



THE OHIO  
SOCIETY  
OF CPAs

May 14, 2014  
Youngstown State University

## YSU CPE Day

Kevin Stout  
Senior Associate Chief Accountant  
Office of the Chief Accountant  
The Securities and Exchange Commission

## Mission of the SEC

### Upcoming Events

Lunch Session

#### **Cleveland Spring CPE Conference – May 23, 2014– Course #46375**

*A whole new CPE season starts with the beginning of spring, and our annual Cleveland Spring CPE Day Conference is a fantastic way to get all the latest news you can use on a variety of topics important to you and your profession. There is so much happening with new regulations, the new health care law and the competitive environment continues to be a strain on all businesses, and with the ability to get information from virtually anywhere, it's hard trying to cut through it all to get to what you need to know. Join us at the Cleveland Spring CPE Day conference and let us help make that easier by providing you with the information you need, from the experts you know, and the industry leaders you trust. Plus it's a great time to network with your peers and satisfy your three-hour ethics requirement. Being close to home with great topics and great speakers this event has it all.*

#### **Akron Spring CPE Day– June 27, 2014 – Course #46391**

*Join OSCPA for one of the most popular CPE events in Northeast Ohio. The 2014 Akron Spring CPE Day conference is coming soon and it's the place to be to get information on just about anything, anytime from a variety of sources. At this conference we're going to help make that process easier by providing you with the information you need on the topics important to you and your industry. This is a great opportunity to learn from the experts and industry leaders you know and trust, plus you can satisfy your three-hour ethics requirement and network with your peers.*

**· Be sure to visit the Events Catalog at [store.ohioscpa.com](http://store.ohioscpa.com) for more continuing education opportunities.**

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## **Youngstown State University CPE Day**

**May 14, 2014**

*Kevin M. Stout*  
*Senior Associate Chief Accountant*  
*Office of the Chief Accountant*

1



## **Disclaimer**

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2

# Agenda

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- ❖ Overview of SEC and OCA
- ❖ OCA's Professional Practice Group
- ❖ Public Company Accounting Oversight Board (PCAOB)
  - ❖ Near Term Priorities
  - ❖ Standard Setting Activities
- ❖ Internal Control Over Financial Reporting
- ❖ JOBS Act / Crowdfunding
- ❖ Questions

3

# Mission of the SEC

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- ❖ To protect investors
- ❖ Maintain fair, orderly and efficient markets
- ❖ Facilitate capital formation

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# Office of the Chief Accountant

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- ❖ **Chief Accountant – Paul Beswick**
- ❖ **Main groups in OCA**
  - **Accounting – Daniel Murdock**
  - **Professional Practice – Brian Croteau**
  - **International – Julie Erhardt**
- ❖ **Responsibilities**
  - **Principal advisor to the Commission on accounting and auditing matters**
  - **Oversight of standard setting**
  - **Consultations**
  - **Rulemaking, interpretive guidance, and reports**

5

# OCA – Professional Practice Group

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- ❖ **Activities include:**
  - ❖ **Advice, support, and consultations on:**
    - ❖ **Auditing and Auditor Independence Matters**
    - ❖ **Internal Control**
  - ❖ **PCAOB Oversight**

6

## **SEC and PCAOB Interactions**

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- ❖ **The SEC has oversight responsibilities related to the PCAOB pursuant to the Sarbanes-Oxley Act**
  - **General oversight responsibilities**
  - **Appointment of board members**
  - **Budget and accounting support fee**
  - **Rules and professional standards**
  - **Inspection of registered public accounting firms**
  - **Investigations and review of disciplinary actions by the Board**
- ❖ **Office of the Chief Accountant – Professional Practice**
  - **Delegations of authority to the Chief Accountant**
  - **Interaction and collaboration with the PCAOB**

7

## **PCAOB Six Near-Term Priority Projects**

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1. **Improving the timeliness, content and readability of inspection reports, including through outreach designed to improve usefulness of reports;**
2. **Improving the timeliness of remediation determinations and providing additional information on the PCAOB's remediation process;**
3. **Initiating a project to identify audit quality measures, with a longer-term goal of tracking such measures with respect to domestic global network firms and reporting collective measures over time;**

8

## **PCAOB Six Near-Term Priority Projects (cont.)**

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4. **Enhancing the PCAOB's processes and systems to improve analysis and usefulness of PCAOB inspections findings, including comparative analysis across firms over time, in order to better understand audit quality in firms and better inform the PCAOB's standard-setting and its other regulatory activities;**
5. **Enhancing the framework for the PCAOB's standard-setting process in order to improve the effectiveness of the process as well as the standard-setting project tracking information provided to the investing public; and**
6. **Enhancing PCAOB's outreach to and interaction with audit committees to constructively engage in areas of common interest, including auditor independence and audit quality.**

9

## **PCAOB Standard Setting**

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### **❖ Selected Active Standard Setting Projects**

#### **❖ Performance standards**

- ❖ **Related parties**
- ❖ **Auditing accounting estimates, including fair value measurements**
- ❖ **Auditor's responsibilities with respect to other accounting firms, individual accountants, and specialists**
- ❖ **Broker-dealers**

#### **❖ Other active projects**

- ❖ **Auditor's reporting model**
- ❖ **Transparency of participants in audits**
- ❖ **Reorganization of PCAOB auditing standards**

10

## **PCAOB Standard Setting – Auditor’s Reporting Model**

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- ❖ **Proposed Standards on the Auditor’s Report and the Auditor’s Responsibilities Regarding Other Information**
  - ❖ **Proposed changes include:**
    - ❖ Reporting of critical audit matters
    - ❖ Reporting on auditor’s consideration of other information
    - ❖ Addition of new elements related to auditor independence and auditor tenure
    - ❖ Enhancements to existing language in the auditor’s report related to the auditor’s responsibilities for fraud and notes to the financial statements

11

## **PCAOB Standard Setting – Auditor’s Reporting Model (cont.)**

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- ❖ **Proposed Standards on the Auditor’s Report and the Auditor’s Responsibilities Regarding Other Information**
  - ❖ **Critical audit matters are defined as those matters addressed during the audit that**
    - ❖ (a) Involved the most difficult, subjective, or complex auditor judgments;
    - ❖ (b) Posed the most difficulty to the auditor in obtaining sufficient appropriate evidence; or
    - ❖ (c) Posed the most difficulty to the auditor in forming the opinion on the financial statements.
- ❖ **IAASB also recently proposed changes to the auditor’s reporting model**

12

## **PCAOB Standard Setting - Transparency**

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### **❖ Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards**

- ❖ **The proposed standards would:**
  - ❖ **Require disclosure of the engagement partner's name in the audit report**
  - ❖ **Require disclosure of the name, location and extent of participation of other audit firms, or the location and extent of participation of other persons, who participated in the audit in the audit report**
- ❖ **Extended comment period closed on March 17, 2014**

13

## **PCAOB Standard Setting – Broker Dealers**

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- ❖ **Recently approved by SEC, effective for fiscal years ending on or after June 1, 2014:**
  - **Standards for Attestation Engagements Related to Broker and Dealer Compliance or Exemption Reports Required by the SEC**
  - **AS No. 17, Auditing Supplemental Information Accompanying Audited Financial Statements**
- ❖ **Recently approved by SEC**
  - **Amendments to Conform the PCAOB's Rules and Forms to the Dodd-Frank Act and Make Certain Updates and Clarifications**
  - **Applicability of Certain PCAOB Independence Rules**

14

## **Internal Control Over Financial Reporting**

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- ❖ **COSO's Updated Framework**
  - ❖ Issued in May 2013
  - ❖ Other Guidance and Tools Issued
  - ❖ Implementation & Transition
- ❖ **Enforcement Attention on DC&P and ICFR**
  - ❖ JPMorgan Settled Action on Sept. 19, 2013
  - ❖ James Vincent Poti, CPA Settled Action on December 18, 2013
  - ❖ Financial Reporting and Audit Task Force

15

## **Crowdfunding**

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- ❖ Title III of the JOBS Act directed the Commission to write rules that would permit companies to offer and sell securities through crowdfunding.
- ❖ SEC proposed rules on October 23, 2013 to:
  - Permit individuals to invest subject to certain thresholds,
  - Limit the amount of money a company can raise,
  - Require companies to disclose certain information about their offers, and
  - Create a regulatory framework for the intermediaries that would facilitate the crowdfunding transactions.
- ❖ The comment period on the proposed rules ended February 3, 2014

16

## Crowdfunding (cont.)

### Proposed Rules

- ❖ Investors, over the course of a 12-month period, would be permitted to invest up to:
  - \$2,000 or 5 percent of their annual income or net worth, whichever is greater, if both their annual income and net worth are less than \$100,000, or
  - 10 percent of their annual income or net worth, whichever is greater, if either their annual income or net worth is equal to or more than \$100,000, up to a maximum of \$100,000.
- ❖ A company would be able to raise a maximum aggregate amount of \$1 million through crowdfunding offerings in a 12-month period.
- ❖ Financial statements, depending on the amount offered and sold during a 12-month period, would have to be accompanied by a copy of the company's tax returns or reviewed or audited by an independent public accountant

17

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## Questions?



18