

July 28, 2018

A Forensic Investigation and Rebuttal to AICPA's Timeline of Internal Process Events Related to its Accredited in Business Valuation (ABV) Certification

INTRODUCTION

In May 2018, the governing Council of the American Institute of Certified Public Accountants (AICPA) had its semi-annual meeting. Council members in attendance voted to change the criteria for AICPA's business valuation certification, Accredited in Business Valuation (ABV), to allow non-CPAs to receive the credential. At the meeting, AICPA made a relatively short presentation to Council members before the vote. As part of that presentation, AICPA gave the governing Council the strong impression that the community of ABV stakeholders supported the change. However, the majority of the ABV community does not support the change to admit non-CPAs.

On June 18, 2018, prominent CPAs in the business valuation community published an [Open Letter](#) to AICPA expressing their opposition to the change to the ABV criteria to admit non-CPAs. After the Open Letter, AICPA published a rebuttal of sorts arguing that it followed an appropriate process in making the change and presented a timeline of events supporting their process. However, AICPA got its process timeline wrong and has changed its published timeline several times trying to get its story straight. Moreover, to this day, its timeline is still wrong, as we discuss below.

In this paper, we show how AICPA has changed its published timeline of its process multiple times after the Council vote, and we describe where it still has errors. Because AICPA essentially admits that it did not understand its own process leading up to its Council presentation and, as we argue, its current version of the process timeline still has errors, Council members received untrue information just before they voted. Consequently, AICPA's process and the Council vote is flawed. AICPA management should suspend the change to the ABV criteria.

This paper is the result of many hours of forensic investigation, an area where CPA/ABVs have skill because of their knowledge, education, experience, and training. The paper is relatively long and detailed to show that we have done our homework.

We propose the following: first, AICPA management immediately suspend the change to the ABV criteria; second, AICPA redo its internal process of approving any change to the ABV criteria by seeking and considering input from all stakeholders (including current CPA/ABVs) and then have Council revote; and third, if, after reconsideration, AICPA still wants to issue a valuation certification to non-CPAs, it create a second valuation credential separate from the ABV.

EVOLUTION OF AICPA'S TIMELINE

June 27, 2018

Although the AICPA webpage entitled "ABV Credential Eligibility Expanded to Qualified Finance Professionals" is dated May 25, 2018, the timeline that appears on the page was added June 27, 2018, and has been revised several times since then, most recently July 18, 2018. Significant inconsistencies exist between the multiple timelines issued by the AICPA during the period between June 27, 2018, and July 18, 2018.

At least three conflicting timelines have been issued by the AICPA, including the most seriously misstated timeline that was provided in a PowerPoint presentation to all State CPA Society Executives on June 27 in supporting the "transparency" of the process to allow Other Qualified Professionals ("OQPs") to obtain the ABV. Unfortunately, the flawed original timeline provided to them was the first glimpse that the Executives had of the process leading up to the Council vote, effectively poisoning the well for balanced dialogue.

The original timeline prepared by the AICPA was misleading beginning with the first entry:

April 2015 - NAC votes in favor of offering existing AICPA specialty credentials, and additional credentials to be determined in the future, to both CPAs and other qualified professionals

- o NAC asks credential committees to start looking at determining when it makes sense for each and what eligibility would look like

What the narrative doesn't state is that there were only four people in attendance holding the ABV credential at the National Accreditation Commission (NAC) meeting, including three NAC Commissioners and the chair of the ABV Credential Committee (ABVCC) who attended as a non-voting representative. There is indisputable evidence that during the discussion as to whether specialty credentials should be offered to OQPs, two of the three NAC Commissioners who were ABVs, as well as the ABV Credential Committee Chair, strongly opposed offering the ABV credential to such, with the two NAC commissioners voting against the motion.

There was specific dialogue in the meeting that further future discussions should occur before opening up the ABV credential to OQPs. The concerned ABVs present at the meeting cautioned the NAC of the potential devaluation of the ABV as well as the potential market confusion that would arise due to the existence of multiple valuation related credentials.

The strong opposition of three of the four ABVs at the April 2015 meeting, each of whom were and are leaders in the business valuation profession with a keen understanding of the ABV community, provided ample evidence that existing ABV credential holders should have been part of the process. Instead, it was a prime example of the NAC taking the position that it knew best what was good for the membership and, therefore, did not need to consult the members, perhaps purposely avoiding such dialogue.

May 2015 - AICPA Council approves two new fair value measurement credentials for CPAs and other qualified professionals (Certified in Entity and Intangible Valuations™ (CEIV™) and Certified in the Valuation of Financial Instruments™ (CVFI™))

While on the surface, this timeline entry would appear to have no bearing on the ABV Credential, it was a harbinger of the subsequent devaluation of the Credential. Following AICPA Council approval of the CEIV credential, one of the NAC Commissioners prepared an article for a valuation publication regarding the new CEIV Credential which a member of the AICPA staff reviewed and approved prior to publication. Because NAC Commissioners are subject to the confidentiality and publication provisions in the “Lifetime AICPA Volunteer Service Policy and Copyright and Confidentiality Agreement,” the Commissioner was precluded from discussing the status of any other specialty credentials. The AICPA’s requirement that volunteers sign a confidentiality agreement to preclude them from discussing issues with members is a prime example of a culture that inhibits transparency.

An example of the agreement that volunteers are currently required to sign may be found at the following link:<https://volunteers.aicpa.org/documents/VolunteerAgreements.pdf>. It is incongruous to refer to a process as “transparent” when the process is governed by a document that significantly restricts open dialogue.

The mischaracterization of history continues on the timeline with the July 2015 “vote” by the ABV Credential Committee.

July 2015 - ABV Credential Committee votes in favor of expanding eligibility for other qualified professionals

As it states on the previously covered April 15 entry related to the vote to expand AICPA credentials, the NAC asked the “credential committees to start looking at determining when it makes sense for each.” The ABVCC met in July 2015 to, among other things, discuss what “made sense” for the ABV Credential. There is indisputable evidence that what the AICPA refers to as a “vote” by the ABVCC to expand eligibility was simply a non-binding straw poll to gauge the interest of the Committee as to exploring expanding eligibility. In a split decision, the Committee members supported *exploring* the expansion. However, in conjunction with the indication of *exploratory* support, the Committee requested additional information and input from ABV stakeholders before making any final decisions. The additional information and ABV stakeholder input were never provided to the ABVCC.

Subsequent to the straw poll to gauge interest in exploring expansion, the ABVCC prepared a resolution to be provided to the NAC recommending further *exploration* of allowing OQPs to receive the ABV Credential with certain caveats, namely that: The impact of OQPs combined with the launch of the fair value credentials might prove to be too much too soon for the existing ABV Credential holders; the market size and the risk/reward equation for the ABV expansion needed to be assessed; and input from key ABV leaders was necessary as well as the development of a risk mitigation plan due to fallout from unhappy AICPA members. While there are clear indications that members of the ABVCC strongly suggested additional member input was necessary before proceeding with the expansion, AICPA staff chose to ignore the suggestion, seemingly because they knew best what was good for the membership and, therefore, did not need to consult the ABV community.

It is also notable that at the same meeting where the ABVCC narrowly voiced support for *exploring* ABV Credential expansion, the AICPA prematurely asked the committee to provide recommended requirements/framework for ABV expansion, before obtaining any data on the business valuation credential market or input from ABV stakeholders. Notwithstanding the significant pushback from the majority of the ABVs during the April 2015 NAC meeting and several committee members during the July 2015 ABVCC meeting, the AICPA pushed committee members to comply with the AICPA's stated agenda. In a recent letter from upper level AICPA management, it referred to the ABV "vetting process" of the last three years as "shepherding the ABV eligibility proposal through layers of approval." It would be more appropriate to refer to it as "force feeding distasteful food" to existing credential holders because the Institute knows what's best for them.

The AICPA knew or should have known that there would be significant pushback from the existing ABV Credential holders on opening up the ABV to OQPs. Compellingly bearing this out, approximately 44% of current ABVs responded to a recent survey with 94% of them indicating they were against the change. The AICPA responded to the survey, which was communicated to all ABVs and simply asked them to indicate whether they were in favor of the change or not, by attempting to discredit the survey as non-AICPA generated.

July 16, 2018

Subsequent to publication of the original timeline and after being informed that it was misstating the facts, the AICPA changed the timeline as it first appeared on the AICPA website. During the July 16, 2018 AICPA webcast entitled "The Changing Landscape of Business Valuation," AICPA staff stated "We have adjusted the timeline from what was originally posted on our website. Some of the feedback we received was that the summary language we used didn't accurately reflect some of the events." This is the first public acknowledgement by a representative of the AICPA that the timeline that was originally presented by the AICPA was inaccurate.

The original entry related to the July 2015 ABVCC meeting was changed to read "ABV Credential Committee supports**further exploration of allowing OQPs to achieve the ABV Credential based on three caveats related to the timing of the CEIV launch, assessment of market size and risk/reward equation based on market data, and development of a communications plan to mitigate adverse reactions."

As part of the revised timeline, the AICPA tried to show that it had complied with the caveats (as referenced with the asterisks above) with the following comments, in quotes:

1. "With the CEIV credential being launched in May 2015, sufficient time has passed for marketplace to understand credential and the role it plays." Based on anecdotal evidence, there are fewer than 100 professionals who have obtained the CEIV. Since the CEIV Credential is intended for professionals who perform fair value measurements for public company financial statement reporting purposes, the pool of valuation professionals doing such work is relatively small. In addition, obtaining the credential effectively subjects the holder to peer review. As such, it's likely that the CEIV population will always be relatively few individuals. Based on the performance of the CEIV, what the marketplace seemingly understands is that the launch of a credential that is available to OQPs will result in fewer credential holders than is anticipated, akin to the AICPA's launch of the Chartered Global Management Accountant (CGMA) Credential. The CGMA Credential has underperformed such that the original three-year breakeven budget was recently significantly extended for lack of interest in the credential. The marketplace may in

fact understand the credential, but its poor performance should have given the AICPA pause before opening up the ABV to OQPs.

2. “Ongoing market analysis has been performed. The changing landscape supports the need for the ABV credential program to evolve.” It is disingenuous for the AICPA to invoke the existence of a changing landscape to fit its flawed narrative. The vast majority of existing ABVs perform valuations for divorce, gift and estate taxes, commercial litigation, and mergers and acquisitions. If there has been a notable “changing landscape” over the last 10 years, it has been related to fair value, a practice area where relatively few ABVs practice – and which was the AICPA’s stated purpose for creating the CEIV credential.
3. “Risk mitigation plan in place, but due to ongoing response resulting from announcement, additional steps being taken to remedy response.” It is noteworthy that nowhere in this comment relating to the third caveat, “development of a communications plan to mitigate adverse reactions,” does it mention that the AICPA was the least bit concerned with the communication of the change to the existing credential holders. Due to the AICPA’s efforts to not communicate the change and more importantly to hide the upcoming change from existing credential holders, there were only a handful of ABVs that were aware of the change prior to the email of May 25, 2018 that was sent to all existing credential holders.

July 18, 2018

Perhaps realizing that the added explanations hurt its case more than helped it, the AICPA revised the timeline once more on July 18, 2018, removing all timeline entries prior to October 2017.

The misstatements continue with the following entry of the original timeline.

[September 2015 - Two-thirds of AICPA Council support expanding eligibility for other qualified professionals for all AICPA specialty credentials. Recommendation made to evaluate each independently](#)

At this AICPA Council meeting (which actually occurred in October 2015), there is indisputable evidence that Council approved allowing OQPs for FVM credentials only, not all credentials as it states in the timeline. In a November 2015 AICPA Board of Directors meeting, the Board approved a resolution for the CGMA credential to also be expanded to include OQPs. There was still no mention of the ABV Credential.

While it is not mentioned on the timeline, the NAC held a meeting in October 2015 at which the Commissioners received an OQP update report related to all AICPA Credential Committees, providing their respective input into opening up the credentials to OQPs. At the meeting, AICPA staff presented the NAC commissioners with incorrect information that showed that the ABVCC had recently “voted to allow other qualified credential candidates.” As noted earlier, there was never a vote to allow other qualified professionals. It was instead a straw poll to gauge the interest of the ABVCC in *exploring* expanding the eligibility of the ABV Credential. Adding to the obfuscation, there was no mention of the ABVCC resolution drafted in July 2015 recommending further exploration of allowing OQPs to achieve the ABV Credential with certain caveats.

In the time since the misstated events starting in 2015, committee volunteers have inquired as to disclosing what was occurring related to the potential ABV change to the larger ABV community in order to get input. On every occasion, AICPA staff advised the volunteers not to disclose the pending changes. Further, AICPA staff told the volunteers that should they be asked as to changes, they should redirect the questions or indicate that “nothing is changing right now.”

The misstatements in the AICPA timeline continue into 2016 and beyond.

2016 - all credential committees begin evaluating and developing requirements for their respective credentials

Multiple ABVCC members indicate that little if any discussion occurred during 2016 related to evaluating and developing requirements for opening up the ABV Credential to OQPs. As indicated earlier, they had requested additional market research and input from the ABV community prior to moving ahead. Receiving none, there was nothing to discuss.

August 2017 - ABV credential committee continues to support plan for expanding eligibility for other qualified professionals

Indisputable evidence shows that the timeline entry is inaccurate. The issue of allowing OQPs to attain the ABV credential didn't appear on an ABVCC agenda nor was it discussed or voted upon in 2016 and 2017. Prior to this time and as discussed previously in this document, the ABVCC only supported the exploration of expansion of the ABV credential, not the actual expansion.

October 2017 - NAC votes in favor of asking AICPA Board of Directors to support expanding eligibility to ABV to other qualified professionals

Given the indications that the NAC and AICPA staff had of the likely significant resistance to the change and its obvious importance to the ABV community, it would have made perfect sense—and contributed greatly to the transparency—to inform existing ABVs at the annual AICPA Forensic and Valuation Services Conference in November 2017, prior to placing the matter before the AICPA Board and Governing Council. Rather than adequately represent the interests of CPAs in general and ABV credential holders specifically by informing them of the upcoming vote, the AICPA made no mention of the matter at the the single annual AICPA event targeting ABV (and Certified in Financial Forensics) credential holders. Had the AICPA truly exhibited the transparency that they have unceasingly professed since June 27, 2018, an open discussion of such a significant change in eligibility requirements for the ABV credential would have been mandatory at the annual conference occurring only weeks after the NAC vote.

The stark inconsistencies between the multiple timelines issued by the AICPA continue into 2018.

January 2018 - AICPA board supports the recommendation to send ABV proposal for other qualified professionals to regional council

The actual minutes from the AICPA January 2018 Board of Directors' meetings says something very different. "Mr. Melancon gave an overview of the strategic need to open up the Accredited in Business Valuation (ABV) credential to other qualified professionals and responded to questions from board members."

The AICPA's claim of "transparency" in its handling of OQP eligibility would be better described as opaque. The AICPA's board minutes indicated nothing more than an overview of the strategic need, in AICPA management's opinion, to "open up the Accredited Business Valuation credential to other

qualified professionals and respond to questions from board members.” This conflicts with representations made to State Society Executives.

March 2018 - All four regional councils support ABV proposal for other qualified professionals •New York, •Chicago, •Los Angeles, and •Dallas

The original timeline entry above, sent to State Society Executives in June 2018, suggests that the OQP proposal had the support of Council. However, Council members that were at those meetings indicate that no such “support” was indicated. Likely in response to public correction from a particular Council member, the entry was later changed to read, “At regional meetings, Council informed about the proposal to open the ABV to other qualified professionals, asked to share questions and provide feedback, and was informed that a vote will be taken in May •New York, •Chicago, •Los Angeles, and •Dallas.” According to the original timeline, State CPA Society Executives were led to believe that all four regional councils supported the initiative. This is in striking contrast to the other timelines which simply state “Council is informed about the proposal and asked to share questions and feedback.”

WHAT AICPA’S TIMELINE MISSTATEMENTS MEAN

The cumulative effect of the misstatements, misrepresentations, and obfuscation is that it is highly likely that the NAC and Council voted for the change believing that the ABVCC "voted" for the change and there was widespread support from the ABV Community for opening up the credential. The reality is that there was never a vote by the ABVCC supporting the change and the ABV community, except for a select few who were subject to non-disclosure requirements, knew nothing about the potential change, and did not have the opportunity to present opposing positions regarding it.

Over the course of almost three years from July 2015 until May 2018, the AICPA acted in a secretive and opaque manner, devaluing the ABV credential. Prior to the vote, the ABV had become a highly respected business valuation credential, largely because of its primary value proposition: it is the only business valuation credential having the CPA as its foundation. These actions are not representative of a membership organization working on behalf of and supporting its members. Inconsistent official timelines, misrepresentations as to committee and commission activities, inaccurate representations of Board and Council meetings, and disregard for ABV credential holders’ opinions clearly indicate that the AICPA has failed in its mission to serve its members. Because of these failures, it is appropriate for the AICPA Board and Council to hear all the facts and opposing views from a representative group of ABV stakeholders and reconsider their votes on the eligibility of OQPs for the ABV credential.

PROPOSALS

We propose the following:

First, AICPA management immediately suspend the change to the ABV criteria.

Second, AICPA redo its internal process of approving any change to the ABV criteria by seeking and considering input from all stakeholders (including current CPA/ABVs) and then have Council revote.

Third, if, after reconsideration, AICPA still wants to issue a valuation certification to non-CPAs, it create a second valuation credential separate from the ABV.

Sincerely yours,

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