

Illinois BOARD OF EXAMINERS Bulletin

Fall Edition 2015



Bruce Rauner, Governor

EXECUTIVE DIRECTOR'S CORNER



Russ Friedewald
Executive Director

2015 is quickly coming to an end and it has been a very interesting and exciting year for the CPA profession. As I visit various colleges and universities in Illinois and surrounding states, I have been pleased to find the accounting programs are very healthy and classes are full.

Because the economy is growing stronger and the baby boomers are retiring, jobs are plentiful for accounting graduates. As strong as the college programs are, there aren't enough candidates to fill the available openings. Many students are opting to begin their careers following the conferral of their bachelor's degree rather than seeking the CPA which, in my opinion, is short sighted and gives the professional advantage to those who continue and attain the CPA. Statistics show a marked increase in career income for the CPA over the accounting graduate.

On a personal note, I want to thank the Illinois Board of Examiners for their support during this past year as I served as the Chair of the Executive Director Committee for the National Association of State Board of Accountancy. This was a wonderful and fulfilling experience, but it required a great deal of travel. Thank you also to my office staff for their continued excellence in providing service to our candidates.

Now, on to 2016.....



AREAS OF REGULATION *Focusing on a Number of Areas of Interest to the Profession*

The CPA Profession is very diverse and dynamic in many ways. Regulation at both the state and federal levels heavily impact CPAs. Over the summer months and this fall, the Government Relations Office has focused on a number of regulatory areas of interest to the profession.



ILLINOIS CPA SOCIETY.

Public Accounting Administrative Rules—After the Public Accounting Act was updated over the past two years, we shifted our focus to updating the antiquated Public Accounting Administrative Rules. This update is significant and important since administrative rules, which are administrative law, add details necessary to implement statutory law which in our case is the Public Accounting Act. Working with the Illinois Department of Financial and Professional Regulation, we incorporated legislative updates to the rules along with contemporary accounting concepts and practices. The proposed rules include additions such as the incorporation of the AICPA Code of Conduct as the rules of professional conduct, CPE reciprocity of acceptance of home state license CPE requirements to satisfy Illinois CPE requirements, and guidance satisfying the experience requirement for licensure. Also included was an expanded definition section, consistent use of terminology throughout

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ILLINOIS BOARD OF EXAMINERS BULLETIN

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AREAS OF REGULATION (CONTINUED)

the rules, and added sections addressing the use of the CPA (inactive) title and the provisional practice privilege.

The procedural process for the adoption of the updated rules is for IDFPR to file the proposals with the legislature's bi-partisan Joint Committee on Administrative Rules. After an exposure and comment period, JCAR will consider the rules and either approve or disapprove. If approved, the rules are adopted and effective.

CPA License Renewal Year—2015 was a three-year license renewal year for CPAs and CPA firms. ICPAS began working on the license renewal process with IDFPR over a year ago. Through our collaborative discussions with IDFPR staff, we were able to hopefully create an efficient pathway for your license renewal. We were able to send advance regulatory alerts and links to informational fact sheets. We were also able to provide you with two videos with the secretary and Director of IDFPR on individual license renewal and firm license renewals.

The department continues to perfect its processes moving towards greater automated processes. They plan on firm renewals being completed online as well as initial applications for licensure being accomplished online in the future. Even though the individual and firm license renewals are complete, the next license renewal period is right around the corner and this will continue to be an area of collaboration and focus.

CPE Audits—Earlier this spring, IDFPR conduct a CPE audit of a randomly selected pool of Licensed CPAs. We have been working with the director of IDFPR in improving the CPE audit process, the timing of the audits to avoid tax preparation periods, and greater utilization of technology in future audits.

California Mobility Enforcement Review—As a part of the California Mobility Statute, the California Board of Accountancy will review each states' enforcement activities to ensure substantial equivalency of enforcement activities. If it is determined that a state falls below the substantial equivalency threshold, California will not recognize that state for mobility purposes. The Society collaboratively worked with IDFPR attorneys and the National Association of State Boards of Accountancy in reviewing the California standards and in responding to a detailed questionnaire on Illinois' enforcement processes and activities. Illinois met all standards but for the exception of one that related to mobility enforcement reporting which the data base is not available for at this time.

Tax Return Preparation Task Force—Last year the General Assembly passed, and the Governor signed into law, legislation to create a Tax Preparers' Task Force. The purpose of the task force is to make recommendations to the General Assembly on the regulation of paid state tax preparers. The eight member task force, chaired by the Director of the Division of Professional Regulation, includes an owner of a tax preparation service, an enrolled agent, and a CPA. Each legislative caucus appointed a representative as well. Representative Natalie Manley and Senator John Mulroe, both CPAs, were appointed by their caucuses. After extensive testimony over twelve months, the task force adopted ICPAS' position of state paid preparer oversight by the Illinois Department of Revenue using the IRS Paid Tax Preparer Identification Number. We will provide you with additional information when the task force's report is published. I anticipate legislation implementing the task force report being introduced this winter. There is also the threat of competing legislation proposing a credential and regulatory scheme for paid state tax preparers.

Our focus on these regulatory areas has produced positive results for the CPA profession. The adoption of updated Administrative Rules incorporates contemporary accounting standards and practices which ultimately assist your practice. We will continue our efforts in the regulatory area to yield positive results for the profession.



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BOARD CHAIR MESSAGE

Welcome to our current e-newsletter. Some of you may remember in my last column, I wrote about the past history of the Illinois Board of Examiners. At this year's meeting of the National Association of State Boards of Accountancy (NASBA), the focus was "Embracing the Future". It was a good reminder that I should address the possible changes to the CPA Exam being proposed by the AICPA and NASBA. First, I should let you know that the possible changes are still in the discussion stage as the Draft of CPA Exam proposed changes were recently released. Both the AICPA and its Committee - Board of Examiners (BOE) are seeking comments from CPA's, business, industry, government and the public. The BOE will be receiving comments through the end of November and they will be studied, discussed and voted on by the BOE in 2016.



**SHELDON
HOLZMAN, CPA**

According to Arlen Thomas, AICPA Senior Vice President; "We know that the knowledge and the skills tested by the CPA Exam are the foundation of protecting the public," she explained at the recent AICPA Council Meeting. "So every five to seven years, you pause and go out among the community to see the shifts in the profession and the world". This might change what new members of the profession should know and what skills they should have – and thus what they should be tested on. Starting at the beginning, a practice survey was conducted over the past 18 months that solicited input as to what should be on the exam, changes to the exam and what a new to 24 month CPA should know and be tested on.

The proposed exam will test more "higher-order" skills in analysis and similar areas. "Content knowledge is no longer enough," said Thomas. "We need more. We need things around research – you can very rarely know all the answers, so you need to know how to do the research. You have to have critical thinking and problem-solving and analytical skills. Likewise, you have to have communication skills. We are hearing more and more from the field about the importance of all of these." Some of the proposed changes in the current draft seem to suggest that the exam should continue to be four sections. Also, the time length should be increased by up to two hours. Some of that time will be to increase testing cognitive skills and practice skills, and there is a proposal to reduce some of the multiple choice questions. In addition, there are real live documents to be examined by the testing candidates. Some of those documents might be legitimate, some illegitimate and some might try to intentionally mislead the candidates, leading them down the wrong path.

The exam changes will probably be ready to launch in the second or third testing window of 2017! For the first time the BOE will publish for candidates, professors and teachers a "blueprint" of items that might be on the exam. I suggest that you visit the AICPA website to see examples of the proposed blueprints: <http://www.aicpa.org/BecomeACPA/CPAExam/nextexam/DownloadableDocuments/Next-CPA-Exam-Exposure-Draft-20150901.pdf>. From my vantage point, the blueprints will definitely be more helpful than looking at old exams that I used to study for the exam back in my day. As you can see, a great deal of time and effort is going into the 2017 changes to the exam, and notwithstanding, the BOE is continuing to plan the next exam thereafter.

Some other exciting news is that sometime in 2018 Microsoft Excel will be the spreadsheet program used in the actual exam versus the generic spreadsheet currently in use.

Please stayed tuned to our website and the AICPA's website for changes in the exam, including possible changes to the testing windows and the possibility of retesting in the same window. Please remember all the information above is only in the discussion stage until BOE confirms what the actual changes will be.

Sheldon P. Holzman, CPA, CFF/CFE Chair





DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION

The Department of Financial and Professional Regulation is the licensing and enforcement agency for approximately 70 professions including public accountants.

Candidates seeking licensure as a Certified Public Accountant must meet educational and examination requirements as well as one year of relevant professional experience prior to applying to the Department for licensure. The Department is also responsible for the enforcement of the profession and the act that it regulates.



ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION REPORT

The Illinois Department of Financial and Professional Regulation, Division of Professional Regulation regulates licensed certified public accountants and registered certified public accountants. As set forth in the Illinois Public Accounting Act, 225 ILCS 450, et al., the Public Accountant Registration Committee and Tax Return Preparation Task Force are appointed to serve the public and the profession. Please let this serve as an introduction to the Committee and Task Force.

Public Accountant Registration Committee

Certified public accountants became regulated in the State of Illinois between 1929 and 1930. The Public Accountant Registration Committee is appointed by the Secretary of the Department. It is composed of seven members, consisting of six licensed public accountants and one public member. The Committee advises the Secretary on questions involving standards of professional conduct, discipline and qualifications of candidates and licensees under the Illinois Public Accounting Act. The following members serve on the Committee:

- Dawn M. Carlson | Bloomington
- Jennifer L. Cavanaugh | Chicago
- Richard M. Franklin | Deerfield
- Neil M. Gerber | Washington
- Hilda Renteria | Chicago
- Jeanne E. Scott J.D., Public Member | Springfield
- Joan E. Waggoner, Chairperson | Evanston

The Committee meets three to four times per year at the Department's Chicago and Springfield offices. Notices, agendas, and minutes for Committee meetings are posted at www.idfpr.com/profs/pa.asp.

Tax Return Preparation Task Force

The Tax Return Preparation Task Force consists of eight members, one of whom shall be appointed by the Department and be a representative of the Department; one of whom shall be appointed by the Department and be a representative of a statewide association representing CPAs; one of whom shall be appointed by the Department and be an enrolled agent or representative of the tax return preparation industry; one of whom shall be the Director of Revenue or his or her designee; one of whom shall be appointed by the Speaker of the House of Representatives; one of whom shall be appointed by the President of the Senate; one of whom shall be appointed by the Minority Leader of the House of Representatives; and one of whom shall be appointed by the Minority Leader of the Senate. The Task Force shall prepare a report that determines the appropriate scope of a program for regulating commercial tax return preparers. The following members serve on the Task Force:

- Jim Nichelson | Springfield
- Stephen W. DeFilippis | Wayne
- Geoffrey J. Harlow | Evanston
- Andrew Jennison | Lake Forest
- Representative Natalie Manley | Wood Dale
- Senator John Mulroe | Chicago
- Michael T. Specha | Taylorville
- Jay Stewart, Chairperson | Chicago

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CAREER CORNER

You know that you want to be a CPA, which is great. However, what does landing that position entail?

We recently asked some questions of Ms. Jennifer Keeney, Director of Human Resources, and Ms. Andrea Jones, HR Representative, True Partners consulting, LLC (TPC), <http://www.TPCtax.com> that will hopefully help you on the road to success!



1. Interview Tips- Phone and/ or In-Person and the Typical Hiring Process*

** Varies a bit based on the role. TPC has two basic paths-campus recruiting and experienced recruiting.*

Campus Recruiting: TPC hires interns throughout our organization and therefore have a selected, targeted list of schools where we look for talent. We base our selection of schools on 1) strength and quality of accounting program and 2) internal connections with the school (past success in hiring, alumni, etc.). Given we are smaller, we have to be very selective in how we support our schools (i.e. “Dedicated University Leaders” who can provide outstanding support to the school versus too many schools with weak relationships).

The process begins with career fairs, speaking engagements on campus with student groups and informational sessions. Candidates apply with their school and we interview on campus. Shortly thereafter (and in alignment with university rules related to timelines) we bring our top candidates to the office for an in-office interview. Candidates meet various members on the team, including all levels (staff to partner). The in-office interview is usually a half-day with a lunch included. Depending on specific school rules, we make offers very quickly following the in-office interview.

Note: The timing of interviews and offers has become more and more aggressive in the industry in recent years. We have noticed that candidates want to know very quickly if they have been selected, yet want as long as possible to make a decision among their choices of employers.

Experienced Recruiting: Depending on the level we are looking for - and in this case it is almost always a Manager or higher position - we will post our opening on various websites, including LinkedIn and identified professional societies. We may also work with our university relationships to network within their alumni career network. In the end, within our industry - especially with tax as a focus - our personal and professional networks are critical to these types of searches. The time to fill can be very long with these roles if there is a full recruiting campaign with no immediately known candidate. Our Hiring Managers are significantly critical in these searches as the candidate pool is often very small. We seldom use search firms for these types of searches, unless we have exhausted all other possibilities.

2. Networking Advice

As many organizations are seeking out opportunities to develop interactions with students over a longer period of time before extending formal offers, networking for freshmen and sophomores becomes even more critical. Get out in front of firms during your first semester of college even if just to get comfortable with saying “hello.” With company

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CAREER CORNER (CONTINUED)

and individual profiles available online, getting a sense of whom you may meet is worth the time investment. Nothing is more impressive than a student that quickly portrays intentional networking; they came to this event to meet me.

3. Online Brand-Pros and Cons

Having an online presence is the norm and for our college grads, it is becoming almost required to be tapped into various media outlets to get the most up-to-date communications from their schools and prospective employers. LinkedIn, Twitter, Glassdoor, and Facebook are just a few -and there are sure to be more. While our organization does not formally check our candidate profiles (with perhaps the exception of LinkedIn), that practice is informally and formally in place at other employers. In general, an online presence is important - and a professional one is very important.

4. Current Accounting Employment Trends

As we look at the competitive landscape we see a few trends:

- Amped up online presence
- Branding as an employer - providing direct insight into what is happening at the organization from both a professional and cultural perspective
- Formal diversity programs and celebration of diversity within employers
- Reimbursement of professional development and licensing
- Referral incentives to find and place talent - competitive "steals"

5. What Employers Are Looking For

Cover Letter: Highlight the underlying passions and achievements. This document helps eliminate the multiple page resume. Keep it concise though. All documents are almost exclusively tracked in online databases now - with key word searching. The cover letter should answer the question, "What makes me different than the other candidates?" Those who take time to write a cover letter often have more enhanced chances of getting the first interview.



Resume: Gone are the days of long-winded, multiple page resumes. Get to the point. Do not be vague. Be specific about dates. Highlight critical achievements and positions held. Highlight community involvement - what does the candidate do for the employer but for the community in which s/he works and lives? Pay attention to the job applied for and highlight the skills for this role - yes, that means candidates may have multiple versions of the resume and cover letter.

Interviews: Follow any instructions from the employer around dress. Most organizations are not trying to trick you - ask and dress appropriately. Be early. Often there are multiple interviews as well as multiple candidates so starting on time will be key. Be prepared for casual interactions with employees not on the formal agenda, potentially brief breaks, and understand that the interview begins the second you arrive in the parking lot and does not end until you are back in your car. You never know whom is evaluating you throughout the experience. Do not assume that you are being reimbursed for your travel. If this is a deal-breaker, you will want to inquire before you go on the interview.

On the Job: Cultural fit is more important than ever. While the term has been floating around for years, candidates will want to make sure their employer aligns with their goals, expectations, and personal values. It will matter. With more accessibility than ever, it is critical to have solid communication skills and be able to identify flexible work times as well as being able to articulate personal hours without accessibility.

Show flexibility related to the organization's processes. It may be rigid or loose - hopefully the new hire has asked enough questions in the interview to understand how it all works. Understand expectations early - and if the new hire doesn't understand, they should ask (and ask and ask).

DEPARTMENT REPORT (CONTINUED)

The Task Force will issue its final report on December 1, 2015. Notices, agendas, and minutes for Committee meetings are posted at www.idfpr.com/profs/pa.asp.

Questions?

Please direct inquiries to the Department of Financial and Professional Regulation at 320 West Washington Street, 3rd Floor, Springfield, Illinois 62786, (800) 560-6420, Fax (217) 782-3390. Additional information is available at <http://www.idfpr.com>.

CPA Exam Performance Summary: 2015 Q-3

Illinois

Overall Performance

Unique Candidates	2,708
New Candidates	1,040
Total Sections	4,020
Passing 4th Section	537
Sections/Candidate	1.48
Pass Rate	55.4%
Average Score	73.5

Section Performance

	Sections	Score	% Pass
First-Time	2,726	74.9	61.9%
Re-Exam	1,294	70.6	41.7%
AUD	1,025	73.4	51.1%
BEC	861	76.5	64.7%
FAR	1,086	71.7	52.9%
REG	1,048	73.1	54.4%

Jurisdiction Rankings (1 to 53)

Candidates	Sections
4	4
15	17
Pass Rate	Avg Score

Exam Type by Percent

