

# **Business Valuation Infrastructure Initiative**

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# Background

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- 2011 – Beswick at the SEC remarked about the substandard condition of the valuation profession.
- Financial reporting valuations conducted by individuals that lack appropriate training, qualifications, and experience.
- Concerns regarding impact of these activities on the integrity of the financial reporting system.
- Alphabet soup of confusing designations.
- Valuation profession is not a profession at all.
- 2014 – Stakeholders gathered to address the problems and develop a proposed solution.

# Organizations Involved

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- Valuation Professional Organizations (VPOs)
  - American Institute of Certified Public Accountants (AICPA)
  - American Society of Appraisers (ASA)
  - Royal Institution of Chartered Surveyors (RICS)
- Observers and Interested Parties
  - Largest public accounting firms
  - International Valuation Standards Council (IVSC)
  - The Appraisal Foundation (TAF)

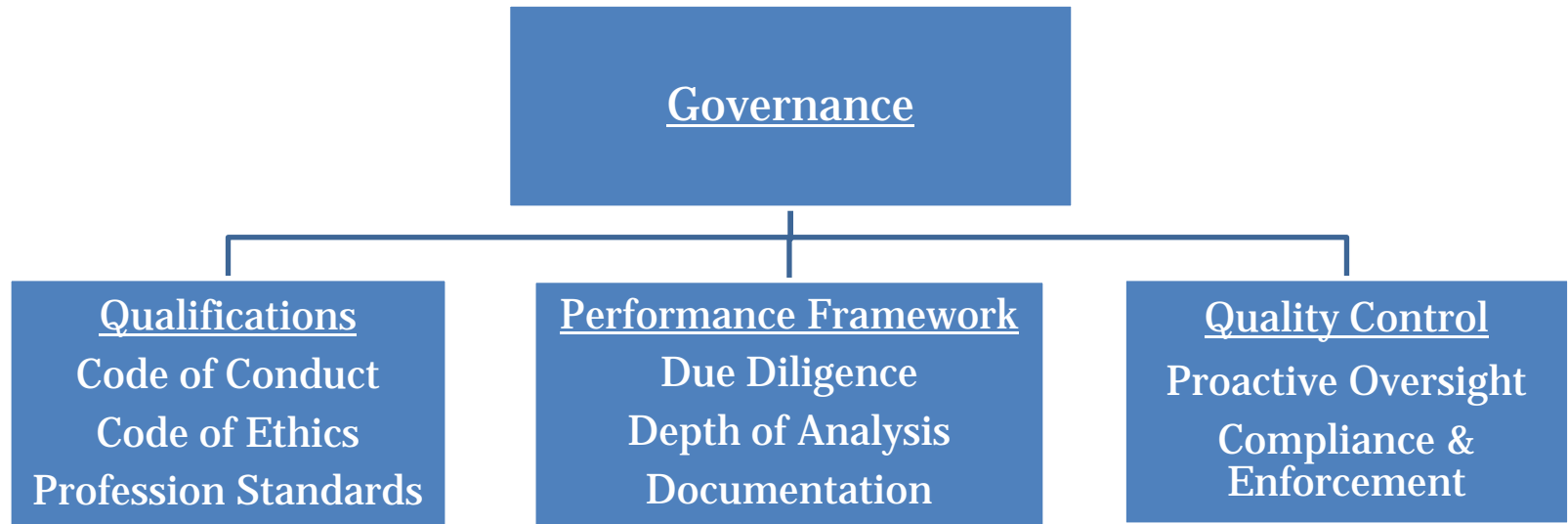
# Foundational Principles

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- World does not need another VPO.
- Divergent qualifications and expertise of individuals conducting financial reporting valuations on U.S. publicly traded companies is unacceptable.
- New concept was needed in which VPO's are authorized to issue a common financial reporting valuation credential.
- New infrastructure will define qualifications, performance and quality control guidelines and ensure VPO compliance.
- VPOs will issue the credential and ensure their members conduct their activities in conformance with this guidance.

# Workstreams

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# Governance

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- Representatives from the three VPOs and various stakeholders.
- Provides strategic direction for the initiative.
- Resolves conflicts regarding controversial issues among the VPOs.
- Feedback to stakeholders and regulatory entities.
- Conduit between VPO organizations and the initiative.
- Process has worked well and ego's have been left at the door.

# Qualifications

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- FVM credential will be issued by qualified VPOs.
- VPOs will ensure credentialed members have proven competencies.
  - Performance framework
  - Expertise in property-type valuation
  - Knowledge of the audit process
  - Knowledge of technical standards
  - Knowledge of FVM reporting standards
- Qualifying and continuing education requirements.
- Experience requirements.

# Performance Framework

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- Performance framework covers how much work should be performed in order to prepare a professional work product.
- Expectations for valuation professionals to provide consistent, supportable, and auditable valuations.
- Adherence to a code of ethics and professional conduct, having a reasonable basis for assumptions, independent, and objective.
- Technical guidance regarding correctness of work product.



# Quality Control

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- Proactive and reactive risk-based monitoring by the VPO of their credentialed members.
- New initiative will monitor VPOs to ensure adherence to guidelines.
- Credentialed members will be disciplined by their respective VPOs as necessary.
- An independent review committee concept is currently under consideration.

# Next Steps

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- Complete workstream activities and issue work product.
  - VPOs have committed paid technical writers and substantial resources to this project.
- Public comment period regarding the work product.
- VPOs will develop internal infrastructure to meet the guidelines.
- Promote plan with public, stakeholders and receive feedback.
- Develop and implement a funding plan for oversight aspects of the New Infrastructure.
- Begin issuing the credential.

**QUESTIONS?**