



Association News

Quarterly Newsletter for the National Association of Certified Valuators and Analysts



In this Issue:

[CEO's Message](#)

[Business Development and Continuing Education Report](#)

[Member Benefits Report](#)

[NACVA PR and Marketing Initiatives](#)

[Ethics Oversight Board \(EOB\) Profile](#)

[Litigation Forensics Board \(LFB\) Body of Knowledge](#)

[Practice Development](#)

[Outstanding Members](#)

Hubert Klein and David Zarlenga

[New NACVA Members](#)

[Newly Credentialed Members](#)

[For Your Information-](#)

Practice Builder Academy Free 2-part Webinar

Ethics Oversight Board (EOB) Profile—Fourth Quarter 2013



By David S. De Jong, LLM, CPA-ABV, CVA

EOB Report

The NACVA Ethics Oversight Board is charged with educating, monitoring and enforcing compliance with ethical and other professional standards. Specific duties include recommending standards, creating awareness and understanding of standards, monitoring compliance and investigating and determining if a member has violated standards.

While business valuation is largely regarded as an art rather than a science, members of NACVA are required to follow the developed standards which fall within three broad categories. The detail of these standards is available on the NACVA website.

First, general and ethical standards are those requiring, among others, integrity and objectivity, professional competence, due professional care, communications with clients, planning and supervision, sufficient relevant data and confidentiality.

Second, development standards are those requiring, among others, defining the assignment, determining the scope of necessary work, obtaining and analyzing applicable information, doing a fundamental analysis and selecting the method(s) of valuation which best indicate the value. Certain development standards are not applicable for a Calculation Engagement (where the client and members agree to selected procedures and one or more methods of valuation) as opposed to a Conclusion Engagement.

Finally, reporting standards are those which set forth required content in presentation of the report. A written Conclusion of Value may be expressed in either a Detailed Report or Summary Report. A written Calculation of Value is expressed in a Calculation Report. Reporting standards are not applicable for a valuation prepared in a matter before a court, arbitrator, mediator, collaborative facilitator or in a governmental or administrative proceeding as the court or other user may prefer an alternative.

Even when reporting standards are not applicable, all general/ethical and developmental standards must be followed.

The Ethics Oversight Board consists of eight voting members and three non-voting members, as follows:

David De Jong MD (chair)
Joe Brophy TX
Charlotte Clark UT
Heather Larsen FL
Joe Modica IL
Jennifer Prager OR
Charles Rafferty MS
Matt Turpin FL
*Pam Bailey UT
*Mark Hanson WI
*Scott Saltzman CO

*nonvoting EAB members

The Ethics Oversight Board meets monthly by conference call (except in person at the annual conference). The Board has an average inventory of 3-5 open cases as well as other agenda items. At each meeting and in Minutes thereof, the alleging party and member are referred to respectively as Complainant and Respondent to protect confidentiality. Only in the rare case where an

investigation results in suspension or expulsion of a member would disclosure of an identity be normally made.

With the goal of the Ethics Oversight Board being remediation, even when there has been a breach of one or more of the NACVA standards, the action taken by the EOB in many cases is to require one or more subsequent reports to be submitted to a pre-approved NACVA grader and/or to require attendance at relevant educational programs.

What can you do to avoid being on the receiving end of a complaint for violating ethical or other professional standards? Based on the complaints seen by the EOB, here are some suggestions:

1. Don't accept engagements for which you have insufficient background – consider teaming with another NACVA member.
2. Don't take "low fee" engagements as you cannot "cut corners" and comply with standards.
3. Interview all those who are in the know including the party adverse to your client, if you are permitted to do so.
4. Be careful using the market approach – are there sufficient comparables and are they similar to the company you are valuing?
5. Apply the "smell" test – is your Conclusion of Value both logical and defensible?
6. Have your work reviewed to eliminate careless errors which would cast doubt on all aspects of your Conclusion.
7. Communicate regularly with your client and/or your client's counsel; non-communication causes misunderstandings which breed complaints.

The members of the [Ethics Oversight Board](#) are pleased to answer any general or case-specific questions which you might have regarding NACVA standards.