



**SOUTH DAKOTA  
BOARD OF ACCOUNTANCY**  
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Agenda  
South Dakota Board of Accountancy Meeting  
Conference Call  
9:00 a.m. (CT)  
March 25, 2013

A=Action

D=Discussion

I=Information

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**AICPA**

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**NASBA**

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**EXECUTIVE SESSION**

Equivalent Reviews, follow ups and complaints for Board Approval.....	Spt. Pkt.
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**FUTURE MEETING DATES (all times CT)**

May 13 – 8:30 Pierre, SD - Department of Legislative Audit



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**South Dakota Board of Accountancy  
Minutes of Meeting-Conference Call  
January 28, 2013 - 9:00 a.m.**

The Board of Accountancy held a meeting by conference call on Monday, January 28, 2013. Chair John Mitchell called the meeting to order at 9:04 a.m.

Roll call was taken to confirm that the following members were present: Holly Brunick, David Pummel, John Linn, Jr., Marty Guindon, John Mitchell and John Peterson. A quorum was present.

Also present were Nicole Kasin, Executive Director; Tricia Nussbaum, Secretary; Aaron Arnold, Legal Counsel, and Todd Kolden, Department of Labor & Regulation.

Chair John Mitchell asked if there were any additions to the agenda. The following were added:  
Addition to NASBA Nominations for VP

A motion was made by John Linn, Jr. and seconded John Peterson to approve the December 12, 2012, meeting minutes. A roll call vote was taken. The motion unanimously carried.

A motion was made by John Peterson and seconded by Marty Guindon to approve the issuance of individual certificates and firm permits through January 18, 2013. A roll call vote was taken. The motion unanimously carried.

A motion was made by John Linn, Jr. and seconded by David Pummel to approve the financial statements through December 2012. A roll call vote was taken. The motion unanimously carried.

The Board discussed the report on the CPA exam grades for the 35<sup>th</sup> window.

A motion was made by Holly Brunick and seconded by David Pummel to approve the CPA Exam scores for the 35<sup>th</sup> CPA Exam window through December 2012. A roll call vote was taken. The motion unanimously carried.

Executive Director Kasin discussed her report. The Board was updated on the licensees CPE audits. The audit of the Board for years ending June 30, 2011 and June 30, 2012, has been completed by East, Vander Woude, Grant & Co., PC and the results were no findings. The final audit report has been approved by the Department of Legislative Audit. The Boards Senate Bill 63 is complete. The Board staff will be moving forward with rule changes and schedule a rules hearing for an upcoming meeting. The Board was informed in regards to a testing error on the CPA Exam. Those that were affected have been contacted and informed of the issue and the logistics have been worked out with them and NASBA. The Board discussed having a policy to follow in regards to consent agreements for CPE audits.

The Board discussed NASBA's nomination request letters from various states recommending people for the Vice President nomination.

A motion was made by John Peterson and seconded by Holly Brunick to enter into executive session for the deliberative process for peer reviews and follow-up. A roll call vote was taken. The motion unanimously carried.

The Board came out of executive session.

A motion was made by Marty Guindon and seconded by Holly Brunick to accept the peer reviews and follow-up as discussed in executive session. A roll call vote was taken. The motion unanimously carried.

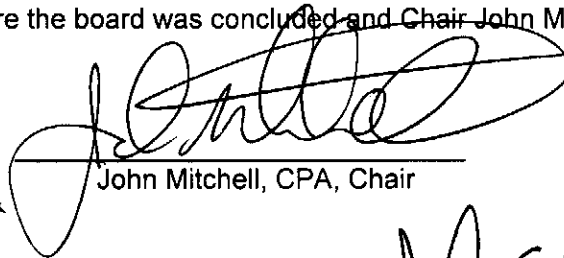
**FUTURE MEETING DATES** (all times CT)

March 25–9:00 –Conference Call

May 13–8:30 –Department of Legislative Audit-Pierre, SD

A motion was made by Marty Guindon and seconded by David Pummel to adjourn the meeting. A roll call vote was taken. The motion unanimously carried.

All business having come before the board was concluded and Chair John Mitchell adjourned the meeting at 9:46 a.m.

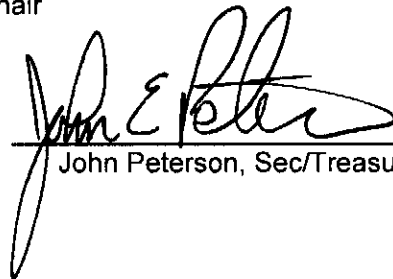


John Mitchell, CPA, Chair

Attest:



Nicole Kasin, Executive Director



John Peterson, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES  
BOARD COPY**

**Issued Through March 18, 2013**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Location</b>
3065	Arin Nicole Powell	25 <sup>th</sup> January	2013
3066	Lauren Dawn Underkofler	4 <sup>th</sup> February	2013
3067	Michael Joseph Oldelehr	4 <sup>th</sup> February	2013
3068	Tyler Curtis Ahrendt	5 <sup>th</sup> February	2013
3069	Blake Elliott Crow	5 <sup>th</sup> February	2013
3070	Patrick Joseph Gross	14 <sup>th</sup> February	2013
3071	Kyle Thomas Moellering	25 <sup>th</sup> February	2013
3072	Brady John Gabel	25 <sup>th</sup> February	2013
3073	Emily Ann Satter	8 <sup>th</sup> March	2013
3074	Kelli Carol Roberts	12 <sup>th</sup> March	2013
3075	David Leslie Mueller	12 <sup>th</sup> March	2013

**FIRM PERMITS TO PRACTICE PUBLIC ACCOUNTANCY  
BOARD COPY**

**Issued Through  
March 18, 2013**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Basis/Comments</b>
1600	Bennett, Weber & Hermstad, LLP Gillette, WY	01/28/13	Name Change
1601	Tax Solutions/Accounting Too, P.C. Rapid City, SD	01/28/13	New Firm
1602	Susan K. Meidinger, CPA Aberdeen, SD	02/01/13	Name Change
1603	Dennis L. Rick, Ltd. Worthington, MN	03/05/13	New Firm
1604	Adams, Brown, Beran, & Ball, Chartered Great Bend, KS	03/12/13	New Firm

AGENCY: 10 LABOR & REGULATION  
BUDGET UNIT: 1031 BOARD OF ACCOUNTANCY

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	339,857.33	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			339,857.33	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			339,857.33	DR **	
BUDGET UNIT TOTAL 1031			339,857.33	DR ***	

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 01/31/2013

AGENCY 10 LABOR  
BUDGET UNIT 1031 BOARD OF ACCOUNTANCY  
CENTER-5 10310 BOARD OF ACCOUNTANCY

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
COMPANY NO 6503										
COMPANY NAME PROFESSIONAL & LICENSING BOARDS										
6503	103100061802	51010100	CGEX121228	01/02/2013					2,620.00	DR
6503	103100061802	51010100	CGEX130108	01/09/2013					100.00	DR
6503	103100061802	51010100	CGEX130111	01/16/2013					3,144.01	DR
OBJSUB: 5101010 F-T EMP SAL & WAGES										
6503	103100061802	51010200	CGEX121228	01/02/2013					5,864.01	DR *
6503	103100061802	51010200	CGEX130111	01/16/2013					689.04	DR
									837.99	DR
OBJSUB: 5101020 P-T/TEMP EMP SAL & WAGES										
6503	103100061802	51010300	CGEX121228	01/02/2013					1,527.03	DR *
									240.00	DR
OBJSUB: 5101030 BOARD & COMM MERS FEES										
6503	103100061802	51020100	CGEX121228	01/02/2013					240.00	DR *
6503	103100061802	51020100	CGEX130108	01/09/2013					7,631.04	DR **
6503	103100061802	51020100	CGEX130111	01/16/2013					258.77	DR
									7.65	DR
									291.91	DR
OBJSUB: 5102010 OASI-EMPLOYER'S SHARE										
6503	103100061802	51020200	CGEX121228	01/02/2013					558.33	DR *
6503	103100061802	51020200	CGEX130108	01/09/2013					198.54	DR
6503	103100061802	51020200	CGEX130111	01/16/2013					6.00	DR
									238.92	DR
OBJSUB: 5102020 RETIREMENT-ER SHARE										
6503	103100061802	51020600	CGEX121228	01/02/2013					443.46	DR *
6503	103100061802	51020600	CGEX130111	01/16/2013					791.88	DR
									791.88	DR
OBJSUB: 5102060 HEALTH/LIFE INS-ER SHARE										
6503	103100061802	51020800	CGEX121228	01/02/2013					1,583.76	DR *
6503	103100061802	51020800	CGEX130108	01/09/2013					5.29	DR
6503	103100061802	51020800	CGEX130111	01/16/2013					.16	DR
									6.37	DR
OBJSUB: 5102080 WORKER'S COMPENSATION										
6503	103100061802	51020900	CGEX121228	01/02/2013					11.82	DR *
6503	103100061802	51020900	CGEX130108	01/09/2013					2.49	DR
6503	103100061802	51020900	CGEX130111	01/16/2013					.08	DR
									2.99	DR
OBJSUB: 5102090 UNEMPLOYMENT COMPENSATION										
6503	103100061802	51020900	CGEX121228	01/02/2013					5.56	DR *
6503	103100061802	51020900	CGEX130108	01/09/2013					2,602.93	DR **
6503	103100061802	51020900	CGEX130111	01/16/2013					10,233.97	DR ***
GROUP: 51 PERSONAL SERVICES										
6503	103100061802	52042000	PL312058	01/11/2013					63.51	DR
6503	103100061802	52042000	RM312052	01/11/2013					65.45	DR
OBJSUB: 5204200 CENTRAL SERVICES										
6503	103100061802	52042200	INV1235509	01/04/2013	02020767	MARCOINC	12201534		128.96	DR *
									5.72	DR
OBJSUB: 5204220 EQUIPMENT SERV & MAINT										
									5.72	DR *

AGENCY	10	LABOR	COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
BUDGET UNIT 1031	10310	BOARD OF ACCOUNTANCY											
CENTER-5	10310	BOARD OF ACCOUNTANCY											
6503	103100061802	52042300			135C100008 JAN13	01/30/2013	99935121	SUNSETOFFI		12043890		122.86	DR
	OBJSUB: 5204230	JANITORIAL & MAINT SERV										122.86	DR *
6503	103100061802	52043400			34653	01/16/2013	99930555	ELBOCOMPUT		12124520		160.00	DR
6503	103100061802	52043400			34784	01/23/2013	99932784	ELBOCOMPUT		12124520		52.50	DR
6503	103100061802	52044600			INV1235509	01/04/2013	02020767	MARCOINC		12201534		212.50	DR *
	OBJSUB: 5204340	COMPUTER SOFTWARE MAINT										57.00	DR
6503	103100061802	52044900			EQUIPMENT RENTAL	01/23/2013	02022983	MCGINNISRO		12074040		57.00	DR *
	OBJSUB: 5204460	EQUIPMENT RENTAL										1,269.45	DR
6503	103100061802	52045300			RENTS-PRIVATE OWNED PROP.	01/02/2013	99925280	MIDCONTINE		12023782		1,269.45	DR *
	OBJSUB: 5204490	RENTS-PRIVATE OWNED PROP.										100.00	DR
6503	103100061802	52045300			111109001	01/28/2013	99934157	MIDCONTINE		12023782		95.00	DR
	OBJSUB: 5204530	TELECOMMUNICATIONS SRVCS										195.00	DR *
6503	103100061802	52045400			5159417006 1212	01/09/2013	02020850	XCELENERGY		12023853		57.70	DR
	OBJSUB: 5204540	ELECTRICITY										57.70	DR *
6503	103100061802	52045600			111050	01/04/2013	99926518	ECOWATER		12035896		22.35	DR
	OBJSUB: 5204560	WATER										22.35	DR *
6503	103100061802	52047400			CI103A-045	01/04/2013	167613					90.35	DR
	OBJSUB: 5204740	BANK FEES AND CHARGES										90.35	DR *
6503	103100061802	52049600			13464528	01/02/2013	99925184	NATLASSNST		12005047		6,887.75	DR
6503	103100061802	52049600			13469627	01/23/2013	99932147	NATLASSNST		12005047		4,792.00	DR
	OBJSUB: 5204960	OTHER CONTRACTUAL SERVICE										11,679.75	DR *
6503	103100061802	52050280			CONTRACTUAL SERVICES	01/09/2013	02021240	OFFICEMAXI		12162845		13,841.64	DR **
	OBJSUB: 5205028	OFFICE SUPPLIES										64.24	DR *
	OBJECT: 5205	SUPPLIES & MATERIALS										64.24	DR **
6503	103100061802	52079010			52175466	01/16/2013	99930564	HEWLETTTAC		12125515	06	861.54	DR
6503	103100061802	52079010			52238193	01/23/2013	99932789	HEWLETTTAC		12125515	06	238.63	DR
	OBJSUB: 5207901	COMPUTER HARDWARE										1,100.17	DR *
	OBJECT: 5207	CAPITAL OUTLAY										1,100.17	DR **
6503	103100061802	52280000			T103-044	01/04/2013						213.56	DR
	OBJSUB: 5228000	OPER TRANS OUT -NON BUDGT										213.56	DR *
	OBJECT: 5228	NONOP EXP/NONBGTD OP TR										213.56	DR **
	GROUP: 52	OPERATING EXPENSES										15,219.61	DR ***
	COMP: 6503											25,453.58	DR ****
	CNTR: 103100061802											25,453.58	DR *****
	B. UNIT: 1031											25,453.58	DR *****



**South Dakota Board of Accountancy**  
**Balance Sheet**  
As of January 31, 2013

	Jan 31, 13
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1130000 · Local Checking - US Bank	1,332.03
1140000 · Pool Cash State of SD	339,857.33
<b>Total Checking/Savings</b>	341,189.36
<b>Other Current Assets</b>	
1131000 · Interest Income Receivable	10,171.95
1213000 · Investment Income Receivable	1,234.30
<b>Total Other Current Assets</b>	11,406.25
<b>Total Current Assets</b>	352,595.61
<b>Fixed Assets</b>	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-111,898.91
<b>Total 1670000 · Computer Software</b>	28,164.32
<b>Total Fixed Assets</b>	28,164.32
<b>TOTAL ASSETS</b>	<b>380,759.93</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2110000 · Accounts Payable	7,728.68
<b>Total Accounts Payable</b>	7,728.68
<b>Other Current Liabilities</b>	
2430000 · Accrued Wages Payable	7,187.15
2810000 · Amounts Held for Others	19,498.34
<b>Total Other Current Liabilities</b>	26,685.49
<b>Total Current Liabilities</b>	34,414.17
<b>Long Term Liabilities</b>	
2960000 · Compensated Absences Payable	13,333.93
<b>Total Long Term Liabilities</b>	13,333.93
<b>Total Liabilities</b>	47,748.10
<b>Equity</b>	
3220000 · Unrestricted Net Assets	246,018.83
3300100 · Invested In Capital Assets	28,164.32
Net Income	58,828.68
<b>Total Equity</b>	333,011.83
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>380,759.93</b>

# South Dakota Board of Accountancy

## Profit & Loss Budget vs. Actual

July 2012 through January 2013

	Jul '12 - Jan 13	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	1,800.00	3,000.00	-1,200.00	60.0%
4293551 · Certificate Renewals-Active				
5208002 · Refunds	-50.00			
4293551 · Certificate Renewals-Active - Other	55,100.00	46,000.00	9,100.00	119.8%
<b>Total 4293551 · Certificate Renewals-Active</b>	<b>55,050.00</b>	<b>46,000.00</b>	<b>9,050.00</b>	<b>119.7%</b>
4293552 · Certificate Renewals-Inactive	20,050.00	18,000.00	2,050.00	111.4%
4293553 · Certificate Renewals-Retired	710.00	700.00	10.00	101.4%
4293554 · Initial Firm Permits	700.00	1,250.00	-550.00	56.0%
4293555 · Firm Permit Renewals	19,900.00	17,000.00	2,900.00	117.1%
4293557 · Initial Audit	210.00	750.00	-540.00	28.0%
4293558 · Re-Exam Audit	1,380.00	2,340.00	-960.00	59.0%
4293560 · Late Fees-Initial Certificate	100.00			
4293561 · Late Fees-Certificate Renewals	2,250.00	4,000.00	-1,750.00	56.3%
4293563 · Late Fees-Firm Permit Renewals	550.00	800.00	-250.00	68.8%
4293564 · Late Fees-Peer Review	500.00	1,100.00	-600.00	45.5%
4293566 · Firm Permit Individual				
5208003 · REFUNDS	-20.00			
4293566 · Firm Permit Individual - Other	72,430.00	64,000.00	8,430.00	113.2%
<b>Total 4293566 · Firm Permit Individual</b>	<b>72,410.00</b>	<b>64,000.00</b>	<b>8,410.00</b>	<b>113.1%</b>
4293567 · Peer Review Admin Fee	600.00	5,650.00	-5,050.00	10.6%
4293568 · Firm Permit Name Change	25.00	100.00	-75.00	25.0%
4293569 · Initial FAR	570.00	1,140.00	-570.00	50.0%
4293570 · Initial REG	210.00	660.00	-450.00	31.8%
4293571 · Initial BEC	210.00	930.00	-720.00	22.6%
4293572 · Re-Exam FAR	1,470.00	1,710.00	-240.00	86.0%
4293573 · Re-Exam REG				
REFUNDS	0.00			
4293573 · Re-Exam REG - Other	1,290.00	1,800.00	-510.00	71.7%
<b>Total 4293573 · Re-Exam REG</b>	<b>1,290.00</b>	<b>1,800.00</b>	<b>-510.00</b>	<b>71.7%</b>
4293574 · Re-Exam BEC				
5208009 · REFUNDS	0.00			
4293574 · Re-Exam BEC - Other	1,140.00	1,980.00	-840.00	57.6%
<b>Total 4293574 · Re-Exam BEC</b>	<b>1,140.00</b>	<b>1,980.00</b>	<b>-840.00</b>	<b>57.6%</b>
4491000 · Interest and Dividend Revenue	8,344.35	9,000.00	-655.65	92.7%
4896021 · Legal Recovery Cost	550.00	1,000.00	-450.00	55.0%
<b>Total Income</b>	<b>190,019.35</b>	<b>182,910.00</b>	<b>7,109.35</b>	<b>103.9%</b>
<b>Gross Profit</b>	<b>190,019.35</b>	<b>182,910.00</b>	<b>7,109.35</b>	<b>103.9%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	40,024.04	68,843.00	-28,818.96	58.1%
5101020 · P-T/Temp Emp Sal & Wages	10,658.00	17,769.00	-7,111.00	60.0%
5101030 · Board & Comm Mbrs Fees	1,440.00	4,138.00	-2,698.00	34.8%
5102010 · OASI-Employer's Share	3,805.96	6,918.00	-3,112.04	55.0%
5102020 · Retirement-ER Share	3,040.91	5,445.00	-2,404.09	55.8%
5102060 · Health /Life Ins.-ER Share	11,086.32	19,005.00	-7,918.68	58.3%
5102080 · Worker's Compensation	81.06	254.00	-172.94	31.9%
5102090 · Unemployment Insurance	38.04	91.00	-52.96	41.8%
5203010 · Auto--State Owned	381.42	600.00	-218.58	63.6%
5203020 · Auto-Private-Ownes Low Mileage	0.00	400.00	-400.00	0.0%
5203030 · In State-Auto- Priv. High Miles	446.96	1,500.00	-1,053.04	29.8%
5203100 · In State-Lodging	286.00	1,000.00	-714.00	28.6%
5203120 · In State-Incidentals to Travel	0.00	100.00	-100.00	0.0%
5203140 · InState-Tax Meals Not Overnight	23.00	100.00	-77.00	23.0%
5203150 · InState-Non-Tax Meals OverNight	168.00	400.00	-232.00	42.0%
5203220 · OS-Auto Private Low Mileage	90.40			
5203230 · OS-Auto Private High Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	2,900.33	5,700.00	-2,799.67	50.9%
5203280 · OS-Other Public Carrier	131.00	500.00	-369.00	26.2%

**South Dakota Board of Accountancy**  
**Profit & Loss Budget vs. Actual**  
July 2012 through January 2013

	Jul '12 - Jan 13	Budget	\$ Over Budget	% of Budget
5203300 · OS-Lodging	4,177.50	7,800.00	-3,622.50	53.6%
5203320 · OS-Incidentals to Travel	340.00	350.00	-10.00	97.1%
5203350 · OS-Non-Taxable Meals Overnight	550.00	1,200.00	-650.00	45.8%
5204010 · Subscriptions	328.66	1,500.00	-1,171.34	21.9%
5204020 · Dues and Membership Fees	3,200.00	3,900.00	-700.00	82.1%
5204030 · Legal Document Fees	0.00	500.00	-500.00	0.0%
5204040 · Consultant Fees-Accounting	6,700.00	6,700.00	0.00	100.0%
5204160 · Workshop Registration Fees	872.00	6,000.00	-5,128.00	14.5%
5204180 · Computer Services-State	501.00	600.00	-99.00	83.5%
5204181 · Computer Development Serv-State	852.20	10,400.00	-9,547.80	8.2%
5204200 · Central Services	3,734.35	7,000.00	-3,265.65	53.3%
5204220 · Equipment Service & Maintenance	48.61	300.00	-251.39	16.2%
5204230 · Janitorial/Maintenance Services	860.02	1,560.00	-699.98	55.1%
5204340 · Computer Software Maintenance	1,288.75	1,000.00	288.75	128.9%
5204360 · Advertising-Newspapers	195.00	1,500.00	-1,305.00	13.0%
5204440 · Newsletter Publishing	496.10	1,100.00	-603.90	45.1%
5204460 · Equipment Rental	1,776.00	4,500.00	-2,724.00	39.5%
5204480 · Microfilm and Photography	0.00	700.00	-700.00	0.0%
5204490 · Rents Privately Owned Property	8,886.15	15,531.00	-6,644.85	57.2%
5204510 · Rent-Other	255.17			
5204530 · Telecommunications Services	1,446.81	2,500.00	-1,053.19	57.9%
5204540 · Electricity	360.78	865.00	-504.22	41.7%
5204560 · Water	89.40	240.00	-150.60	37.3%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	2,958.50	3,200.00	-241.50	92.5%
5205020 · Office Supplies	1,216.79	2,000.00	-783.21	60.8%
5205310 · Printing State	295.88	500.00	-204.12	59.2%
5205320 · Printing/Duplicating/Binding Co	416.95	1,000.00	-583.05	41.7%
5205330 · Supplemental Publications	630.00	700.00	-70.00	90.0%
5205340 · Microfilm Supplies/Materials	0.00	300.00	-300.00	0.0%
5205350 · Postage	1,564.71	3,100.00	-1,535.29	50.5%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	2,325.17	4,800.00	-2,474.83	48.4%
5207950 · System Development	0.00	500.00	-500.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	3,181.71	7,400.00	-4,218.29	43.0%
5228030 · Depreciation Expense	7,041.02	12,070.40	-5,029.38	58.3%
<b>Total Expense</b>	<b>131,190.67</b>	<b>246,989.40</b>	<b>-115,798.73</b>	<b>53.1%</b>
<b>Net Ordinary Income</b>	<b>58,828.68</b>	<b>-64,079.40</b>	<b>122,908.08</b>	<b>-91.8%</b>
<b>Net Income</b>	<b>58,828.68</b>	<b>-64,079.40</b>	<b>122,908.08</b>	<b>-91.8%</b>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR MONTHLY COMPARISON**  
**January 2013**

	Jan 13	Jan 12	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
Income				
4293550 · Initial Individual Certificate	300.00	150.00	150.00	100.0%
4293551 · Certificate Renewals-Active	100.00	100.00	0.00	0.0%
4293552 · Certificate Renewals-Inactive	100.00	50.00	50.00	100.0%
4293554 · Initial Firm Permits	50.00	150.00	-100.00	-66.7%
4293555 · Firm Permit Renewals	50.00	0.00	50.00	100.0%
4293557 · Initial Audit	0.00	90.00	-90.00	-100.0%
4293558 · Re-Exam Audit	90.00	120.00	-30.00	-25.0%
4293561 · Late Fees-Certificate Renewals	200.00	100.00	100.00	100.0%
4293563 · Late Fees-Firm Permit Renewals	50.00	0.00	50.00	100.0%
4293564 · Late Fees-Peer Review	250.00	200.00	50.00	25.0%
4293566 · Firm Permit Individual	585.00	1,040.00	-455.00	-43.8%
4293567 · Peer Review Admin Fee	450.00	525.00	-75.00	-14.3%
4293568 · Firm Permit Name Change	25.00	215.00	-190.00	-88.4%
4293569 · Initial FAR	0.00	90.00	-90.00	-100.0%
4293570 · Initial REG	0.00	60.00	-60.00	-100.0%
4293571 · Initial BEC	0.00	30.00	-30.00	-100.0%
4293572 · Re-Exam FAR	150.00	150.00	0.00	0.0%
4293573 · Re-Exam REG	180.00	270.00	-90.00	-33.3%
4293574 · Re-Exam BEC	120.00	120.00	0.00	0.0%
4896021 · Legal Recovery Cost	0.00	500.00	-500.00	-100.0%
<b>Total Income</b>	<b>2,700.00</b>	<b>3,960.00</b>	<b>-1,260.00</b>	<b>-31.8%</b>
<b>Gross Profit</b>	<b>2,700.00</b>	<b>3,960.00</b>	<b>-1,260.00</b>	<b>-31.8%</b>
Expense				
5101010 · F-T Emp Sal & Wages	5,864.01	5,311.36	552.65	10.4%
5101020 · P-T/Temp Emp Sal & Wages	1,527.03	1,405.09	121.94	8.7%
5101030 · Board & Comm Mbrs Fees	240.00	300.00	-60.00	-20.0%
5102010 · OASI-Employer's Share	558.33	496.59	61.74	12.4%
5102020 · Retirement-ER Share	443.46	403.00	40.46	10.0%
5102060 · Health /Life Ins.-ER Share	1,583.76	1,533.78	49.98	3.3%
5102080 · Worker's Compensation	11.82	18.80	-6.98	-37.1%
5102090 · Unemployment Insurance	5.56	6.73	-1.17	-17.4%
5204180 · Computer Services-State	69.00	60.00	9.00	15.0%
5204181 · Computer Development Serv-State	516.00	0.00	516.00	100.0%
5204200 · Central Services	128.96	224.58	-95.62	-42.6%
5204220 · Equipment Service & Maintenance	4.20	2.61	1.59	60.9%
5204230 · Janitorial/Maintenance Services	122.86	119.86	3.00	2.5%
5204340 · Computer Software Maintenance	52.50	100.80	-48.30	-47.9%
5204460 · Equipment Rental	57.00	93.60	-36.60	-39.1%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	223.69	196.21	27.48	14.0%
5204540 · Electricity	65.61	70.38	-4.77	-6.8%
5204560 · Water	0.00	22.35	-22.35	-100.0%
5204740 · Bank Fees and Charges	90.35	31.00	59.35	191.5%
5205020 · Office Supplies	15.42	0.00	15.42	100.0%
5205320 · Printing/Duplicating/Binding Co	27.00	20.70	6.30	30.4%
5205330 · Supplemental Publications	280.00	0.00	280.00	100.0%
5228000 · Operating Transfers Out-NonBudg	213.56	454.69	-241.13	-53.0%
5228030 · Depreciation Expense	1,005.86	1,005.86	0.00	0.0%
<b>Total Expense</b>	<b>14,375.43</b>	<b>13,147.44</b>	<b>1,227.99</b>	<b>9.3%</b>
<b>Net Ordinary Income</b>	<b>-11,675.43</b>	<b>-9,187.44</b>	<b>-2,487.99</b>	<b>-27.1%</b>
<b>Net Income</b>	<b>-11,675.43</b>	<b>-9,187.44</b>	<b>-2,487.99</b>	<b>-27.1%</b>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
 July 2012 through January 2013

	Jul '12 - Jan 13	Jul '11 - Jan 12	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	1,800.00	1,450.00	350.00	24.1%
4293551 · Certificate Renewals-Active	55,050.00	54,140.00	910.00	1.7%
4293552 · Certificate Renewals-Inactive	20,050.00	20,350.00	-300.00	-1.5%
4293553 · Certificate Renewals-Retired	710.00	670.00	40.00	6.0%
4293554 · Initial Firm Permits	700.00	1,000.00	-300.00	-30.0%
4293555 · Firm Permit Renewals	19,900.00	19,700.00	200.00	1.0%
4293557 · Initial Audit	210.00	600.00	-390.00	-65.0%
4293558 · Re-Exam Audit	1,380.00	1,500.00	-120.00	-8.0%
4293560 · Late Fees-Initial Certificate	100.00	50.00	50.00	100.0%
4293561 · Late Fees-Certificate Renewals	2,250.00	2,850.00	-600.00	-21.1%
4293563 · Late Fees-Firm Permit Renewals	550.00	550.00	0.00	0.0%
4293564 · Late Fees-Peer Review	500.00	800.00	-300.00	-37.5%
4293566 · Firm Permit Individual	72,410.00	71,630.00	780.00	1.1%
4293567 · Peer Review Admin Fee	600.00	1,275.00	-675.00	-52.9%
4293568 · Firm Permit Name Change	25.00	320.00	-295.00	-92.2%
4293569 · Initial FAR	570.00	450.00	120.00	26.7%
4293570 · Initial REG	210.00	420.00	-210.00	-50.0%
4293571 · Initial BEC	210.00	450.00	-240.00	-53.3%
4293572 · Re-Exam FAR	1,470.00	1,020.00	450.00	44.1%
4293573 · Re-Exam REG	1,290.00	1,320.00	-30.00	-2.3%
4293574 · Re-Exam BEC	1,140.00	1,350.00	-210.00	-15.6%
4491000 · Interest and Dividend Revenue	8,344.35	11,505.78	-3,161.43	-27.5%
4896021 · Legal Recovery Cost	550.00	2,130.00	-1,580.00	-74.2%
<b>Total Income</b>	<b>190,019.35</b>	<b>195,530.78</b>	<b>-5,511.43</b>	<b>-2.8%</b>
<b>Gross Profit</b>	<b>190,019.35</b>	<b>195,530.78</b>	<b>-5,511.43</b>	<b>-2.8%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	40,024.04	38,224.04	1,800.00	4.7%
5101020 · P-T/Temp Emp Sal & Wages	10,658.00	10,360.09	297.91	2.9%
5101030 · Board & Comm Mbrs Fees	1,440.00	2,820.00	-1,380.00	-48.9%
5102010 · OASI-Employer's Share	3,805.96	3,653.00	152.96	4.2%
5102020 · Retirement-ER Share	3,040.91	2,915.10	125.81	4.3%
5102060 · Health /Life Ins.-ER Share	11,086.32	10,736.46	349.86	3.3%
5102080 · Worker's Compensation	81.06	136.05	-54.99	-40.4%
5102090 · Unemployment Insurance	38.04	48.62	-10.58	-21.8%
5203010 · Auto--State Owned	381.42	135.43	245.99	181.6%
5203020 · Auto-Private-Ownes Low Mileage	0.00	452.00	-452.00	-100.0%
5203030 · In State-Auto- Priv. High Miles	446.96	893.92	-446.96	-50.0%
5203100 · In State-Lodging	286.00	640.04	-354.04	-55.3%
5203140 · InState-Tax Meals Not Overnigt	23.00	18.00	5.00	27.8%
5203150 · InState-Non-Tax Meals OverNight	168.00	260.00	-92.00	-35.4%
5203220 · OS-Auto Private Low Mileage	90.40	0.00	90.40	100.0%
5203260 · OS-Air Commercial Carrier	2,900.33	1,343.20	1,557.13	115.9%
5203280 · OS-Other Public Carrier	131.00	149.35	-18.35	-12.3%
5203300 · OS-Lodging	4,177.50	2,709.59	1,467.91	54.2%
5203320 · OS-Incidentals to Travel	340.00	164.01	175.99	107.3%
5203350 · OS-Non-Taxable Meals Overnight	550.00	342.00	208.00	60.8%
5204010 · Subscriptions	328.66	207.50	121.16	58.4%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204040 · Consultant Fees-Accounting	6,700.00	0.00	6,700.00	100.0%
5204160 · Workshop Registration Fees	872.00	2,409.00	-1,537.00	-63.8%
5204180 · Computer Services-State	501.00	417.00	84.00	20.1%
5204181 · Computer Development Serv-State	852.20	1,418.20	-566.00	-39.9%
5204200 · Central Services	3,734.35	3,579.13	155.22	4.3%
5204220 · Equipment Service & Maintenance	48.61	40.70	7.91	19.4%
5204230 · Janitorial/Maintenance Services	860.02	839.02	21.00	2.5%
5204340 · Computer Software Maintenance	1,288.75	365.80	922.95	252.3%
5204360 · Advertising-Newspapers	195.00	0.00	195.00	100.0%
5204440 · Newsletter Publishing	496.10	0.00	496.10	100.0%
5204460 · Equipment Rental	1,776.00	1,849.20	-73.20	-4.0%
5204480 · Microfilm and Photography	0.00	502.66	-502.66	-100.0%
5204490 · Rents Privately Owned Property	8,886.15	8,886.15	0.00	0.0%
5204510 · Rent-Other	255.17	167.70	87.47	52.2%

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
**July 2012 through January 2013**

	<u>Jul '12 - Jan 13</u>	<u>Jul '11 - Jan 12</u>	<u>\$ Change</u>	<u>% Change</u>
5204530 · Telecommunications Services	1,446.81	1,305.47	141.34	10.8%
5204540 · Electricity	360.78	422.68	-61.90	-14.6%
5204560 · Water	89.40	111.75	-22.35	-20.0%
5204740 · Bank Fees and Charges	2,958.50	2,661.65	296.85	11.2%
5205020 · Office Supplies	1,216.79	289.89	926.90	319.7%
5205310 · Printing State	295.88	0.00	295.88	100.0%
5205320 · Printing/Duplicating/Binding Co	416.95	115.35	301.60	261.5%
5205330 · Supplemental Publications	630.00	350.00	280.00	80.0%
5205350 · Postage	1,564.71	5.85	1,558.86	26,647.2%
5207900 · Computer Hardware	2,325.17	0.00	2,325.17	100.0%
5228000 · Operating Transfers Out-NonBudg	3,181.71	3,305.82	-124.11	-3.8%
5228030 · Depreciation Expense	7,041.02	7,041.02	0.00	0.0%
<b>Total Expense</b>	<u>131,190.67</u>	<u>115,492.44</u>	<u>15,698.23</u>	<u>13.6%</u>
<b>Net Ordinary Income</b>	<u>58,828.68</u>	<u>80,038.34</u>	<u>-21,209.66</u>	<u>-26.5%</u>
<b>Net Income</b>	<u><u>58,828.68</u></u>	<u><u>80,038.34</u></u>	<u><u>-21,209.66</u></u>	<u><u>-26.5%</u></u>

AGENCY: 10 LABOR & REGULATION  
BUDGET UNIT: 1031 BOARD OF ACCOUNTANCY

COMPANY	CENTER	ACCOUNT
6503	103100061802	1140000
COMPANY/SOURCE TOTAL 6503 618		
COMP/BUDG UNIT TOTAL 6503 1031		
BUDGET UNIT TOTAL 1031		

BALANCE	DR/CR	CENTER DESCRIPTION
322,801.58	DR	BOARD OF ACCOUNTANCY
322,801.58	DR *	
322,801.58	DR **	
322,801.58	DR ***	

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 02/28/2013

AGENCY 10 LABOR  
BUDGET UNIT 1031 BOARD OF ACCOUNTANCY  
CENTER-5 10310 BOARD OF ACCOUNTANCY

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
COMPANY NO 6503										
COMPANY NAME PROFESSIONAL & LICENSING BOARDS										
6503	103100061802	51010100	CGEX130128	02/01/2013					2,882.02	DR
6503	103100061802	51010100	CGEX130212	02/15/2013					3,144.01	DR
OBJSUB: 5101010 F-T EMP SAL & WAGES										
6503	103100061802	51010200	CGEX130128	02/01/2013					6,026.03	DR *
6503	103100061802	51010200	CGEX130212	02/15/2013					726.63	DR
									800.40	DR
OBJSUB: 5101020 P-T/TEMP EMP SAL & WAGES										
6503	103100061802	51010300	CGEX130212	02/15/2013					1,527.03	DR *
									180.00	DR
OBJSUB: 5101030 BOARD & COMM MERS FEES										
6503	103100061802	51020100	CGEX130128	02/01/2013					180.00	DR *
6503	103100061802	51020100	CGEX130212	02/15/2013					7,733.06	DR **
6503	103100061802	51020100	CGEX130220	02/20/2013	345351				307.14	DR
									.69	DR
OBJSUB: 5102010 OASI-EMPLOYER'S SHARE										
6503	103100061802	51020200	CGEX130128	02/01/2013					575.52	DR *
6503	103100061802	51020200	CGEX130212	02/15/2013					216.52	DR
									236.66	DR
OBJSUB: 5102020 RETIREMENT-ER SHARE										
6503	103100061802	51020600	CGEX130128	02/01/2013					453.18	DR *
6503	103100061802	51020600	CGEX130212	02/15/2013					791.88	DR
									791.88	DR
OBJSUB: 5102060 HEALTH/LIFE INS.-ER SHARE										
6503	103100061802	51020800	CGEX130128	02/01/2013					1,583.76	DR *
6503	103100061802	51020800	CGEX130212	02/15/2013					5.77	DR
									6.31	DR
OBJSUB: 5102080 WORKER'S COMPENSATION										
6503	103100061802	51020900	CGEX130128	02/01/2013					12.08	DR *
6503	103100061802	51020900	CGEX130212	02/15/2013					2.70	DR
									2.96	DR
OBJSUB: 5102090 UNEMPLOYMENT COMPENSATION										
6503	103100061802	52031000	CGEX130220	02/20/2013	345351				5.66	DR *
									2,630.20	DR **
									10,363.26	DR ***
									162.75	DR
OBJSUB: 5203100 LODGING/IN-STATE										
6503	103100061802	52031400	CGEX130220	02/20/2013	345351				162.75	DR *
									9.00	DR
OBJSUB: 5203140 TAXABLE MEALS/IN-STATE										
6503	103100061802	52031500	CGEX130220	02/20/2013	345351				9.00	DR *
									69.00	DR
OBJSUB: 5203150 NON-TAXABLE MEALS/IN-ST										
6503	103100061802	52041600	CGEX130220	02/20/2013	345351				69.00	DR *
									240.75	DR **
									1,390.00	DR
OBJSUB: 5203 TRAVEL										
6503	103100061802	52041600	CGEX130220	02/20/2013	345351				69.00	DR *
									240.75	DR **
									1,390.00	DR
OBJSUB: 5203 TRAVEL										
6503	103100061802	52041600	CGEX130220	02/20/2013	345351				69.00	DR *
									240.75	DR **
									1,390.00	DR

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AGENCY 10 LABOR  
BUDGET UNIT 1031 BOARD OF ACCOUNTANCY  
CENTER-5 10310 BOARD OF ACCOUNTANCY

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
6503	103100061802	5228000	T103-049	02/06/2013					466.67	DR
OBJSUB: 5228000 OPER TRANS OUT -NON BUDGT OBJECT: 5228 NONOP EXP/NONBGTD OP TR GROUP: 52 OPERATING EXPENSES COMP: 6503 CNTR: 103100061802 B. UNIT: 1031										
									466.67	DR *
									466.67	DR **
									11,439.04	DR ***
									21,802.30	DR ****
									21,802.30	DR *****
									21,802.30	DR *****

**South Dakota Board of Accountancy**  
**Balance Sheet**  
As of February 28, 2013

	Feb 28, 13
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
1130000 · Local Checking - US Bank	949.88
1140000 · Pool Cash State of SD	322,801.58
Total Checking/Savings	323,751.46
Other Current Assets	
1131000 · Interest Income Receivable	10,171.95
1213000 · Investment Income Receivable	1,234.30
Total Other Current Assets	11,406.25
Total Current Assets	335,157.71
Fixed Assets	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-112,904.77
Total 1670000 · Computer Software	27,158.46
Total Fixed Assets	27,158.46
<b>TOTAL ASSETS</b>	<b>362,316.17</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
2110000 · Accounts Payable	8,745.79
Total Accounts Payable	8,745.79
Other Current Liabilities	
2430000 · Accrued Wages Payable	7,187.15
2810000 · Amounts Held for Others	15,506.19
Total Other Current Liabilities	22,693.34
Total Current Liabilities	31,439.13
Long Term Liabilities	
2960000 · Compensated Absences Payable	13,333.93
Total Long Term Liabilities	13,333.93
Total Liabilities	44,773.06
Equity	
3220000 · Unrestricted Net Assets	247,024.69
3300100 · Invested In Capital Assets	27,158.46
Net Income	43,359.96
Total Equity	317,543.11
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>362,316.17</b>

# South Dakota Board of Accountancy

## Profit & Loss Budget vs. Actual

July 2012 through February 2013

	Jul '12 - Feb 13	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	2,000.00	3,000.00	-1,000.00	66.7%
4293551 · Certificate Renewals-Active				
5208002 · Refunds	-50.00			
4293551 · Certificate Renewals-Active - Other	55,150.00	46,000.00	9,150.00	119.9%
Total 4293551 · Certificate Renewals-Active	55,100.00	46,000.00	9,100.00	119.8%
4293552 · Certificate Renewals-Inactive	20,050.00	18,000.00	2,050.00	111.4%
4293553 · Certificate Renewals-Retired	710.00	700.00	10.00	101.4%
4293554 · Initial Firm Permits	700.00	1,250.00	-550.00	56.0%
4293555 · Firm Permit Renewals				
5208004 · REFUNDS	-50.00			
4293555 · Firm Permit Renewals - Other	20,050.00	17,000.00	3,050.00	117.9%
Total 4293555 · Firm Permit Renewals	20,000.00	17,000.00	3,000.00	117.6%
4293557 · Initial Audit	210.00	750.00	-540.00	28.0%
4293558 · Re-Exam Audit	1,500.00	2,340.00	-840.00	64.1%
4293560 · Late Fees-Initial Certificate	100.00			
4293561 · Late Fees-Certificate Renewals	2,300.00	4,000.00	-1,700.00	57.5%
4293563 · Late Fees-Firm Permit Renewals	550.00	800.00	-250.00	68.8%
4293564 · Late Fees-Peer Review	650.00	1,100.00	-450.00	59.1%
4293566 · Firm Permit Individual				
5208003 · REFUNDS	-20.00			
4293566 · Firm Permit Individual - Other	73,015.00	64,000.00	9,015.00	114.1%
Total 4293566 · Firm Permit Individual	72,995.00	64,000.00	8,995.00	114.1%
4293567 · Peer Review Admin Fee	825.00	5,650.00	-4,825.00	14.6%
4293568 · Firm Permit Name Change	50.00	100.00	-50.00	50.0%
4293569 · Initial FAR	570.00	1,140.00	-570.00	50.0%
4293570 · Initial REG	210.00	660.00	-450.00	31.8%
4293571 · Initial BEC	210.00	930.00	-720.00	22.6%
4293572 · Re-Exam FAR	1,620.00	1,710.00	-90.00	94.7%
4293573 · Re-Exam REG				
REFUNDS	0.00			
4293573 · Re-Exam REG - Other	1,350.00	1,800.00	-450.00	75.0%
Total 4293573 · Re-Exam REG	1,350.00	1,800.00	-450.00	75.0%
4293574 · Re-Exam BEC				
5208009 · REFUNDS	0.00			
4293574 · Re-Exam BEC - Other	1,230.00	1,980.00	-750.00	62.1%
Total 4293574 · Re-Exam BEC	1,230.00	1,980.00	-750.00	62.1%
4491000 · Interest and Dividend Revenue	8,344.35	9,000.00	-655.65	92.7%
4896021 · Legal Recovery Cost	550.00	1,000.00	-450.00	55.0%
Total Income	191,824.35	182,910.00	8,914.35	104.9%
<b>Gross Profit</b>				
	191,824.35	182,910.00	8,914.35	104.9%
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	46,050.07	68,843.00	-22,792.93	66.9%
5101020 · P-T/Temp Emp Sal & Wages	12,185.03	17,769.00	-5,583.97	68.6%
5101030 · Board & Comm Mbrs Fees	1,620.00	4,138.00	-2,518.00	39.1%
5102010 · OASI-Employer's Share	4,381.48	6,918.00	-2,536.52	63.3%
5102020 · Retirement-ER Share	3,494.09	5,445.00	-1,950.91	64.2%
5102060 · Health /Life Ins.-ER Share	12,670.08	19,005.00	-6,334.92	66.7%
5102080 · Worker's Compensation	93.14	254.00	-160.86	36.7%
5102090 · Unemployment Insurance	43.70	91.00	-47.30	48.0%
5203010 · Auto--State Owned	699.92	600.00	99.92	116.7%
5203020 · Auto-Private-Ownes Low Mileage	0.00	400.00	-400.00	0.0%
5203030 · In State-Auto- Priv. High Miles	446.96	1,500.00	-1,053.04	29.8%
5203100 · In State-Lodging	448.75	1,000.00	-551.25	44.9%
5203120 · In State-Incidentals to Travel	0.00	100.00	-100.00	0.0%
5203140 · InState-Tax Meals Not OverNigt	32.00	100.00	-68.00	32.0%
5203150 · InState-Non-Tax Meals OverNight	237.00	400.00	-163.00	59.3%

# South Dakota Board of Accountancy

## Profit & Loss Budget vs. Actual

July 2012 through February 2013

	Jul '12 - Feb 13	Budget	\$ Over Budget	% of Budget
5203220 · OS-Auto Private Low Mileage	90.40			
5203230 · OS-Auto Private High Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	2,900.33	5,700.00	-2,799.67	50.9%
5203280 · OS-Other Public Carrier	131.00	500.00	-369.00	26.2%
5203300 · OS-Lodging	4,177.50	7,800.00	-3,622.50	53.6%
5203320 · OS-Incidentals to Travel	340.00	350.00	-10.00	97.1%
5203350 · OS-Non-Taxable Meals Overnight	550.00	1,200.00	-650.00	45.8%
5204010 · Subscriptions	328.66	1,500.00	-1,171.34	21.9%
5204020 · Dues and Membership Fees	3,200.00	3,900.00	-700.00	82.1%
5204030 · Legal Document Fees	0.00	500.00	-500.00	0.0%
5204040 · Consultant Fees-Accounting	6,700.00	6,700.00	0.00	100.0%
5204160 · Workshop Registration Fees	2,262.00	6,000.00	-3,738.00	37.7%
5204180 · Computer Services-State	501.00	600.00	-99.00	83.5%
5204181 · Computer Development Serv-State	852.20	10,400.00	-9,547.80	8.2%
5204200 · Central Services	4,779.76	7,000.00	-2,220.24	68.3%
5204220 · Equipment Service & Maintenance	51.19	300.00	-248.81	17.1%
5204230 · Janitorial/Maintenance Services	982.88	1,560.00	-577.12	63.0%
5204340 · Computer Software Maintenance	1,430.35	1,000.00	430.35	143.0%
5204360 · Advertising-Newspapers	195.00	1,500.00	-1,305.00	13.0%
5204440 · Newsletter Publishing	496.10	1,100.00	-603.90	45.1%
5204460 · Equipment Rental	2,430.00	4,500.00	-2,070.00	54.0%
5204480 · Microfilm and Photography	0.00	700.00	-700.00	0.0%
5204490 · Rents Privately Owned Property	10,155.60	15,531.00	-5,375.40	65.4%
5204510 · Rent-Other	255.17			
5204530 · Telecommunications Services	1,541.81	2,500.00	-958.19	61.7%
5204540 · Electricity	422.30	865.00	-442.70	48.8%
5204560 · Water	111.75	240.00	-128.25	46.6%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	3,028.28	3,200.00	-171.72	94.6%
5205020 · Office Supplies	1,220.92	2,000.00	-779.08	61.0%
5205310 · Printing State	295.88	500.00	-204.12	59.2%
5205320 · Printing/Duplicating/Binding Co	416.95	1,000.00	-583.05	41.7%
5205330 · Supplemental Publications	630.00	700.00	-70.00	90.0%
5205340 · Microfilm Supplies/Materials	0.00	300.00	-300.00	0.0%
5205350 · Postage	1,564.71	3,100.00	-1,535.29	50.5%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	2,325.17	4,800.00	-2,474.83	48.4%
5207950 · System Development	0.00	500.00	-500.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	3,648.38	7,400.00	-3,751.62	49.3%
5228030 · Depreciation Expense	8,046.88	12,070.40	-4,023.52	66.7%
<b>Total Expense</b>	<b>148,464.39</b>	<b>246,989.40</b>	<b>-98,525.01</b>	<b>60.1%</b>
<b>Net Ordinary Income</b>	<b>43,359.96</b>	<b>-64,079.40</b>	<b>107,439.36</b>	<b>-67.7%</b>
<b>Net Income</b>	<b>43,359.96</b>	<b>-64,079.40</b>	<b>107,439.36</b>	<b>-67.7%</b>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR MONTHLY COMPARISON**  
**February 2013**

	<u>Feb 13</u>	<u>Feb 12</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Ordinary Income/Expense</b>				
Income				
4293550 · Initial Individual Certificate	200.00	75.00	125.00	166.7%
4293551 · Certificate Renewals-Active	50.00	50.00	0.00	0.0%
4293554 · Initial Firm Permits	0.00	100.00	-100.00	-100.0%
4293555 · Firm Permit Renewals	100.00	0.00	100.00	100.0%
4293558 · Re-Exam Audit	120.00	150.00	-30.00	-20.0%
4293560 · Late Fees-Initial Certificate	0.00	50.00	-50.00	-100.0%
4293561 · Late Fees-Certificate Renewals	50.00	0.00	50.00	100.0%
4293563 · Late Fees-Firm Permit Renewals	0.00	50.00	-50.00	-100.0%
4293564 · Late Fees-Peer Review	150.00	0.00	150.00	100.0%
4293566 · Firm Permit Individual	585.00	130.00	455.00	350.0%
4293567 · Peer Review Admin Fee	225.00	0.00	225.00	100.0%
4293568 · Firm Permit Name Change	25.00	0.00	25.00	100.0%
4293569 · Initial FAR	0.00	30.00	-30.00	-100.0%
4293572 · Re-Exam FAR	150.00	60.00	90.00	150.0%
4293573 · Re-Exam REG	60.00	180.00	-120.00	-66.7%
4293574 · Re-Exam BEC	90.00	90.00	0.00	0.0%
<b>Total Income</b>	<b>1,805.00</b>	<b>965.00</b>	<b>840.00</b>	<b>87.1%</b>
<b>Gross Profit</b>	<b>1,805.00</b>	<b>965.00</b>	<b>840.00</b>	<b>87.1%</b>
Expense				
5101010 · F-T Emp Sal & Wages	6,026.03	5,707.68	318.35	5.6%
5101020 · P-T/Temp Emp Sal & Wages	1,527.03	790.35	736.68	93.2%
5101030 · Board & Comm Mbrs Fees	180.00	240.00	-60.00	-25.0%
5102010 · OASI-Employer's Share	575.52	531.84	43.68	8.2%
5102020 · Retirement-ER Share	453.18	1,173.22	-720.04	-61.4%
5102060 · Health /Life Ins.-ER Share	1,583.76	1,533.78	49.98	3.3%
5102080 · Worker's Compensation	12.08	20.27	-8.19	-40.4%
5102090 · Unemployment Insurance	5.66	7.24	-1.58	-21.8%
5203010 · Auto--State Owned	318.50	0.00	318.50	100.0%
5203100 · In State-Lodging	162.75	0.00	162.75	100.0%
5203140 · InState-Tax Meals Not OverNigt	9.00	0.00	9.00	100.0%
5203150 · InState-Non-Tax Meals OverNigt	69.00	0.00	69.00	100.0%
5203300 · OS-Lodging	0.00	232.33	-232.33	-100.0%
5204020 · Dues and Membership Fees	0.00	150.00	-150.00	-100.0%
5204160 · Workshop Registration Fees	1,390.00	1,390.00	0.00	0.0%
5204180 · Computer Services-State	0.00	60.00	-60.00	-100.0%
5204200 · Central Services	1,045.41	1,016.10	29.31	2.9%
5204220 · Equipment Service & Maintenance	2.58	3.82	-1.24	-32.5%
5204230 · Janitorial/Maintenance Services	122.86	119.86	3.00	2.5%
5204340 · Computer Software Maintenance	141.60	446.25	-304.65	-68.3%
5204460 · Equipment Rental	654.00	690.60	-36.60	-5.3%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	95.00	200.83	-105.83	-52.7%
5204540 · Electricity	61.52	64.38	-2.86	-4.4%
5204560 · Water	22.35	0.00	22.35	100.0%
5204740 · Bank Fees and Charges	69.78	31.00	38.78	125.1%
5205020 · Office Supplies	5.00	64.39	-59.39	-92.2%
5205320 · Printing/Duplicating/Binding Co	0.00	48.22	-48.22	-100.0%
5205330 · Supplemental Publications	0.00	280.00	-280.00	-100.0%
5228000 · Operating Transfers Out-NonBudg	466.67	437.76	28.91	6.6%
5228030 · Depreciation Expense	1,005.86	1,005.86	0.00	0.0%
<b>Total Expense</b>	<b>17,274.59</b>	<b>17,515.23</b>	<b>-240.64</b>	<b>-1.4%</b>
<b>Net Ordinary Income</b>	<b>-15,469.59</b>	<b>-16,550.23</b>	<b>1,080.64</b>	<b>6.5%</b>
<b>Net Income</b>	<b>-15,469.59</b>	<b>-16,550.23</b>	<b>1,080.64</b>	<b>6.5%</b>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
July 2012 through February 2013

	Jul '12 - Feb 13	Jul '11 - Feb 12	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	2,000.00	1,525.00	475.00	31.2%
4293551 · Certificate Renewals-Active	55,100.00	54,190.00	910.00	1.7%
4293552 · Certificate Renewals-Inactive	20,050.00	20,350.00	-300.00	-1.5%
4293553 · Certificate Renewals-Retired	710.00	670.00	40.00	6.0%
4293554 · Initial Firm Permits	700.00	1,100.00	-400.00	-36.4%
4293555 · Firm Permit Renewals	20,000.00	19,700.00	300.00	1.5%
4293557 · Initial Audit	210.00	600.00	-390.00	-65.0%
4293558 · Re-Exam Audit	1,500.00	1,650.00	-150.00	-9.1%
4293560 · Late Fees-Initial Certificate	100.00	100.00	0.00	0.0%
4293561 · Late Fees-Certificate Renewals	2,300.00	2,850.00	-550.00	-19.3%
4293563 · Late Fees-Firm Permit Renewals	550.00	600.00	-50.00	-8.3%
4293564 · Late Fees-Peer Review	650.00	800.00	-150.00	-18.8%
4293566 · Firm Permit Individual	72,995.00	71,760.00	1,235.00	1.7%
4293567 · Peer Review Admin Fee	825.00	1,275.00	-450.00	-35.3%
4293568 · Firm Permit Name Change	50.00	320.00	-270.00	-84.4%
4293569 · Initial FAR	570.00	480.00	90.00	18.8%
4293570 · Initial REG	210.00	420.00	-210.00	-50.0%
4293571 · Initial BEC	210.00	450.00	-240.00	-53.3%
4293572 · Re-Exam FAR	1,620.00	1,080.00	540.00	50.0%
4293573 · Re-Exam REG	1,350.00	1,500.00	-150.00	-10.0%
4293574 · Re-Exam BEC	1,230.00	1,440.00	-210.00	-14.6%
4491000 · Interest and Dividend Revenue	8,344.35	11,505.78	-3,161.43	-27.5%
4896021 · Legal Recovery Cost	550.00	2,130.00	-1,580.00	-74.2%
<b>Total Income</b>	<b>191,824.35</b>	<b>196,495.78</b>	<b>-4,671.43</b>	<b>-2.4%</b>
<b>Gross Profit</b>	<b>191,824.35</b>	<b>196,495.78</b>	<b>-4,671.43</b>	<b>-2.4%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	46,050.07	43,931.72	2,118.35	4.8%
5101020 · P-T/Temp Emp Sal & Wages	12,185.03	11,150.44	1,034.59	9.3%
5101030 · Board & Comm Mbrs Fees	1,620.00	3,060.00	-1,440.00	-47.1%
5102010 · OASI-Employer's Share	4,381.48	4,184.84	196.64	4.7%
5102020 · Retirement-ER Share	3,494.09	4,088.32	-594.23	-14.5%
5102060 · Health /Life Ins.-ER Share	12,670.08	12,270.24	399.84	3.3%
5102080 · Worker's Compensation	93.14	156.32	-63.18	-40.4%
5102090 · Unemployment Insurance	43.70	55.86	-12.16	-21.8%
5203010 · Auto--State Owned	699.92	135.43	564.49	416.8%
5203020 · Auto-Private-Ownes Low Mileage	0.00	452.00	-452.00	-100.0%
5203030 · In State-Auto- Priv. High Miles	446.96	893.92	-446.96	-50.0%
5203100 · In State-Lodging	448.75	640.04	-191.29	-29.9%
5203140 · InState-Tax Meals Not OverNigt	32.00	18.00	14.00	77.8%
5203150 · InState-Non-Tax Meals OverNigt	237.00	260.00	-23.00	-8.9%
5203220 · OS-Auto Private Low Mileage	90.40	0.00	90.40	100.0%
5203260 · OS-Air Commercial Carrier	2,900.33	1,343.20	1,557.13	115.9%
5203280 · OS-Other Public Carrier	131.00	149.35	-18.35	-12.3%
5203300 · OS-Lodging	4,177.50	2,941.92	1,235.58	42.0%
5203320 · OS-Incidentals to Travel	340.00	164.01	175.99	107.3%
5203350 · OS-Non-Taxable Meals Overnight	550.00	342.00	208.00	60.8%
5204010 · Subscriptions	328.66	207.50	121.16	58.4%
5204020 · Dues and Membership Fees	3,200.00	3,350.00	-150.00	-4.5%
5204040 · Consultant Fees-Accounting	6,700.00	0.00	6,700.00	100.0%
5204160 · Workshop Registration Fees	2,262.00	3,799.00	-1,537.00	-40.5%
5204180 · Computer Services-State	501.00	477.00	24.00	5.0%
5204181 · Computer Development Serv-State	852.20	1,418.20	-566.00	-39.9%
5204200 · Central Services	4,779.76	4,595.23	184.53	4.0%
5204220 · Equipment Service & Maintenance	51.19	44.52	6.67	15.0%
5204230 · Janitorial/Maintenance Services	982.88	958.88	24.00	2.5%
5204340 · Computer Software Maintenance	1,430.35	812.05	618.30	76.1%
5204360 · Advertising-Newspapers	195.00	0.00	195.00	100.0%
5204440 · Newsletter Publishing	496.10	0.00	496.10	100.0%
5204460 · Equipment Rental	2,430.00	2,539.80	-109.80	-4.3%
5204480 · Microfilm and Photography	0.00	502.66	-502.66	-100.0%
5204490 · Rents Privately Owned Property	10,155.60	10,155.60	0.00	0.0%
5204510 · Rent-Other	255.17	167.70	87.47	52.2%

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
**July 2012 through February 2013**

	<u>Jul '12 - Feb 13</u>	<u>Jul '11 - Feb 12</u>	<u>\$ Change</u>	<u>% Change</u>
5204530 · Telecommunications Services	1,541.81	1,506.30	35.51	2.4%
5204540 · Electricity	422.30	487.06	-64.76	-13.3%
5204560 · Water	111.75	111.75	0.00	0.0%
5204740 · Bank Fees and Charges	3,028.28	2,692.65	335.63	12.5%
5205020 · Office Supplies	1,220.92	354.28	866.64	244.6%
5205310 · Printing State	295.88	0.00	295.88	100.0%
5205320 · Printing/Duplicating/Binding Co	416.95	163.57	253.38	154.9%
5205330 · Supplemental Publications	630.00	630.00	0.00	0.0%
5205350 · Postage	1,564.71	5.85	1,558.86	26,647.2%
5207900 · Computer Hardware	2,325.17	0.00	2,325.17	100.0%
5228000 · Operating Transfers Out-NonBudg	3,648.38	3,743.58	-95.20	-2.5%
5228030 · Depreciation Expense	8,046.88	8,046.88	0.00	0.0%
<b>Total Expense</b>	<u>148,464.39</u>	<u>133,007.67</u>	<u>15,456.72</u>	<u>11.6%</u>
<b>Net Ordinary Income</b>	<u>43,359.96</u>	<u>63,488.11</u>	<u>-20,128.15</u>	<u>-31.7%</u>
<b>Net Income</b>	<u><u>43,359.96</u></u>	<u><u>63,488.11</u></u>	<u><u>-20,128.15</u></u>	<u><u>-31.7%</u></u>



## REPORT TO BOARD ON GRADES

Nicole Kasin

The grades were posted for review for the 36<sup>th</sup> window. These grades are through March 2013. I have included the average scores per school since CBT started along with the number of students that have sat for their school respectively. The last chart shows the averages for the past 8 windows.

### Overall Average Window 1-36

Window	(All)
--------	-------

Average of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	74	71	72	73	72
BHSU	69	69	70	70	69
COTech	63	70	68	75	68
DSU	72	69	62	69	68
DWU	68	65	64	75	68
Mt. Marty	67	68	73	68	68
NAU	64	56	59	65	61
NSU	72	69	72	70	71
OS	74	72	70	73	72
SDSU	74	73	77	75	75
USD	77	75	74	75	75
USF	73	74	74	78	75
Grand Total	73	72	72	73	72

### Students per section per school since CBT Began (3 or more parts)

Window	(All)
--------	-------

Count of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	59	66	55	61	241
BHSU	68	71	56	59	254
COTech	16	11	7	10	44
DSU	12	14	14	10	50
DWU	9	8	7	7	31
Mt. Marty	18	21	6	17	62
NAU	6	9	11	11	37
NSU	70	86	53	67	276
OS	186	188	175	165	714
SDSU	23	28	17	21	89
USD	169	186	176	165	696
USF	47	54	52	37	190
Grand Total	683	742	629	630	2684

Average for past 8 windows (3 or more parts)

Window	(Multiple Items)
--------	------------------

Average of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	79	71	63	74	71
BHSU	67	66	67	69	68
COTech	64	66		80	67
DWU	78			73	76
Mt. Marty	69	73	70	71	71
NAU	72	65	67	67	67
NSU	75	75	74	73	74
OS	74	72	66	71	71
SDSU	70	73	71	73	72
USD	74	75	76	73	74
USF	74	70	74	81	74
Grand Total	73	72	71	72	72

The Board needs to Approve the 2013-1 (36<sup>th</sup> Window) grades.

## **EXECUTIVE DIRECTOR'S REPORT**

Nicole Kasin

### **CPE Audits**

The list of licensees has been selected for CPE audits and letters were sent out to those selected on September 11. The documentation was due in our office no later than October 31, 2012. The following chart shows the status of the completed audits.

	<b>Selected</b>	<b>Complied</b>	<b>Not Complied</b>	<b>Granted Extension</b>	<b>Approved CPE Audit</b>	<b>Failed CPE Audit</b>
<b>CPA (Active)</b>	54	54	0	0	53	1
<b>CPA (Active in Firm)</b>	63	63	0	1	61	2

The review of all individuals that sign the out-of-state affidavit produced 147 names and all individuals that signed the out-of-state affidavit are licensed and in good standing with their home state boards.

### **Future Calendar**

At the board meeting on June 12, the Board approved my appointment to serve as the Executive Director's Committee Chair and the Executive Director Liaison to the NASBA Board of Directors. To keep the Board informed of days I will be out of the office I plan to utilize a future outlook in between our meetings.

On April 17-21, 2013, I will attend the NASBA Board of Directors meeting in Rancho Palos Verdes, CA.

### **Legislation – Overview from 2013 Session**

The Boards bill is Senate Bill 63 and was signed by the Governor on February 4, 2013.

HB 1116 – the enrolled language extends those with terms on our Board that expire June 30, 2013 have been extended to October 30, 2013.

HB 1180 – the enrolled language in this bill is so veterans receive credit for military training/experience towards a licensing requirement, other than the exam requirements. The language stated the Board may promulgate rules. SDCL 36-20B-21 is our experience requirement and states experience must be verified by a licensee and may be gained through employment in government, industry, academia or public practice. ARSD 20:75:03:04 also details the experience requirement.

SB 3 – the enrolled language in this bill is to provide statistics to Department of Labor and Regulation and the Board of Regents on the number of individuals that we have sitting and the number of individuals that are passing each part of the exam from each respective state school.

SB 117 – the enrolled language in this bill is to issue reciprocal licenses to military spouses within 30 days or to issue a temporary license if the final determination cannot be made in 30 days. SDCL 36-20B-25 or 36-20B-26 along with ARSD 20:75:03:15 detail the same requirements as addressed in this bill.

### **Proposed Guests/Speakers at August Meeting**

Mike Decker with the AICPA in regards to the CPA exam – 60 minutes including Q&A

### **Recap of the Executive Directors Conference**

- NASBA Report discussed by Gaylen and Ken - Talked about getting involved and getting your board members involved in committees; Global exposure and the international evaluations; State board relations and legislative support; Strategic plan, with CPE audit services, looking into firm mobility language, and the new layout of financial statements
- Identity Theft - Concerns with identity theft and not if it's going to happen but when in each of our states.
- CPA Tax Experts - Issues with CPA's providing services through online tax service sites and holding out when they are not in an active status with their home state board was discussed with Noel Allen. The confusion to the public on what services they are paying for.
  - Contracting with Internet firm not the CPA
  - CPA is an employee to the Internet firm. They advertise that it is an independent 3rd party contract.
  - Public protection concern
- Legislative Update – Explanation by John Johnson and how he searches for bills and the words that are used to search. This was his first year and he casted a large wide net to engross all areas for Boards and now evaluations on what to search for will be refined thought this process. He also showed the online tool on how to search with the interactive map
- CPA Exam Update – Discussion on the database process ensuring the correct candidate is appearing for the exam, the test center process ensuring the security of the candidates, and the test assembly and administrative security process. We also talked about weather closures by Prometric and their process and determining when test centers are open and the capacity that the centers have on determining if the centers remain open.
- Candidate Performance Overview - Explained the new statistical data and the various reports that can be created either for state boards or tailored to school specifics. He also detailed the information on exam sections statistics and school statistics.
- Communications and Outreach- An overview on how boards should try to pick something new and move forward with it.
- PEEC- professional ethics executive committee (Ethics division of the AICPA) - Heard an update on their standard setting activities including recently adopted non-attest services, client affiliates being effective January 1, 2014; issues covering confidential client information, accounting standards, SSAE engagements, client record requests, misleading firm names, deleting holding out requirement effective May 30, 2013; and statistics on ethics cases.
- AICPA Codification Project- How the exposure draft will show the rearranged code for a more user friendly approach; exposure draft will be provided in April and comments will be due by August. With approval looking to be in the 1Q14 and implementation date TBD.
- Foreign Credential Evaluations Standards and Processes – The ED from WA talked about his experiences with foreign evaluators and key questions addressed by him were:
  - What is a foreign credential agent?

- Who has current reference material?
- Who is reliable in their processes?

Then the NIES (NASBA International Evaluation Service) leader talked about the education overview and how various countries provide credit for their education. A detailing example was provided.

- Examination Review Board - Provided a recap on who the committee is and what they do to complete the policies and procedures to validate the exam in the eyes of the court and to validate the exam to state boards.
- Civil Litigation- Noel provided an update on a few cases that could have impact with our boards since the rulings have been with other types of boards and commissions. He did reference that detailed documents were provided to our legal counsel staff in attendance.
- Strategic Mission - Overview of what the new NASBA mission is and how the new needs of boards are being implemented through that mission to remain relevant.
- Report from Legal Counsel-update on information provided to the legal counsel and information on tools from the enforcement resources committee.
- Committee Updates - The work of the UAA and changing the definition of attest and the work of the state board effectiveness and legislative committee.
- US Department of Labor- discussion on employee benefit plans and audits conducted on the plans. The disciplinary track that is used when an auditor is found in non-compliance with the standards and ways to move forward with a disciplinary investigation based on referrals from the US DOL.
- Operational Tips & Ideas – Ideas on ways that Boards can streamline processes on small budgets.



**AICPA BOARD OF EXAMINERS (BOE)**  
**January 30<sup>th</sup> – February 1<sup>st</sup>, 2013**  
**Phoenix, AZ**  
**MEETING HIGHLIGHTS**

**Participants**

**BOE Members:** Wendy Perez (Chair), Wynne Baker, Robert Brennan, Lisa Cines, Stephen DeVecchio, Mari DeVries, Russ Friedewald, D.J. Gannon, Barbara Ley, Leslie Mostow, Rick Niswander, Richard Reisig, Mark Shermis, Michael Tham, Paula Thomas, Gina Weaver

**AICPA Staff:** Craig Mills, Michael Decker, Noel Albertson, John Mattar, Nancy Stempin

**Observers:** Ron Nielsen (CPA Examination Review Board)  
Gary Lubin (past BOE member)

At the January 2013 BOE meeting:

- The new members of the BOE: Stephen DeVecchio, Russ Friedewald, Barbara Ley, Leslie Mostow, Mark Shermis, and Gina Weaver visited a local Prometric Test Center and in the afternoon, attended an orientation on the Exam and the role of the BOE hosted by Wendy Perez, Rick Niswander, and AICPA staff.
- The BOE heard reports from the State Board Committee (SBC), Content Committee, and Psychometric Oversight Committee (POC):
  - The SBC is preparing for the upcoming NASBA Executive Directors' and State Board Regional conferences. Staff has developed a CPA Examination Booklet that contains up-to-date information on the CPA Examination. The Booklet will be distributed at these conferences, at the annual APACPA meeting, at the AAA Conference, and posted on-line. The Content Committee and the AICPA staff have approved a Technical Quality Initiative that will ensure the item bank remains current and technically valid amidst the changing accounting profession.
  - The POC also reviewed and supports the Technical Quality Initiative and is also supportive of the Examinations Team's staffing of additional psychometricians.
  - The BOE voted to approve a change to the CPA Examination Policy on New Pronouncements whereby "Changes to the federal taxation area, the Internal Revenue Code and federal taxation regulations may be included in the testing window beginning six months after the changes' effective date or enactment date, whichever is later."
- The BOE Sponsor Group Reports included:
  - Dr. Rick Niswander presented an overview of the Examinations team budget and actuals as reviewed by the Financial Oversight Group (FOG).
  - Mari DeVries presented an update on the item development and process improvement (IDPI) effort. The BOE voted unanimously to approve the IDPI Implementation Plan.

- The BOE Project Champion Reports included:
  - DJ Gannon presented an update on the international program including:
    - Extending the international testing window to match the domestic window;
    - Extending the IQEX testing window to match the domestic window; and
    - Expanding testing into Germany in 2013.There are no other additional plans for International in 2013.
  - Michael Tham presented an update on work being conducted on the item banking software (CCMS) and the 2013 release which will include support for multiple-choice questions.
- Gary Lubin presented an update on the new Test Driver initiative (NextGen) and the implications a new Driver will have on the entire test development, publishing, and test administration processes. NextGen is a multi-year effort and will potentially support:
  - Streamlined test delivery from the AICPA to the Prometric network;
  - Updated support for new simulations and item types; and
  - Potential support for test administration over a web-based architecture.The BOE voted unanimously to approve NextGen as a major project, conditional on a financial review, established BOE governance, and an independent review of the Driver architecture.
- The BOE held a lengthy strategic discussion regarding the current draft of the BOE Strategic Plan, which included Value, Vision, and Mission Statements, as well as a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis and a Current State – Future State – Gap Analysis component. The BOE also discussed the various environmental influences and their potential impact on the CPA profession, candidate pipeline, and the Examination. The BOE were able to expand on the current environmental thinking and add their perspective to the draft document. The document will be reviewed again at the May BOE meeting and approved at the October BOE meeting.
- Michael Decker presented the Director's Report, which included an update on the following key initiatives:
  - The addition of six staff members filling both new and existing positions and continued recruiting for three positions.
  - Continued execution on Enterprise Risk Mitigation strategies.
  - A 2013 Volunteer Committee recruiting effort focusing on diversity, professional diversity, succession planning, and expertise that mirrors the content of the profession and the Examination.
- Ron Nielson of the Examination Review Board (ERB) presented the successful interim status of the 2013 Audit Plan of the ERB.



# NASBA

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

## CANDIDATE CONCERNS 12Q4

CANDIDATE CARE DEPARTMENT

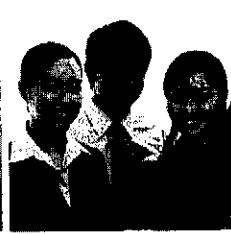
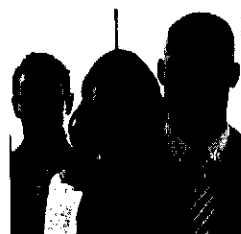
**OCTOBER 01-NOVEMBER 30, 2012**



PENNY VERNON, MANAGER  
BRUCE COSTAIN, CANDIDATE ADVOCATE



150 Fourth Avenue North, Suite 700 Nashville, TN 37219-2417 Tel 615/880-4200 fax 615/880-4290  
Web [www.nasba.org](http://www.nasba.org)



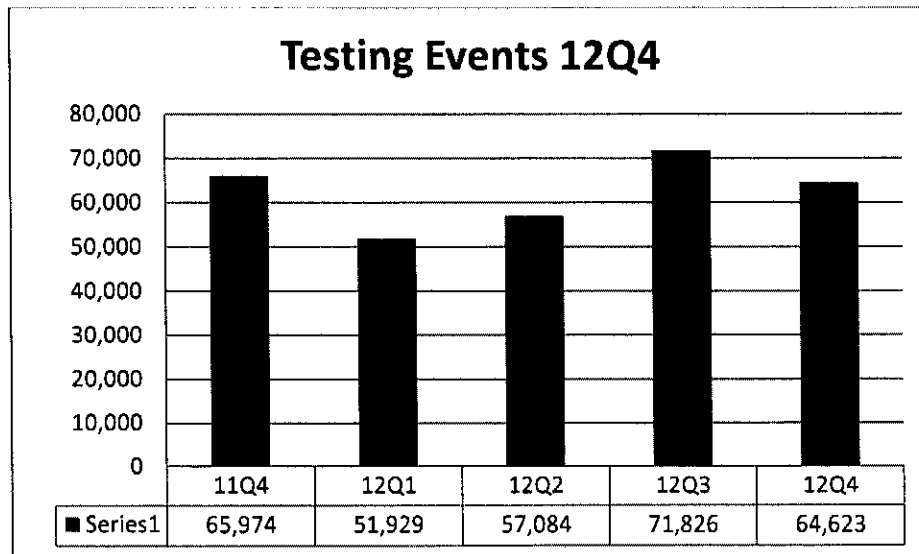


## CANDIDATE CONCERNS

12Q4

OCTOBER 1-NOVEMBER 30, 2012

This report provides a summary of the concerns expressed to NASBA's Candidate Care Department by CPA candidates during the 12Q4 testing window.



### Hurricane Sandy:

At the end of October Hurricane Sandy hit the mid-Atlantic and Northeastern United States. In regard to the CPA Examination this event caused test center closures preventing candidates from taking the examinations at their scheduled times. There were also many damaged residences, impassable roads and disruptions to public transportation making travelling to test centers difficult and often dangerous.

Although Prometric's offices in Maryland were forced to close for the first couple of days after the storm hit, they sent emails to candidates who had scheduled appointments informing them of site closures. They also provided them with the information needed to reschedule. They posted and routinely updated the list of site closures on their website ([www.prometric.com/sitestatus](http://www.prometric.com/sitestatus)).

Prometric forwarded a list of all scheduled appointments during that time to NASBA.

Candidates who required extensions to their NTSs were directed to NASBA's Candidate Care Department. Each request was handled personally. Candidates whose test centers were closed were given extensions and received an updated NTS in order to reschedule. There were many

however who were either displaced or unable to travel to their appointments when a site remained open or reopened. They were instructed to fill out an Exception to Policy form and attach it, along with some kind of weather documentation, to their requests. Each was evaluated and in most instances candidates were granted an extension.

NASBA created a list of FAQs and posted it on our website as well as distributing it to the CSRs to assist in responding to the many inquiries.

This event occurred mid-way through the testing window and many candidates were able to reschedule before the window closed. However in order to accommodate some who were unable to find available seats NASBA, the AICPA and Prometric agreed to extend the testing window until December 8, 2012. It should be noted that once Prometric opens their scheduling system any candidates are able to schedule in the extended window as Prometric is not able to restrict scheduling to only impacted candidates or jurisdictions.

The AICPA Examinations Team office is located in Ewing, NJ and was also affected by Hurricane Sandy. Although the offices were not damaged, extended loss of power and telecommunication affected systems and staff. As a result, the release of the CPA Exam scores for the results received for day 1-20 by the AICPA, and which were scheduled for release on November 5, had to be delayed. Those scores were released on November 12 and November 13. All of the subsequent releases were executed as previously planned. The AICPA launched their Disaster Recovery plan to ensure that any results delivered were error-free. NASBA sent an email to candidates who were expecting their scores in the first release informing them of the change.

In addition, NASBA experienced delays (24-48 hours) in the processing of the ATTs due to the systems connection issue with the AICPA. This was rectified and returned to normal. As in the past during such environmental disturbances NASBA, Prometric and the AICPA joined together to establish a comprehensive plan to assist candidates who were impacted in a timely and efficient manner.

**Noteboards:**

It was announced that effective January 1, 2013, in lieu of scratch paper and pencils, candidates would be provided with two double sided, laminated colored sheets called "noteboards"; as well a fine point marker for making notations during the examination. Candidates would be instructed to write their examination launch code (from the NTS) on the noteboards. They would be required to return the noteboards to the test center staff when they have completed the examination. If additional writing space is required the candidates may request additional noteboards from the test center staff but they must first turn in the original noteboards. In anticipation of this change NASBA posted information on their websites, updated the changes in the Candidate Bulletin and sent out an email blast to candidates.

The initial response from some candidates was one of apprehension concerning this new procedure. It was decided that if a candidate insisted on continuing to use the scratch paper and pencils they could apply for this accommodation through the ADA department or get approval from their State Board of Accountancy. The responses and comments from candidates will be monitored during the 13Q1 testing window.

We appreciate the opportunity to act as advocates for your candidates. We also welcome any comments, suggestions or concerns from you regarding the service we provide. You can contact me or my associate Bruce Costain at any time.

Penny Vernon 615-880-4209 or [pvernon@nasba.org](mailto:pvernon@nasba.org)

Bruce Costain 615-880-4259 or [bcostain@nasba.org](mailto:bcostain@nasba.org)

#### Summary of Candidate Concerns:

<b>Candidate Concerns: Categories and Totals</b>					
<b>Window</b>	<b>11Q4</b>	<b>12Q1</b>	<b>12Q2</b>	<b>12Q3</b>	<b>12Q4</b>
<b>Category</b>					
AICPA & Test Content	9	12	7	6	6
Calculator	0	5	1	1	0
Candidate Error	55	62	54	74	57
Confirmation of Attendance	109	83	121	105	102
Delay/Time Loss	110	22	15	0	0
Environment	33	18	1	70	253
International Exam	321	424	361	255	177
Other	0	0	0	0	0
Prometric Scheduling Issues	22	16	3	18	12
Prometric Site Issues	43	36	35	56	37
Technical	110	46	216	85	100
<b>Total</b>	<b>812</b>	<b>724</b>	<b>814</b>	<b>670</b>	<b>744</b>
*Coordinator follow-up	137	95	84	83	72
*CPAES & NCD	104	83	88	72	79
<b>TOTAL</b>	<b>1053</b>	<b>902</b>	<b>986</b>	<b>825</b>	<b>895</b>

\*Note: The Coordinator Follow-up and CPAES & NCD categories primarily consist of inquiries made by candidates with questions and/or concerns about the entire process of taking the CPA Examination. Each is responded to either directly by the Candidate Care Department or transferred to the appropriate examination coordinator for follow-up.



National Association of State Boards of Accountancy

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January 18, 2013

International Ethics Standards Board for Accountants  
International Federation of Accountants  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, NY 10017

[janmunro@ethicsboard.org](mailto:janmunro@ethicsboard.org)

Re: Exposure Draft: *Responding to a Suspected Illegal Act*

Dear Members of the International Ethics Standards Board for Accountants:

We appreciate the opportunity to offer comment to the International Ethics Standards Board for Accountants (IESBA) on its Exposure Draft – *Responding to a Suspected Illegal Act*.

The mission of the National Association of State Boards of Accountancy (NASBA) is to enhance the effectiveness and advance the common interests of Boards of Accountancy (BOAs) that regulate all public accounting firms and all certified public accountants (CPAs) in the U.S. NASBA provides a venue for all 55 BOAs to come together, discuss policy matters of common interest and generate responses to invitations to comment which then represent the official view of NASBA and its leadership. Of course each BOA may provide its own opinion on any matter it chooses.

Responsibilities for standard setting are bifurcated in the U.S. The Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) have federal regulatory authority over financial reporting of publicly-held entities.<sup>1</sup> The SEC historically has looked to the private sector for the establishment of accounting, auditing, and ethical standards. This currently includes the Financial Accounting Standards Board (FASB) for accounting standards, and previous to the enactment of the Sarbanes-Oxley Act, the auditing and ethics boards of the American Institute of Certified Public Accountants (AICPA).

The States, acting through the BOAs, also have constitutionally been given regulatory and licensing authority over all public accounting firms and CPAs practicing in the U.S, as well as financial reporting services provided to all privately-held entities.<sup>2</sup> Like the Securities and Exchange Commission (SEC), BOAs have historically looked to the private sector for the establishment of accounting, auditing, and ethical standards. These are currently the FASB for accounting standards, and the auditing and ethics boards of the AICPA.

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<sup>1</sup> See the *Securities Exchange Act of 1934* and the *Sarbanes-Oxley Act of 2002*

<sup>2</sup> See *U.S. Constitution, Article X* and the *Sarbanes-Oxley Act, Section 209*

BOAs enable state laws by issuing regulations that require compliance by public accounting firms and all CPAs, whether in public practice or business. The solitary purpose of these state accountancy laws and regulations is protection of the public interest. In that respect, the mission of BOAs, and by extension NASBA, is distinct from membership organizations whose primary purpose is generally to represent the interests of the profession

In furtherance of the common objectives of BOAs and NASBA, we offer the following comments on the Exposure Draft.

### **General Comments**

We want to express our respect and appreciation for IFAC taking the initiative to explore the responsibilities of all professional accountants to protect the public interest by requiring an appropriate response to suspected illegal acts. We support your on-going efforts to strengthen the requirements of the IESBA *Code of Ethics for Professional Accountants* (the Code).

The public's expectations of the accounting profession are both a compliment and yet a burden. The profession is regarded by the public as a trusted gatekeeper. Accordingly, in recent years and especially after the financial crisis, the public has increased its demands for greater transparency and heightened standards of behavior from professional accountants.

The Code deals with the ethical behavior of professional accountants. Generally, this covers the integrity, objectivity, professional competence and due care, confidentiality and professional behavior of accountants, and not the behavior of third parties. For the first time in our collective memory, the Exposure Draft calls for an extension of a professional accountant's and a firm's responsibilities to make judgments about the behavior of parties over which the accountant has little or no control. This is a subtle shift which we believe may be at the root of the difficulty with the solutions presented.

This new construct places at risk the confidence of clients and employers and the willingness of management to communicate with both their external and internal accountants. Indeed, the fundamental principle of client or employer confidentiality and its interplay with the public interest is brought into question and forms the source of considerable tension for all parties involved if the accountant is required to disclose a suspected illegal act. That determination hinges on whether the act is of such grave consequence that disclosure is in the public interest.

The behavior of professional accountants is inevitably caught between certain aspects of these competing interests and tensions, resulting in ethical dilemmas that may be difficult, or even impossible, for the accountants to fully resolve in every situation. As a result, certain aspects of the Exposure Draft may be operationally unworkable in some jurisdictions.

Within NASBA and the BOAs there are a range of views and expressions of concern over certain aspects of the Exposure Draft revolving around the:

- Fundamental responsibility of accountants to protect the public interest and society in general;
- Degree to which confidentiality is intrinsic to the client/accountant relationship;

- Role of professional standards in the context of extant laws and regulations; and,
- Potential for an accountant acting in good faith to be put in harm's way due to no fault of his or her own.

Many of our concerns stem from our perception of a lack of clarity in the Exposure Draft regarding definitions of terms, including "public interest" and in the implementation of the proposed standard. Further, we believe the focus in the Exposure Draft should be solely on situations involving public interest entities (PIEs).

### ***Scope of the Proposed Standard***

Since the proposal is directed at significant suspected acts that may impact or have impacted the public interest, the focus should be appropriately scoped on material matters of significant consequence and probability of occurrence. We believe the discussion in the following sections could ease the tensions described above and therefore should be considered.

### ***Public Interest***

The Exposure Draft is clearly aimed at protecting the public interest, yet "public interest" is not defined in the proposal. In June 2012, *IFAC Policy Position 5* was issued, which very broadly defines the public interest.<sup>3</sup> The IFAC definition is followed by eight pages of discussion, illustrative of the difficulty of the task.

While we too have our own notion of what the "public interest" means, we freely acknowledge that there are many other views, none necessarily authoritative. Since the Exposure Draft itself is silent on what is meant by public interest and the status and authority of the IFAC policy position is unclear, there would likely be confusion in implementing a final standard.

One might surmise, upon reading the Exposure Draft, that should only acts having "such consequence that disclosure would be in the public interest" be considered, a reasonable starting point would be acts involving PIEs.<sup>4</sup> Apparently this was not a matter of consideration in drafting the proposal. If the scope of the proposal were limited to significant matters impacting solely PIEs, it might help bring into balance concerns over breaches of confidentiality. This would be particularly the case in jurisdictions requiring, by law or regulation, the discussion or reporting of suspicions to appropriate clients, employers and potentially external regulatory authorities.<sup>5</sup>

### ***Materiality***

We note that there is no explicit discussion of materiality in the Exposure Draft. Since the proposal is directed at matters of consequence to the public interest, this is an area needing further development. Accountants are quite capable of understanding materiality concepts relating to financial statements. Here, of course, the frame of reference is not necessarily limited to matters

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<sup>3</sup> The definition reads as follows: "IFAC defines the public interest as the net benefits derived for, and the procedural rigor employed on behalf of, all society in relation to any action, decision or policy."

<sup>4</sup> See *IESBA Code, Definitions – public interest entity*

<sup>5</sup> In the U.S. there are such extant laws and regulations. Please refer to footnotes 7 and 8.

that might influence financial statements, but extends to those that might impact the public interest which, as stated above, is not a clear concept.<sup>6</sup> Since the factors entering into the IFAC public policy definition of the public interest vary from society to society, the related materiality measures will vary also, making application of materiality all the more problematic.

### ***Suspicion Threshold***

The Exposure Draft refers throughout to a “suspected” illegal act. In the audit of U.S. private entities, auditors are responsible to detect and report to management and potentially those charged with governance (TCWG) the possibility certain illegal acts may have occurred.<sup>7</sup> Similarly, in the audit of U.S. public entities, auditors are responsible to determine whether it is “likely” that an illegal act has or may have occurred and discuss with management and potentially notify TCWG and externally, the SEC.<sup>8</sup>

The proposed standard puts forth a threshold requiring only a reasonable level of suspicion. In our view, the proposed standard should be more specific and address the probability an illegal act may occur, or may have occurred. We do not believe suspicion alone should be the triggering event to set in motion the other requirements proposed. Considering the seriousness of breaching confidentiality, the threshold for reporting an illegal act should be greater than a contingency. Accordingly, we suggest the bar be set high, rising to a *likely* level.

### ***Applicability to Individual Professional Accountants and Accounting Firms***

We understand the intended scope of this standard applies to all accounting firms and professional accountants engaged in public practice as well as those professional accountants employed in business.

We do not believe that the level of service rendered to a client or employer should govern disclosure requirements. Rather, disclosure requirements should be based on critical knowledge of an illegal act and the firm’s or accountant’s ability to disclose such information in a timely manner to prevent harm to real or potential victims. The question here is whether there is a duty to the public as a result of the trust the public places in the professional accountant. We believe this duty is defined by existing laws and regulations governing professional accountants providing services principally to PIEs, as determined by duly appointed legislatures.

When an illegal act is identified by accountants in public practice, the obligation to escalate the discussion rests with the accounting firm and not the individual professional accountants, who can be numerous and located in multiple jurisdictions. As long as the individual accountant does not subordinate his or her judgment to the firm, we believe the standard should recognize the disclosure

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<sup>6</sup> We note in the recent financial crisis that public interest losses were not caused solely by the result of misstated financial statements or substandard disclosures including an absence of attention to the ability of an entity to continue as a going concern..

<sup>7</sup> AU-C Section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

<sup>8</sup> U.S. Securities Exchange Act of 1934, Section 10A, *Audit Requirements*

obligation rests with the firm rather than the individual accountant. However, individual accountants have a responsibility to voice and, if necessary, document their disagreement in the event of their firm's failure to escalate when escalation is warranted.

### ***Legal Expertise of Accountants***

The proposal is very broad in its consideration of illegal acts, covering violations of laws and regulations involving civil, administrative and public policy matters, all the way to those that may result in criminal charges. It should be acknowledged that accountants are not experts in the law, although they are typically more familiar with legal concepts governing financial matters than the average person. We believe the standard should specifically address these realities. Further, we believe the expectation for disclosure should be limited to those that fall within the subject matter expertise of the professional accountant.

Section 360.13 of the proposal mentions seeking legal advice on protection afforded by legislation, but we would suggest the proposal also include wording advising accountants to seek appropriate legal or confidential outside expert<sup>9</sup> counsel if needed to form conclusions as to whether an act might actually be illegal, and /or assessing the threshold level of suspicion, under relevant laws and regulations.

### ***Duty and Right to Disclose***

All professional accountants have a duty to comply with laws and regulations in their respective jurisdictions. This is particularly the case when an illegal act is identified that can reasonably be expected to result in victims incurring substantial losses. Consequently, the accountant truly faces ethical dilemmas of dramatic proportions considering acts of "such consequence that disclosure would be in the public interest."

However, we are concerned about the possibility a private-sector standard setter might enact a duty, having the effect of law, without having the legal authority to do so. In that regard, we are concerned disclosure obligations might cause professional accountants to breach client or employer confidentiality causing the accountant to be out of compliance with applicable laws or regulations. Breaches may damage the relationship between the accountant and his or her clients or employers and stifle candid discussions that might otherwise lead a client to make appropriate disclosures on their own.

Conversely, if the professional accountant withholds knowledge that could have prevented or brought to light an act in a timely manner so as to prevent a crime, the accountant could be accused as a co-conspirator. Consequently, to disclose or not is a dilemma the professional firm or accountant faces that requires careful analysis and judgment. Of course this dilemma is not new and will continue regardless of the outcome of your final deliberations. We believe it is

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<sup>9</sup> Professional membership organizations at the national or local level often have experts on staff that regularly consults on difficult ethical issues.



questionable whether all, or even most, situations can be adequately addressed to fully balance the matter of confidentiality with the duty to the public interest.

National and local legislatures enact laws setting forth both duties and rights which are outside of the authority of private-sector standard setters. With respect to rights, we are unaware of other private-sector standard setters' efforts to create rights. The Exposure Draft discusses circumstances when there is an *expectation* that the accountant exercise the right to disclose. This expectation blurs any distinction between a "duty" and a "right." In summary, an attempt to create rights is moving into uncharted territory and we advise curtailing any such effort and focus on an affirmative duty to respond.

### ***Independence***

The Exposure Draft does not address circumstances when responding to a suspected illegal act might affect independence. When issues arise involving the legality of behavior, the relationship between a professional accounting firm engaged in public practice and attest clients can be strained to the point where communication may be inhibited and the firm and management placed in adversarial positions. The significance of such pressures on independence could result in a requirement that the firm must withdraw from the engagement to avoid impairment of its independence.<sup>10</sup> We believe the proposal should acknowledge the impact that an appropriate response by an attest firm could have on independence, and provide guidance.

### ***Other Considerations***

There are other situations where existing laws and regulations have requirements limiting or requiring disclosure:

- Forensic or litigation support situations subject to attorney - client privilege;
- Tax laws and regulations that may bar disclosure; and,
- Knowledge required to be conveyed to or between internal or external auditors.

We believe the Exposure Draft needs to expand on these and possibly other disclosure situations and provide unambiguous guidance and examples.

Many entities have hotlines to encourage reporting of illegal acts. Also, some jurisdictions have recently adopted or are considering adoption of whistleblowing provisions that afford certain protections. The Exposure Draft surprisingly does not address the use of hotlines or whistleblowing protections. For accountants at junior levels, it may be difficult to escalate a discussion of illegal acts without the availability of hotlines or whistleblowing protections. We believe properly sanctioned use of hotlines and whistleblowing provisions may be an appropriate means for some professional accountants to discharge their duty to respond.

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<sup>10</sup>This circumstance would be comparable to the adverse interest threats in the actual or threatened litigation discussions in IESBA Code Sections 290.231 and 291.159.

### **Responses to Specific Questions**

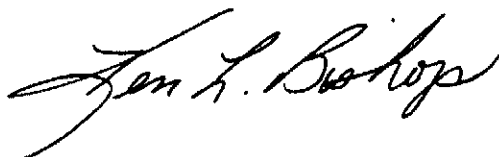
We have included our responses to the Exposure Draft's specific questions as Attachment A to this letter.

Thank you for giving us the opportunity to comment on the Exposure Draft.

Sincerely,

A handwritten signature in black ink that reads "Gaylen R. Hansen". The signature is written in a cursive style with a large, stylized initial 'G'.

Gaylen R. Hansen, CPA  
NASBA Chair

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is written in a cursive style with a large, stylized initial 'K'.

Ken L. Bishop  
NASBA President and CEO

## Appendix A: Responses to Specific Questions

Our primary reservations and suggestions about the Exposure Draft are presented above under the General Comments. In addition, our responses to specific questions posed in the Exposure Draft follow.

- 1. Do respondents agree that if a professional accountant identifies a suspected illegal act, and the accountant is unable to dispel the suspicion, the accountant should be required to discuss the matter with the appropriate level of management and then escalate the matter to the extent the response is not appropriate? If not, why not and what action should be taken?**

Yes, assuming there are no “tipping-off” prohibitions and if unable to dispel the suspicion, the accountant should be required to discuss the suspected illegal act with the appropriate level of management and TCWG if necessary. As noted elsewhere, we believe this reporting responsibility falls to the audit firm, as an organization, in client audit scenarios.

- 2. Do respondents agree that if the matter has not been appropriately addressed by the entity, a professional accountant should at least have a right to override confidentiality and disclose certain illegal acts to an appropriate authority?**

We have concerns here. Please see General Comments above and the section “Duty and Right to Disclose.”

- 3. Do respondents agree that the threshold for reporting to an appropriate authority should be when the suspected illegal act is of such consequence that disclosure would be in the public interest? If not, why not and what should be the appropriate threshold?**

We have mixed views on this complex issue and much of our response is colored by uncertainty about what is meant in the proposal by “such consequence that disclosure would be in the public interest.”

Primary responsibility for disclosure always rests with management. The duty of professional accountants should be driven, at least initially, by national and local laws and regulations and not by a private-sector standard setter. However, we also recognize that on rare occasions ethical dilemmas arise, pitting the duty of confidentiality to a client or employer against a duty to the public interest.

Also, please see General Comments above and the section “Scope of the Proposed Standard” and subsections “Public Interest” and “Suspicion Threshold.”

- 4. Do respondents agree that the standard for a professional accountant in public practice providing services to an audit client should differ from the standard for a professional accountant in public practice providing services to a client that is not an audit client? If not, why not?**

No. The nature or the level of service rendered to a client has no bearing on the accountant's duty to the public interest. We recognize that the inputs of information will differ based on the nature or level of the service rendered, but the output response should be the same.<sup>11</sup>

- 5. Do respondents agree that an auditor should be required to override confidentiality and disclose certain suspected illegal acts to an appropriate authority if the entity has not made adequate disclosure within a reasonable period of time after being advised to do so? If not, why not and what action should be taken?**

We have mixed views on this question. Please see our response to Question 3.

- 6. Do respondents agree that a professional accountant providing professional services to an audit client of the firm or a network firm should have the same obligation as an auditor? If not, why not and what action should be taken?**

The focus of this question is a bit confusing as it raises questions about the nature of the firm (non-network firm or network firm) as well the nature of the services provided to the client (non-attest services or audit services). However, our response is the same in both scenarios: neither the network nature of the firm nor the nature of the services provided to clients has any bearing on a firm's duty to respond. Also, please see our response to Question 4.

- 7. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 5 should be those that affect the client's financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant? If not, why not and which suspected illegal acts should be disclosed?**

Yes, but only in the same context discussed in Questions 1 through 4.

- 8. Do respondents agree that a professional accountant providing professional services to a client that is not an audit client of the firm or a network firm who is unable to escalate the matter within the client should be required to disclose the suspected illegal act to the entity's external auditor, if any? If not, why not and what action should be taken?**

We believe all professional accountants have a duty to comply with laws and regulations in their respective jurisdictions regardless of the scope or level of service rendered to a client or employer.

- 9. Do respondents agree that a professional accountant providing professional services to a client that is not an audit client of the firm or a network firm should have a right to override confidentiality and disclose certain illegal acts to an appropriate authority and be expected to exercise this right? If not, why not and what action should be taken?**

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<sup>11</sup> Since the issue in this question centers on confidentiality, it is worth noting that the "principle of confidentiality imposes an obligation on all professional accountants," *IESBA Code, Confidentiality, Section 140.1*.

No. We fundamentally disagree with the notion that a private-sector standard setter is capable of creating rights. Please see our response to Question 4 and the General Comments above in the section, "Duty and Right to Disclose."

**10. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 9 should be those acts that relate to the subject matter of the professional services being provided by the professional accountant? If not, why not and which suspected illegal acts should be disclosed?**

No. Please see the second paragraph of *Applicability to Individual Professional Accountants and Accounting Firms*, which expresses our view that the responsibility to disclose should not hinge on the nature of services being provided. However, we do agree as stated in the *Legal Expertise of Accountants* section, that the expectation for disclosure should be limited to those that fall within the subject matter expertise of the professional accountant. Also, to the extent the question relates to the creation of rights, please see our responses to Questions 9 and 12.

**11. Do respondents agree that a professional accountant in business who is unable to escalate the matter within the client or who has doubts about the integrity of management should be required to disclose the suspected illegal act to the entity's external auditor, if any? If not, why not and what action should be taken?**

We believe the Exposure Draft's discussion of how an accountant in business might escalate is inadequate. It does not address other options such as using an anonymous hotline or available whistleblowing protections.

Also, please see General Comments above, particularly with regard to "Other Considerations" and the concerns expressed in the section "Duty and Right to Disclose."

**12. Do respondents agree that a professional accountant in business should have a right to override confidentiality and disclose certain illegal acts to an appropriate authority and be expected to exercise this right? If not, why not and what action should be taken?**

No. We fundamentally disagree with the notion that a private-sector standard setter is capable of creating rights. Please see our response to Question 4 and the General Comments above in the section "Duty and Right to Disclose."

**13. Do respondents agree that the suspected illegal acts to be disclosed referred to in question 12 above should be acts that affect the employing organization's financial reporting, and acts the subject matter of which falls within the expertise of the professional accountant? If not, why not and which suspected illegal acts should be disclosed?**

No, to the extent the question relates to the creation of rights (please see our response to Question 12), otherwise we agree (that the acts should relate to the financial statements and the expertise of the professional accountant).

**14. Do respondents agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority? If not, why not and what action should be taken?**

No. We fundamentally disagree with the notion that a private-sector standard setter is capable of creating rights. Please see our response to Question 4 and the General Comments above in the section, "Duty and Right to Disclose."

**15. If respondents agree that in exceptional circumstances a professional accountant should not be required, or expected to exercise the right, to disclose certain illegal acts to an appropriate authority, are the exceptional circumstances as described in the proposal appropriate? If not, how should the exceptional circumstances be described?**

Yes, however please see our response to Question 14.

**16. Do respondents agree with the documentation requirements? If not, why not and what documentation should be required?**

Yes. Steps taken to report or escalate the matter, the professional accountant's conclusion about the response of management and TCWG (when known), and the decision about continuing a relationship with the entity all represent appropriate matters the accountant in public practice should document. However, we believe that greater clarity for documentation requirements for accountants in business is needed. For instance, accountants in business may be faced with the dilemma of complying with the documentation standard while at the same time creating a roadmap that is subject to legal discovery.

**17. Do respondents agree with the proposed changes to the existing sections of the Code? If not, why not and what changes should be made?**

We do not support all of the proposed changes. We believe that our answers to the questions above should help you understand our concerns with the Exposure Draft.

**18. Do respondents agree with the impact analysis as presented? Are there any other stakeholders, or other impacts on stakeholders, that should be considered and addressed by the IESBA?**

We are pleased that the IESBA has the foresight of undertaking an impact analysis considering the fundamental changes contemplated in the Exposure Draft. We are hopeful that the analysis will address the concerns we have outlined above.



National Association of State Boards of Accountancy

◆ 150 Fourth Avenue, North ◆ Suite 700 ◆ Nashville, TN 37219-2417 ◆ Tel 615.880-4201 ◆ Fax 615.880.4291 ◆ [www.nasba.org](http://www.nasba.org) ◆

January 28, 2013

Mr. Robert Durak  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas, 19<sup>th</sup> Floor  
New York, NY 10036

[rdurak@aicpa.org](mailto:rdurak@aicpa.org)

Re: Exposure Draft: *Proposed Financial Reporting Framework for Small- and Medium-Sized Entities*

Dear Mr. Durak:

We appreciate the opportunity to offer comment to the American Institute of Certified Public Accountants (AICPA) on its Exposure Draft – *Proposed Financial Reporting Framework for Small- and Medium-Sized Entities* (FRF-SME).

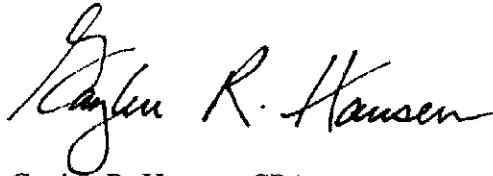
Under the Tenth Amendment of the U.S. Constitution and the Sarbanes-Oxley Act, Section 209, State Boards of Accountancy are vested with significant authority in the development, adoption and enforcement of standards. This authority is particularly relevant as it relates to the private sector and the topic of the exposure draft.

Given this authority, at the January 25, 2013 meeting of the National Association of State Boards of Accountancy (NASBA) Board of Directors, the above noted exposure draft was discussed at length. After serious consideration, the Board unanimously adopted the attached resolution which ultimately urges the AICPA to either table or withdraw its FRF-SME proposal.

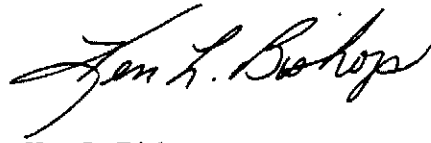
The NASBA Board has significant concerns that AICPA's initiative to develop a non-authoritative financial framework will confuse practitioners, preparers, users and the public at large for many reasons and at many levels. Most importantly, the Board supports the Financial Accounting Foundation's formation of the Private Company Council (PCC) and firmly believes it must be given the opportunity to develop exceptions or modifications to generally accepted accounting principles for private companies through properly sanctioned and recognized standard setting processes.

Because of these concerns, the NASBA Board strongly urges the AICPA to either table or withdraw the FRF-SME proposal to allow the PCC to singularly, and without confusion, fulfill its role to improve the process of setting accounting standards for private companies through its voice with the Financial Accounting Standards Board.

Sincerely,

A handwritten signature in black ink that reads "Gaylen R. Hansen". The signature is written in a cursive style with a large, stylized initial "G".

Gaylen R. Hansen, CPA  
NASBA Chair

A handwritten signature in black ink that reads "Ken L. Bishop". The signature is written in a cursive style with a large, stylized initial "K".

Ken L. Bishop  
NASBA President and CEO



## ATTACHMENT

### **Resolution of the NASBA Board of Directors regarding the AICPA's Proposed Financial Reporting Framework for Small- and Medium-Sized Entities**

We, the NASBA Board of Directors, have reviewed the AICPA Exposure Draft, *Proposed Financial Reporting Framework for Small- and Medium-Sized Entities*, and have significant concerns on behalf of the Boards of Accountancy (BOA) in their mandate to protect the public interest. Based on the BOA authority derived under the Tenth Amendment to the U.S. Constitution, and the Sarbanes-Oxley Act, at our January 25, 2013, regularly scheduled meeting, we unanimously adopted the following Resolution:

Section 209 of the Sarbanes-Oxley Act recognizes the pivotal role State Boards have in the development, adoption and enforcement of standards, particularly those applicable to the private sector. Indeed, that Section provides in pertinent part:

“In supervising nonregistered public accounting firms and their associated persons, appropriate State regulatory authorities should make an independent determination of the proper standards applicable, particularly taking into consideration the size and nature of the business of the accounting firms they supervise and the size and nature of the business of the clients of those firms;”

NASBA continues to strongly support the Financial Accounting Foundation’s establishment of the Private Company Council (PCC) to improve the process of setting accounting standards for private companies. We believe the AICPA’s development and promotion of its *Financial Reporting Framework for Small- and Medium-Sized Entities* (FRF-SME) will confuse the profession, the public, and regulators.

The PCC needs a reasonable opportunity to develop standards uniquely applicable to private companies that can be authoritative and part of generally accepted accounting principles (GAAP). Therefore, we strongly believe the FRF-SME initiative should be tabled or withdrawn to allow the PCC to achieve its objectives.

The NASBA Board of Directors has therefore authorized its leadership to prepare and submit a letter to the AICPA expressing these concerns and urging the AICPA to either table or withdraw the FRF-SME proposal in order to allow the PCC to do its work to improve the process of setting accounting standards for private companies.

We remain faithfully dedicated to continuously monitor the activities of the PCC, including its accountability to serve the public interest.

## REGIONAL DIRECTORS' FOCUS QUESTIONS

*The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage Executive Directors to place the following questions early on the agenda of their next board meeting to allow for sufficient time for discussion. **Please send your Board's responses to your Regional Director by April 8, 2013.** Use additional space for your responses if needed.*

**JURISDICTION** \_\_\_\_\_ **DATE** \_\_\_\_\_

**NAME OF PERSON SUBMITTING FORM** \_\_\_\_\_

**1- What has your Board done to ensure a high percentage of CPE compliance?**

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**2- Should NASBA urge universities to put a CPA track in their programs, one offering specific classes focused on subject areas needed to pass the Uniform CPA Examination? Is there an outstanding model in your state?**

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**3- One state has considered requiring a forensic accountant to have a private investigator's license. Has your state established/considered a similar requirement?**

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**4- What is happening in your jurisdiction that is important for other State Boards and NASBA to know?**

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**5- Are there any ways in which NASBA can assist your Board at the present time?**

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**JURISDICTION** \_\_\_\_\_ **DATE** \_\_\_\_\_

**NAME OF PERSON SUBMITTING FORM** \_\_\_\_\_

**6- NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.**

- ☐ Input only from Board Chair
- ☐ Input only from Executive Director
- ☐ Input only from Board Chair and Executive Director
- ☐ Input from all Board Members and Executive Director
- ☐ Input from some Board Members and Executive Director
- ☐ Input from all Board Members
- ☐ Input from some Board Members

Other (please explain):

February 7, 2013

**National Association of State Boards of Accountancy, Inc.**

**Meeting of the Board of Directors**

**October 26, 2012 – Orlando, FL**

1. Call to Order

A duly scheduled meeting of the Board of Directors of the National Association of State Boards of Accountancy was called to order by Chair Mark Harris at 9:00 a.m. on Friday, October 26, 2012 at Disney's Swan & Dolphin Resort, Orlando, FL.

Chair Harris welcomed Donald Aubrey, Nicole Kasin and Douglas Skiles, who will be joining the 2012-13 Board.

2. Report of Attendance

President Ken Bishop reported the following were present:

Officers

Mark P. Harris, CPA (LA), Chair  
Gaylen R. Hansen, CPA (CO), Vice Chair  
Michael T. Daggett, CPA (AZ), Past Chair  
E. Kent Smoll, CPA (KS), Treasurer, Director-at-Large  
Kenneth R. Odom, CPA (AL), Secretary, Director-at-Large

Directors-at-Large

Donald H. Burkett, CPA (SC)  
Walter C. Davenport, CPA (NC)  
Richard Isserman, CPA (NY)  
Carlos E. Johnson, CPA (OK)  
Theodore W. Long, Jr., CPA (OH)  
Harry O. Parsons, CPA (NV)  
Laurie J. Trish, CPA (WA)

Regional Directors

Jimmy E. Burkes, CPA (MS), Southeast  
Jefferson Chickering, CPA (NH), Northeast  
Bucky Glover, CPA (NC), Middle Atlantic  
Janice L. Gray, CPA (OK), Southwest  
Raymond N. Johnson, CPA (OR), Pacific  
Telford A. Lodden, CPA (IA), Central  
Karen F. Turner, CPA (CO), Mountain  
Kim Tredinnick, CPA (WI), Great Lakes

Executive Directors' Liaison

Pamela Ives Hill, CPA (MO)

### Guests

Nicole Kasin (SD) – Executive Directors Committee Chair Elect  
Donald F. Aubrey, CPA (WA) – Pacific Regional Director Nominee  
Douglas W. Skiles, CPA (NE) – Central Regional Director Nominee

### Staff

Ken L. Bishop, President and Chief Executive Officer  
Colleen K. Conrad, CPA, Executive Vice President and Chief Operating Officer  
Michael R. Bryant, CPA, Senior Vice President and Chief Financial Officer  
Louise Dratler Haberman, Director - Information and Research  
Thomas G. Kenny, Director – Communications  
Noel L. Allen, Esq., Legal Counsel  
Ed Barnicott – Vice President  
John Johnson – Director - Legislative and Governmental Affairs

### 3. Approval of Minutes

NASBA Secretary Odom presented the minutes of the Board's July 27, 2012 meeting. On a motion by Mr. Daggett, seconded by Mr. Chickering, the minutes were approved with a correction.

### 4. Report of the Chair

Chair Harris offered NASBA's condolences to Mr. Burkes on the death of his daughter-in-law. Mr. Harris thanked the Board for the condolences his family had received on the death of his father-in-law.

Chair Harris reported on the August 14, 2012 leadership summit of NASBA, CICA and AICPA. The meeting was focused on the merger of the profession that is taking place in Canada. The Canadians are modifying their education process beginning in 2013 with a new final examination scheduled for 2015. There was some talk of developing Canadian/U.S. cross-border mobility, but that may be several years away, Mr. Harris said.

Since the last Board meeting, Chair Harris said he had made three visits to NASBA in Nashville. During one of those visits he and Vice Chair Hansen met with a speech coach who NASBA had engaged to help speakers improve their presentations.

Chair Harris announced several recent appointments:

Bucky Glover, CPA (NC) – Member of the Center for Public Trust Board of Directors

Raymond N. Johnson, CPA (OR) – Member of the AICPA Professional Ethics Executive Committee.

David A. Vaudt, CPA (IA) – Vice chair of the Examination Review Board with Nicholas J. Mastracchio, Jr., Ph.D., CPA (NY) (chair), Sandra R. Wilson, CPA (AK), O. Whitfield Broome, Jr., Ph.D., CPA (VA) and Ronald E. Nielsen, CPA (IA).

Mark T. Hobbs, CPA (SC) – National Peer Review Committee

W. Hunter Cook, CPA (NC) and David L. Miller, CPA (MS) – AICPA Auditing Standards Board

Janice L. Gray, CPA (OK) – AICPA Accounting and Review Services Committee

Billy M. Atkinson, CPA (TX) and Diane M. Rubin, CPA (CA) – FASB's Private Company Council

Gaylen R. Hansen, CPA (CO) and Raymond N. Johnson, CPA (OR) – IFAC Consultative Advisory Groups

Chair Harris reported the Strategic Planning Task Force, including himself, 10 volunteers and four staff members, had developed a plan and a change in the mission statement to: "Enhance the effectiveness and advance the common interests of the Boards of Accountancy." The change expands the mission and the specifics of what NASBA does, he explained, as it captures what NASBA does to involve itself in the policies being put forth by other groups. The plan includes eight listed objectives and 27 specific strategies to accomplish those objectives. He said that NASBA Vice President Ed Barnicott taught the task force that all of the objectives had to be measurable, realistic, specific and obtainable.

Mr. Barnicott explained this is a 3-5 year plan. It gives direction to the NASBA staff as to where energy and effort should be put into advancing these objectives. Ongoing operations will have to go through the mission test of: Does it enhance the effectiveness of the Boards? And/or - Does it advance the Boards' common interest?

On a motion by Mr. Parsons, seconded by Mr. Daggett, the strategic plan was approved.

Seventy-six responses to the Goldfish Bowl Competition were received, Chair Harris reported. All the responses were sent to the appropriate committees and the committee chair will respond to the person who made the suggestion as to how it will be acted upon. Mr. Harris said that he had determined the winning concept was "Diversity" – as it had been suggested by several respondents. He will be assigning a working group, including Ed Jolicoeur (WA), Sandy Wilson (AK), Antonia Smiley (DC) and two other volunteers from member Boards to discuss opportunities for women and minority group members to serve on NASBA committees. The working group will analyze the perceived problem and suggest how to fix it, and present their conclusions to Chair Gaylen Hansen to consider and to distribute to other committees.

## 5. Report of the President

President Bishop said NASBA wants to prepare and groom people to be in leadership positions in the future. He congratulated Billy Atkinson for being named chair of the FASB's Private Companies Council and to Diane Rubin for being selected to be a member of the group.

The entire continental United States now has mobility, President Bishop said. NASBA is helping the Virgin Islands draft a mobility bill, and representatives are meeting with Guam and Puerto Rico to put forward mobility as well.

The Puerto Rico Board has outsourced much of their work to NASBA. A firm has been engaged to scan all of the Puerto Rico Board's document files. Puerto Rico passed legislation that as of July 2013 their entry requirements will be substantially equivalent to the UAA's requirements.

In December the NASBA staff directors will have a meeting when they will have to consider how the projects that are being worked on tie to the strategic plan, President Bishop announced.

Executive Vice President and COO Conrad reported 17 states have approved NASBA International Evaluation Services as a provider (DE, IA, MA, NE, NJ, OH, SC, TN, IL, KS, MN,

NH, NY, PA, SD, VA and WA). It will provide turnaround on evaluations in 5-7 days. President Bishop said he believes this will be a big business area for NASBA.

Ms. Conrad described the Candidate Performance Data Products, which will be giving schools more of the data that they need. A new school book is coming out within the next few weeks. She reported the idea of quarterly reports has been well received. James Suh, who heads the project, will be making a presentation to the APLG meeting in February.

The CPE Sponsor Registry is continuing to grow, President Bishop said. The AICPA joined recently and that has prompted more state societies to join. At the National Registry Summit, held September 23-24, 2012 in Nashville, there were 143 in attendance.

Vice President Dan Dustin has visited 16 states in 10 months and has promoted new interest in NASBA, Mr. Bishop reported. Michigan Bureau Director Alan Schefke attended the latest session of NASBA U, held September 14-15 in Nashville, and was excited by the organization.

Contract negotiations are going on for the international delivery of the Uniform CPA Examination, Ms. Conrad said. The growth trend is good for the international administration. Ms. Conrad said they are talking to Saudi Arabia and Germany about testing in locations there. Testing in Japan has led to a decrease in the number of Japanese candidates taking the examination in the Guam testing center. Mr. Bishop said NASBA is investigating a way for the Chinese candidates to get a testing visa to be able to come in and test at the Guam center.

NASBA's financial statements demonstrate that the association is doing good things for the Boards, Mr. Bishop said. A Finance Assessment Project is being performed through an independent consultant. Senior Vice President and CFO Bryant said this project involves assessing processes and systems around financial reporting, budgeting and payroll across the organization. Out of the assessment, some short-term improvements in processes have been achieved. Another short-range goal is to have improved financial reports for the January Board meeting. Because of efficiencies in operational and staff areas, Mr. Bishop said NASBA has reduced costs. In addition, NASBA is on track to exceed net assets of \$30 million for fiscal 2013 while at the same time it is doing more for State Boards.

The Center for Public Trust has elected Milton Brown and Larry Bridgesmith "life directors" for the CPT Board, Ms. Conrad stated. CPT President Alfonzo Alexander is on the road meeting with potential sources of grants and funding and going to universities to set up student chapters of the CPT. There are now 11 student chapters and CPT expects to launch four more by the end of this year. Mr. Bishop pointed out that NASBA's strategic plan calls for the promotion of ethics. He believes the CPT is a good investment of NASBA and provides recognition for NASBA around the country.

Reporting on the NASBA staff's activities, Mr. Bishop said NASBA held a staff family outing at the Nashville Zoo on a Saturday October. Another day "Uncle Bud's Catfish Snack" was brought in for the Nashville staff. John Lau, international president of Toastmasters International, had lunch with the NASBA staff in recognition of the NASBA chapter's work.

President Bishop said he expected AICPA President Barry Melancon to speak about firm mobility when he addresses the NASBA Annual Meeting on October 30. President Bishop said that NASBA has not yet determined if firm mobility is a good idea. The impact on the states needs to be studied as well as other consequences. He said NASBA is now going through an "exploratory stage," on this concept. Mr. Melancon may also address another topic under consideration by the Uniform Accountancy Act Committee: the expansion of the definition of

“attest.” Mr. Bishop explained that while there are political considerations of how others would respond who are now performing the same services as CPAs, there is a public protection argument for restricting those services to CPAs.

#### 6. Report of the Vice Chair

Vice Chair Hansen reported his 2012-2013 NASBA committee assignments have been completed. He explained he had emphasized opportunity and diversity in making these assignments. Sitting State Board members were given top priority to participate in the committees -- and be identified as future NASBA leaders. His inaugural speech will stress that Board tenures are limited and each Board member has to make sure his or her time on the Board is used well.

Mr. Hansen also reported he had participated in a PCAOB forum a few weeks earlier to consider auditor independence, including auditor rotation. He had expressed his personal view in support of firm rotation, explaining to the PCAOB that there is no consensus on this point.

#### 7. Report of the Administration and Finance Committee

Treasurer Smoll presented the financial results, commenting that NASBA had a “great year,” with increases in unrestricted net assets of \$1.3 million. Investment income was less than budget due to challenging market conditions, but NASBA’s operating income exceeded the prior year’s by \$500,000.

Senior Vice President and CFO Bryant reported on the status of the Finance Assessment Project, as headed up by consultant Dave Shultz, that is focusing on processes, systems and staff. Mr. Bryant stated that the preliminary recommendations cover efficiencies in the ways in which the operating staff interact with the finance department in terms of internal financial accountability and future budgeting cycles. With the goals of reduced processing times and improved reporting capabilities, the preliminary indication around NASBA’s accounting software is that it is appropriate for NASBA’s processes, but reporting needs to be enhanced with an add-on module. Accounting processes can benefit from some standardization and automation. Mr. Bryant anticipated the consultant will be working with NASBA until May to achieve the desired transformation in processes, reporting and budgeting.

#### 8. Report of the Audit Committee

Mr. Tredinnick reported the Audit Committee had met in Nashville on September 27, 2012. They met with NASBA staff and independent auditors in the process of finalizing the review of the audited financial statements. The Committee decided that the Statement of Cash Flows should be presented under the Direct Method beginning with subsequent future years. The Committee discussed the need for a request for proposal for audit services, as NASBA has engaged the same firm, Lattimore Black Morgan & Cain, PC, for 16 years. Rotation of the engagement partner occurred three years ago. The Committee decided to wait until the end of the audit cycle of five years before requiring the next rotation or considering an RFP, unless required by other circumstances. Concurrent with any audit rotation year, a formal evaluation of the auditors’ credentials would be required. Recommended changes to the Audit Committee’s



charter were proposed to reflect the five-year cycle for rotation and formal evaluation of auditors.

Mr. Tredinnick reported LBMC had made a presentation to the Audit Committee on the firm, its capabilities, partner depth, etc., at the Committee's request. The Committee considered the firm's non-profit experience, professional activities and their peer review reports, and unanimously agreed to recommend to the NASBA Board that LBMC should be reappointed as independent auditors for the next year.

Former Audit Committee Chair Carlos Johnson noted that at the end of LBMC's 11<sup>th</sup> year with NASBA the Audit Committee had done an extensive review of their credentials, determined the firm was doing a good job, but at that time did require a change in the engagement partner.

Audit Committee Chair Tredinnick made three motions which were all seconded by Carlos Johnson and voted on and approved by the Board:

- (1) Reappoint Lattimore Black Morgan & Cain, PC, as NASBA's independent auditors for the year ending July 31, 2013;
- (2) Accept proposed changes to the Audit Committee's charter; and
- (3) Accept the fiscal 2012 financial statement and auditor's reports for NASBA, the Center for the Public Trust and the NASBA employee 401K benefits plan.

#### 9. Report of the Ethics and Professional Issues Committee

Committee Chair Raymond Johnson reported the Committee responded to an omnibus exposure draft from the AICPA Professional Ethics Executive Committee which would remove "holding out" from the Code of Professional Conduct. They also responded to an exposure draft from the International Ethics Standards Board for Accountants on a proposed change to the definition of "those charged with governance."

The committee is discussing IFAC's exposure draft on "suspected illegal acts," which says that if there is a substantial threat to the public interest, then the accountant should exercise his or her right to go to the authorities. This creates a balancing issue of the public interest in the reporting of the act and the client's being candid with the accountant. The Committee has not yet resolved the issue, but intends to respond.

#### 10. Report of the Executive Directors Committee

Committee Chair Hill reported the last NASBA U session had the largest attendance since the program was inaugurated, with attendees from Hawaii and Alaska.

The Executive Directors Committee is meeting in Orlando, in conjunction with the NASBA Annual Meeting, to plan the program for the Executive Directors Conference March 3-6, 2013 meeting in Tucson, AZ. Some new issues will be added.

Ms. Hill said she is working with incoming Committee Chair Nicole Kasin to transition her duties both as Committee chair and liaison to the Board of Directors.

## 11. Report of the Regulatory Response Committee

Committee Chair Isserman reported a letter had been sent on September 6 to the AICPA in response to their June 29 exposure drafts from the Professional Ethics Executive Committee and the Accounting and Review Services Committee. A letter to the International Auditing and Assurance Standards Board on their "Improving the Auditor's Report" is in final review and will be issued within the next few days.

The September 6 letter recommended a type of plain paper report, which resulted in some spirited correspondence within NASBA. Mr. Isserman explained that what is under discussion has nothing to do with those just preparing tax returns. Mr. Isserman said, "I think ARSC with the concurrence of PEEC has brought us back to the point where ARSC was formed (1176 Tenants Corporation – where the court determined what the accountant should have done)... Time will tell if ARSC has done us a favor."

## 12. Report on the AICPA Framework

Mr. Odom, who served on the AICPA Task Force that developed the Financial Reporting Framework for Small- and Medium-Sized Entities, reported that while he was in agreement with things developed in the Framework, he was not totally in agreement with the way in which it was created. The project was on a fast track since May and much of the framework was taken from what the Canadian Institute of Chartered Accountants had developed. The framework is meant to replace "Other Comprehensive Basis of Accounting" (OCBOA), but Mr. Odom believes there needs to be time for the State Boards to make the appropriate references in their laws. OCBOA is identified in 30 State Boards' rules.

The Framework, which is scheduled to be released for comment on October 30, 2012, has no effective date because it is non-authoritative, Mr. Odom said. It is anticipated that by the summer there will be a push to have banks and others accept the Framework, he said.

Vice Chair Hansen commented: "It does become authoritative because the AICPA is who they are. This almost begs a response from this organization. What is to prevent any association from doing this?"

Mr. Isserman pointed out that the State Boards control what is acceptable accounting – except at the federal level. It is going to end up a Board decision if they would accept this new OCBOA.

## 13. Executive Session

From 11:25 a.m. until noon the Board went into a closed executive session to discuss executive compensation.

At the conclusion of that session, Chair Harris announced that having heard no objections to the report of the Chair, the actions are ratified by the Board of Directors. The recommendations made on appointees will be deemed ratified.

The Board of Directors in executive session ratified certain Executive Committee recommendations related to confidential (personnel) matters.

#### 14. Report of the Director of Legislative and Governmental Affairs

John Johnson reported he had joined the NASBA staff on June 1, 2012 as Director of Legislative Affairs [title later changed to Director of Legislative and Governmental Affairs]. He said the State Boards need to have the tools to make them effective in what they do. They need legislative strategies that would be useful for all State Boards. This begins with timely notification to the Boards of legislation that is coming up. To obtain this information NASBA has registered for the CQ Roll Call. Mr. Johnson is working with the service to set up the appropriate selection queries. This system will allow the Boards to see bills and monitor what is happening in other states. He explained, "It will be very interactive web publishing."

His next focus will be prioritizing requests for assistance from the State Boards. NASBA will be looking at threats to Boards and the rippling effect they may have on mobility and other issues.

Mr. Johnson said he will be working to build relationships with other organizations. He will also be focused on building key person contacts with members of Congress. He will be encouraging outreach to CPAs in the state legislatures. Mr. Johnson said NASBA needs to be proactive in states in respect to position papers. NASBA will also be participating in conferences, such as the National Conference of State Legislatures, National Governors Association, and others.

Chair of the Legislative Support Committee Burkett said that it had become evident that NASBA needed a staff member to help with this work. Mr. Johnson said NASBA's goal is to have the State Boards be pro-active, not reactive.

#### 15. Report of the Continuing Professional Education Committee

CPE Committee Chair Lodden reported the Committee had met in September in Nashville. CPE sponsors have raised a few questions which have been responded to in the CPE Registry's best practices document, that went live on the NASBA Web site in September. The National CPE Registry Summit, held September 23-24 at the Hutton Hotel in Nashville, was a "smash hit," Mr. Lodden observed. Its content was relevant and forward looking.

There are now four CPE Committee subcommittees at work: 1- Outcome-based learning, considering how it can be used for CPE; 2- Global issues, looking at the impact of international standards on CPE in the U.S.; 3- Education relevance, focusing on live courses; and 4- Registry marketing, trying to bring more state CPA societies on to the Registry.

#### 16. Report of the Uniform Accountancy Act Committee

UAA Committee Chair Carlos Johnson distributed to the Board the UAA Committee's revision to the definition of "independence" as contained in UAA Model Rule 10-4, which is closer to the definition contained in the AICPA Code of Professional Conduct :

#### **VII. PRINCIPLE: INDEPENDENCE:**

**Independence, where required by professional standards, is essential to establishing and maintaining the public's faith and confidence in, and reliance on, the information reported on by the licensee.**

A licensee in the practice of public accounting should be independent ~~in~~ of ~~in~~ in mind (some times referred to as independence "independent in fact") and in appearance when engaged to provide services where independence is required by professional standards. Independence ~~in fact is the state of mind that~~ permits a licensee to perform an attest service without being affected by influences that compromise professional judgment, thereby allowing the licensee to act with integrity and exercise objectivity and professional skepticism. Independence in appearance is the avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of a licensee had been compromised.

A licensee shall comply with the independence requirements adopted by recognized standards setting bodies (such as those described in UAA Section 3(b)) that are applicable to the particular engagement performed by the licensee.

Mr. Johnson made a motion that the Rule be adopted as submitted. Mr. Hansen seconded and the Board approved.

The UAA subcommittee on the "attest" definition is considering what other changes may be needed if the definition is broadened. To assist the subcommittee, the AICPA staff prepared a white paper on how and why a change is needed. Changing the "attest" definition may lead to a change in the definition of "report," which appears in the UAA, and state laws, many times related to financial statements. This is a very sensitive issue, Mr. Johnson said.

The subcommittee studying what services CPAs with inactive status are able to perform is considering the responses received from the Regional Directors' Focus Question on this topic. The subcommittee may recommend a change in the UAA to arrive at uniformity among the states.

The whistleblower/confidentiality subcommittee will be proposing changes to UAA Sections 18 and 19. Discussions on the proposed changes on returning records to clients are in progress, as the AICPA and NASBA representatives continue to work through differences.

UAA Chair Johnson reported the subcommittee on non-US auditors is waiting to hear back on what NASBA and AICPA representatives learned from their meetings with SEC representatives. Many states are sensitive to this issue, Mr. Johnson said.

#### 17. Report of the Global Strategies Committee

Committee Chair Tish said page 17 of the NASBA Annual Report contains a good summary of the Committee's work. The biggest part of their efforts will be culminating at the October 31-November 1, 2012 International Forum of Accounting Regulators. There will be representatives from 11 countries and a good turnout from the State Boards, Ms. Tish reported. Among those attending will be Riyadh Al Mubarak chairman of the Abu Dhabi Accountability Authority.

#### 18. Report of the Education Committee

Education Committee Chair Turner reported the three contracts for the NASBA educational research grants are out and all the recipients have agreed to make presentations of

their findings at the 2013 Regional Meetings. New requests for proposals will be sent out after Christmas.

The researcher who had requested survey input from the member Boards had not received an adequate response, Ms. Turner reported.

#### 19. Report of the State Board Relevance and Effectiveness Committee

Committee Chair Glover reported the Committee had decided to develop a benchmarking tool for Boards, which is being created on the basis of input from State Board executive directors with the help of NASBA Vice President Ed Barnicott. It is hoped this tool will help the Boards determine how effective they are and where they can use NASBA's help.

Care is being taken to ensure that the information gathered is made available in such a way that it could not be damaging to the State Boards. Mr. Glover said the Committee is working through that process now.

#### 20. Report of the Bylaws Committee

Committee Chair Burks noted that page 12 of the NASBA Annual Report summarizes the Committee's work for the year. The Committee was going to address some reorganization issues but they had not met during the last quarter, due to the death of his daughter-in-law.

#### 21. Report of the CBT Examination Administration Committee

Committee Chair Davenport reported the concern about people taking the Uniform CPA Examination multiple times (50-70 times) was set aside as the AICPA had determined that because of the 18-month rolling period for successfully completing the Examination, the possibility of harvesting questions was not a major issue. The Committee determined there was no need to limit the number of times an individual can take the Examination.

A new issue brought to the Committee concerns geographical coverage of the testing centers, Mr. Davenport reported. Prometric wants to change the language in its agreement to address "metropolitan statistical areas." It was determined that, if this language change occurred, it would not affect the candidates taking the Examination, he said. This issue will be considered by the Contract Steering Group.

Another change under consideration involves scratch paper. Candidates are now given two sheets of paper and Prometric is testing instead providing the candidates with laminated scratch pads that could be reused.

#### 22. Report of the Compliance Assurance Committee

Committee Chair Janice Gray reported the Committee had held a face-to-face meeting that will result in conducting a survey on consistency of the oversight processes. The Committee met with the AICPA Oversight Task Force and they spoke at length about a process that needs to be started.

The National Peer Review Committee was to have two voting NASBA representatives and those members agreed not to produce a written report. However, the NASBA Committee

decided that information is needed if there is to be oversight of the process, Ms. Gray reported. NASBA representatives will continue to attend the Peer review Oversight Board's meetings.

With the assistance of NASBA's leadership, the Committee responded to a request from the California Board, Ms. Gray said.

#### 23. Report of the Communications Committee

Communications Committee Chair Chickering reported the State Boards' communications officers would be holding a breakfast meeting on October 29. In addition, the Communications Committee will be making a presentation during the Annual Meeting on Board awareness programs and encouraging best model practices.

The Committee will continue to offer social media guidance and to ensure people are aware of NASBA services. Currently the Committee is working on a guide for model practices that will be available on NASBA's Web site. They are also developing a public service ad for the State Boards to use. Mr. Chickering said the Committee will continue to suggest meetings enhancements.

President Harris suggested that individuals who were not appointed to NASBA Committees, should consider being appointed as their Board's communications officer.

#### 24. Report of the Committee on Relations with Member Boards

Committee Chair Lodden reported that the Regional Directors appreciated having Dan Dustin and John Johnson involved in communicating with the State Boards. The process of interacting with them is working well as reports from the Regional Directors and Mr. Dustin are being exchanged regularly.

There still are some facets of the new response vetting process that need to be clarified, Mr. Lodden observed, but they are being worked through. The Regional Directors had reviewed NASBA responses on proposed changes to 101-3 and the SARS standards in respect to compilations. Currently a response to the IAASB is under consideration.

The Committee has developed questions for the Regional Breakfast Meetings at the Annual Meeting and Focus Questions for the quarter. Mr. Lodden encouraged the NASBA Board members to suggest questions to the Regional Directors that would provide useful input from the State Boards.

#### 25. Report from the Accountancy Licensee Database Committee

Mr. Odom reported 38 states are participating and 14 states are committed to ALD. The three states that are not committed are NJ, RI and UT. He urged the Board of Directors to do what they could to have those states become involved.

Thirty-three states are now live on CPE Verify, Mr. Odom said, with others implementing or partially implementing. However, NJ, RI and UT are not committed in any way to this project either.

26. Report on the International Qualifications Appraisal Board

Ray Johnson reported IQAB is still working on forging mutual recognition agreements with the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants in Scotland (ICAS). U.S. IQAB is ready to accept both bodies for agreements, but acceptance is awaited from them. Mr. Johnson said it is estimated that those agreements are a year away.

IQAB is also considering an agreement with the South African Institute of Chartered Accountants. As their program is under revision, an agreement with them is awaiting the completion of the restructured program. Mr. Johnson said IQAB is not ready to accept the program yet.

27. Report of the Enforcement Resources Committee

Committee Chair Parsons announced the Enforcement Resource Guide was now on-line for the use of executive directors. An investigator portal has been established through which State Boards can reach a pool of investigators for help. He thanked the NASBA staff for developing these resources with the Committee.

BrainShark is being used for the investigator training program, which will be on-line and tied to the enforcement guide, Mr. Parsons said. Future plans call for the certification of State Board investigators.

28. Thanks

On behalf of the Board, Chair Harris offered thanks for their service to Past Chair Michael Daggett, Director-at-Large Walter Davenport and Executive Directors Liaison Pamela Ives Hill. Also on behalf of the Board, Vice Chair Hansen thanked Chair Harris for his visionary leadership of the Board this year. The Board will next meet January 24-25 in Key West, FL.

29. Adjournment

The meeting was adjourned at 3:37 p.m.

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.**

**Highlights of the Board of Directors Meeting**

**January 25, 2013 – Key West, FL**

At a duly called meeting of the Board of Directors of the National Association of State Boards of Accountancy, Inc., held on Friday, January 25, 2013 at the Marriott Key West Beachside Hotel in Key West, FL, the Board took the following actions:

- Unanimously elected E. Kent Smoll (KS) NASBA Treasurer and Kenneth R. Odom (AL) NASBA Secretary.
- Authorized NASBA leadership to prepare and submit a letter to the American Institute of Certified Public Accountants expressing the Board's concerns about the AICPA's Exposure Draft "Proposed Financial Reporting Framework for Small- and Medium-Sized Entities" and urging the AICPA to either table or withdraw its Framework proposal in order to allow the time necessary for the Financial Accounting Foundation's Private Company Council to complete its plans to develop GAAP modifications or exceptions for small and medium-size entities.
- Heard a summary from Chair Gaylen R. Hansen (CO) of the meetings he had attended and his plans for attending others in the months ahead. Among the upcoming events will be NASBA leadership's meeting with the Public Company Accounting Oversight Board. He thanked the Ethics Committee, Regulatory Response Committee, Regional Directors and others involved in developing NASBA's responses to recent exposure drafts from the International Ethics Standards Boards for Accountants and the AICPA.
- Learned from President Ken L. Bishop that staff members have been meeting with the staff of the Center for Audit Quality, AICPA Federal and State Legislative Teams, The Accountants Coalition and other groups developing good relationships. Upcoming meetings are scheduled with the Center for Public Interest Law and the Congressional Accounting Caucus. Outside consultants have assisted NASBA in reviewing and reorganizing its human resources, information technology and finance departments.
- Heard from Executive Vice President and Chief Operating Officer Colleen K. Conrad that NASBA now has 40 Boards of Accountancy participating in the Accountancy Licensee Database and 35 in CPAverify. Only three states have not yet committed to future ALD or CPAverify participation. She also noted 23 jurisdictions have signed up to use the NASBA International Evaluation Services, and the Continuing Professional Education Registry now includes over 1,900 sponsors.
- Received a report from Vice Chair Carlos E. Johnson (OK) and Uniform Accountancy Act Committee Chair Kenneth R. Odom on the committee's progress on the proposed redefinitions of "attest" and "report." The Board of Directors is expected to consider an exposure draft on these proposals at their April 2013 meeting.
- Heard from Global Strategies Committee Chair Theodore W. Long, Jr. (OH) that the committee will be working on the strengthening of international relationships, but is not planning to develop an International Forum in 2013.



- Received a report from Southwest Regional Director Janice Gray (OK), a member of the AICPA Accounting and Review Services Committee, that at its January 15-17 meeting ARSC voted to pull its June 2012 *Association with Unaudited Financial Statements, Compilation of Financial Statements and Compilation of Financial Statements – Special Considerations Association/Compilation* exposure draft from consideration and to issue a new exposure draft in May, that will have a 90-day exposure period ending in September 2013. The proposed SSARS will reposition compilations as a non-attest service.
- Learned from Treasurer Kent Smoll that the Investment Committee of the Administration and Finance Committee had determined, based on NASBA's investments' performance this year, to continue using NASBA's current investment adviser. Treasurer Smoll praised Chief Financial Officer and Vice President Michael Bryant and NASBA's finance department for the new format of the financial statements which clearly show NASBA's expenditures made in support of its mission.
- Heard from Board Effectiveness and Legislative Support Committee Chair Donald H. Burkett (SC) that the committee is focused on assisting the Boards of Accountancy in their efforts to develop effective legislative strategies. To that end, NASBA Director of Legislative and Governmental Affairs John Johnson has commenced legislative consultation in Alabama, District of Columbia, Florida, Georgia, Montana, Puerto Rico, U.S. Virgin Islands and Wyoming.

The next meeting of the NASBA Board of Directors will be held on April 18, 2013 in Rancho Palos Verdes, California.

Distribution:

State Board Members, Chairs/Presidents and Executive Directors  
NASBA Committee Chairs  
NASBA Board of Directors  
NASBA Staff Directors

**Executive Summary**  
**November 15, 2012 – January 3, 2013**  
**Regional Directors' Focus Question Responses**

32 State Boards Responding

**1. A recent ARSC (AICPA Accounting and Review Services Committee) exposure draft proposed a level of accounting service (unaudited) with no report letter from the licensee and the accounting service would be exempt from peer review. Should this service be subject to peer review?**

Yes – 11; No – 13.

**2. Does your state include reference to OCBOA in its rules or law?**

Yes – 1; No – 16.

**3. Does the Board staff review the Board's revenues and expenditures with the Board members?**

Yes – 24; No – 8.

**4. Would a licensee's compliance with federal whistle blowing law cause disciplinary action from your Board against the licensee whistle blower?**

Yes – 10; No – 10.

**5. What is happening in your jurisdiction that is important for other State Boards and NASBA to know?**

Among responses - New flexible CPE (IA); Complaint volume down (ND); Fee increase (VA); "Your Ticket to a Career as a CPA" Program (LA).

**6. Are there any ways in which NASBA can assist your Board at the present time?**

Among responses - Help spread word to colleges and universities about 150 semester unit requirement (CA); Help with succession plan following death of sole practitioner (IA); Guidance on national accrediting associations (ID).

**For details, see Regional Directors' Focus Question Report.**

# NASBA REGIONAL DIRECTORS' REPORT

The following is a summary of the written responses to focus questions gathered from the member boards by NASBA's Regional Directors between November 15, 2012 and January 3, 2013. Responses which indicated nothing to report have not been included in this summary.

Respectfully submitted,

*Jefferson M. Chickering (NH) – Chair, Committee on Relations with Member Boards  
Northeast Regional Director*

*Jimmy E. Burkes (MS) – Southeast Regional Director*

*Donald Aubrey (WA) – Pacific Director*

*Bucky Glover (NC) – Middle Atlantic Regional Director*

*Janice L. Gray (OK) – Southwest Regional Director*

*Douglas W. Skiles (NE) – Central Regional Director*

*Kim Tredinnick (WI) – Great Lakes Regional Director*

*Karen Forrest Turner (CO) – Mountain Regional Director*

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**1. (a) What level of accounting service rendered by a licensee should be subject to peer review? A recent ARSC (AICPA Accounting and Review Services Committee) exposure draft proposed a level of accounting service (unaudited) with no report letter from the licensee and the accounting service would be exempt from peer review. (b) Should this service be subject to peer review?**

**Alabama** – (a) Audits, reviews and compilations. (b) Accounting services with no report letter from the licensee should be exempt from peer review. (c) Is white paper compilations by CPAs where the profession should be headed? This concept seems to be a step backwards from delivering professional services.

**Alaska** – (a) AS 08.04.426 and 12 AAC 04.600-.690

Currently in Alaska peer review is required for those that issued a report on audited or reviewed financial statements during the concluding licensing period.

(b) Not according to our current statutes/regulations – the Board has not discussed & is not scheduled to meet prior to submission of this set of focus questions.

**Arizona** – R4-4-454 requires that each firm that performs restricted financial services or full disclosure compilation services complete a peer review. The rule requires firms that provide non-disclosure compilation service be subject to an Educational Enhancement Review but the Arizona Board based on recent discussions is likely to include non-disclosure compilations in the peer review requirement to be consistent with the AICPA program requirements and because of the growing number of concerns with the educational enhancement reviews.

**California** – (a) The California Board of Accountancy requires licensees that perform any services using the following professional standards to be subject to peer review: Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARS), Statements on Standards on Attestation Engagements (SSAEs), Government Auditing Standards, and audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB). (b) The California Board of Accountancy excludes the following from peer review: (1) Any of a firm's engagements subject to inspection by the Public

Company Accounting Oversight Board as part of its inspection program. (2) Firms, which as their highest level of work, perform only compilations where no report is issued in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).

The California Board of Accountancy recently instituted mandatory peer review which is part of the California Board of Accountancy's commitment to consumer protection by enhancing the quality of accounting services in California. The California Board of Accountancy members expressed concern that the proposed changes to professional standards could potentially decrease the number of CPAs that are peer reviewed and thus decrease consumer protection.

**Guam** – (a) Any financial report that a licensee is associated with should require a report letter and be subject to peer review. (b) Guam law requires peer review for any licensee issuing compilations, as well as reviews, audits and other attest services.

**Idaho** – (a) Audits, reviews, compilations and some consideration should be given to valuations. (b) An accounting service with no report, we feel this service should not be subject to peer review.

**Indiana** – (a) Financial statements, compilations, reviews and auditing work. (b) Exempt. From an overall Board standpoint, seems there should be some accountability for doing such work. And if it is exempt does that also allow anyone to do such work, not just CPA's?

**Iowa** – (a) Compilations, reviews, audits. (b) No.

**Kentucky** – (a) In January of this year the Board amended its regulation on peer review and eliminated the exemption for compilations without disclosures. This was based upon findings that when these compilations were reviewed by an investigator they were normally deficient and if debt was included in the report the client was likely showing the report to a bank or other lending institution to obtain or refinance a loan.

**Louisiana** – (a) In general, peer review should cover accounting services in which the licensee substantially participates in the issuance or presentation of a client's financial statements or with the attest report issued thereon. (The ARSC exposure draft\* proposes to allow licensees to "prepare" a client's "unaudited" financial statements and that such service would not be subject to peer review.

The "unaudited" statements would not be "compiled, reviewed or audited". Such financial statements would contain disclosure of the fact that they were not compiled, reviewed, or audited.) (b) Yes. All firms that either prepare client financial statements -or- engage in attest services should enroll in peer review. The peer review for "unaudited" financial statements could consist of (i.) a review of internal firm documentation containing the firm's policies and procedures on its financial statement engagements and (ii.) a review of samples of clients' statements that demonstrate that the "unaudited, etc" disclosure appears on the face of the financial statements. For firms that only do this type of engagements (do not perform any "attest" services) this process would be a simplified "peer review" procedure, and presumably could be conducted by the peer review committee staff at a nominal cost to the firm.

\* Proposed Statements on Standards for Accounting and Review Services: *Association With unaudited Financial Statements*

**Mississippi** – (a) Mississippi follows the AICPA peer review standards. Audits, Reviews, Compilations, Prospective Financials require peer review. (b) Yes, these described services should be subject to peer review.

**Missouri** – (a) All accounting services should be subject to peer review. The Missouri Statutes require firms that perform even one compilation, review or attestation to be subject to peer review. (b) Yes, this service should be subject to peer review.

**Montana** – (a) All levels except the new unaudited. (b) No.

**Nevada** – (a) Nevada requires Peer Review for individuals that perform Audit, Review, Full Disclosure Compilations or Attestation Engagements. (b) Yes the Board believes this should be considered for possible Peer Review.

**New Hampshire** – (a) Attest services and compilations are subject to peer review in New Hampshire. (b) The Board has no opinion as they have not thoroughly reviewed the Exposure Draft.

**New Jersey** – (a) Audit, review, compilations (accompanied by a report). (b) No.

**New Mexico** – (a) New Mexico follows the AICPA peer review standards; therefore, the report mentioned here falls under SSARS 8 as a “management use only” report. These are presently subject to peer review. (b) These services should be covered by peer review, as the accountant is associated with their preparation and presentation.

**New York** – The NYS Education Law requires registrations of firms that provide attest services. Exceptions to the registration of the peer review program are sole proprietorships and firms with two or fewer accounting professionals. There are no exceptions when a firm provides attest services to a governmental entity. The Education Law defines attest services:

1. "Attest" means providing the following public accountancy services which all require the independence of licensees:
  - a. any audit to be performed in accordance with generally accepted auditing standards or other similar standards, developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations;
  - b. any review of a financial statement to be performed in accordance with standards, developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations;
  - c. any examination to be performed in accordance with attestation standards developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations; or
  - d. any engagement to be performed in accordance with the auditing standards of the public company accounting oversight board.

The Education further defines compilation as:

"Compilation" means providing a service that presents, in the form of financial statements, information that is the representation of the management or owners of the client without undertaking to express any

assurance of the accuracy of the information in the statements, to be performed in accordance with standards, developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations.

Therefore, under the current NYS Laws, the service would not be included in the peer review program.

**North Carolina** – (a) Our Board requires the current level of accounting services required by the AICPA for peer review to be subject to peer review. (b) Our Board is waiting for the final exposure draft as approved by the AICPA, NASBA, and the UAA Committee before considering any changes to its rules regarding peer review requirements.

**North Dakota** – (a) Audit, Review & Compilation services. (b) No.

**Oklahoma** – (a) Audits, reviews and any services requiring a report should be subject to peer review. (b) Services provided where no report is issued should not be subject to peer review.

**Oregon** – (a) Oregon subjects attest and compilation services. (b) If there is no “product” resulting from the service (such as statements or conclusion report) and is not relied upon by third parties, then the service should be exempt from peer review as presented in the draft.

**Pennsylvania** – (b) Yes, it would be subject to peer review similar to the treatment of compilations.

**Puerto Rico** – (a) Audits compilations and review. (b) No.

**South Carolina** – (a) The Board can see it both ways; according to South Carolina statute work performed under SAS or SSARS requires peer review. (b) Yes.

**South Dakota** – The South Dakota Board does not agree with the exposure draft and believes that a report should be attached to accounting services described. If we do not have a report and then do not have any form of peer review conducted then what type of quality control and quality review is there?

**Tennessee** – (a) Reviewed financial statements and audited financial statements should be subject to peer review. (b) No.

**Texas** - Audits, reviews, and compilations should be performed in accordance with professional standards and should be subject to peer review to assure that these services are properly performed and the public is protected. The lack of a report should not minimize the need for a quality product and thus peer review and the public's protection.

**Virginia** – (a) In Virginia, only a firm can provide attest or compilation services. Such firm shall obtain a Virginia CPA Firm License if the principal place of business in which it provides those services is in Virginia. Firms providing attest and compilation services in Virginia must enroll in an applicable monitoring program of the AICPA. However, in cases where a firm submits unaudited financial statements to his/her client that are not expected to be used by a third party (compilation for management's use only) and no when no report is issued, the firm would not be subject to peer review (unless the firm also performs services and issues reports on other engagements that are within the

scope of the standards). (b) The Board has not addressed this issue; however, the Virginia Society of CPA's (VSCPA) is preparing a comment letter and will oppose this type of service.

**Washington** – The Public Accountancy Act (The ACT-RCW 18.04) of the State of Washington states, in part:

It is the policy of this state and the purpose of this chapter::

- To promote the dependability of information which is used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private or governmental;
- To protect the public interest by requiring that persons who hold themselves out as licensees or certificate holders conduct themselves in a competent, ethical, and professional manner; and
- The Board may by rule implement a quality assurance review program as a means to monitor licensee's quality of practice and compliance with professional standards.

Washington State legislators have questioned the agency's Executive Director as to why the profession and the Board do not promote and attest to the reliability of non-financial information such as accounting data and non-financial performance measures.

Although Board rule WAC 4-30-130 currently limits the quality assurance review requirements to firms providing assurance services, this Executive Director believes that any reasonable interpretation of the ACT implies that accounting and other professional services could be made subject to peer review by Board rule.

Given that the Board's ethics rules require integrity, objectivity, and competency by all credentialed persons, including employees thereof, when rendering any professional service, the Executive Director suggests non-attest services would be subject to the Board's quality assurance program as a matter of public expectation and protection.

**Wisconsin** – If no report letter is being issued by the accountant, and no assurance or responsibility is being taken for the information, and the information is being used for internal purposes only, I can see this report being exempt from the requirements of peer review.

**2. The AICPA's new Financial Report Framework for SMEs (small and medium entities) has been characterized as "non-authoritative" guidance. (a) How will your Board view a licensee's work and report based on this framework? (b) At one point the AICPA was going to eliminate OCBOA (other comprehensive basis of accounting) language. Does your state include reference to OCBOA in its rules or law?**

**Alabama** – (a) It will be treated as OCBOAs are currently. (b) No.

**Alaska** – (a) We do not regulate compiled financial statement preparation. If a review or audit report is issued, regardless of the method of accounting, you have to be a licensed CPA. (b) No

**Arizona** – The Arizona Board does reference "comprehensive basis of accounting" language in its definition of financial statements.

**California** – (a) The work will be treated the same as we treat reports of financial statements prepared in accordance with a special purpose framework. (b) There is a reference to OCBOA in California Board of Accountancy Regulations, Article 5, Section 37, regarding reissuance of a cancelled CPA license. Specifically, the California Board of Accountancy requires a certified public accountant whose certificate has been cancelled for failing to renew within five years following its expiration, to complete 48 hours of continuing education (within three years preceding the date of application for reissuance). For an applicant whose reissued certificate will not authorize signing reports on attest engagements, courses in general accounting, and other comprehensive basis of accounting is required.

**Guam** – (a) Guam will consider a licensee’s reporting based on the FRF for SMEs as it would work performed in accordance/compliance with any other applicable standards and guidance, authoritative as well as non-authoritative. (b) Guam law and rules do not specifically reference “OCBOA” language, but indirectly refers to such in a rule regarding the definition of financial reports.

**Idaho** – (a) If the Financial Report Framework for SME’s is allowed, we would review it under peer review. (b) Our state does not include reference to OCBOA in its rules or law.

**Indiana** – (a) At this point, the Board does not have a specific stance on this issue. They will most likely tackle it once it’s put in front of them. If no authority, seems like an endless circle. (b) No, OCBOA is not specifically referenced in Indiana’s rules and laws. We do reference the AICPA standards which cover the OCBOA.

**Iowa** – (a) It would be difficult to discipline anyone based on non-authoritative guidance.

**Kentucky** – (a) Unsure as to what is being asked and since Board will not meet till after the responses are due I am unsure as to how they would respond. I am also not sure of the value of “non-authoritative” guidance since even if the advice is followed the CPA could possibly still be disciplined by the Board since the guidance is “non-authoritative”. (b) No.

**Louisiana** – (a) The Board expects to view the work product as it would other licensee work product. Accountant’s reports typically identify the applicable professional standards (level of service provided by the licensee), and they also refer to the basis of accounting used in the client’s financial statements. We also note that, based upon the AICPA’s FAQ, this work would be subject to Peer Review. (b) No. LA Board’s rules provide that professional standards applicable to the engagement must be followed (e.g., professional standards generally mean SSARS, SAS, etc., which are referenced in our law). In contrast, the references to “GAAP”, “modified cash”, “tax basis”, “OCBOA” are expected to be cited in the understanding with the client, the engagement letter, the accountant’s report, and disclosed in the Notes to the statements if applicable.

**Mississippi** – (a) The Mississippi Board has not yet discussed the new financial reporting framework. (b) The current Rules and Regulations require a licensee/firm permit holder to utilize and apply the appropriate standards for each engagement which could include OCBOA as appropriate.

**Missouri** – “Non-authoritative” guidance has no merit. (a) We do not believe in the premise and would not look favorably on the application of “non-authoritative” guidance. (b) We do not reference OCBOA; however, we are opposed to its elimination.



**Montana** – (a) Don't know yet. (b) No.

**Nevada** – Nevada does not reference specific authoritative guidance or OCBOA as a specific standard. But rather indicates that professional standards must be followed. The language is rather broad and therefore leaves the area of standards up to the Board's interpretation especially when the standards change.

**New Hampshire** – (a) This is under review. The Board has no opinion at this time. (b) New Hampshire has no reference to OCBOA in administrative rules or statute.

**New Jersey** – (a) It's "non-authoritative." (b) Clarity has eliminated OCBOA; now special purpose framework.

**New Mexico** – According to New Mexico Board rules, the Financial Report Framework for SMEs would have to be recognized by some authoritative body (such as the AICPA) as another comprehensive basis of accounting in order for it to be accepted.

**New York** – The Public Accountancy Board plans to respond to the Exposure Draft during the upcoming January meeting.

**North Carolina** – (a) Our Board would view a licensee's work or report on this framework as a departure from GAAP. (b) The Board's rules allow for a CPA to either prepare or report on financial statements that depart from GAAP as long as the CPA's report describes the departure, the approximate effects thereof, if practicable, and the reasons why compliance with GAAP would result in a misleading statement.

**North Dakota** – Financial reporting services performed under the SME Framework would not be treated differently than preparation under other OCBOA frameworks such as Cash Basis accounting.

**Oklahoma** – (a) Oklahoma would treat it as non- authoritative guidance. (b) No.

**Oregon** – I believe Oregon law refers generally to accounting standards and not necessarily to "OCBOA". I would assume that the framework would be considered when evaluating whether professional standards were being followed.

**Pennsylvania** – (a) The Board would view it as authoritative and not view it different than existing standards. (b) No.

**Puerto Rico** – (a) As a non-GAAP engagement. (b) No.

**South Carolina** – (a) South Carolina would consider it to be authoritative. (b) South Carolina believes OCBOA should remain in Professional Standards.

**South Dakota** – (a) Our rules reference issuing financial statements and we do not have an issue with this. (b) Our Board does not include OCBOA specifically in our rules.

**Tennessee** – (a) It will be taken into consideration, but the Rules require that the licensee comply with “...standards promulgated by the American Institute of Certified Public Accountants...”. (b) There is no reference to OCBOA in the Rules or the law governing accountancy in Tennessee.

**Texas** – (a) Our Board will evaluate whether the CPA exercised appropriate professional judgment in determining whether GAAP or OCBOA applied. (b) This agency includes the equivalent of OCBOA in its rules by recognizing similar pronouncements issued by other entities having similar generally recognized authority.

**Virginia** – (a) The Board would continue to hold the licensees work to the audit, review and compilation standards. (b) No, we do not include any reference to OCBOA in our rules or law.

**Washington** – (a) The Executive Director’s regulatory view would be that “non-authoritative guidance” should be considered and would likely be applicable in the absence of an authoritative prohibition against that guidance. This response is predicated upon:

- The rationale set forth in the answer to Q #1;
- Recognizing that professional judgment is required to ensure that numerical and non-numerical data and information is not misleading; and
- Board rule WAC 4-30-048 provides, in part, that if professional services are governed by “standards” not included within the list of recognized standards those professionals governed by the ACT must:
  - i. Document any departure from the listed standards;
  - ii. Determine applicable standards (guidance); and
  - iii. Demonstrate compliance with applicable standard (guidance, which from a legal perspective would include general standards of practice, i.e. market-place expectations.

(b) OCBOA is not specifically identified but is implied by reference to current professional standards, non-authoritative guidance, and the rationale in (a) above.

**Wisconsin** – (a) We would view any work under the AICPA’s proposed framework as subject to our laws and rules and subject to peer review. We would consider statements prepared under the AICPA’s proposed framework as an OCBOA presentation. (b) Our rules do not reference any particular financial reporting framework, and there is no mention of OCBOA specifically. Our rules merely indicate that no person shall express an opinion that financial statements are presented in conformity with GAAP if such statements contain any departure from an accounting principle promulgated by a body designated by the AICPA to establish such principles. Our rules more specifically reference generally accepted auditing standards, Standards for Accounting and Review Services and Attestation Standards.

**3. Does the Board staff review the Board’s revenues and expenditures with the Board members? If so, how often is this done?**

**Alabama** – Yes, two times each fiscal year.

**Alaska** – The Division is supposed to provide quarterly revenue/expenditure reports to each Board. The most recent report is always included in the Board meeting packet (the Board meets at least four

times per year). The Board has requested the Division's recommendation for FY 14 operating budget be available at our February meeting for our comments.

**Arizona** – The Board receives a budget update that includes revenues and expenditures at each monthly board meeting.

**California** – California Board of Accountancy staff provide a review of California Board of Accountancy revenues and expenditures with California Board of Accountancy members on a quarterly basis.

**Guam** – Yes, previously done on a quarterly basis, Guam's FY2013 budget law requires monthly reporting to the governor's and legislative speaker's offices, plus website posting.

**Idaho** – Yes, the Board is given a report by the Treasurer at each quarterly Board meeting. Each month, the Board staff prepares a Treasurer's Report showing the Board's revenues and expenses and that is shared with the Treasurer and Chair.

**Illinois BOE** – The Executive Director is responsible for implementing and controlling expenditures of board office operations. The Executive Director reviews revenues and expenditures at least quarterly during board meetings and other times as directed by the board chair.

**Indiana** – We are an umbrella agency so the agency revenues and expenditures are not reviewed with the Board. The Accountancy Board is unique in that it has a dedicated fund that covers the costs of investigating and other compliance initiatives. The budget for this fund is reviewed with the Board on a quarterly basis.

**Iowa** – No. The Board's staff is not responsible for setting the expenditures or managing revenues. The Board falls under an umbrella agency with 8 professions and 7 Boards.

**Kentucky** – Yes. These are reviewed at every meeting.

**Louisiana** – Yes, at each quarterly Board meeting.

**Montana** – Yes. Every meeting.

**Mississippi** – Yes, the Mississippi Board reviews revenues and expenditures at each monthly or periodic Board meeting.

**Missouri** – Yes, we do at each Board meeting. Board meetings are held at least six times a year.

**Nevada** – Nevada staff provides the Board with all revenues and expenditures on a monthly basis. The information is approved at each Board Meeting. The Secretary-Treasurer reviews the information monthly and prior to the Board Meetings.

**New Hampshire** – The New Hampshire Board is in a consolidated licensing agency. The administration has requested a new Accountant position to review revenues and expenditures with the

Boards. We currently have no dedicated accounting staff. Fees are set in administrative rules in New Hampshire. Revenues and expenditures are reviewed as part of the rulemaking process.

**New Jersey** – No.

**New Mexico** – This has not been done for over a year, as all budget documents are now prepared by the Administrative Services Division of the Regulation and Licensing Department, and all expenditures are controlled by this division as well.

**New York** – The Public Accountancy Board is an advisory Board and not an independent entity. It does not have a separate allocation of funds from the New York State Education Department. Therefore, the Board staff does not review Board revenue and expenditures with the Board members.

**North Carolina** – The Board's Deputy Director, who is a CPA, prepares the monthly financial statements and they are a part of the monthly Board package. The financial statements are presented at the Board meeting, discussed and voted on to accept them as presented.

**North Dakota** - For each Board meeting, financial statements are provided to the Board, plus a cash disbursements journal.

**Oklahoma** – Yes, all financial information is provided to the Board at its monthly meeting.

**Oregon** – A treasurer's report is presented at each Board meeting. The Board typically meets five or six times each year.

**Pennsylvania** – Yes, yearly. However, measures are being taken to provide quarterly updates to the Board.

**Puerto Rico** – N/A. We do not have a budget. All is run under the umbrella of the Department of State.

**South Carolina** – Yes, at each Board meeting.

**South Dakota** – The Board reviews the revenues and expenditures of the Board office on a monthly basis.

**Tennessee** – Yes, the Board reviews revenues and expenditures at the quarterly Board meetings.

**Texas** – This agency's Board routinely reviews and approves agency expenditures at each Board meeting which occurs about every other month.

**Virginia** – Yes, I review our financial report (current status) with the Board at every Board meeting.

**Washington** – The Executive Director has recently begun providing updates to the Board's Officers prior to the Board's quarterly public Board meetings and may comment on the Budget at these open public meetings depending on the circumstances.

**Wisconsin** – We are not presented with any financial information related to the results of our Board's operations. We are one of over 100 boards under an umbrella organization.

**4. Would a licensee's compliance with federal whistle blowing law cause disciplinary action from your Board against the licensee whistle blower? If so, please explain.**

**Alabama** – Each instance/case would have to be evaluated on its own merits for such a determination.

**Alaska** – The Board has not discussed this issue.

**Arizona** – Unsure and probably various on the circumstances.

**California** – A determination will be made on each case based on applicable federal laws and the California Accountancy Act and Regulations.

**Guam** – Any disciplinary action against a licensee is ultimately subject to the Board's discretion, and in such a case would likely depend on the specific circumstances involved.

**Idaho** – At this point, we have not had to address this. In our discussions, we don't know how we would handle it and feel the circumstances involved would have an impact on the direction taken by the Board. There is not a provision in our Act or Rules which deals directly with this issue. Rule 402 does address 'confidentiality' and would be dealt with on a case-by-case basis.

**Indiana** – The Board would not seek disciplinary action on a whistle blower unless the licensee violated the law or an accounting standard.

**Iowa** – The question does not provide sufficient information for a simple yes or no answer. In general, Iowa Code section 542.17 should guard against adverse action if the question pertains to a licensee-whistle blower's handling of confidential information.

**Kentucky** – Probably not since the federal law may bar us from doing so.

**Louisiana** – To date, an issue has not come before the Board. A review by legal counsel of the facts and circumstances would likely be necessary.

**Mississippi** – (a) The Mississippi Board investigates each complaint independently. However, if a licensee had a legitimate finding especially against an alleged felon, the Board would not be apt to treat it as a disciplinary matter.

**Missouri** – Any complaint would be evaluated based on the specific facts and circumstances. However, we believe in a whistleblower situation that proved to have merit no action would be taken.

**Montana** – Depends on facts and situation.

**Nevada** – The Board would most likely not discipline a licensee for whistle blowing. However it would depend on the specific circumstances.

**New Hampshire** – Disciplinary matters are reviewed on a case-by-case basis.

**New Jersey** – Not under normal circumstances.

**New Mexico** – No, this would not cause disciplinary action to be taken.

**New York** – All referrals of disciplinary matters are sent to an investigator at the Office of Professional Discipline (OPD). OPD may in the course of its investigation consider if as a result of a licensee utilizing the whistleblower law committed misconduct.

**North Carolina** – Depending on the facts of the matter, it is possible that there may be circumstances that a licensee may be disciplined in complying with a federal whistle blowing law.

**North Dakota** - No. Compliance would not trigger Board disciplinary action, if mandated by federal law.

**Oklahoma** – This issue has not come before the Board, however, there may be an enforcement action taken against the CPA for violating confidentiality.

**Oregon** – If confidentiality rules were violated, a technical violation would probably be found by the Board. The circumstances of the case would dictate what disciplinary action would be taken.

**Pennsylvania** – As per Section 11.1 of the Pennsylvania CPA Law states: “Nothing in this section shall be taken or construed as prohibiting the disclosure of information required to be disclosed by the standards of the profession in reporting on the examination of financial statements, or in making disclosures in a court of law or in disciplinary investigations or proceedings when the professional services of the CPA, PA or firm are at issue in an action, investigation or proceeding in which the CPA, PA or firm is a party.”

**Puerto Rico** – Each case is different. We would have to see the specific circumstances of each case.

**South Carolina** – Based on our statute, the whistleblower cannot disclose the information. The Board has not considered any action on this issue; however, based on this perspective the Board will review.

**South Dakota** – The Board has not discussed this issue, but does not believe compliance with federal whistle blowing would cause disciplinary action from our Board at this time.

**Tennessee** – Rule 0020-03-.10 states that: “(1) A licensee shall not disclose any confidential client information without the specific consent of the client. (2) This rule shall not be construed to: (d) Preclude a licensee from initiating a complaint with or responding to any inquiry made by a recognized investigative or disciplinary body....”

This language would appear to protect a licensee when filing a complaint under the federal whistle blowing law. The licensee would be initiating a complaint with a recognized disciplinary body, and so would be protected under this rule.

**Texas** – A licensee is prohibited by state law from voluntarily disclosing his client’s communications without permission of the client.

**Virginia** – No.

**Washington** – The Executive Director believes it would depend on the circumstances. For example:

- If the licensee employee was protected under the Federal Whistle Blower Act or one of the several other Federal disclosure acts, discipline would most likely not be imposed or a cautionary non-disciplinary communiqué might be issued;
- If the licensee inappropriately retaliated against an employee for “whistle blowing” in violation of a state or federal law, discipline would probably occur; or
- If the failure to disclose resulted in conviction of a crime or an act constituting a crime under Sarbanes-Oxley (SOX) or other relevant Federal or state law the licensee would probably be disciplined. (RCW 18.04.295(5)(c))

**Wisconsin** – Our rules have the typical confidentiality language similar to the AICPA Code of Conduct. The rules do not have any provisions related to whistle-blower provisions. If a case came before the Board related to a whistle-blower case, I would be surprised if our Board would take action against the licensee if the communications took place under appropriate whistle-blower laws.

**5. What is happening in your jurisdiction that is important for other State Boards and NASBA to know?**

**Alabama** – Earlier announcements by the Governor that the administration was considering consolidation of the professional and occupational licensing boards appears to be waning and may not be a focus of the administration in the near term.

**Alaska** – The Board has been informed that its travel budget for the fiscal year (through 6/30/13) is limited and the Board members/staff may be unable to attend any more out-of-state meetings. The Board also anticipates the introduction of legislation in the upcoming session that will aim to block the required collection of biometric information has the potential to cause problems for the CPA Examination administration in Alaska.

**Arizona** – The Board has a piece of legislation that is a comprehensive statutory rewrite for the 2013 legislative session.

**California** – Mobility goes into effect 7/1/13. Additionally, as noted in our response to question 6, effective January 1, 2014, there will be a 150 semester unit requirement to obtain CPA licensure.

**Guam** – Guam is working towards law revisions to accommodate mobility. Also, Guam’s Test Center revenues continue to drop due to international testing, with the total 2012 calendar year revenues being less than the total revenues reported for the Test Center’s 2004 opening calendar year with only 9 months of recorded revenues. This decline will likely be exacerbated by the extension of international

testing to the full testing window of each quarter. The only viable alternative at present is to encourage Chinese candidates to sit in the Guam Test Center.

**Idaho** – We are awaiting the start of the next legislative session. There are numerous new Senators and Representatives so it could be an interesting time during this session. As we've mentioned at Executive Director conferences and meetings, we are watching legislation that refers to the use of Hearing Officers for Regulatory Boards (John Johnson is aware and watching). Legislation died in the last session that would have required the use of a Hearing Officer for all contested cases and the legislations definition of 'contested case' would have included all disciplinary actions.

**Illinois BOE** – The Board of Examiners will be relocating offices from Champaign, Illinois to the Naperville, Illinois campus of Northern Illinois University sometime during middle to late spring, 2013. New educational requirements become effective July 1, 2013.

**Iowa** – We have a new flexible CPE schedule that is expected to go into effect in March 2013. It will allow licensees to choose an annual CPE cycle or a mid-year CPE cycle (either one is a 36-month CPE cycle) for the CPE needed for renewal. It is expected to eliminate frustration for licensees and the staff time to process those who reinstate due to missing the CPE deadline.

**Louisiana** – The Board's last meeting (in November) was held at Dillard University. The reception event held the night before the meeting drew approximately 100 students and faculty from several universities in New Orleans. Speakers from the AICPA, LCPA and the State Board presented a program entitled "Your Ticket to a Career as a CPA."

**Mississippi** – There has been some "talk" from some of the State's leaders to possible consolidation of Boards and Commissions in Mississippi. The Board is in "wait and watch" mode.

**Missouri** – We are working with NASBA on a CPE Pilot project utilizing NASBA's CPE tracking tool. In addition, we are once again lowering licensing fees to keep our Accountancy fund from being swept to General Revenue. Our statutes require excess funds over 3 times our annual appropriation to be swept to General Revenue on a biennium cycle. We are perilously close to that scenario.

**Montana** – Independence legislation. Single tier legislation. Elimination of CPE reporting. Elimination of Profession Monitor Program (PMP). Transition to peer review.

**New Hampshire** – A subcommittee of the Board and the New Hampshire CPA Society are studying the 2011 Uniform Accountancy Act.

**New Jersey** – 20 credits 1 year CPE. CPE credits results. Peer review all firms.

**New Mexico** – Two new Board members were recently appointed by the Governor and will begin serving their terms in January 2013. Three members whose terms have expired are continuing to serve until reappointed or replaced.

**North Dakota** – Complaint volume is down this year, as is our response time.

**Oklahoma** – The legislative season is upon us and consolidation proposals are a major concern.



**Oregon** – New Executive Director effective 11/1/12. Potential consolidation efforts in 2013 Legislative Session. Evaluation of current rules/statutes by task force in 2013.

**Pennsylvania** – Pennsylvania still requires attest experience for CPA Certification. New Regulations are in effect with a change in CPE adding 4 hours in Ethics and establishing an ACT 48 to include more penalties for violations. The Board is completing on December 31, 2012, their Firm Amnesty Licensure Program, whereby all unlicensed accounting firms that should be licensed could apply to the State Board of Accountancy for licensure without penalty. The program ran from July 1, 2012 through December 31, 2012.

**Puerto Rico** – We just acquired substantial equivalency and are working toward mobility along with the State Society.

**South Carolina** – Submitting statutory changes.

**Tennessee** – The Tennessee State Board of Accountancy is currently due to sunset as of 30 June 2013. There is an expectation that the legislation to extend the Board will be introduced as “status quo” legislation with no changes as to Board structure and operation.

**Virginia** – Our most recent, primary focus has been our fee increase. Our new fee structure went into effect on January 1, 2013.

**Washington** –

- Continuing to gain an improved understanding of those foreign educational institutions that provide at least equivalent and credible education to that provided by accredited educational institutions in the United States.
- Beginning the process of obtaining input from multiple constituencies regarding the prudence of granting a license to Foreign Public Accounting Firms similar to the provisions of 15 USC provided a Foreign Public Accounting Firm is subject to inspections by the PCAOB or a foreign country equivalent recognized by the PCAOB and/or other applicable regulatory bodies such as the Office of the Insurance Commissioner in Washington State.

**Wisconsin** – We will be having a large turnover in the Board in the next six months. We currently have a seven member Board. Two long time Board members recently resigned, one of which is a past chair with over 12 years experience on the Board. In addition, one member has notified the Board of an upcoming resignation due to a pending move out of state. All three members are practitioner members. This will leave only our Board chair and one public member with any extensive experience on the Board.

## **6. Are there any ways in which NASBA can assist your Board at the present time?**

**Alaska** – The Board will ask for NASBA’s assistance in combating the legislation noted above in the response to Focus Question 5 if it surfaces as anticipated. Depending on the denial of requested trips, the Board may request scholarships for trips through the end of the fiscal year (June 30, 2013).

**California** – As reported to NASBA in prior Focus Questions submissions, effective January 1, 2014, the California Board of Accountancy will transition to a 150 semester unit requirement as the sole pathway to CPA licensure. The California Board of Accountancy has been actively spreading the message about this transition, including establishing a webpage specific to the new educational requirements and conducting various seminars and Facebook events. The California Board of Accountancy recognizes that many of the licensees that eventually apply for initial licensure in California have obtained all or part of their education outside of California. With NASBA's ability to spread a message nationally, the California Board of Accountancy would appreciate any outreach that NASBA could provide informing various students and faculty at out-of-state colleges/universities about the impending changes and directing these individuals to the California Board of Accountancy website.

**Guam** – Promote more candidates sitting for the exam at the Guam Test Center.

**Idaho** – We are still interested in direction from NASBA around the issue of accreditation when it comes to national accrediting agencies. When looking at a nationally accredited school, it would be helpful to have some guidance on how to evaluate, not necessarily the school, but the accrediting organization. The Idaho Board is also interested in NASBA's thoughts and what other states are doing in instances where a CPA, who is a sole proprietor, has passed away. What are others doing with those client records? Do some states have succession planning as a mandatory initiative for those sole proprietors? If so, who monitors it and how is it reported. We have taken the position that the Board Office should not take possession of those records and have felt those records, in these instances, would become the asset of the estate.

**Iowa** – We would appreciate assistance in creating guidance for a succession plan when there is the death of a sole practitioner.

**Missouri** – Continue the CPE project after the pilot program is complete.

**Montana** – Yes – newsletters and legislative support.

**New Jersey** – Develop National CPE Tracking and Auditing for compliance.

**North Dakota** – We suggest that NASBA reconsider the amounts charged for dues and for conference registrations.

**Oklahoma** – We would like to discuss NASBA's assistance with print media.

**Oregon** – Any assistance in the items under #5 would be appreciated. Our new Executive Director has already begun to reach out for assistance from our Regional Director.

**Pennsylvania** – The Board would like to encourage NASBA to continue their use of their scholarship program.

**Puerto Rico** – Statistics on mobility from other states and legislation passed in order to see how we can adapt to our specific conditions.

**South Carolina** – (a) Need help with a regular scheduled newsletter. (b) Technology security.

**Wisconsin** – We are currently working with NASBA staff on how to get the State to change their mind on not implementing ALD. We have appointed a task force to identify state concerns and have contacted NASBA staff on how they might assist.

**7. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.**

☐ **Input only from Board Chair: OR**

☐ **Input only from Executive Director: AZ, KY**

☐ **Input only from Board Chair and Executive Director: AL, AK, IL-BOE, IN, NC, NY, TN, TX, VA**

☐ **Input from all Board Members and Executive Director: GU, IA, ID, MO, MS, MT, NH, NJ, NV, OK, PA, SC, SD**

☐ **Input from some Board Members and Executive Director: LA, ND, NM, WA**

☐ **Input from all Board Members: PR**

☐ **Input from some Board Members: WI**

**Other (please explain):**

1.22.13