Guests*

NC State Board of CPA Examiners members Sammy Williams, Art Winstead, Wanda Taylor, and Gary Massey. NCSBE staff Bob Brooks, David Nance, and Frank Trainor, NCSBE legal counsel, Noel Allen. NCACPA Lobbyist/Legal Counsel, Dave Horne.

## **Welcome**

Scott Showalter asked CPAs in the room to stand and recite the *Oath of a North Carolina CPA*. He then welcomed the 2019–2020 new class of the NCACPA Board of Directors, and attending members of the NC State Board of CPA Examiners.

## **CPA Boards and Breakfast**

### **Succession Planning**

Mike Gillis and Sammy Williams led a discussion on firm succession. Members of the Succession Planning Task Force, led by Mike, met previously with Mark Koziel of the AICPA to inform the group's efforts. Mark provided insight on AICPA PCPS (Private Companies Practice Section) tools in place for succession planning. The task force will promote the tools available, consider



providing CPE on succession planning, and create as much educational access on the topic as possible for NCACPA members.

Sammy provided perspective as a practitioner in a small town area, pointing out existing pitfalls that render naming a successor impractical unless mandated (particularly, for protection of the public, and the related CPA practice).

Art Winstead suggested a joint task force between NCACPA and the State Board to consider a mandate related to naming firm successors. This will be discussed at a State Board meeting in the near future. It was noted a mandate of this nature would require rule changes, and could not be enacted before calendar year 2021.

## Peer Review

Scott Hughes addressed recent changes to the AICPA Peer Review program, of which NCACPA is an administrator for the state of North Carolina. To better promote and enhance audit quality, an evolution in additional oversight and disciplinary action has taken place the past three years, and according to information presented, is showing some positive results.

New guidance was released last October, which approved a new section for reviewers to reference when evaluating a firm's review systems. A common deficiency of firm review is inadequate planning of procedures. Other common areas of non-compliance include insufficient risk assessment, failure to gain understanding of internal controls when identifying client risks, and failure to link procedures performed to the overall risk assessment.

Effective May 2020, firms will be required to complete a Peer Review information request on an annual basis. This requirement serves to indicate when firms enter new areas of practice and exit others, and to help identify potential areas of Peer Review risk.

The Peer Review Board also issued a variety of forms in 2018 and 2019 aimed at remediation and removal of poor Peer Review performers, and improved detection of non-conformity with professional standards.

Recent rule changes impose certain requirements on staff who coordinate Peer Review at the state level. NCACPA is working with the Maryland Association of CPAs on potential collaboration to share resources and costs of Peer Review administration; more updates will follow at the June NCACPA Board of Directors meeting.



## Joint CPE Task Force

The Joint CPE Task Force was comprised of representatives from NCACPA and the State Board, and has collaborated on proposed change to the state's current CPE rules - with many of these changes proposed in light of technology-driven learning trends.

The rules were first presented for discussion before the State Board on March 19, and will be presented for further discussion in April. Any developments will be covered at the May 23 meeting of the State Board, at which point the proposed changes will be voted upon and sent to the North Carolina Rules and Review Commission for publication. Following, there will be a rule-making hearing at a September 23 meeting of the Commission, with public comments being accepted through October 30. The finalized changes will be filed with the Rules and Review Commission in December, with an anticipated approval date of January 1, 2020.

Task Force considerations of note are as follows:

- The Uniform Accountancy Act issued thoughts on partial technical content in CPE requirements. The task force opted not to include this requirement in its proposal of rule changes, as there are challenges in defining "technical content." Further, data shows CPAs are already receiving 50% or more of technical content in their CPE.
- There is a push towards blended learning and "nanolearning"—on-demand, "quick hits" of information providing succinct, targeted learning on a particular topic. In anticipation of this trend, the task force has proposed measuring CPE in minutes rather than hours for more effective tracking.
- It is recommended the annual Ethics requirement be lowered from 100 to 50 minutes. It was suggested this change would work more effectively from a content perspective, and foster better incorporation of customized Ethics training into various training venues.
- Finally, the task force proposed clarification of non-participant CPE rules; that is, differentiating the definitions of instruction and authoring of curriculum.

## Strategic Discussions

### Enhanced Member Engagement

Teka Miller, Director of Membership, was joined by COO Mark Sotichack to lead an interactive discussion on membership engagement.

The discussion began with a review of historical trends, calling attention to a downturn in membership beginning in October 2014, largely due to a declining segment of members in business and industry. Following a membership research project with McKinley Advisors, NCACPA was able to better segment and market its offerings and successfully stave off the prior decline.



The past three fiscal years, the number of members aged 50+ has steadily increased, and the percentage gap between those aged 50+ and below 50 is widening. The Senior Life category has also increased, which stands to substantially impact membership revenue in the coming years.

Per McKinley's recommendation, NCACPA plans to institute a 2-3% dues increase annually, which will help keep revenues stable, and does not include other anticipated areas of growth. Non-member CPE revenue was not included in projections, indicating anticipated financials are conservative estimates.

This fiscal year, NCACPA attained \$2.37 million in dues revenue from 13,061 members.

In a member-wide survey conducted in January, the top three stated benefits of NCACPA membership were: continuing professional education (CPE); Connect; and *Interim Report*. From the comprehensive findings of the survey, NCACPA will work to:

- Strategize ways to promote lesser-known membership benefits;
- Remain competitive in CPE fees and topics;
- Maintain consistent and cutting-edge information and news delivery;
- Provide professional development learning paths outside of traditional CPE (networking, online resources/toolkits); and
- In alignment with the Association's current vision, continue to strategize ways to be "the one stop shop" for NC CPAs.

Issues, objectives, and goals pertinent to each membership category were presented before roundtable discussions began.

#### *Young CPAs and Accounting Professionals*

- Issue—Retain/recruit, engage, and provide tangible return on interest in regards to resources and benefits.
- Objective—Build leaders in the profession and NCACPA by creating a Leadership Development program.
  - One year, self-paced CPE program to develop leadership skills, expand young CPAs' professional networks within and beyond NCACPA, and build the volunteer leader pipeline for the Association.
- Goal—Start pilot program this year; expand program to all CPAs and accounting professionals.
- Roundtable Discussion: What other activities/requirements should be included?
  - Cater to the needs of small companies more specifically, as they have different challenges than larger firms (e.g. hierarchical structures, team dynamics, etc.—culture-specific needs).
  - Recruit at the high school level more intentionally, and expand where you go to recruit, i.e. introducing the profession to liberal arts students.



### *Members in Business and Industry*

- Issue—Make MIBI segment aware of benefits NCACPA provides that employers do not.
- Objective—Corporate Connections Program aimed at increasing the recruitment, retention, and engagement of MIBI members. This will be a simplified, cost-effective way to provide whole teams successful skills for the workplace, and will include an exclusive Connect community, complementary job postings, a CPE bundle, MIBI conference registrations, and more.
- Goal—Have two businesses or organizations sign up for a Corporate Connections membership this fiscal year.
- Roundtable Discussion: What businesses/organizations should we engage? Would you recommend we offer other benefits? What do you suggest regarding pricing structure?
  - Engage non-CPAs at companies, as they have specific training needs.
    - Enhance and promote the value of the Associate member category.
  - Offer broader education beyond technical CPE, perhaps specialized towards an industry (healthcare, manufacturing, etc.). MIBIs have to seek out vendors specific to their needs.
  - Let organizations pick what benefits are important, and customize/price our offerings accordingly.
  - Approach largest B&I employers of CPAs to collaborate on providing CPE.
  - Offer pricing in blocks, i.e. up to “X” amount of participants costs “X” amount.
  - Increase number of MIBI onsite visits.

### *Senior Life*

- Issue—Category is increasing steadily, which is not financially sustainable for NCACPA.
- Objective—Update eligibility requirements for Senior Life category, perhaps through increased engagement.
- Goal—Update requirements for Fiscal Year 2021 implementation.
- Roundtable Discussion: Should eligibility change? Should this category be terminated entirely? Would it be reasonable to offer reduced pricing?
  - Suggest conducting focus group to gauge sentiment, and potential of phasing pricing adjustment over a longer period of time.
  - Point made that if Senior Life members are still practicing, they are continuing to receive all benefits of membership at no cost.
    - Offering reduced dues seems appropriate.
  - Pointed to other states’ eligibility requirements, which include participation in association, age, and tenure of volunteer leadership.



## Administrative Matters

### Consent Agenda

Scott Showalter inquired if there were any questions concerning the minutes of the January 16, 2019 Board of Directors meeting (held via conference call). There being no questions or comments, a motion was made and unanimously approved to accept the minutes as written.

#### *AICPA Regional Council Meeting Report*

Sharon Bryson provided an update on the March 19, 2019 meeting of the AICPA Regional Council, held in New York City. The most relevant topic covered was the "New Pathways to Becoming a CPA" initiative, which has been discussed at length in prior board meetings.

The Council attendees conveyed consensus that there be one pathway to becoming a CPA, with only one Uniform CPA Exam. There was also consensus to include more content on the Uniform CPA Exam in the technology/data analytics area.

It was noted AICPA and NASBA have jointly discussed what they have termed as "guiding principles" on this topic, with related updates to be provided during the Spring and Fall meetings of Council. Please note the **currently** worded principles are as follows:

**Principle 1** The CPA profession must adapt quickly due to the technological disruptions in areas such as data analytics, robotics, artificial intelligence, and more. As such, the competencies, service and attitudes of CPAs need to continually evolve in order to protect the public interest.

**Principle 2** The CPA profession and its regulators recognize that technological and analytical expertise is essential to performing assurance work, as well as the other services that are currently, or will be in the future, core to professional accounting.

**Principle 3** People with specific technological and analytical expertise who are critical to the performance of core services offered by CPAs should be able to be licensed as CPAs. This includes, but is not limited to, current and future technology/analytics students as well as non-CPAs working today in CPA firms with such skills that are critical to the performance of core services offered by CPAs.

**Principle 4** The CPA profession and its regulators acknowledge that sustaining the profession and continued public protection requires rethinking initial licensure requirements.

**Principle 5** The profession, and therefore entry into the profession, must be redesigned to be inclusive and attractive to individuals with technological and analytical expertise required to perform evolving core services. The changes must be rapid, transformational and substantive without disrupting candidates currently in the pipeline.

Questions arose on the 150-hour elimination, with comments noting additional definition is needed on the 30 hours required, and generally the length of time in the entire process to become a CPA.





During the next several months, both the AICPA and NASBA will continue to solicit related feedback from their respective members. Sharon added the NCACPA Board of Directors will be asked for feedback during our June 2019 meeting.

## **Strategic Discussions**

### **Increased Advocacy and Awareness**

Sharon Bryson, Dave Horne, and Moira Gill led a discussion on the Association's advocacy efforts.

NCACPA met with NC Department of Revenue leadership on February 19 to discuss solutions regarding the Power of Attorney issue. The Department is reviewing solutions to accommodate our suggestions for streamlining the POA database process. This review includes a request of NCACPA to provide assistance enabling DOR to receive legislative funding to make related technology changes within their internal system.

On February 28, NCACPA held a call with legislative staff to discuss Section 179. Legislative staff is researching other states' approaches to bonus depreciation, and will also calculate anticipated fiscal/revenue impact based on NCACPA's recommendations. Next steps will be determined following that research.

In March, the Association submitted a letter to the General Assembly on concerns and suggestions regarding market-based sourcing.

Dave Horne provided a brief update on tax legislation introduced in 2019, particularly calling attention to proposed franchise tax changes.

Sharon provided an update on the NC CPA Political Action Committee, which is focused on fundraising for the 2020 elections. A goal of \$25,000 for calendar years 2019 and 2020 has been set, totaling a contribution goal of \$50,000 to put towards the 2020 election cycle. The NCACPA Advocacy Advisory Council, chaired by member Jason Poole, will continue to guide the Association's PAC activity and provide insight on legislative issues and advocacy for the profession.

Of note, NCACPA met with Representative Jason Szoka in mid-January to discuss the Association's legislative priorities. This relationship is especially important as Rep. Szoka is Senior Chair of the House Finance Committee.

Moira Gill provided a brief update on the Association's grassroots advocacy efforts to keep members informed and engaged. Regular legislative updates via the *CPA Impact* newsletter will



continue, and a new software will be rolled out to streamline communications between constituent CPAs and their legislators.

NCACPA's inaugural Advocacy Reception will be held the evening of May 1, 2019 in Raleigh to bring together NCACPA volunteer leaders and members of the NC General Assembly. The following day, at Leadership Summit, General Assembly leaders will host a discussion panel.

Lastly, NCACPA's upcoming visit to Capitol Hill during AICPA Spring Council was mentioned. Of note, the Association plans to discuss HR 88 (Disaster Tax Relief) with the NC congressional delegation.

## **Governance & Operational Effectiveness**

Scott Showalter briefly touched on the results of the 2018–19 board survey and thanked directors for their feedback, which will inform areas of focus for board structure and effectiveness.

### *Bylaw Revisions*

Scott Showalter presented the recommended NCACPA bylaw revisions proposed for approval by the board of directors. The only clarification amended was in regards to composition of the board; otherwise, small technical changes were applied. There was concerted effort to align the bylaws with any competing policies elsewhere in Association documentation.

Regarding Board composition (ref. Article VII, No. IV), the Nominating Committee is to determine the appropriate number of directors to be appointed. Prior to selection, the Nominating Committee will receive related feedback from the board, obtain relevant information concerning skill sets the board seeks in new directors, and then decide how many new directors are needed to meet the board's stated needs. The board will then ratify the Nominating Committee's approval of candidates. Changed wording reflects this process. Articles VIII, IX, and X also clarify the Nominating Committee's previously approved process for removing board members.

A motion was made and unanimously approved to adopt the revised bylaws.

### *Treasurer's Discussion*

Shawana Hudson provided a report on financial statements for January 2019. With one-third of the fiscal year (May 1–April 30) left, 99% of revenue has been reported. There being a surplus, it was noted the Association will spend strategically. Dues revenue is higher than expected for the year, and has surpassed budget for FY 2019.

The 2019–2020 fiscal year budget was then discussed. The instruction was to create a balanced budget, which was set at \$8.4 million. This incorporates the operating and strategic/project budgets as well. In addition, the capital budget was approved. The budget meeting, held in





February, was an opportunity for staff to share strategic initiatives for the next year, trends noted in preparing the budget and plans for any pricing changes.

Each month, the NCACPA staff reviews the previous month's financial statements at a high level to track the success of staff efforts driven by the strategic quadrants.

After clarifying questions were addressed, a motion was made and unanimously approved to accept the Fiscal Year 2020 budget.

#### *Report from the Chair-Elect*

Austin Wachter provided an update on 2019–2020 NCACPA Board Standing Committees. For the new class of directors, the function of the Executive Committee was clarified. It is a subset of the Board that includes the chair, chair-elect, past chair, treasurer, and two at-large directors. This group oversees matters brought to the board and sets the agenda for discussion. Austin added that in addition to the officers noted above, the at-large members who accepted his request to serve on the Executive Committee this year are Whitney Gann and George Beckwith. A motion was made and approved to approve the composition of the 2019/20 Executive Committee.

Austin then referenced the 2019–2020 NCACPA Leadership Grid, which lists committee chairs, staff liaisons, and board liaisons for NCACPA committees.

## **Other Business**

Scott Showalter acknowledged and thanked the directors with terms ending April 30, 2019 - Amin Ainolhayat, Sarah Bruce, Rollin Groseclose, Kristen Hoyle (in absentia), and Kelli Knoble - and made personal remarks concerning each. Kelli Knoble will assume the role of chair-elect, effective May 1, 2019.

## **Adjournment**

The NCACPA Board of Directors' next meeting will be held on June 20, 2019 from 10:00 am–4:00 pm at the Benton Convention Center in Winston Salem. The meeting will precede the CPA Inauguration, which will be held from 6:00–9:00 pm the evening of June 20.

There being no further business to discuss, Scott Showalter thanked everyone for their participation and adjourned the meeting.

Respectfully submitted,  
Sharon H. Bryson, M.Ed., CEO  
Secretary to the Board