

August 15, 2018

Delivered by e-mail to:

Eric Hansen, AICPA Chair
Jimmy Williams, NAC Chair
Sue Coffey, AICPA, Executive Vice President, Public Practice

Re: Changes in the Qualification Requirements for the AICPA Accredited in Business Valuation (ABV) Credential

The California Society of CPA's ("CalCPA") has approximately 45,000 members. CalCPA's Forensic Services Section ("FSS") Steering Committee is a senior technical committee of CalCPA that oversees the activities of our Business Valuation, Economic Damages, Family Law, and Fraud Sections. The FSS Steering Committee consists of 45 members, including members representing solo practitioner firms, local or regional firms, large multi-office CPA firms, industry and academia.

We are writing to you to communicate our concerns regarding your recent changes to the eligibility requirements for the Accredited in Business Valuation (ABV) credential; specifically, the extension of eligibility to "Other Qualified Professionals" (OQPs). The FSS Steering Committee convened a task force to study this matter and supports the findings reported in this letter.

Since the AICPA announced the aforementioned change on May 25, 2018, the task force took a number of steps to better understand the reasons and potential effects of the change, as well as to help form a response on behalf of CalCPA members. To date, we have:

- Reviewed the AICPA's FAQs accompanying the announcement,
- Solicited comment from the following selected leaders and stakeholders:
 - AICPA Council Members,
 - AICPA Committee Members,
 - AICPA Staff Members,
 - CalCPA Business Valuation Section Members (including past and current chairs),
 - CalCPA FSS Steering Committee members (including all officers and many past officers), and
 - Other CalCPA leaders, including several current and past officers.
- Reviewed comments contained in a number of professional forums, including:
 - Dr. Michael Crain's June 18, 2018 Open Letter to the AICPA,
 - Ongoing coverage provided in Business Valuation Update and BV Wire,
 - Results from the informal national poll of 1,849 CPAs (including 1,406 ABVs),

- The AICPA's July 16, 2018 webinar on the subject, and
- Valuation Products and Services webinar on August 8, 2018.

This exercise has yielded the following findings:

- 1) Insufficient information underlying the AICPA's reasoning for the change was provided to members in advance of the AICPA Council vote,
- 2) This change is unpopular with many CalCPAs members as well as CPAs nationally,
- 3) The change would have had (and could still have) a greater chance of success with more member support.

We have tremendous appreciation and respect for the work done on our behalf by the AICPA staff and volunteers, which include many of CalCPA's outstanding members. We understand that the change in credential eligibility was intended to enhance the stature of existing ABVs and the valuation profession in general. Why then, the overwhelmingly negative reaction from the members?

The answer is: Lack of transparency concerning the change. This response was received from virtually all of the CPAs contacted by the task force. The information we assembled leads to our conclusion that those individuals with the greatest ability to disseminate useful information and collect feedback about the change, AICPA Committee and AICPA task force members, either had little information or were instructed not to disclose the anticipated change. This, combined with an absence of information sharing in earlier webinars, forums such as the FVS Digest or AICPA FVS Conference, makes it clear that the general membership had little or no notice this change was being considered. Altogether, the stakeholders could not competently evaluate the business case for the change.

The need to keep the OQP credentialing project temporarily confidential while the concept was being explored is understood. But the task force feels it was a critical error not to expose the plan to membership, explain the reasoning and merits, solicit members' input and, at least, obtain member consensus before announcing implementation. Proceeding as it did, our members feel that the AICPA showed that it did not understand the foundation of the ABV brand: the existing credential holders. The AICPA made a mistake by failing to consult those responsible for the status of the credential, which has damaged the credential holders' trust. In addition, the resulting outcry is putting the public's perception of the credential at risk.

In addition to recommending improved transparency regarding any future changes (for instance granting eligibility to OQPs for other AICPA sponsored credentials), we offer the following recommendations:

- 1) Delay implementation of the eligibility of OQPs for the credential by at least one year,
- 2) During the one-year delay, initiate proactive, two-way communication with members regarding the business case for expanding eligibility,
- 3) Consider further delay or even abandonment of credentialing of OQPs absent the consensus of a majority of existing ABVs.
- 4) Modify the ability of AICPA staff and volunteers to disclose information about major changes.¹

¹ We understand that information regarding the change should first pass a relevant milestone. For example, information could be disseminated to the general membership once the AICPA staff has submitted a business case to the relevant AICPA Committee (*i.e.*, here the National Accreditation Committee or NAC).

- 5) Revise the NAC process to incorporate solicitation of member feedback prior to submission of a recommendation to AICPA Council for final approval.

In closing, we wish to repeat the expression of respect and appreciation we have for the work done on our behalf by the AICPA's volunteers and staff. We hope that you will give our task force's findings careful consideration. The clear majority of the FSS Steering Committee supports these findings. The members of the task force have expressed their willingness to be available for comment and to work with you to improve the rollout of this change.

Respectfully,

Greg Regan
CalCPA, FSS Chair

cc:

Lewis Sharpstone, CalCPA Chair
Loretta Doon, CalCPA CEO
Jeannette Koger, AICPA Vice President - Advisory Services & Credentialing
Eva Simpson, AICPA Director Valuation Services