



**SOUTH DAKOTA  
BOARD OF ACCOUNTANCY**  
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Agenda  
South Dakota Board of Accountancy Meeting  
Conference Call  
9:00 a.m. (CT)  
June 15, 2016

A=Action	
D=Discussion	
I=Information	PAGE
A-Approval of Minutes of Meeting May 2, 2016.....	2
A-Approval of Certificates & Firm Permits.....	3-4
A-Approval of Financial Statements through April 2016.....	5-14
D-Executive Director's Report.....	15
<b>AICPA</b>	
D-Exposure Draft – Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews.....	16-55
<b>NASBA</b>	
D-Exposure Draft – UAA Amendments to Section 6 and Model Rules Article 5.....	56-67
D-Board of Directors meeting minutes January 22, 2016.....	68-75
D-Board of Directors meeting highlights April 29, 2016.....	76-77
D-Regional Directors Focus Questions Executive Summary & Report.....	78-95
<b>EXECUTIVE SESSION</b>	
Equivalent Reviews, South Dakota Reviews and Complaints for Board Approval.....	Spt. Pkt.
<b>FUTURE MEETING DATES (all times CT)</b>	
July 11 – 9:00 Conference Call	
August 16 – 8:30 Sioux Falls Holiday Inn City Centre, Cascade Room	



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South Dakota Board of Accountancy  
Minutes of Meeting-Conference Call  
May 2, 2016 - 9:00 a.m.

The Board of Accountancy held a meeting by conference call on Monday, May 2, 2016. Chair David Pummel called the meeting to order at 9:05 a.m.

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

Also present were Nicole Kasin, Executive Director, and Julie Iverson, Sr. Secretary.

A motion was made by Holly Brunick and seconded by John Linn, Jr. to approve the agenda. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Smith-yea; Brunick-yea; Pummel-yea)

A motion was made by John Linn, Jr. and seconded by Jeff Smith to approve the March 24, 2016 meeting minutes. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Smith-yea; Brunick-yea; Pummel-yea)

A motion was made by Holly Brunick and seconded by John Mitchell to approve the issuance of individual certificates and firm permits through April 26, 2016. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Smith-yea; Brunick-yea; Pummel-yea)

The board discussed the financials. A motion was made by John Mitchell and seconded by Holly Brunick to approve the financial statements through March 2016. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Smith-yea; Brunick-yea; Pummel-yea)

Executive Director Kasin discussed her report with an update on the new database, website updates, and being a recent guest speaker at DSU.

The Board was given the AICPA Practice Analysis Final Report for review.

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

June 15<sup>th</sup> – 9 a.m. Conference Call

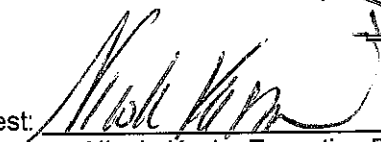
July 11<sup>th</sup> – 9 a.m. Conference Call

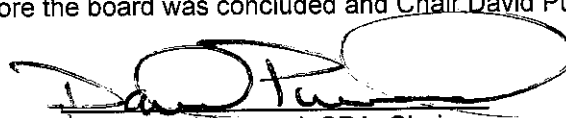
August 16<sup>th</sup> - 8:30 a.m. Sioux Falls Location TBD

A motion was made by John Linn, Jr. and seconded by Jeff Smith to adjourn the meeting. A roll call vote was taken. The motion unanimously carried. (Linn, Jr.-yea; Mitchell-yea; Smith-yea; Brunick-yea; Pummel-yea)

All business having come before the board was concluded and Chair David Pummel adjourned the meeting at 9:38 a.m.

Attest:

  
Nicole Kasin, Executive Director

  
David Pummel, CPA, Chair

  
Jeff Smith, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES  
BOARD COPY**

**Issued Through June 7, 2016**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Location</b>
3252	Teresa Renae Ward	5/04/16	Sioux Falls, SD
3253	Robert Lee Johnson	5/12/16	Watertown, SD
3254	Peter James Meyer	5/23/16	Sioux Falls, SD
3255	Dianne R. List	5/24/16	Yankton, SD
3256	Robert J. Larsen	5/25/16	Sioux Falls, SD
3257	Zach Josef Van Sambeek	5/27/16	Rapid City, SD

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

**Issued Through  
June 7, 2016**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Basis/Comments</b>
1668	LBMC, PC Brentwood, TN	06/07/16	Name Change

BA1409R1

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STATE OF SOUTH DAKOTA  
CASH CENTER BALANCES  
AS OF: 04/30/2016

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

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	366,668.68	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			366,668.68	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			366,668.68	DR **	
BUDGET UNIT TOTAL 1031			366,668.68	DR ***	

\$ 371,684.53

+ \$5,015.85 GNB transactions - ran in April.  
NOT Posted to state reports until May

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 04/30/2016

AGENCY		LABOR & REGULATION		DOCUMENT		POSTING		JV APPL. #		SHORT		VENDOR		VENDOR		AMOUNT		DR/	
BUDGET UNIT		BOARD OF ACCOUNTANCY		NUMBER		DATE		OR PAYMENT #		NAME		NUMBER		GROUP				CR	
CENTER-5		10310		BOARD OF ACCOUNTANCY															
COMP		CENTER		ACCOUNT															
COMPANY NO		6503																	
COMPANY NAME		PROFESSIONAL & LICENSING BOARDS																	
6503		103100061802		51010100		CGEX160329		04/01/2016								2,257.33		DR	
6503		103100061802		51010100		CGEX160413		04/15/2016								2,519.32		DR	
6503		103100061802		51010100		CGEX160427		04/30/2016								1,976.61		DR	
OBSUB:		5101010		F-T EMP SAL & WAGES												6,753.26		DR	
6503		103100061802		51010200		CGEX160329		04/01/2016								922.21		DR	
6503		103100061802		51010200		CGEX160413		04/15/2016								943.74		DR	
6503		103100061802		51010200		CGEX160427		04/30/2016								806.94		DR	
OBSUB:		5101020		P-T/TEMP EMP SAL & WAGES												2,672.89		DR	
6503		103100061802		51010300		CGEX160413		04/15/2016								240.00		DR	
OBSUB:		5101030		BOARD & COMM MBRS FEES												240.00		DR	
OBSUB:		5101		EMPLOYEE SALARIES												9,666.15		DR	
6503		103100061802		51020100		CGEX160329		04/01/2016								207.63		DR	
6503		103100061802		51020100		CGEX160413		04/15/2016								247.56		DR	
6503		103100061802		51020100		CGEX160427		04/30/2016								177.46		DR	
OBSUB:		5102010		OAS-EMPLOYER'S SHARE												632.65		DR	
6503		103100061802		51020200		CGEX160329		04/01/2016								190.77		DR	
6503		103100061802		51020200		CGEX160413		04/15/2016								207.75		DR	
6503		103100061802		51020200		CGEX160427		04/30/2016								167.02		DR	
OBSUB:		5102020		RETIREMENT-ER SHARE												565.54		DR	
6503		103100061802		51020600		CGEX160329		04/01/2016								510.42		DR	
6503		103100061802		51020600		CGEX160413		04/15/2016								516.12		DR	
6503		103100061802		51020600		CGEX160427		04/30/2016								269.61		DR	
OBSUB:		5102060		HEALTH/LIFE INS.-ER SHARE												1,296.15		DR	
6503		103100061802		51020800		CGEX160329		04/01/2016								2.55		DR	
6503		103100061802		51020800		CGEX160413		04/15/2016								2.67		DR	
6503		103100061802		51020800		CGEX160427		04/30/2016								2.23		DR	
OBSUB:		5102080		WORKER'S COMPENSATION												7.45		DR	
OBSUB:		5102		EMPLOYEE BENEFITS												2,501.79		DR	
OBSUB:		51		PERSONAL SERVICES												12,167.94		DR	
6503		103100061802		52032600		CGEX160414		04/15/2016								536.70		DR	
OBSUB:		5203260		AIR-COMM-OUT-OF-STATE												536.70		DR	
6503		103100061802		52032800		CGEX160414		04/15/2016								84.00		DR	
OBSUB:		5203280		OTHER-PUBLIC-OUT-OF-STATE												84.00		DR	
6503		103100061802		52033000		CGEX160414		04/15/2016								708.54		DR	
OBSUB:		5203300		LODGING/OUT-OF-STATE												708.54		DR	
6503		103100061802		52033200		CGEX160414		04/15/2016								90.00		DR	
OBSUB:		5203320		LODGING/OUT-OF-STATE												90.00		DR	



BA0205A5 04/30/2016

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 04/30/2016

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

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
OBJECT:	5228	NONOP EXP/NONBGTD OP TR							329.76	DR **
GROUP:	52	OPERATING EXPENSES							7,179.77	DR ***
COMP:	6503								19,347.71	DR *****
CNTR:	103100061802								19,347.71	DR *****
B. UNIT:	1031								19,347.71	DR *****



**South Dakota Board of Accountancy**  
**Balance Sheet**  
As of April 30, 2016

	Apr 30, 16
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
1130000 · Local Checking - Great Western	384.53
1140000 · Pool Cash State of SD	371,684.53
Total Checking/Savings	372,069.06
Other Current Assets	
1131000 · Interest Income Receivable	4,392.05
1213000 · Investment Income Receivable	981.51
Total Other Current Assets	5,373.56
Total Current Assets	377,442.62
<b>Fixed Assets</b>	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-140,063.23
Total 1670000 · Computer Software	0.00
Total Fixed Assets	0.00
<b>TOTAL ASSETS</b>	<b>377,442.62</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
2110000 · Accounts Payable	6,124.01
Total Accounts Payable	6,124.01
Other Current Liabilities	
2430000 · Accrued Wages Payable	6,729.32
2810000 · Amounts Held for Others	27,519.79
Total Other Current Liabilities	34,249.11
Total Current Liabilities	40,373.12
Long Term Liabilities	
2960000 · Compensated Absences Payable	18,468.75
Total Long Term Liabilities	18,468.75
Total Liabilities	58,841.87
<b>Equity</b>	
3220000 · Unrestricted Net Assets	252,447.33
3900 · Retained Earnings	11,248.06
Net Income	54,905.36
Total Equity	318,600.75
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>377,442.62</b>

# South Dakota Board of Accountancy

## Profit & Loss Budget vs. Actual

July 2015 through April 2016

	Jul '15 - Apr 16	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	1,700.00	2,800.00	-1,100.00	60.7%
4293551 · Certificate Renewals-Active				
5208002 · Refunds	-75.00			
4293551 · Certificate Renewals-Active - Other	60,275.00	58,000.00	2,275.00	103.9%
<b>Total 4293551 · Certificate Renewals-Active</b>	<b>60,200.00</b>	<b>58,000.00</b>	<b>2,200.00</b>	<b>103.8%</b>
4293552 · Certificate Renewals-Inactive	20,100.00	21,000.00	-900.00	95.7%
4293553 · Certificate Renewals-Retired	1,040.00	800.00	240.00	130.0%
4293554 · Initial Firm Permits	500.00	700.00	-200.00	71.4%
4293555 · Firm Permit Renewals	13,700.00	15,500.00	-1,800.00	88.4%
4293557 · Initial Audit	750.00	900.00	-150.00	83.3%
4293558 · Re-Exam Audit	1,950.00	2,460.00	-510.00	79.3%
4293560 · Late Fees-Initial Certificate	0.00	0.00	0.00	0.0%
4293561 · Late Fees-Certificate Renewals	2,950.00	3,000.00	-50.00	98.3%
4293562 · Late Fees-Firm Permits	0.00	0.00	0.00	0.0%
4293563 · Late Fees-Firm Permit Renewals				
5208012 · REFUNDS	-50.00			
4293563 · Late Fees-Firm Permit Renewals - Other	450.00	600.00	-150.00	75.0%
<b>Total 4293563 · Late Fees-Firm Permit Renewals</b>	<b>400.00</b>	<b>600.00</b>	<b>-200.00</b>	<b>66.7%</b>
4293564 · Late Fees-Peer Review	400.00	1,300.00	-900.00	30.8%
4293566 · Firm Permit Owners	98,405.00	105,000.00	-6,595.00	93.7%
4293567 · Peer Review Admin Fee	900.00	5,650.00	-4,750.00	15.9%
4293568 · Firm Permit Name Change	125.00	100.00	25.00	125.0%
4293569 · Initial FAR	780.00	1,140.00	-360.00	68.4%
4293570 · Initial REG	780.00	660.00	120.00	118.2%
4293571 · Initial BEC	600.00	930.00	-330.00	64.5%
4293572 · Re-Exam FAR	1,470.00	1,860.00	-390.00	79.0%
4293573 · Re-Exam REG	1,860.00	2,310.00	-450.00	80.5%
4293574 · Re-Exam BEC	1,800.00	2,310.00	-510.00	77.9%
4491000 · Interest and Dividend Revenue	4,714.96	6,500.00	-1,785.04	72.5%
4896021 · Legal Recovery Cost	1,450.00	1,000.00	450.00	145.0%
<b>Total Income</b>	<b>216,574.96</b>	<b>234,520.00</b>	<b>-17,945.04</b>	<b>92.3%</b>
<b>Gross Profit</b>	<b>216,574.96</b>	<b>234,520.00</b>	<b>-17,945.04</b>	<b>92.3%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	48,438.88	73,420.00	-24,981.12	66.0%
5101020 · P-T/Temp Emp Sal & Wages	20,687.49	27,319.00	-6,631.51	75.7%
5101030 · Board & Comm Mbrs Fees	3,000.00	2,595.00	405.00	115.6%
5102010 · OASI-Employer's Share	4,876.63	8,102.00	-3,225.37	60.2%
5102020 · Retirement-ER Share	4,129.05	6,044.00	-1,914.95	68.3%
5102060 · Health /Life Ins.-ER Share	12,404.34	26,052.00	-13,647.66	47.6%
5102080 · Worker's Compensation	55.13	218.00	-162.87	25.3%
5102090 · Unemployment Insurance	23.25	91.00	-67.75	25.5%
5203010 · Auto--State Owned	78.65	1,000.00	-921.35	7.9%
5203020 · Auto-Private-Ownes Low Mileage	124.66	400.00	-275.34	31.2%
5203030 · In State-Auto- Priv. High Miles	1,108.80	1,500.00	-391.20	73.9%
5203100 · In State-Lodging	319.60	1,000.00	-680.40	32.0%
5203120 · In State-Incidentals to Travel	20.00	100.00	-80.00	20.0%
5203140 · InState-Tax Meals Not OverNght	22.00	100.00	-78.00	22.0%
5203150 · InState-Non-Tax Meals OverNght	268.00	400.00	-132.00	67.0%
5203230 · OS-Auto Private High Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	1,727.10	6,000.00	-4,272.90	28.8%
5203280 · OS-Other Public Carrier	208.00	500.00	-292.00	41.6%
5203300 · OS-Lodging	2,439.00	7,800.00	-5,361.00	31.3%
5203320 · OS-Incidentals to Travel	248.00	450.00	-202.00	55.1%
5203350 · OS-Non-Taxable Meals Overnight	356.00	1,300.00	-944.00	27.4%
5204010 · Subscriptions	507.90	1,000.00	-492.10	50.8%
5204020 · Dues and Membership Fees	3,450.00	3,900.00	-450.00	88.5%
5204030 · Legal Document Fees	0.00	300.00	-300.00	0.0%
5204040 · Consultant Fees-Accounting	0.00	7,100.00	-7,100.00	0.0%
5204050 · Consultant Fees - Computer	10,607.50	34,075.00	-23,467.50	31.1%

**South Dakota Board of Accountancy**  
**Profit & Loss Budget vs. Actual**  
July 2015 through April 2016

	Jul '15 - Apr 16	Budget	\$ Over Budget	% of Budget
5204080 · Consultant Fees--Legal	0.00	0.00	0.00	0.0%
5204160 · Workshop Registration Fees	2,085.00	6,000.00	-3,915.00	34.8%
5204180 · Computer Services-State	2,616.85	600.00	2,016.85	436.1%
5204181 · Computer Development Serv-State	1,312.85	10,400.00	-9,087.15	12.6%
5204200 · Central Services	5,067.13	7,000.00	-1,932.87	72.4%
5204220 · Equipment Service & Maintenance	20.79	300.00	-279.21	6.9%
5204230 · Janitorial/Maintenance Services	1,265.50	1,560.00	-294.50	81.1%
5204340 · Computer Software Maintenance	614.50	2,000.00	-1,385.50	30.7%
5204360 · Advertising-Newspapers	0.00	1,000.00	-1,000.00	0.0%
5204440 · Newsletter Publishing	0.00	1,100.00	-1,100.00	0.0%
5204460 · Equipment Rental	2,519.00	4,000.00	-1,481.00	63.0%
5204480 · Microfilm and Photography	0.00	0.00	0.00	0.0%
5204490 · Rents Privately Owned Property	12,694.50	15,234.00	-2,539.50	83.3%
5204510 · Rent-Other	248.80	500.00	-251.20	49.8%
5204530 · Telecommunications Services	2,975.50	3,500.00	-524.50	85.0%
5204540 · Electricity	495.81	865.00	-369.19	57.3%
5204560 · Water	111.75	240.00	-128.25	46.6%
5204590 · Insurance Premiums/Surety Bonds	646.00	1,710.00	-1,064.00	37.8%
5204740 · Bank Fees and Charges	4,559.42	6,000.00	-1,440.58	76.0%
5204960 · Other Contractual Services	0.00	0.00	0.00	0.0%
5205020 · Office Supplies	890.08	2,000.00	-1,109.92	44.5%
5205028 · OFFICE SUPPLIES-2	0.00	0.00	0.00	0.0%
5205310 · Printing State	0.00	500.00	-500.00	0.0%
5205320 · Printing/Duplicating/Binding Co	182.90	1,000.00	-817.10	18.3%
5205330 · Supplemental Publications	0.00	700.00	-700.00	0.0%
5205340 · Microfilm Supplies/Materials	0.00	0.00	0.00	0.0%
5205350 · Postage	1,000.00	2,500.00	-1,500.00	40.0%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	2,783.12	4,800.00	-2,016.88	58.0%
5207950 · System Development	0.00	1,000.00	-1,000.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	1,092.60	500.00	592.60	218.5%
5228000 · Operating Transfers Out-NonBudg	3,387.52	7,400.00	-4,012.48	45.8%
5228030 · Depreciation Expense	0.00	0.00	0.00	0.0%
<b>Total Expense</b>	<b>161,669.60</b>	<b>293,875.00</b>	<b>-132,205.40</b>	<b>55.0%</b>
<b>Net Ordinary Income</b>	<b>54,905.36</b>	<b>-59,355.00</b>	<b>114,260.36</b>	<b>-92.5%</b>
<b>Net Income</b>	<b>54,905.36</b>	<b>-59,355.00</b>	<b>114,260.36</b>	<b>-92.5%</b>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR MONTHLY COMPARISON**  
**April 2016**

	<u>Apr 16</u>	<u>Apr 15</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Ordinary Income/Expense</b>				
Income				
4293550 · Initial Individual Certificate	100.00	75.00	25.00	33.3%
4293551 · Certificate Renewals-Active	-10.00	0.00	-10.00	-100.0%
4293554 · Initial Firm Permits	0.00	100.00	-100.00	-100.0%
4293557 · Initial Audit	90.00	60.00	30.00	50.0%
4293558 · Re-Exam Audit	180.00	120.00	60.00	50.0%
4293564 · Late Fees-Peer Review	0.00	200.00	-200.00	-100.0%
4293566 · Firm Permit Owners	0.00	325.00	-325.00	-100.0%
4293567 · Peer Review Admin Fee	75.00	75.00	0.00	0.0%
4293568 · Firm Permit Name Change	25.00	0.00	25.00	100.0%
4293569 · Initial FAR	120.00	60.00	60.00	100.0%
4293570 · Initial REG	150.00	60.00	90.00	150.0%
4293571 · Initial BEC	90.00	30.00	60.00	200.0%
4293572 · Re-Exam FAR	150.00	30.00	120.00	400.0%
4293573 · Re-Exam REG	120.00	120.00	0.00	0.0%
4293574 · Re-Exam BEC	150.00	180.00	-30.00	-16.7%
4896021 · Legal Recovery Cost	1,250.00	325.00	925.00	284.6%
<b>Total Income</b>	<u>2,490.00</u>	<u>1,760.00</u>	<u>730.00</u>	<u>41.5%</u>
<b>Gross Profit</b>	<u>2,490.00</u>	<u>1,760.00</u>	<u>730.00</u>	<u>41.5%</u>
Expense				
5101010 · F-T Emp Sal & Wages	6,753.26	4,278.00	2,475.26	57.9%
5101020 · P-T/Temp Emp Sal & Wages	2,672.89	1,768.03	904.86	51.2%
5101030 · Board & Comm Mbrs Fees	240.00	240.00	0.00	0.0%
5102010 · OASI-Employer's Share	632.65	462.02	170.63	36.9%
5102020 · Retirement-ER Share	565.54	362.76	202.78	55.9%
5102060 · Health /Life Ins.-ER Share	1,296.15	1,437.00	-140.85	-9.8%
5102080 · Worker's Compensation	7.45	3.63	3.82	105.2%
5102090 · Unemployment Insurance	0.00	2.71	-2.71	-100.0%
5203020 · Auto-Private-Ownes Low Mileage	20.70	0.00	20.70	100.0%
5203140 · InState-Tax Meals Not Overnigt	11.00	0.00	11.00	100.0%
5203260 · OS-Air Commercial Carrier	0.00	668.70	-668.70	-100.0%
5204010 · Subscriptions	0.00	282.23	-282.23	-100.0%
5204020 · Dues and Membership Fees	250.00	240.00	10.00	4.2%
5204180 · Computer Services-State	0.00	96.75	-96.75	-100.0%
5204200 · Central Services	188.85	153.02	35.83	23.4%
5204220 · Equipment Service & Maintenance	1.82	2.12	-0.30	-14.2%
5204230 · Janitorial/Maintenance Services	126.55	122.86	3.69	3.0%
5204460 · Equipment Rental	71.00	71.00	0.00	0.0%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	268.84	162.05	106.79	65.9%
5204540 · Electricity	53.42	61.16	-7.74	-12.7%
5204560 · Water	22.35	0.00	22.35	100.0%
5204590 · Insurance Premiums/Surety Bonds	646.00	0.00	646.00	100.0%
5204740 · Bank Fees and Charges	120.56	80.65	39.91	49.5%
5205020 · Office Supplies	105.13	0.00	105.13	100.0%
5205320 · Printing/Duplicating/Binding Co	44.90	20.70	24.20	116.9%
5205350 · Postage	1,000.00	0.00	1,000.00	100.0%
5228000 · Operating Transfers Out-NonBudg	329.76	129.26	200.50	155.1%
5228030 · Depreciation Expense	0.00	1,005.86	-1,005.86	-100.0%
<b>Total Expense</b>	<u>16,698.27</u>	<u>12,919.96</u>	<u>3,778.31</u>	<u>29.2%</u>
<b>Net Ordinary Income</b>	<u>-14,208.27</u>	<u>-11,159.96</u>	<u>-3,048.31</u>	<u>-27.3%</u>
<b>Net Income</b>	<u><u>-14,208.27</u></u>	<u><u>-11,159.96</u></u>	<u><u>-3,048.31</u></u>	<u><u>-27.3%</u></u>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
 July 2015 through April 2016

	Jul '15 - Apr 16	Jul '14 - Apr 15	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	1,700.00	2,175.00	-475.00	-21.8%
4293551 · Certificate Renewals-Active	60,200.00	57,450.00	2,750.00	4.8%
4293552 · Certificate Renewals-Inactive	20,100.00	20,050.00	50.00	0.3%
4293553 · Certificate Renewals-Retired	1,040.00	970.00	70.00	7.2%
4293554 · Initial Firm Permits	500.00	800.00	-300.00	-37.5%
4293555 · Firm Permit Renewals	13,700.00	14,060.00	-360.00	-2.6%
4293557 · Initial Audit	750.00	510.00	240.00	47.1%
4293558 · Re-Exam Audit	1,950.00	1,590.00	360.00	22.6%
4293560 · Late Fees-Initial Certificate	0.00	200.00	-200.00	-100.0%
4293561 · Late Fees-Certificate Renewals	2,950.00	2,600.00	350.00	13.5%
4293563 · Late Fees-Firm Permit Renewals	400.00	300.00	100.00	33.3%
4293564 · Late Fees-Peer Review	400.00	700.00	-300.00	-42.9%
4293566 · Firm Permit Owners	98,405.00	92,270.00	6,135.00	6.7%
4293567 · Peer Review Admin Fee	900.00	1,125.00	-225.00	-20.0%
4293568 · Firm Permit Name Change	125.00	200.00	-75.00	-37.5%
4293569 · Initial FAR	780.00	930.00	-150.00	-16.1%
4293570 · Initial REG	780.00	450.00	330.00	73.3%
4293571 · Initial BEC	600.00	450.00	150.00	33.3%
4293572 · Re-Exam FAR	1,470.00	1,350.00	120.00	8.9%
4293573 · Re-Exam REG	1,860.00	1,680.00	180.00	10.7%
4293574 · Re-Exam BEC	1,800.00	1,590.00	210.00	13.2%
4491000 · Interest and Dividend Revenue	4,714.96	3,578.78	1,136.18	31.8%
4896021 · Legal Recovery Cost	1,450.00	1,175.00	275.00	23.4%
<b>Total Income</b>	<b>216,574.96</b>	<b>206,203.78</b>	<b>10,371.18</b>	<b>5.0%</b>
<b>Gross Profit</b>	<b>216,574.96</b>	<b>206,203.78</b>	<b>10,371.18</b>	<b>5.0%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	48,438.88	40,658.03	7,780.85	19.1%
5101020 · P-T/Temp Emp Sal & Wages	20,687.49	22,057.83	-1,370.34	-6.2%
5101030 · Board & Comm Mbrs Fees	3,000.00	2,940.00	60.00	2.0%
5102010 · OASI-Employer's Share	4,876.63	4,766.02	110.61	2.3%
5102020 · Retirement-ER Share	4,129.05	3,722.16	406.89	10.9%
5102060 · Health /Life Ins.-ER Share	12,404.34	17,603.25	-5,198.91	-29.5%
5102080 · Worker's Compensation	55.13	37.68	17.45	46.3%
5102090 · Unemployment Insurance	23.25	28.22	-4.97	-17.6%
5203010 · Auto--State Owned	78.65	123.12	-44.47	-36.1%
5203020 · Auto-Private-Ownes Low Mileage	124.66	180.80	-56.14	-31.1%
5203030 · In State-Auto- Priv. High Miles	1,108.80	1,137.38	-28.58	-2.5%
5203100 · In State-Lodging	319.60	673.75	-354.15	-52.6%
5203120 · In State-Incidentals to Travel	20.00	10.00	10.00	100.0%
5203140 · InState-Tax Meals Not OverNigt	22.00	0.00	22.00	100.0%
5203150 · InState-Non-Tax Meals OverNight	268.00	363.00	-95.00	-26.2%
5203220 · OS-Auto Private Low Mileage	0.00	90.40	-90.40	-100.0%
5203260 · OS-Air Commercial Carrier	1,727.10	3,480.20	-1,753.10	-50.4%
5203280 · OS-Other Public Carrier	208.00	121.31	86.69	71.5%
5203300 · OS-Lodging	2,439.00	5,105.23	-2,666.23	-52.2%
5203320 · OS-Incidentals to Travel	248.00	244.00	4.00	1.6%
5203350 · OS-Non-Taxable Meals Overnight	356.00	543.00	-187.00	-34.4%
5204010 · Subscriptions	507.90	845.81	-337.91	-40.0%
5204020 · Dues and Membership Fees	3,450.00	3,440.00	10.00	0.3%
5204040 · Consultant Fees-Accounting	0.00	7,100.00	-7,100.00	-100.0%
5204050 · Consultant Fees - Computer	10,607.50	0.00	10,607.50	100.0%
5204160 · Workshop Registration Fees	2,085.00	3,475.00	-1,390.00	-40.0%
5204180 · Computer Services-State	2,616.85	866.25	1,750.60	202.1%
5204181 · Computer Development Serv-State	1,312.85	3,182.70	-1,869.85	-58.8%
5204200 · Central Services	5,067.13	7,183.57	-2,116.44	-29.5%
5204220 · Equipment Service & Maintenance	20.79	30.48	-9.69	-31.8%
5204230 · Janitorial/Maintenance Services	1,265.50	1,228.60	36.90	3.0%
5204340 · Computer Software Maintenance	614.50	686.60	-72.10	-10.5%
5204360 · Advertising-Newspapers	0.00	938.33	-938.33	-100.0%
5204440 · Newsletter Publishing	0.00	678.15	-678.15	-100.0%
5204460 · Equipment Rental	2,519.00	2,437.00	82.00	3.4%
5204490 · Rents Privately Owned Property	12,694.50	12,694.50	0.00	0.0%

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
 July 2015 through April 2016

	<u>Jul '15 - Apr 16</u>	<u>Jul '14 - Apr 15</u>	<u>\$ Change</u>	<u>% Change</u>
5204510 · Rent-Other	248.80	230.80	18.00	7.8%
5204530 · Telecommunications Services	2,975.50	2,573.77	401.73	15.6%
5204540 · Electricity	495.81	581.15	-85.34	-14.7%
5204560 · Water	111.75	89.40	22.35	25.0%
5204590 · Insurance Premiums/Surety Bonds	646.00	1,267.13	-621.13	-49.0%
5204740 · Bank Fees and Charges	4,559.42	4,119.69	439.73	10.7%
5204960 · Other Contractual Services	0.00	60.96	-60.96	-100.0%
5205020 · Office Supplies	890.08	238.53	651.55	273.2%
5205310 · Printing State	0.00	155.25	-155.25	-100.0%
5205320 · Printing/Duplicating/Binding Co	182.90	170.70	12.20	7.2%
5205330 · Supplemental Publications	0.00	1,055.00	-1,055.00	-100.0%
5205350 · Postage	1,000.00	2,562.25	-1,562.25	-61.0%
5207900 · Computer Hardware	2,783.12	1,786.62	996.50	55.8%
5207960 · Computer Software Expense	1,092.60	0.00	1,092.60	100.0%
5228000 · Operating Transfers Out-NonBudg	3,387.52	3,318.94	68.58	2.1%
5228030 · Depreciation Expense	0.00	10,058.68	-10,058.68	-100.0%
<b>Total Expense</b>	<u>161,669.60</u>	<u>176,941.24</u>	<u>-15,271.64</u>	<u>-8.6%</u>
<b>Net Ordinary Income</b>	<u>54,905.36</u>	<u>29,262.54</u>	<u>25,642.82</u>	<u>87.6%</u>
<b>Net Income</b>	<u><u>54,905.36</u></u>	<u><u>29,262.54</u></u>	<u><u>25,642.82</u></u>	<u><u>87.6%</u></u>

## **EXECUTIVE DIRECTOR'S REPORT**

Nicole Kasin

### **NASBA Information**

Ted Long, Ohio, has been nominated for the NASBA Vice Chair 2016-2017.

### **Database update**

The board staff has finalized the management plan, implementation and timeline with GL Solutions. Future calls are scheduled for bi-weekly meetings in regards to the outputs and design process. The timeline has a hard date of "Go Live" by mid to late May of 2017.

### **Online Renewals**

Renewals will begin June 15, 2016. Reminder postcards will be sent out and the online program will open on June 15.

### **Board Discussion**

- Any New Business/topics?

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# **EXPOSURE DRAFT**

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## **PROPOSED CHANGES TO THE AICPA STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS**

- **Allows Firms with No AICPA Members to Enroll in the AICPA Peer Review Program**
- **Expands the Availability of Administration by the National Peer Review Committee**
  - **Includes Other Minor Changes**

**May 23, 2016**

**Comments are requested by August 26, 2016**

**Prepared by the AICPA Peer Review Board for comment from persons  
interested in the  
AICPA Peer Review Program**

**Comments should be received by August 26, 2016 and addressed to  
Lisa Joseph, Technical Manager – Peer Review  
AICPA Peer Review Program  
American Institute of Certified Public Accountants  
220 Leigh Farm Road, Durham, NC 27707-8110  
or [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)**



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May 19, 2016

The AICPA Peer Review Board (Board) approved issuance of this exposure draft, which contains proposals for review and comment by the AICPA's membership and other interested parties regarding revisions to the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)*.

Written comments or suggestions on any aspect of this exposure draft will be appreciated and must meet the following criteria:

- Be received by August 19, 2016
- Should be sent to Lisa Joseph or [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org)
- Should refer to the specific paragraphs and include supporting reasons for each comment or suggestion
- Should be limited to those items presented in the exposure draft

The exposure draft includes the following:

- An explanatory memorandum of the proposed revisions to the —*Standards* and Interpretations in effect as of May 19, 2016
- Explanations, background and other pertinent information
- Marked excerpts from the current *Standards* and Interpretations to allow the reader to see all changes
  - Items that are being deleted from the *Standards* and Interpretations are struck through
  - New items are underlined

The Board is not required to expose changes to the Interpretations, but elected to do so to assist respondents with understanding the underlying intent of the proposed revisions to the *Standards*. For each Interpretation change proposed, the corresponding *Standards* paragraph has been included in this document to further aid understanding.

As of May 19, 2016, there is another outstanding exposure draft proposing changes to the *Standards* and Interpretations. The details of that exposure draft are available at [Improving Transparency and Effectiveness of Peer Review Exposure Draft](http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx). A copy of this exposure draft and the current *Standards* (effective for peer reviews commencing on or after January 1, 2009) are also available on the AICPA Peer Review website at <http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx>.

Sincerely,

Anita M. Ford  
Chair, AICPA Peer Review Board

## **AICPA Peer Review Board**

### **Peer Review Board Members 2015 – 2016**

Anita M. Ford, Chair  
Jeannine Birmingham  
Brian Bluhm  
Dawn Brenner\*  
William Calder\*  
James Clausell\*  
Albert Denny  
Michael Fawley  
Karen Kerber  
William Lajoie

Michael LeBlanc  
Barbara Lewis\*  
G. Alan Long\*  
Thomas Parry\*  
Andrew Pope\*  
Keith Rowden  
Debra Seefeld  
Martin Shannon  
Todd Shapiro  
Thomas W. Whittle III

*\*Member—Peer Review Board Standards Task Force*

### **Non-Peer Review Board Standards Task Force Members 2015 – 2016**

Jerry Cross

Heather Trower

### **AICPA Staff**

Susan S. Coffey  
Senior Vice President  
Public Practice and Global Alliances

James Brackens, Jr.  
Vice President  
Ethics and Practice Quality

Gary Freundlich  
Technical Director  
AICPA Peer Review Program

Frances McClintock  
Associate Director  
AICPA Peer Review Program

Susan Lieberum  
Associate Director  
AICPA Peer Review Program

Lisa Joseph  
Technical Manager – Peer Review  
AICPA Peer Review Program

# Explanatory Memorandum

## Introduction

This memorandum provides background on the proposed changes to the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)* issued by the AICPA Peer Review Board (Board). The proposed changes:

- Allow firms with no AICPA members to enroll in the AICPA Peer Review Program (Program);
- Expand the availability of administration by the National Peer Review Committee; and
- Include other minor changes.

This memorandum solicits input on the proposal from all interested parties.

## Background

CPAs take pride in their long-standing commitment to excellence. That commitment includes continued vigilance in delivering accounting and auditing services and protecting the public interest.

In the current business environment, the rapid pace of change is driving complexity and that trend is not likely to abate. Increased complexity presents challenges to practitioners in public accounting as they strive to continually perform high-quality financial statement audits of private entities. To preserve their prominent and respected role in the business community, CPAs must, and will, meet and overcome these challenges.

The Program monitors the quality of firms' accounting and auditing engagements and evaluates the systems under which those engagements are performed. Participation in the Program is mandatory for AICPA membership if a firm's practice includes services that fall within the scope of the Program. In addition, peer review is now required for licensure in nearly all states.

Much has changed over the 35 years that the Program has been in existence, including the complexity of business, the volume and intricacy of standards and the expectations of financial reporting stakeholders. At the same time, recent technological innovations afford the profession the opportunity to make dramatic upgrades to peer review that will enable adaptation to an ever-changing environment.

The goal for the next generation of peer review is a practice monitoring program focused on continual improvement and a commitment to quality in a changing world. Recognizing that many enhancements can and should be made to the existing Program as Practice Monitoring of the Future is being developed, the Board approved a plan in early 2014 to implement substantive changes to the current peer review process.

The near-term changes in peer review are part of the AICPA's Enhancing Audit Quality (EAQ) initiative. EAQ is a holistic effort to consider auditing of private entities through multiple touch points, especially where quality issues have emerged. The goal is to align the objectives of all audit-related AICPA efforts to improve audit performance.

Peer review is an integral element of the AICPA's EAQ initiative. This exposure draft is being issued by the Board to further the EAQ efforts to move the audit quality needle in a positive way. The Board has and will continue to enact near and long-term changes to the Program and its *Standards* and Guidance as part of this initiative, including additional Exposure Drafts, as necessary.

### **Enrollment in the AICPA Peer Review Program**

Historically, Program enrollment has been limited to firms with an AICPA member partner. However, the AICPA has allowed entities fully involved in the administration of the Program to use the *Standards* and related guidance to administer state CPA society peer review programs for firms without an AICPA member partner in order to address licensing requirements for those firms. As almost all state boards of accountancy now require peer review for licensed firms, this has led to the development of approximately forty separate state CPA society peer review programs.

Consequently, almost all entities administering the Program are running two peer review programs using the same *Standards*. In total, approximately 34,000 peer reviews are administered over every three-year period. Administering dual programs is burdensome, resulting in an inefficient use of resources. The dual programs also cause confusion because, while it is not widely recognized, the state CPA society programs are not a part of the Program. Therefore, they are not included in the AICPA's oversight or fair procedures processes. While this difference in the peer review programs is likely unnoticeable to the public, it is important. Expanding the Program's enrollment eligibility will increase consistency, efficiency and effectiveness in the performance and administration of peer reviews. Furthermore, it expands the effect of important initiatives such as EAQ and Practice Monitoring of the Future.

### **Expanding the Availability of Administration by the National Peer Review Committee**

Administration of the Program by the National Peer Review Committee has only been available to firms with an AICPA member partner since that is currently a requirement of enrollment in the Program. Removing the AICPA member partner requirement for enrollment in the Program creates the possibility for firms with no AICPA members to have their peer reviews administered by the National Peer Review Committee (National PRC). Expanding the availability of administration by the National PRC will promote further consistency.

## Clarification of Qualifications

The *Standards* currently require that peer reviewers in the Program be members of the AICPA in good standing (that is, AICPA membership in active, non-suspended status). Consistent with that requirement and to provide further clarity, the proposal specifies that, in addition to peer reviewers, all peer review committee members, Report Acceptance Body (RAB) members, national RAB consultants and technical reviewers must be AICPA members in good standing.

## Explanation of Proposed Changes

### Revisions to *Standards*

The proposed changes include revisions to:

- Notice to Readers to indicate that the AICPA Peer Review Program may not be administered by any entity without written permission from the AICPA Peer Review Board.
- Paragraph .01 to clarify usage of term "program".
- Paragraph .02 to expand and clarify the program's goal to enhance accounting and audit quality.
- Paragraph .03 to consistently use "engagements not subject to PCAOB permanent inspection" as opposed to "non-Securities and Exchange Commission (SEC) issuers".
- Paragraph .05 to clarify usage of term "board", clarify that cooperation includes payment of administrative fees, and expand requirement for peer review to all enrolled firms.
- Paragraph .06 to consistently use "engagements not subject to PCAOB permanent inspection" as opposed to "non-Securities and Exchange Commission (SEC) issuers".
- Paragraph .09 to note applicability of loss of individual membership as a possible ramification of noncooperation.
- Paragraph .11 to include all board committees, including the National PRC.
- Paragraph .128 to include all board committees, including the National PRC.
- Paragraph .129 to clarify that jurisdictions not administering the program request an entity to do so.
- Paragraph .131 to make requests for approval of alternate compliance methods with the *Standards*, Interpretations, and other guidance more principles-based.
- Paragraph .145 to add an appeal mechanism for hearing panels of firms without AICPA members.
- Paragraph .206 to remove permitting early implementation.
- Paragraph .207 to expand the applicability of goals of practice monitoring to all enrolled firms, expand the goal to enhance accounting and audit quality, and to effect consistency with regard to usage of "engagements not subject to PCAOB permanent inspection" as opposed to "non-Securities and Exchange Commission (SEC) issuers".

## Revisions to Interpretations

The proposal includes revisions to:

- Notice to Readers to remove applicability to only AICPA members.
- Interpretation 1-1 to indicate that firms without AICPA members may enroll in the Program.
- Interpretation 1-2 to include all committees of the board, including the National PRC, and indicate that firms without AICPA members may enroll in the Program.
- Interpretation 1-4 remove requirement that one owner of the firm be a member of the AICPA and to refer to firms without AICPA members consistently.
- Interpretation 3-1 to allow firm without AICPA member CPAs to enroll individually if they meet criteria.
- Interpretation 3-5 to expand fair procedures established by the board to include individuals enrolled in the program.
- Interpretation 5h-1 to provide appeal rights under fair procedures to firms without AICPA members pursuant to fair procedures established by the board and note limited applicability to ramification of referral to AICPA Professional Ethics Division.
- Interpretation 11-1 to include all committees of the board, including the National PRC, and remove requirement that one owner of the firm be an AICPA member for administration by the National Peer Review Committee.
- Interpretation 13-1 to clarify impact of peer reviews conducted under the auspices of another peer review program by an administering entity not approved by the board and indicate timing of peer reviews for firms previously enrolled in other programs.
- Interpretation 21-20 to update time periods in example.
- Interpretation 25-1 to expand document retention policy for those firms appealing through Joint Trial Board to apply to all firms appealing through fair procedures established by the board.
- Interpretation 26-1 to expand to firms without AICPA members, clarify that Board approval of the Association Information Form does not mean approval or endorsement of any other peer review programs conducted or administered by that association, and to further clarify the statement that representations contained in marketing by association must be objective and quantifiable.
- Interpretation 31b-1 to remove references to CPCAIF PRP.
- Interpretation 31b-4 to remove references to CPCAIF PRP.
- Interpretation 34-2 to note applicability of AICPA Code of Professional Conduct.
- Interpretation 59-3 to expand guidance related to foreign offices to include all enrolled firms.
- Interpretation 132-1 to specify that all peer review committee members, RAB members, national RAB consultants, and technical reviewers must be AICPA members.

## Comment Period

The comment period for this exposure draft ends on August 19, 2016.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available on the AICPA's website after August 19, 2016, for a period of one year.



## **Guide for Respondents**

The Board welcomes feedback from all interested parties on this proposal. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording.

Comments and responses should be sent to Lisa Joseph, Technical Manager – Peer Review, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by August 19, 2016. Respondents can also direct comments and responses to [PR\\_expdraft@aicpa.org](mailto:PR_expdraft@aicpa.org) by August 19, 2016.

## **Effective Date**

Final revisions to the *Standards* will be effective, if approved by the Board, May 1, 2017.

DRAFT

# Proposed Revisions

To aid understanding, *Standards* are presented in this section if they contain a proposed revision or if a related Interpretation contains a proposed revision.

## Peer Review Standards

### Notice to Readers

In order to be admitted to or retain their membership in the AICPA, members of the AICPA who are engaged in the practice of public accounting in the United States or its territories are required to be practicing as partners or employees of firms enrolled in an approved practice-monitoring program or, if practicing in firms not eligible to enroll, are themselves enrolled in such a program:

- if the services performed by such a firm or individual are within the scope of the AICPA's practice-monitoring standards and
- the firm or individual issues reports purporting to be in accordance with AICPA professional standards.

Firms have peer reviews because of the public interest in the quality of the accounting, auditing, and attestation services provided by public accounting firms. In addition, firms indicate that peer review contributes to the quality and effectiveness of their practices. Furthermore, most state boards of accountancy require its licensees to undergo peer review, which they may also call compliance assurance, to practice in their state. Other regulators require peer review in order to perform engagements and to issue reports under their standards. Therefore, due to this public interest, we allow firms without AICPA members to enroll in the AICPA Peer Review Program.

A firm (or individual) enrolled in the AICPA Peer Review Program is deemed to be enrolled in an approved practice-monitoring program. See BL sections 230, 2.3 Requirements for Retention of Membership, 220, 2.2 Requirements for Admission to Membership, and 760, 7.6 Publication of Disciplinary Action (AICPA, Professional Standards); AICPA Code of Professional Conduct Rule 505, Form of Organization and Name (AICPA, Professional Standards, ET sec. 505); and the implementing council resolutions under those sections.

These standards are applicable to firms (and individuals) enrolled in the AICPA Peer Review Program and to individuals and firms who perform and report on such peer reviews, to entities approved to administer the peer reviews, and to associations of CPA firms authorized by the AICPA Peer Review Board (board) to assist its members in forming review teams. The AICPA Peer Review Program may not be administered by any entity without written permission from the AICPA Peer Review Board. These standards are not intended for peer reviews of organizations that are not public accounting firms.

Users of these standards should be knowledgeable about the standards and their interpretations and effective dates, as well as guidance issued by the board that might affect the application of these standards. Those subject to the standards should be prepared to justify departures from these standards, and it is expected that departures will be rare.

These standards are effective for peer reviews commencing on or after January 1, 2009. ~~Early implementation of these standards is not permitted.~~

## Overview

- .01** The purpose of this document is to provide standards for administering, planning, performing, reporting on and the acceptance of peer reviews of CPA firms (and individuals) enrolled in the AICPA Peer Review Program (program) (see interpretations). Those processes collectively are also called practice monitoring because it is the monitoring of a CPA firm's accounting and auditing practice.
- .02** The goal of practice monitoring, and the program itself, is to promote and enhance quality in the accounting and auditing services provided by the CPA firms (and individuals) subject to these standards. This goal serves the public interest and enhances the significance of AICPA membership.
- .03** Firms (and individuals) (see interpretations) enrolled in the program are required to have a peer review, once every three years, of their accounting and auditing practice not subject to Public Company Accounting Oversight Board (PCAOB) permanent inspection (see interpretations) ~~related to non-Securities and Exchange Commission (SEC) issuers~~ covering a one-year period. The peer review is conducted by an independent evaluator known as a peer reviewer. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role.

## Introduction and Scope

- .05** Firms (and individuals) (see interpretations) enrolled in the program have the responsibility to:
- a. Design and comply with a system of quality control for its accounting and auditing practice that provides the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Statement on Quality Control Standards (SQCS) No. 8, A Firm's System of Quality Control (Redrafted) (AICPA, Professional Standards, QC sec. 10), requires every CPA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice.
  - b. Perform accounting and auditing engagements in accordance with applicable professional standards using competent personnel<sup>1</sup> (partners<sup>2</sup> and staff<sup>3</sup>).
  - c. Have independent peer reviews of their accounting and auditing practices (see interpretations).  
All enrolled firms that an AICPA member is associated with should undergo a peer review if the services performed and reports issued by the firm require a peer review.

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<sup>1</sup> Personnel are defined per Statement on Quality Control Standards (SQCS) as partners and staff.

<sup>2</sup> Partners are defined per SQCS as any individual with authority to bind the firm with respect to the performance of a professional services engagement. Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as shareholder, member, or proprietor.

<sup>3</sup> Staff are defined per SQCS as professionals, other than partners, including any specialists that the firm employs.

- d. Engage a peer reviewer to perform the peer review in accordance with these standards, in a timely manner.
  - e. Take such measures, if any, as may be necessary to satisfy its obligations concerning client confidentiality any time state statutes or ethics rules promulgated by state boards of accountancy do not clearly provide an exemption from confidentiality requirements when peer reviews are undertaken.
  - f. Provide written representations to describe matters significant to the peer review (see appendix B “Considerations and Illustrations of Firm Representations”).
  - g. Understand the AICPA Peer Review Board’s (board) guidance on resignations from the program (see interpretations).
  - h. Cooperate with the peer reviewer, administering entity, and the ~~AICPA Peer Review Board~~ (board) in all matters related to the peer review, that could impact the firm’s enrollment in the program, including paying administrative fees, arranging, scheduling, and completing the review and taking remedial, corrective actions and implementing other plans as needed (see interpretations).
- .06** An accounting and auditing practice for the purposes of these standards is defined as all engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARS)<sup>4</sup>; Statements on Standards for Attestation Engagements (SSAEs); Government Auditing Standards (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under ~~Public Company Accounting Oversight Board (PCAOB)~~ standards (see interpretations). Engagements covered in the scope of the program are those included in the firm’s accounting and auditing practice that are not subject to PCAOB permanent inspection (see interpretations).
- .09** The program is based on the principle that a systematic monitoring and educational process is the most effective way to attain high quality performance throughout the profession. Thus, it depends on mutual trust and cooperation. On System Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified with their system of quality control or their compliance with the system, or both. On Engagement Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified in engagements. These actions will be positive and remedial. Disciplinary actions (including those that can result in the termination of a firm’s enrollment in the program and the subsequent loss of membership, if applicable, in the AICPA and some state CPA societies by its partners<sup>5</sup> and employees) will be taken only for a failure to cooperate,

<sup>4</sup> Statements on Standards for Accounting and Review Services that provide an exemption from those standards in certain situations are likewise excluded from this definition of an accounting and auditing practice for peer review purposes (see interpretations).

<sup>5</sup> Partners are defined per SOCS as any individual with authority to bind the firm with respect to the performance of a professional services engagement. A *partner* is a proprietor, shareholder, equity or non-equity partner, or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned. Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as *shareholder, member, or proprietor*.

failure to correct inadequacies, or when a firm is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.

## **General Considerations**

### **Administrative Requirements**

- .11 All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society, group of state CPA societies, the ~~AICPA Peer Review Board's~~ board's committees including but not limited to the National Peer Review Committee (National PRC) (see interpretations), or other entity (hereinafter, administering entity) approved by the board to administer peer reviews.

### **Timing of Peer Reviews**

- .13 A firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in the program or should have enrolled, whichever date is earlier (see interpretations).

### **Peer Review Documentation and Retention Policy**

- .25 Peer review documentation should not be retained for an extended period of time after the peer review's completion, with the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion (see interpretations).

### **Organizing the System or Engagement Review Team**

- .26 A System Review team comprises one or more individuals, depending upon the size and nature of the reviewed firm's practice and other factors. An Engagement Review team ordinarily comprises one individual. A review team may be formed by a firm engaged by the firm under review (a firm-on-firm review) or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team) (see interpretations). For Engagement Reviews, review teams may also be formed by the administering entity if it chooses to appoint such teams (hereinafter, a committee-appointed review team, also known as a CART review).

## **Qualifying for Service as a Peer Reviewer**

### **System and Engagement Reviewers**

- .31 Performing and reporting on a peer review requires the exercise of professional judgment by peers (see paragraphs .147–.153 for a discussion of a reviewer's responsibilities when performing a peer review). Accordingly, an individual serving as a reviewer on a System or Engagement Review should at a minimum:
- a. Be a member of the AICPA in good standing (that is, AICPA membership in active, non-suspended status) licensed to practice as a CPA.
  - b. Be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program (see interpretations), as a partner of the firm, or as a

manager or person with equivalent supervisory responsibilities.<sup>6, 7</sup> To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements (see interpretations). CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise (see interpretations).

- c. Be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of pass for its most recent System or Engagement Review that was accepted timely, ordinarily within the last three years and six months (see interpretations).
- d. Possess current knowledge of professional standards applicable to the kind of practice to be reviewed, including quality control and peer review standards. This includes recent experience in and knowledge about current rules and regulations appropriate to the level of service applicable to the industries of the engagements that the individual will be reviewing (see interpretations).<sup>8</sup>
- e. Have at least five years of recent experience in the practice of public accounting in the accounting or auditing function.
- f. Have provided the administering entity with information that accurately reflects the qualifications of the reviewer including recent industry experience, which is updated on a timely basis (see interpretations).
- g. If the reviewer will review engagements that must be selected in a System Review under paragraph .63, possess specific additional qualifications (see interpretations).
- h. If the reviewer is from a firm that is a provider of quality control materials (QCM) or is affiliated with a provider of quality control materials and is required to have a QCM review under these standards, be associated with a provider firm or affiliated entity that has received a QCM report with a review rating of pass for its most recent QCM review that was submitted timely, ordinarily within six months of the provider's year-end.

#### **Other Peer Reviewer or Reviewing Firm Qualification Considerations**

#### **.34 Communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm's accounting and auditing practice, and**

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<sup>6</sup> The board recognizes that practitioners often perform a number of functions, including tax and consulting work, and cannot restrict themselves to accounting and auditing work. These standards are not intended to require that reviewers be individuals who spend all their time on accounting and auditing engagements. However, CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise. For instance, in a System Review, a reviewer of auditing engagements should be currently reviewing or performing auditing engagements. In an Engagement Review, a reviewer of engagements performed under the Statements on Standards for Attestation Engagements should also be currently reviewing or performing the same type of engagements.

<sup>7</sup> A manager or person with equivalent supervisory responsibilities is a professional employee of the firm who has either a continuing responsibility for the overall planning and supervision of engagements for specified clients or authority to determine that an engagement is complete subject to final partner approval if required.

<sup>8</sup> A reviewer should be cautious of those high-risk engagements or industries in which new standards or regulations have been issued. For example, in those cases in which new industry standards or practices have occurred in the most recent year, it may be necessary to have current practice experience in that industry.

notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice, may impact the peer reviewer or reviewing firm's ability to perform the peer review. The peer reviewer or reviewing firm has a responsibility to inform the administering entity of such communications or notifications (see interpretations).

## **Planning and Performing Compliance Tests**

### **Selection of Engagements**

- .59 Engagements selected for review should provide a reasonable cross section of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk. Examples of the factors to consider when assessing peer review risk at the engagement level include size; industry area; level of service; personnel (including turnover, use of merged-in personnel, or personnel not routinely assigned to accounting and auditing engagements); communications from regulatory, monitoring, or enforcement bodies; extent of non-audit services to audit clients; significant clients' fees to practice office(s) and partner(s); and initial engagements (see interpretations).

### **Administering Peer Reviews**

- .128 All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society, group of state CPA societies, the AICPA Peer Review Board's committees including but not limited to the National PRC (see interpretations), or other entity (hereinafter, administering entity) approved by the board to administer peer reviews. This imposes an obligation on reviewed firms to facilitate completion of their peer reviews in compliance with the procedures established by the board, and to cooperate with the peer reviewer, administering entity, and the board in all matters related to the review, that could impact the firm's enrollment in the program.
- .129 Entities requesting to administer the program are required to complete and sign a Plan of Administration annually whereby the entity agrees to administer the program in compliance with these standards, interpretations, and other guidance established by the board. Upon receipt of the plans by the AICPA, including jurisdictions not requesting another entity to administer the program for firms in its their state, the board annually approves the administering entities for all of the jurisdictions covered by the program.
- .130 This imposes an obligation on the administering entities to ensure that their staff, technical reviewers, committee members, and all others involved in the administration of the program and performance of peer reviews comply with these standards, interpretations, and other guidance established by the board. Administering entities shall also cooperate with the board in all matters related to the administration of the program. Failure to comply with these standards, interpretations, and other guidance may result in the revocation of the administering entity's plan by the board. If an administering entity refuses to cooperate or is found to be deficient in administering the program in compliance with these standards or with other guidance, the board may decide pursuant to fair procedures whether the

administering entity's plan should be revoked or whether some other action should be taken.

- .131 Due to the volume of peer reviews, firms, reviewers, and other contributing factors, the board recognizes that administering entities, and in some situations firms and peer reviewers, may need the flexibility, in specific circumstances, to implement alternate methods of complying with the standards, interpretations, or guidance issued by the board. The board or its staff will consider reasonable requests from administering entities' peer review committees on such matters. The comprehensiveness of the administering entity's oversight policies and procedures will be considered as well as such factors as whether the objectives of the standards, interpretations, or guidance would still be met. Requests for consideration of alternative methods Administering entities must submit a request must be approved by in writing to the board for approval prior to implementing alternative methods of complying with the standards, interpretations, or other guidance. Ordinarily, such This requests should ordinarily be submitted in conjunction with an entity's plan of administrationthe submission of its plan.

### **Fulfilling Peer Review Committee and Report Acceptance Body Responsibilities**

- .132 An administering entity appoints a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs), whose members may be, but are not required to be, members of the committee as well. Members of a committee or a RAB must meet minimum qualification requirements (see interpretations). It is ultimately the committee's responsibility to ensure that it (or a RAB on its behalf) considers the results of peer reviews it administers that are undertaken to meet the requirements of the program. The activities of the committee should be carried out in accordance with administrative procedures and guidance issued by the board. Committee members may not participate in any discussion or have any vote with respect to a reviewed firm if the member lacks independence or has a conflict of interest with the reviewing firm, the reviewer, or the reviewed firm.

### **Cooperating in a Peer Review**

- .145 If a decision is made by the hearing panel to terminate a firm's enrollment in the program, the firms with AICPA members will have the right to appeal to the AICPA Joint Trial Board and firms without AICPA members will have the right to appeal in accordance with fair procedures developed by the board, for a review of the termination decision, hearing panel's findings. The fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe.

### **Effective Date**

- .206 The effective date for these standards is for peer reviews commencing on or after January 1, 2009 and QCM reviews commencing on or after January 1, 2011. ~~Early implementation is permitted for QCM reviews, but not for peer reviews.~~



## Appendix A

### Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report)

(Effective for Peer Reviews Commencing on or After January 1, 2009)

.207

1. Firms (and individuals) enrolled in the AICPA Peer Review Program are required to have a peer review, once every three years, of their accounting and auditing practice that are not subject to PCAOB permanent inspection related to non-SEC issuers covering a one-year period. The peer review is conducted by an independent evaluator, known as a peer reviewer. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role.

2. The peer review helps to monitor a CPA firm's accounting and auditing practice (*practice monitoring*). The goal of the practice monitoring, and the program itself, is to promote and enhance quality in the accounting and auditing services provided by the AICPA members and their CPA firms subject to these standards. This goal serves the public interest and enhances the significance of AICPA membership and accounting and audit quality.

3. There are two types of peer reviews: System Reviews and Engagement Reviews. System Reviews focus on a firm's system of quality control and Engagement Reviews focus on work performed on particular selected engagements. As noted in paragraphs .04 and .157, a further description of System and Engagement Reviews, and Quality Control Materials (QCM) Reviews, as well as a summary of the nature, objectives, scope, limitations of, and procedures performed on them, is provided in the following sections.

#### System Reviews

4. A System Review is a type of peer review that is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a CPA firm's system of quality control to perform accounting and auditing work. The system represents the policies and procedures that the CPA firm has designed, and is expected to follow, when performing its work. The peer reviewer's objective is to determine whether the system is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately.

5. Professional standards are literature, issued by various organizations, that contain the framework and rules that a CPA firm is expected to comply with when designing its system and when performing its work. Professional standards include but are not limited to the Statements on Quality Control Standards issued by the AICPA that pertain to leadership responsibilities for quality within the firm (the "tone at the top"); relevant ethical requirements (such as independence, integrity and objectivity); acceptance and

continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring.

6. To plan a System Review, a peer reviewer obtains an understanding of (1) the firm's accounting and auditing practice, such as the industries of its clients, and (2) the design of the firm's system, including its policies and procedures and how the firm checks itself that it is complying with them. The reviewer assesses the risk levels implicit within different aspects of the firm's practice and its system. The reviewer obtains this understanding through inquiry of firm personnel and review of documentation on the system, such as firm manuals.

7. Based on the types of engagements firms perform, they may also have their practices reviewed or inspected on a periodic basis by regulatory or governmental entities, including but not limited to the Department of Health and Human Service, the Department of Labor, and the PCAOB. The team captain obtains an understanding of those reviews or inspections, and he or she considers their impact on the nature and extent of the peer review procedures performed.

8. Based on the peer reviewer's planning procedures, the reviewer looks at a sample of the CPA firm's work, individually called engagements. The reviewer selects engagements for the period covered by the review from a cross section of the firm's practice with emphasis on higher risk engagements. The engagements selected include those performed under *Government Auditing Standards*, audits of employee benefit plans, audits of depository institutions (with assets of \$500 million or greater), audits of carrying broker-dealers, and examinations of service organizations (Service Organization Control [SOC] 1<sup>®</sup> and SOC 2<sup>®</sup> engagements) when applicable. The scope of a peer review only covers accounting and auditing engagements performed under U.S. professional standards; it does not include the firm's engagements that are subject to PCAOB permanent inspection SEC issuer practice, nor does it include tax or consulting services. The reviewer will also look at administrative elements of the firm's practice to test the elements listed previously from the Statements on Quality Control Standards.

9. The reviewer examines engagement working paper files and reports, interviews selected firm personnel, reviews representations from the firm, and examines selected administrative and personnel files. The objectives of obtaining an understanding of the system and then testing the system forms the basis for the reviewer's conclusions in the peer review report.

10. When a CPA firm receives a report from the peer reviewer with a peer review rating of *pass*, the report means that the system is appropriately designed and being complied with by the CPA firm in all material respects. If a CPA firm receives a report with a peer review rating of *pass with deficiencies*, this means the system is designed and being complied with appropriately by the CPA firm in all material respects, except in certain situations that are explained in detail in the peer review report. When a firm receives a report with a peer review rating of *fail*, the peer reviewer has determined that the firm's system is not suitably designed or being complied with, and the reasons why are explained in detail in the report.

11. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A peer review is based on selective tests. It is directed at assessing whether the design of and compliance with the firm's system provides the firm with reasonable, not absolute, assurance of conforming to applicable professional standards. Consequently, it would not necessarily detect all weaknesses in the system or all instances of noncompliance with it. It does not provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated. Projection of any evaluation of a system to future periods is subject to the risk that the system may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

### Engagement Reviews

12. An Engagement Review is a type of peer review that is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a sample of a CPA firm's actual accounting work, including accounting reports issued and documentation prepared by the CPA firm, as well as other procedures that the firm performed.

13. By definition, CPA firms undergoing Engagement Reviews do not perform audits or other similar engagements but do perform other accounting work including reviews and compilations, which are a lower level of service than audits. The peer reviewer's objective is to evaluate whether the CPA firm's reports are issued and procedures performed appropriately in accordance with applicable professional standards. Therefore, the objective of an Engagement Review is different from the objectives of a System Review, which is more system oriented and involves determining whether the system is designed in conformity with applicable professional standards and whether the firm is complying with its system appropriately.

14. Professional standards represent literature, issued by various organizations, that contain the framework and rules that a CPA firm is expected to follow when performing accounting work.

15. The reviewer looks at a sample of the CPA firm's work, individually called engagements. The scope of an Engagement Review only covers accounting engagements; it does not include tax or consulting services. An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant's report thereon, together with certain background information and representations from the firm and, except for certain compilation engagements, the documentation required by applicable professional standards.

16. When the CPA firm receives a report with a peer review rating of *pass*, the peer reviewer has concluded that nothing came to his or her attention that the CPA firm's work was not performed and reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of *pass with deficiencies* is issued when the reviewer concludes that nothing came to his or her attention that the work was not performed and reported on in conformity with applicable professional standards in all

material respects, except in certain situations that are explained in detail in the report. A report with a peer review rating of *fail* is issued when the reviewer concludes that as a result of the situations described in the report, the work was not performed or reported on in conformity with applicable professional standards in all material respects.

17. An Engagement Review does not provide the reviewer with a basis for expressing any assurance as to the firm's system of quality control for its accounting practice, and no opinion or any form of assurance is expressed on that system.

#### Quality Control Materials Reviews

18. An organization (hereinafter referred to as *provider*) may sell or otherwise distribute quality control materials (QCM or materials) that it has developed to CPA firms (hereinafter referred to as *user firms*). QCM may be all or part of a user firm's documentation of its system of quality control, and it may include manuals, guides, programs, checklists, practice aids (forms and questionnaires) and similar materials intended for use in conjunction with a user firm's accounting and auditing practice. User firms rely on QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials (as described in the preceding paragraphs).

19. A QCM review is a study and appraisal by an independent evaluator (known as a QCM reviewer) of a provider's materials, as well as the provider's system of quality control to develop and maintain the materials (hereinafter referred to as *provider's system*). The QCM reviewer's objective is to determine whether the provider's system is designed and complied with and whether the materials produced by the provider are appropriate so that user firms can rely on the materials. The scope of a QCM review only covers materials related to accounting and auditing engagements under U.S. professional standards. The scope does not include SEC or PCAOB guidance, nor does it cover materials for tax or consulting services.

20. To plan a QCM review, a QCM reviewer obtains an understanding of (1) the provider's QCM, including the industries and professional standards that they cover, and (2) the design of the provider's system, including the provider's policies and procedures and how it ensures that they are being complied with. The QCM reviewer assesses the risk levels implicit within different aspects of the provider's system and materials. The QCM reviewer obtains this understanding through inquiry of provider personnel, review of documentation on the provider's system, and review of the materials.

21. Based on the planning procedures, the QCM reviewer looks at the provider's QCM, including the instructions, guidance, and methodology therein. The scope of a QCM review encompasses those materials which the provider elects to include in the QCM review report; QCM designed to aid user firms with tax or other non-attest services are outside of the scope of this type of review. The QCM reviewer will also look at the provider's system and will test elements including, but not limited to, requirements regarding the qualifications of authors and developers, procedures for ensuring that the QCM are current, procedures for reviewing the technical accuracy of the materials, and procedures for soliciting feedback from users. The extent of a provider's policies and procedures and the

manner in which they are implemented will depend upon a variety of factors, such as the size and organizational structure of the provider and the nature of the materials provided to users. Variance in individual performance and professional interpretation affects the degree of compliance with prescribed quality control policies and procedures. Therefore, adherence to all policies and procedures in every case may not be possible. The objectives of obtaining an understanding of the provider's system and the materials forms the basis for the QCM reviewer's conclusions in the QCM review report.

22. When a provider receives a QCM review report from an approved QCM reviewer with a review rating of *pass*, this means the provider's system is designed and being complied with and the materials produced by the provider are appropriate so that user firms can rely on the QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials. If a provider receives a QCM review report with a review rating of *pass with deficiencies*, this means the provider's system is designed and being complied with and the materials produced by the provider are appropriate so that user firms can rely on the QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials, except in certain situations that are explained in detail in the review report. When a provider receives a report with a review rating of *fail*, the QCM reviewer has determined that the provider's system is not suitably designed or being complied and the materials produced by the provider are not appropriate, and the reasons why are explained in detail in the report.

23. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A QCM review is based on the review of the provider's system and its materials. It is directed at assessing whether the provider's system is designed and complied with and whether the QCM produced by the provider are appropriate so that user firms have reasonable, not absolute, assurance that they can rely on the materials to assist them in performing and reporting in conformity with the professional standards covered by the materials. Consequently, a QCM review would not necessarily detect all weaknesses in the provider's system, all instances of noncompliance with it, or all aspects of the materials that should not be relied upon. Projection of any evaluation of a system or the materials to future periods is subject to the risk that the system or materials may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

## Peer Review Interpretations

### Notice to Readers

Interpretations of the AICPA Standards for Performing and Reporting on Peer Reviews (sec. 1000) are developed in open meetings by the AICPA Peer Review Board for peer reviews of firms enrolled in the AICPA Peer Review Program. Interpretations need not be exposed for comment and are not the subject of public hearings. These interpretations are applicable to firms (and individuals) enrolled in the program; individuals and firms who perform and report on peer reviews; entities approved to administer the peer reviews; associations of CPA firms, whose members are also AICPA members, authorized by the board to assist its members in forming review teams; and AICPA program staff. Interpretations are effective upon issuance unless otherwise indicated.

The prefix of each interpretation refers first to the paragraph number in the standards and second to the number of the interpretation relating to that paragraph. For example, Interpretation No. 5-3 would be the third interpretation of paragraph .05 of the standards. Not every paragraph of the standards has an interpretation, and thus there could be gaps in the numbering sequence of the interpretations. If more than one paragraph of the standards refers to a particular interpretation, then the interpretation's prefix will refer to the first instance in the standards, and the interpretation would note what other paragraphs refer to the interpretation. Interpretations have been grouped by topic for reference purposes. For example, there are paragraph Interpretation Nos. 3-1 and 3-2 under the interpretation related to "Individual Enrollment in the Program."

To the extent that new interpretations are added before the next version of the standards is issued, an interpretation may not be referred to in the standards with the phrase (see interpretations).

### Use of Standards

**1-1** *Question*—Paragraph .01 of the standards discusses that the standards are provided for CPA firms (and individuals) those enrolled in the program. Who determines program enrollment eligibility and who may administer the program? Who else may use these standards and who determines who enrolls in the program?

*Interpretation*—The AICPA Peer Review Board ("board") determines program enrollment eligibility and who may administer the program. CPA firms (and individuals) with AICPA members as well as without AICPA members may enroll in the program. Although the standards are currently intended for AICPA members and their firms, state CPA societies, or other organizations that are approved by the AICPA Peer Review Board (board) to administer the program, AICPA members may also use these standards, as applicable, in administering peer reviews of non-

AICPA firms (and individuals). Administering entities may only use the Standards to administer the AICPA Peer Review Program.

The board determines who is eligible for enrollment in the program.

There are professional organizations with peer review programs to assist government audit organizations in meeting their *Government Auditing Standards* peer review requirements. For example, the President's Council on Integrity and Efficiency peer review program arranges reviews for the Federal Inspector General; the National Association of State Auditors, Comptrollers and Treasurers (NASACT) program arranges reviews for state auditors; and the Association of Local Government Auditors (ALGA) program arranges reviews for local government auditors. Each of these programs have established their own set of standards for conducting peer reviews and should be contacted for additional information when a peer reviewer is considering performing a peer review for one of their members because these standards are not intended for those purposes. Other professional accounting organizations interested in conducting a peer review program for firms to meet their state board licensing requirements would need to develop their own peer review standards and process.

1-2 *Question*—Who is currently eligible to enroll in the program, which is administered by committees of the board including but not limited to the National Peer Review Committee (National PRC), state CPA societies, or other organizations approved by the board?

*Interpretation*—CPA firms in which at least one partner is a member of the AICPA and, in certain circumstances, individual AICPA members and CPAs who are not members of the AICPA may enroll.

1-4 *Question*—Can state CPA societies or other organizations that are approved by the board to administer the program use the standards, as applicable, to administer peer reviews of non-AICPA firms without AICPA members?

*Interpretation*—Yes, except for firms required to be registered with and subject to permanent inspection by the PCAOB or firms that perform engagements under PCAOB standards. Those firms are required to be administered by the National PRC. This would also require that at least one owner of the firm be a member of the AICPA.

## Individual Enrollment in the Program

3-1 *Question*—AICPA bylaws require individual CPAs (not the firm) to enroll in the program if they perform compilation services in firms or organizations not eligible to enroll in such a program. To reflect this requirement, paragraphs .03 and .05 of the standards refer to “firms and individuals in the program.” What is meant by “firms or organizations not eligible to enroll,” and can any AICPA member enroll in the program as an individual?

*Interpretation*—Under the AICPA Code of Professional Conduct ET appendix B, Council Resolution Concerning Rule 505—Form of Organization and Name (AICPA, Professional Standards), when the majority of the ownership of a firm, in terms of financial interests and voting rights, belongs to CPAs, it must enroll in the program. A firm or organization without CPA majority ownership (a non-CPA owned entity) would not be eligible to enroll in the program. The characteristics of such a firm are discussed in ET appendix B. Where the firm or organization is not eligible to enroll, such as due to a lack of majority ownership by CPAs, and where the individual AICPA member performs compilation services in the firm or organization, the AICPA member is required to enroll individually in the program. Only AICPA members meeting these criteria are able to enroll individually. Individual AICPA members who are only practicing with a firm that is eligible to enroll in the program may not enroll in the program individually. In addition, CPAs who are not members of the AICPA that perform services that fall within the scope of the program in a firm that is not eligible to enroll may enroll in the program.

**3-5** *Question*—As discussed in paragraph .144 of the standards, can a hearing panel decide to terminate an individual's enrollment in the program?

*Interpretation*—Yes. The fair procedures related to hearings and appeals established by the board to the AICPA Joint Trial Board for individuals enrolled in the program would parallel the process for enrolled firms, including publication of termination in such form and manner as the AICPA Council may prescribe. If a hearing panel decides to terminate an individual's enrollment in the program, that individual can appeal pursuant to fair procedures established by the board to the AICPA Joint Trial Board. When the fact that an individual's enrollment has been terminated is published, the name of the firm or organization that was not eligible to enroll in the program with which the individual was practicing is not published.

## Cooperating in a Peer Review

**5h-1** *Question*—Paragraph .05(h) of the standards notes that firms (and individuals) enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity, and the board in all matters related to the peer review, that could impact the firm's enrollment in the program, including arranging, scheduling, and completing the review and taking remedial, corrective actions as needed (paragraph .143 of the standards). Under what circumstances will a firm (or individual) be not cooperating, and what actions can be taken by the board for noncooperation?

*Interpretation*—The board has issued a resolution regarding dropping a firm's enrollment from the program that is as follows:

### AICPA Peer Review Board Resolution

(Adopted April 29, 1996 with amendments through January 1, 2009, May 3, 2011, January 30, 2014, and September 30, 2014, and September 27, 2016)



WHEREAS, a firm enrolled in the AICPA Peer Review Program is required to have a peer review once every three years performed in conformity with the AICPA *Standards for Performing and Reporting on Peer Reviews*; and

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required under the AICPA *Standards for Performing and Reporting on Peer Reviews* to cooperate with the peer reviewer, administering entity and the AICPA Peer Review Board in all matters related to the review, that could impact the firm's enrollment in the program;

NOW, THEREFORE, BE IT RESOLVED: A firm's enrollment in the AICPA Peer Review Program will be dropped by the AICPA Peer Review Board, without a hearing, thirty days after the AICPA Peer Review Program notifies the firm by certified mail, or other delivery method providing proof of receipt that the firm has failed to:

- (1) Timely file requested information with the entity administering the firm's peer review concerning the arrangement or scheduling of that peer review, prior to the commencement of the peer review,
- (2) Timely submit requested information to the reviewer necessary to plan or perform the firm's peer review, prior to the commencement of the peer review,
- (3) Have a peer review by the required date,
- (4) Accurately represent its accounting and auditing practice, as defined by the AICPA Standards for Performing and Reporting on Peer Reviews, after notifying its administering entity that it does not perform engagements that require the firm to have a peer review,
- (5) Timely pay in full the fees and expenses of the review team formed by an administering entity, or
- (6) Timely pay all fees related to the administration of the program that have been authorized by the governing body of an administering entity and the AICPA.

The AICPA Peer Review Board may at its discretion decide to hold a hearing. Whether a hearing is held or not, ~~a-firms with AICPA members~~ enrolled in the AICPA Peer Review Program ~~haves~~ the right to appeal to the AICPA Joint Trial Board and firms without an AICPA member have the right to appeal pursuant to fair procedures established by the board within 30 calendar days of being notified that the firm's enrollment has been dropped.

If a firm's enrollment is dropped for not accurately representing its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, or subsequent failure to submit a peer review by a required due date, the matter will result in referral to the AICPA Professional Ethics Division of firms with AICPA members for investigation of a possible violation of the AICPA *Code of*

*Professional Conduct.* If a firm's enrollment is dropped for such an omission or misrepresentation, reenrollment will be subject to approval by a hearing panel.

*Interpretation*—The AICPA Peer Review Board has issued a resolution regarding terminating a firm's enrollment from the AICPA Peer Review Program that is as follows:

#### **AICPA Peer Review Board Resolution**

**(Adopted April 29, 1996 with amendments through January 1, 2009, May 3, 2011, August 8, 2012, January 30, 2014, September 30, 2014, and November 30, 2014, and September 27, 2016)**

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required to have a peer review once every three years performed in conformity with the AICPA *Standards for Performing and Reporting on Peer Reviews*; and

WHEREAS, a firm enrolled in the AICPA Peer Review Program is required under the AICPA *Standards for Performing and Reporting on Peer Reviews* to cooperate with the peer reviewer, administering entity and the AICPA Peer Review Board in all matters related to the review, that could impact the firm's enrollment in the program;

NOW, THEREFORE, BE IT RESOLVED: A firm is deemed as failing to cooperate by actions including but not limited to:

- Not responding to inquiries once the review has commenced,
- Withholding information significant to the peer review, for instance but not limited to:
  1. failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing, or attestation engagements from regulatory, monitoring, or enforcement bodies;
  2. omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, including, but not limited to, engagements performed under Government Auditing Standards; audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [Service Organizations Control (SOC) 1 and 2 engagements],
- Not providing documentation including but not limited to the representation letter, quality control documents, engagement working papers, all aspects of functional areas,
- Not responding to MFCs or FFCs timely,

- Limiting access to offices, personnel or other once the review has commenced,
- Not facilitating the arrangement for the exit conference on a timely basis,
- Failing to timely file the report and the response thereto related to its peer review, if applicable,
- Failing to cooperate during oversight, or
- Failing to timely acknowledge and complete required corrective actions or implementation plans.

The firm will be advised by certified mail, or other delivery method providing proof of receipt, that the AICPA Peer Review Board will appoint a hearing panel to consider whether the firm's enrollment in the AICPA Peer Review Program should be terminated. A firm enrolled in the AICPA Peer Review Program that has been notified that it is the subject of such a hearing may not resign until the matter causing the hearing has been resolved. After a hearing is held, a firm whose enrollment in the AICPA Peer Review Program has been terminated has the right to appeal the panel's decision to the AICPA Joint Trial Board or, for firms without an AICPA member partner, have the right to appeal pursuant to fair procedures established by the board within 30 calendar days of the hearing; and

If a firm omits or misrepresents information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews* that results in a material departure<sup>9</sup> in the firm's most recently accepted peer review, acceptance of the peer review documents will be recalled. A hearing panel will determine whether the firm's enrollment in the AICPA Peer Review Program should be terminated. If the hearing panel determines that the firm's enrollment will not be terminated, at a minimum the hearing panel will require that the firm have a replacement review submitted to the administering entity by the due date which will be approximately 60 days after the hearing panel's decision.

## Peer Reviews To Be Administered by the National Peer Review Committee

- 11-1** *Question*—Paragraphs .11, .128, and .161 of the standards note that peer reviews intended to meet the requirements of the program should be carried out in conformity with the standards under the supervision of a state CPA society, group of state CPA societies, the National PRC, or other board committee or entity (hereinafter, administering entity) approved by the board to administer peer reviews. Under what circumstances are peer reviews administered by the National PRC?

<sup>9</sup> Material departure is defined in the Report Acceptance Body Handbook, Chapter 3, Section VII, Recall of Peer Review Documents.

*Interpretation*—Firms are required to have their review administered by the National PRC if they meet any of the following criteria:

- a. The firm is required to be registered with and subject to permanent inspection by the PCAOB.
- b. The firm performs engagements under PCAOB standards.
- c. The firm is a provider of quality control materials (QCM) (or affiliated with a provider of QCM) that are used by firms that it peer reviews.

Firms that meet any or all of the preceding criteria during the peer review year, but not as of their peer review year end (for example, because they resigned or were terminated from their SEC issuer clients, whether or not they deregistered with the PCAOB) are still ordinarily required to have their review administered by the National PRC. The firm's peer reviewer is still required to comply with guidance specific to firms administered by the National PRC, including, but not limited to, guidance at Interpretations 40-1 and 40-2 regarding other planning considerations and reporting of PCAOB inspection results. One exception is if a firm was required to be registered with and inspected by the PCAOB during the peer review year, but then did not perform the engagement during that period (because they resigned or were terminated and thus were no longer the "auditor or accountant of record"), is not required to have its review administered by the National PRC if they deregister with the PCAOB prior to scheduling their review.

Firms that are not required to have their review administered by the National PRC may choose to do so. However, such firms are subject to the National PRC's administrative fee structure and should familiarize themselves with that structure prior to making such a decision. This would also require that at least one owner of the firm be a member of the AICPA.

## Timing of Peer Reviews

13-1

*Question*—Paragraph .13 of the standards notes that a firm's due date for its initial peer review is ordinarily 18 months from the date it enrolled in the program or should have enrolled, whichever date is earlier. What is meant by "should have enrolled?" In addition, what is the due date for a firm that was previously enrolled in another peer review program~~CPCAF PRP~~?

*Interpretation*—When an individual becomes an AICPA member, and the services provided by his or her firm (or individual) fall within the scope of the AICPA's practice-monitoring standards, and the firm (or individual) issues reports purporting to be in accordance with AICPA *Professional Standards*, the firm (or individual) should enroll in the program and submit an enrollment form by the report date of the initial engagement. If the firm (or individual) does not initially provide services falling within the scope of the standards, the firm (or individual) should enroll in the program and submit an enrollment form by the report date of their initial engagement. The administering entity will consider the firm's (or individual's) practice, the year-ends of their engagements, the report dates of their engagements, and the number and type of engagements to be encompassed in the review, in determining an appropriate due date. A firm's subsequent peer review ordinarily will be due three years and six months from this peer review year-end.

If a firm's most recent peer review was under the auspices of a peer review program administered by an entity approved by the board fully involved in the administration of the AICPA Peer Review Program, conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews~~of the CPCAF PRP~~, its subsequent peer review ordinarily will be due three years and six months from the year-end of that peer review.

If a firm's most recent peer review was under the auspices of another peer review program by an administering entity not approved by the board, even if conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews, its subsequent peer review ordinarily will be considered an initial peer review, due 18 months from the date it enrolled in the Program administered by an administering entity approved by the board.

## Independence, Integrity, and Objectivity

21-20

*Question*—Firm A and Firm B have shared office facilities for the last several years. Due to the growth of both firms, Firm B moved into new offices on January 1, 2014~~07~~. In March 2016~~09~~, Firm A engaged Firm B to perform the peer review of Firm A. Firm

A's peer review year-end is December 31, 2015~~08~~. Can Firm A perform the peer review of Firm B?

*Interpretation*—Yes, because the firms did not share office facilities within the current peer review year and any subsequent periods thereafter.

## Peer Review Documentation and Retention Policy

25-1

*Question*—Paragraph .25 of the standards notes that all peer review documentation should not be retained for an extended period of time after the peer review's completion, with the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion. What period of time should peer review documentation be retained and what documentation should be maintained until the subsequent peer review's acceptance and completion?

*Interpretation*—Peer review documentation prepared during system and engagement reviews, with the exception of those documents described in the following paragraphs, should be retained by the reviewing firm, the administering entity, and the association in an association formed review team (if applicable) until 120 days after the peer review is completed (see Interpretation No. 25-2) or 42 months if firm is unenrolled or does not perform engagements requiring a peer review.

If the administering entity refers the firm to a hearing of the board due to non-cooperation, peer review documentation prepared during system and engagement reviews should be retained by the administering entity until the appeals period has ended. The appeals period ends 30 days from the date that the hearings process is completed (that is, the date of the decision notice letter, upon receipt of a plea of guilty by the firm, or the date of the administering entity's request to stop the hearings process). Peer review documentation should be retained by the administering entity for an additional 120 days after the end of the appeals period. If the reason the firm is referred for non-cooperation is due to failing to submit documentation or requested revisions to the review team or the administering entity, the reviewing firm and the association in an association formed review team (if applicable) should also adhere to these retention guidelines.

If the firm appeals the hearings decision, the administering entity, reviewing firm (if applicable), and the association in an association formed review team (if applicable) should retain peer review documentation until 120 days after the Joint Trial Board decision or, for firms without AICPA members, pursuant to fair procedures established by the board.

The reviewing firm and administering entities should retain the following documents until the firm's subsequent peer review has been completed:

- a. Peer review report and the firm's response, if applicable
- b. Letter notifying the firm that its peer review has been accepted
- c. Letter indicating that the peer review documents have been accepted with the understanding that the firm agrees to take certain actions, if applicable. The administering entity should retain the version signed by the firm
- d. Letter notifying the firm that certain required actions have been completed, if applicable
- e. Finding for Further Consideration (FFC) forms, if applicable
- f. Letter requesting the reviewed firm's completion of an implementation plan, if applicable (the administering entity should retain the version signed by the firm)
- g. Letter notifying the firm that the implementation plan has been completed, if applicable
- h. Letter(s) relating to peer review document recall considerations
- i. Written representations from management of the reviewed firm
- j. Scheduling information

If the firm received two consecutive pass with deficiency(ies) or fail peer review reports, the administering entity should retain both the prior and current peer review reports until the subsequent peer review has been completed.

Administering entities may also retain the following administrative materials until the firm's subsequent peer review has been completed:

- a. Engagement letters
- b. Review team appointment acceptance letters
- c. Due date extension and year-end change requests and approvals
- d. Settlement agreements received by the administering entity from the AICPA Professional Ethics Division related to individual members' performance on accounting, auditing, or attestation engagements

The administering entity's peer review committee or the board may indicate that any or all documentation for specific peer reviews should be retained for a longer period of time than specified in the preceding paragraphs because, for example, the review has been selected for oversight. All peer review documentation is subject to oversight or review by the administering entity, the board, or other bodies the board may designate, including their staff. All peer review documentation prepared by the administering entities is subject to oversight.

If a firm has been enrolled in a peer review program administered by an entity approved by the board fully involved in the administration of the AICPA Peer Review

~~Program n institute approved practice monitoring program but has not undergone a peer review in the last three years and six months since its last peer review because the firm has not performed engagements and issued reports requiring it to have a peer review, the documents previously noted should still be retained for 42 months after completion of the previous peer review. The administering entity may also choose to retain the administrative documents noted, as applicable.~~

~~If a firm's most recent peer review was under the auspices of another peer review program administered by an entity not approved by the board, even if conducted in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews, tThe documents for a firm that has not been enrolled in an Institute approved practice monitoring program for the last consecutive three years and six months are not required to be retained for purposes of the program.~~

## Associations of CPA Firms and Association Formed Review Teams

26-1

*Question*—Paragraph .26 of the standards states that a review team may be formed by a firm engaged by the firm under review (a firm-on-firm review) or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team). What criteria have been established by the board for association formed review teams?

*Interpretation*—Associations of CPA firms include any group, affiliations, or alliances of accounting firms. The term also applies to two or more firms or a group of firms (whether a formal or informal group) that jointly market or sell services. Firms and other entities in the association cooperate with one another to enhance their capabilities to provide professional services.

A member firm of an association may conduct a peer review of another association-member firm enrolled in the program, provided that the association is not a network as defined by Interpretation No. 26-2 and the association receives annual approval from the board. The National PRC administers this process on behalf of the board. The association must submit an AIF to the National PRC that must be approved by the board prior to any aspect of the review being planned, scheduled, or performed.

The AIF contains questions regarding general information about the association, independence matters, and whether the association requests to be approved to assist its members in the formation of review teams, provide technical assistance to such review teams, or do both. All review teams must still be approved by the administering entity. The AIF is subject to oversight by the board.



The approval of the AIF specifically relates to AICPA members of an association having the ability to perform peer reviews of other ~~firms~~AICPA members in the same association enrolled in the program. Furthermore,

- a. Annual approval of the AIF does allow, where the association is not a network and has answered the specific questions making such a request, the association the ability to assist its members in the formation of review teams (association formed review teams) or to provide technical assistance to such review teams.
- b. The reviewed firm and administering entity, not the association, is ultimately responsible for ensuring that its peer review is scheduled, performed, and completed in a timely manner.
- c. Annual approval of the AIF does not grant the association the authority to administer the program; therefore, the association is not deemed an approved administering entity.
- d. Approval of the AIF is not an endorsement of, approval of, or has any applicability to a separate peer review program that an association may conduct or administer for ~~firms not enrolled in the program~~non-AICPA members.
- e. If the association makes any representations (in brochures, directories, pamphlets, websites, or any marketing or selling materials regarding its member firms in obtaining engagements), in order for the AIF to be approved such representations must be objective and quantifiable. The purpose of this requirement is to mitigate the appearance of a lack of independence. The board does not prohibit an association from making representations that are not objective or quantifiable; however, associations that make the decision to do so should understand that its member firms will then be unable to peer review other association members.

For a member firm of an association to conduct peer reviews of another association-member firm enrolled in the program, in addition to the independence requirements related to network firms appearing in Interpretation No. 26-2 and other peer review independence requirements, the association and its member firms must meet the following independence criteria:

- a. The association, as distinct from its member firms, does not perform any professional services other than those it provides to its member firms or affiliates. For purposes of this requirement, *professional services* include accounting, tax, personal financial planning, litigation support, and professional services for which standards are promulgated by bodies designated by AICPA Council.
- b. The association does not make representations regarding the quality of professional services performed by its member firms to assist member firms in obtaining engagements unless the representations are

objective or quantifiable. However, member firms may independently publicize their membership in the association. In addition, an association may respond to inquiries and prepare promotional materials that firms may use to obtain professional engagements on their own behalf.

- c. Referral or participating work among member firms is arranged directly by the firms involved.

An association may voluntarily elect to have an independent QCM review of its system of quality control to develop and maintain QCM used by its member firms (see paragraphs .154–.205 of the standards). An association may wish to have such a review to enable its member firms that use the materials it develops to have more efficient peer reviews. Associations that elect to have this type of review should consult with AICPA program staff.

An association formed review team,

- a. requires that a majority of the review team members, including the team captain in a System Review, and all members in an Engagement Review, be from association member firms.
- b. performs peer reviews in accordance with these standards, interpretations, and other guidance and the peer review report is issued on the letterhead of the team captain or review captain's firm and signed in the name of the team captain or review captain's firm (not the association).

Peer reviews performed by association-formed review teams are subject to oversight by the board and the administering entities and other bodies agreed upon by the board and the administering entity.

## **Qualifying for Service as a Peer Reviewer**

### **31b-1**

*Question*—Paragraphs .31(b) and (c) of the standards state that an individual serving as a peer reviewer should be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program and the firm (or all firms if associated with more than one firm) that the member is associated with should have received a report with a peer review rating of pass for its most recent System Review or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months. Does this apply to all firms the individual is associated with? Is the individual still qualified to serve as a reviewer if the individual starts, or becomes associated with, a newly formed firm (or a firm that has not had a peer review)?

*Interpretation*—If the individual is associated as a partner with more than one firm, then each of the firms the individual is associated with should have received a report

with a peer review rating of pass for its most recent System Review or Engagement Review that was accepted timely, ordinarily within the last three years and six months.

An individual who was previously a System Review team captain, a reviewer in a System Review or a review captain in an Engagement Review that starts or becomes associated with a newly formed firm (or a firm that has not had a peer review) may continue to serve in such capacity during a transition period. The transition period begins with the earlier of the dates of disassociation from the previous firm or when the individual starts or becomes associated with a new firm. The transition period ends with the earlier of 18 months from the beginning date or the peer review due date of the new firm. In no circumstances will the transition period exceed 18 months. The previous firm should have received a report with a peer review rating of pass on its most recently accepted peer review, and the individual should meet all of the other qualifications for service as a team captain or reviewer in a System Review or review captain in an Engagement Review. An individual who was previously a team captain or reviewer in a System Review qualified to perform peer reviews administered by the National PRC ~~or CPCA-PRP~~ that starts or becomes associated with a newly formed firm (or a firm that has not had a peer review), or a firm enrolled in the program that has undergone a peer review administered by another administering entity, may serve as a team captain or a reviewer on a review administered by the National PRC under the same conditions and requirements mentioned previously.

31b-4

*Question*—What further qualifications are necessary to perform a peer review of a firm whose review is required to be administered by the National PRC?

*Interpretation*—In order to be qualified to perform a peer review of a firm required to be administered by the National PRC, ordinarily a peer reviewer must currently be with a firm whose most recent review was administered by the National PRC ~~or the CPCA-PRP~~. This is not a requirement for a peer reviewer on a review of a firm that elects (but is not required) to have their peer review administered by the National PRC.

34-2

*Question*—What if a reviewer or reviewing firm fails to notify the relevant administering entity or AICPA technical staff, as applicable, of any such allegations or investigations, limitations or restrictions, or both, relating to the conduct of his, her or its performance of accounting, audit, or attestation engagements within the specified time requirements?

*Interpretation*—If a reviewer or reviewing firm fails to notify the relevant administering entity or AICPA technical staff, as applicable, of such allegations or investigations, limitations or restrictions, or both, within the specified time requirements of “prior to being engaged to perform a peer review, or immediately, (if after engaged)” the reviewer or reviewing firm is not cooperating with the program. The board will consider and investigate, as deemed necessary, what actions should be taken in the specific circumstances. These actions may include, but are not limited to, on-site oversight at the reviewer’s expense, permanent removal from the list of qualified peer reviewers and referral of any AICPA members to the AICPA’s Professional Ethics Division for violating the AICPA Code of Professional Conduct, if applicable.

## Office and Engagement Selection in System Reviews

59-3 *Question*—What factors should be considered if a firm has an office in a foreign country or other territory?

*Interpretation*—The standards are intended for firms enrolled in the Program of AICPA members who are engaged in the practice of public accounting in the United States or its territories, ~~as well as other firms enrolled in the program.~~ Some firms also have offices in foreign countries or their territories (“foreign jurisdictions”), including the Cayman Islands and Bermuda. One important factor to consider in determining whether reports issued for clients in those foreign jurisdictions are to be included in the scope of the peer review is the letterhead of the report issued. For instance, ordinarily if a U.S. firm issues a report on letterhead from its office in that foreign jurisdiction, the engagement would not be included in the scope of the peer review. Another factor is whether the reports issued for clients in the foreign jurisdictions are addressed by guidance from the state board of accountancy(s) that issues the firm’s license(s). Team or review captains should consult with AICPA technical staff if there is any question of whether an engagement is subject to peer review under these circumstances. In addition, reviewed firms need to consider whether there are peer review or practice monitoring requirements issued by the licensing authority of the foreign jurisdiction which are applicable to the reviewed firm.

## Qualifying for Service as a Peer Review Committee Member, Report Acceptance Body Member, or Technical Reviewer

132-1 *Question*—Paragraphs .132 and .136 of the standards note that minimum requirements must be met to be a peer review committee member, a report acceptance body member, or a technical reviewer. What are those requirements?

*Interpretation*—

### *Peer Review Committee Member*

A majority of the peer review committee members and the chairperson charged with the overall responsibility for administering the program at the administering entity should possess the qualifications required of a team captain in a System Review. All committee members must be AICPA members in good standing, whether conducting committee member duties for firms with or without AICPA members. A committee member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a committee member would be at the discretion of the administering entity or committee.

### *Report Acceptance Body Member*

Each member of an administering entity's report acceptance body charged with the responsibility for acceptance of peer reviews ~~must~~<sup>should</sup>

- a. be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements.
- b. be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System or Engagement Review that was accepted timely, ordinarily within the last 3 years and 6 months (see Interpretation No. 31b-1).
- c. demonstrate proficiency in the standards, interpretations, and guidance of the program (see Interpretation No. 33-1).
- d. be an AICPA member in good standing, whether conducting report acceptance body member duties for firms with or without AICPA members.

A majority of the report acceptance body members and the chairperson charged with the responsibility for acceptance of System Reviews should possess the qualifications required of a System Review team captain.

A national list of consultants will be maintained by the AICPA, so that the administering entity has an available pool of consultants with GAS, ERISA, FDICIA, carrying broker-dealer, and service organization experience to call upon in the instance when it does not have an experienced RAB member to consider the review of a firm when circumstances warrant. The national RAB consultant would not necessarily have to participate physically in the RAB meeting (teleconference option). The national RAB consultant will not be eligible to vote on the acceptance of a review. Determination that a review requires a national RAB consultant should be made prior to assigning the review to a RAB. The national RAB consultant would have to meet the following qualifications for RAB participation:

- a. Currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program, as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities. To be considered currently active, a consultant should be presently involved in the supervision of one or more of his or her firm's accounting or auditing engagements or

carrying out a quality control function on the firm's accounting or auditing engagements. To be considered a consultant on GAS, ERISA, FDICIA, carrying broker-dealer or service organization engagements, the current activity must include the respective industry asked to consult upon.

- b. Associated with a firm (or all firms, if associated with more than one firm) that has received a report with a peer review rating of *pass* on its most recently accepted System Review that was accepted timely, ordinarily within the last three years and six months.
- c. Not associated with an engagement that was deemed not performed in accordance with professional standards on the consultant's firm's most recently accepted System Review.
- d. be an AICPA member in good standing whether conducting consultant duties for firms with or without AICPA members.

A report acceptance body member who is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a report acceptance body member would be at the discretion of the administering entity or committee.

#### *Technical Reviewers*

Each technical reviewer charged with the responsibility for performing technical reviews should

- a. demonstrate proficiency in the standards, interpretations, and guidance of the program applicable to the type of peer reviews being evaluated and that meet the requirements of the team captain or review captain training requirements established by the board (see Interpretation No. 33-1).
- b. participate in at least one peer review each year, which may include participation in an on-site oversight of a System Review.
- c. be an AICPA member in good standing, whether conducting technical reviewer duties for firms with or without AICPA members.
- d. have an appropriate level of accounting and auditing knowledge and experience suitable for the work performed. Such knowledge may be obtained from on-the-job training, training courses, or a combination of both. Technical reviewers are to obtain a minimum amount of CPE to maintain the appropriate level of accounting and auditing knowledge.

If a technical reviewer does not have such knowledge and experience, the technical reviewer may be called upon to justify why he or she should be permitted to perform technical reviews or oversights. The administering entity has the authority to decide whether a technical reviewer's knowledge and experience is sufficient and whether he or

she has the capability to perform a particular technical review or oversight whether there are high-risk engagements involved or other factors.

The fundamental purpose of CPE is to maintain or increase, or both, professional competence. AICPA members are required to participate in 120 hours of CPE every 3 years. In order to maintain current knowledge of accounting, auditing, and quality control standards, technical reviewers should obtain at least 40 percent of the AICPA-required CPE in subjects relating to accounting, auditing, and quality control. Technical reviewers should obtain at least 8 hours in any 1 year and 48 hours every 3 years in subjects relating to accounting, auditing, and quality control. The terms *accounting*, *auditing*, and *quality control* should be interpreted as CPE that would maintain current knowledge of accounting, auditing, and quality control standards for engagements that fall within the scope of peer review as described in paragraphs .06–.07 of the standards.

Technical reviewers have the responsibility of documenting their compliance with the CPE requirement. They should maintain detailed records of CPE completed in the event they are requested to verify their compliance. The reporting period will be the same as that maintained for the AICPA.

A technical reviewer who is also a peer reviewer and is suspended or restricted from scheduling or performing peer reviews no longer meets the qualifications until such suspension or restriction is removed. Reinstatement as a technical reviewer would be at the discretion of the administering entity or committee.

Corresponding changes to the Peer Review Program Manual will be made as necessary based on the final guidance approved by the Peer Review Board.

# **Exposure Draft**

**June 1, 2016**

**Amendments to UAA Section 6  
Recognition of Foreign Professionals  
and UAA Model Rules Article 5  
Changes for Examination**

## **Uniform Accountancy Act Seventh Edition - May 2014**

**Published jointly by the  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas, New York, NY 10036-8775  
and  
National Association of State Boards of Accountancy  
150 4th Avenue, North, Nashville, TN 37219-2417**

**The base documents are the May 2014 editions of the UAA (pertinent parts) and UAA Model Rules. Changes made are shown as a single underlined or single-strike through.**

**Comments must be received by September 1, 2016.**

**Please send your comments to  
[uaaexposuredrafts@aicpa.org](mailto:uaaexposuredrafts@aicpa.org) and  
[lhberman@nasba.org](mailto:lhberman@nasba.org).**



# **EXPOSURE DRAFT OF CHANGES**

## **OVERVIEW**

In April, the AICPA and NASBA Boards of Directors each approved for exposure changes to the Uniform Accountancy Act that would simplify the international pathway for licensure and the NASBA Board approved exposing changes updating the Uniform CPA Examination Model Rules. Comments on this proposal are requested by **September 1, 2016**.

## **BACKGROUND**

The AICPA and NASBA have worked together since 1984 to produce the Uniform Accountancy Act (UAA) and UAA Model Rules to serve as reference documents for all U.S. states and jurisdictions as they update their own statutes and regulations. They are evergreen documents that are regularly reviewed and updated by the joint AICPA/NASBA UAA Committee. The UAA is subject to the final approval of the two organizations' Boards of Directors, while the Model Rules are subject to the final approval of NASBA's Board.

## **INTERNATIONAL PATHWAY**

For several years, there have been discussions about the global economy and the worldwide demand for skilled CPAs and their foreign counterparts to meet the needs of international business. Since 1991, the AICPA and NASBA have entered into six Mutual Recognition Agreements (MRA) that recognize substantially equivalent foreign designations and allow holders of these designations to apply for state licensure as a CPA so long as the foreign authority that granted the designation allows a licensed U.S. CPA to obtain the foreign authority's comparable designation to practice. To qualify for licensure as a U.S. CPA, the applicant's foreign designation must be issued by a foreign authority that regulates the practice of public accountancy and the individual must be in good standing. In addition, the foreign designation must have been issued upon the basis of education, examination and experience requirements established by law, and must entitle the holder to issue reports on financial statements.

Existing differences in licensure requirements as well as political hurdles have made the development of functioning MRAs extremely difficult to achieve. Recognizing that in a global economy there are foreign accountants who meet or exceed the high standards for licensure as a U.S. CPA, the AICPA and NASBA Boards of Directors approved for comment an Exposure Draft of a change to the UAA that provides a unilateral pathway for qualified holders of a foreign credential. Under the unilateral pathway, the NASBA/AICPA International Qualifications Appraisal Board (IQAB) would evaluate the foreign designation to verify that the foreign designation has substantially equivalent, or higher, licensing requirements as those contained in the UAA and recommend that applicants holding that foreign credential be eligible to apply to a state for a U.S. CPA license. The in-depth reviews of the education, examination and experience requirements of foreign designations, plus the professional environment of the designations would continue by the IQAB, and those with approved designations would still have to pass the International Qualification Examination (IQEX), but the need for reciprocal recognition of U.S. CPAs by the foreign body would be eliminated. As foreign professionals are working in the United States, bringing them under the jurisdiction of the State Boards would strengthen public protection. This would allow for increased transparency as those who are qualified to sign financial reports could sign them. It is in the public interest to license qualified individuals, without regard to whether the foreign authority reciprocates, therefore, the international pathway would make the quid pro quo licensing requirement obsolete. It is anticipated that

other countries will want to similarly move to recognition of qualified U.S. CPAs as the European Union and other areas of the world require more frequent rotation of auditors and firms make it clear to regulators that the ability to provide high quality talent should not be limited by geographic barriers.


## **SUPPORTING THE UNIFORM CPA EXAMINATION**

In 2013, the AICPA initiated a practice analysis to update the Uniform CPA Examination. The revised examination will be launched in April 2017 and will require updates to the Model Rules.

Updates to the Model Rules include:

- Identifying the Uniform CPA Examination as the examination required for licensure.
- Eliminating the definition of the two-month testing window and replacing it with a new definition of the testing window equal to a calendar quarter with a minimum of two months of testing.
- Highlighting that examination content tests the knowledge and skill of a newly licensed CPA and that passing all sections of the examination is only one component of qualifying for a license.

The AICPA/NASBA Uniform Accountancy Act Committee believes these modifications of the UAA and the Model Rules will positively impact the ability of the State Boards of Accountancy to effectively regulate the evolving accounting profession and to therefore meet the public's needs.



Deborah D. Lambert  
Chair AICPA UAA Committee



J. Coalter Baker  
Chair NASBA UAA Committee

## INTERNATIONAL PATHWAY – PROPOSED UAA CHANGE

### UAA Section 6 excerpts Rev. 3/30/15 [Note: Language to be deleted is stricken and new material is underlined.]

- (g) The Board shall issue a certificate to a holder of a substantially equivalent foreign designation, provided that:
- ~~(1) The foreign authority which granted the designation makes similar provision to allow a person who holds a valid certificate issued by this State to obtain such foreign authority's comparable designation; and~~
- (1) The Board determines that the foreign designation:
- (A) was duly issued by a foreign authority that regulates the practice of public accountancy and the foreign designation has not expired or been revoked or suspended;
  - (B) entitles the holder to issue reports upon financial statements; and
  - (C) was issued upon the basis of educational, examination, and experience requirements established by the foreign authority or by law; and
  - (D) In making its determination regarding compliance with this Section 6(g)(1), the Board may rely on the recommendations of the International Qualifications Appraisal Board jointly established by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants.
- (2) The applicant:
- (A) received the designation, based on educational and examination standards substantially equivalent to those in effect in this State, at the time the foreign designation was granted;
  - (B) completed an experience requirement, substantially equivalent to the requirement set out in Section 5(f), in the jurisdiction which granted the foreign designation or has completed four years of professional experience in this State; or meets equivalent requirements prescribed by the Board by rule, within the ten years immediately preceding the application; and

- (C) passed a uniform qualifying examination in national standards [and an examination on the laws, regulations and code of ethical conduct in effect in this State] acceptable to the Board.
- (h) An applicant under subsection (g) shall in the application list all jurisdictions, foreign and domestic, in which the applicant has applied for or holds a designation to practice public accountancy, and each holder of a certificate issued under this subsection shall notify the Board in writing, within thirty days after its occurrence, of any issuance, denial, revocation or suspension of a designation or commencement of a disciplinary or enforcement action by any jurisdiction.
- (i) The Board has the sole authority to interpret the application of the provisions of subsections (g) and (h).

*COMMENT:* Sections 6(g), 6(h) and 6(i) are designed to allow granting of reciprocal certificates as certified public accountants to foreign accountants who meet standards equivalent to those in this state. They are based on professional competence and its objective is to provide international reciprocity to qualified individuals without imposing arbitrary or unnecessary restrictions. The requirement set out in subsection 6(h) parallels the requirement set out in section 6(f) for applicants from other states.

## PROPOSED MODEL RULE CHANGES

### Rule 5-3 - Applications for examination.

- (a) The examination required in subsection 5(d) of the Act will be the Uniform CPA Examination developed and scored by the AICPA.
- ~~(a)(b)~~ Applications to take the Certified Public Accountant Examination examination must be made on a form provided by the Board or the Board's designee and filed with the Board by a due date specified by the Board in the application form.
- ~~(b)(c)~~ An application will not be considered filed until the application fee and examination fee required by these Rules and all required supporting documents have been received, including proof of identity as determined by the Board and specified on the application form, official transcripts and proof that the Candidate has satisfied the education requirement.
- ~~(e)(d)~~ A Candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination.
- ~~(d)(e)~~ The Board or its designee will forward notification of eligibility for the computer-based examination to NASBA's National Candidate Database.

### Rule 5-4 - Time and place of examination.

Eligible Candidates shall be notified of the time and place of the examination, or shall independently contact the Board, the Board's designee or a test center operator to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with Rule 5-7(ba) below.

#### **Rule 5-5 - Examination content.**

The examination required by Section 5 of the Act shall test the knowledge and skills required for performance as ~~an entry-level~~ a newly licensed certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.

#### **Rule 5-6 – Determining and reporting examination grades.**

A Candidate shall be required to pass all Test Sections of the examination provided for in subsection 5(d) of the Act ~~as one component of qualifying for a license. in order to qualify for a certificate~~. Upon receipt of advisory grades from the examination provider, the Board will review and may adopt the examination grades and will report the official results to the Candidate. The Candidate must attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure and approved by the Board.

#### **Rule 5-7 – Retake and granting of credit requirements.**

~~(a) A Candidate shall be required to pass all sections of the examination provided for in Section 5(d) of the Act in order to qualify for a certificate.~~

~~(b)~~(a) A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for a period of eighteen (18) months and be calculated from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.

(1) Candidates must pass all ~~four~~ Test Sections of the ~~Uniform CPA Examination~~ examination within a rolling eighteen- (18) month period, which begins on the date that the first Test Section(s) passed is taken.

(2)

(3) Candidates cannot retake a failed Test Section(s) in the same ~~examination~~ testing window. ~~An examination window refers to a three-month period in which Candidates have an opportunity to take the CPA examination (comprised of two months in which the examination is available to be taken and one month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed). Thus, Candidates will be able to test two out of the three months within an examination window. A testing window is equal to a calendar quarter (Jan-Mar, Apr-Jun, Jul-Sep, Oct- Dec). Candidates will be able to test no less than two (2) months out of each testing window.~~

- (4) In the event all ~~four~~ Test Sections of the ~~Uniform CPA Examination~~ examination are not passed within the rolling eighteen- ~~(18)~~ month period, credit for any Test Section(s) passed outside the eighteen- ~~(18)~~ month period will expire and that Test Section(s) must be retaken.

~~(e)~~(b) A Candidate shall retain credit for any and all Test Sections of the examination passed as a candidate of another state if such credit would have been given under then applicable requirements in this State.

~~(d)~~(c) A Candidate shall be deemed to have passed the ~~Uniform CPA Examination~~ examination once the Candidate holds at the same time valid credit for passing each of the ~~four~~ Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the ~~computer-based~~ examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives notice of the passing grade.

~~(e)~~(d) Notwithstanding subsection ~~(da)~~ of this Rule, the Board may in particular cases extend the term of credit validity upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

#### **Rule 5-8 – Candidate testing fee.**

The Candidate shall, for each Test Section scheduled by the Candidate to the Board or its designee, pay a Candidate Testing Fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider, as well as reasonable application fees established by the State Board.

#### **Rule 5-9 – Cheating.**

- (a) Cheating by a Candidate in applying for, taking or subsequent to the examination will be deemed to invalidate any grade otherwise earned by a Candidate on any Test Section of the examination, and may warrant summary expulsion from the test site and disqualification from taking the examination for a specified period of time.
- (b) For purposes of this Rule, the following actions or attempted activities, among others, may be considered cheating:
- (1) Falsifying or misrepresenting educational credentials or other information required for admission to the examination;
  - (2) Communication between Candidates inside or outside the test site or copying another Candidate's answers while the examination is in progress;
  - (3) Communication with others inside or outside the test site while the examination is in progress;
  - (4) Substitution of another person to sit in the test site in the stead of a Candidate;
  - (5) Reference to crib sheets, textbooks or other material or electronic media (other than that provided to the Candidate as part of the examination) inside or outside the test site while the examination is in progress;

- (6) Violating the nondisclosure prohibitions of the examination or aiding or abetting another in doing so, or otherwise participating in the collection of Test Items for use, redistribution or sale;
  - (7) Retaking or attempting to retake a Test Section by an individual holding a valid Certificate or by a Candidate who has unexpired credit for having already passed the same Test Section, unless the individual has been directed to retake a Test Section pursuant to Board order or unless the individual has been expressly authorized by the Board to participate in a “secret shopper” program.
- (c) In any case where it appears that cheating has occurred or is occurring, the Board or its representatives may either summarily expel the Candidate involved from the examination or move the Candidate to a position in the Test Center away from other examinees where the Candidate can be watched more closely.
- (d) In any case where the Board believes that it has evidence that a Candidate has cheated on the examination, including those cases where the Candidate has been expelled from the examination, the Board shall conduct an investigation and may conduct a hearing consistent with the requirements of the state’s Administrative Procedures Act following the examination session for the purpose of determining whether or not there was cheating, and if so what remedy should be applied. In such proceedings, the Board shall decide:
- (1) Whether the Candidate shall be given credit for any portion of the examination completed in that session; and
  - (2) Whether the Candidate shall be barred from taking the examination and if so, for what period of time.
- (e) In any case where the Board or its representative permits a Candidate to continue taking the examination, it may depending on the circumstances:
- (1) Admonish the Candidate;
  - (2) Seat the Candidate in a segregated location for the rest of the examination;
  - (3) Keep a record of the Candidate’s seat location and identifying information, and the names and identifying information of the Candidates in close proximity of the Candidate; and/or
  - (4) Notify the National Candidate Database and the AICPA and/or the Test Center of the circumstances, so that the Candidate may be more closely monitored in future examination sessions.
- (f) In any case in which a Candidate is refused credit for any Test Section of an examination taken, disqualified from taking any Test Section, or barred from taking the examination in the future, the Board will provide to the Board of Accountancy of any other state to which the Candidate may apply for the examination information as to the Board’s findings and actions taken.

**Rule 5-10 – Security and irregularities.**

Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, the release of grades, or the issuance of certificates due to a breach of examination security; unauthorized acquisition or disclosure of the contents of an examination; suspected or actual negligence, errors, omissions, or irregularities in conducting an examination; or for any other reasonable cause or unforeseen circumstance.



## **UAA Section 6 excerpts Rev. 3/30/15 (Including Proposed Changes)**

**(g) The Board shall issue a certificate to a holder of a substantially equivalent foreign designation, provided that:**

**(1) The Board determines that the foreign designation:**

**(A) was duly issued by a foreign authority that regulates the practice of public accountancy and the foreign designation has not expired or been revoked or suspended;**

**(B) entitles the holder to issue reports upon financial statements; and**

**(C) was issued upon the basis of educational, examination, and experience requirements established by the foreign authority or by law; and**

**(D) In making its determination regarding compliance with this Section 6(g)(1), the Board may rely on the recommendations of International Qualifications Appraisal Board jointly established by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants.**

**(2) The applicant:**

**(A) received the designation, based on educational and examination standards substantially equivalent to those in effect in this State, at the time the foreign designation was granted;**

**(B) completed an experience requirement, substantially equivalent to the requirement set out in Section 5(f), in the jurisdiction which granted the foreign designation or has completed four years of professional experience in this State; or meets equivalent requirements prescribed by the Board by rule, within the ten years immediately preceding the application; and**

**(C) passed a uniform qualifying examination in national standards [and an examination on the laws, regulations and code of ethical conduct in effect in this State] acceptable to the Board.**

**(h) An applicant under subsection (g) shall in the application list all jurisdictions, foreign and domestic, in which the applicant has applied for or holds a designation to practice public accountancy, and each holder of a certificate issued under this subsection shall notify the Board in writing, within thirty days after its occurrence, of any issuance, denial, revocation or suspension of a designation or commencement of a disciplinary or enforcement action by any jurisdiction.**

**(i) The Board has the sole authority to interpret the application of the provisions of subsections (g) and (h).**

*COMMENT:* Sections 6(g), 6(h) and 6(i) are designed to allow granting of reciprocal certificates as certified public accountants to foreign accountants who meet standards equivalent to those in this state. They are based on professional competence and its objective is to provide international reciprocity to qualified individuals without imposing arbitrary or unnecessary restrictions. The requirement set out in subsection 6(h) parallels the requirement set out in section 6(f) for applicants from other states.

## **UAA RULES CHANGE – EXAMINATION (Including Proposed Changes)**

### **Rule 5-3 - Applications for examination.**

- (b) The examination required in subsection 5(d) of the Act will be the Uniform CPA Examination developed and scored by the AICPA.
- (b) Applications to take the examination must be made on a form provided by the Board or the Board's designee and filed with the Board by a due date specified by the Board in the application form.
- (c) An application will not be considered filed until the application fee and examination fee required by these Rules and all required supporting documents have been received, including proof of identity as determined by the Board and specified on the application form, official transcripts and proof that the Candidate has satisfied the education requirement.
- (d) A Candidate who fails to appear for the examination shall forfeit all fees charged for both the application and the examination.
- (e) The Board or its designee will forward notification of eligibility for the computer based examination to NASBA's National Candidate Database.

### **Rule 5-4 - Time and place of examination.**

Eligible Candidates shall be notified of the time and place of the examination, or shall independently contact the Board, the Board's designee or a test center operator to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with Rule 5-7(a) below.

### **Rule 5-5 - Examination content.**

The examination required by Section 5 of the Act shall test the knowledge and skills required for performance as a newly licensed certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.

### **Rule 5-6 – Determining and reporting examination grades.**

A Candidate shall be required to pass all Test Sections of the examination provided for in subsection 5(d) of the Act as one component of qualifying for a license. Upon receipt of advisory grades from the examination provider, the Board will review and may adopt the examination

grades and will report the official results to the Candidate. The Candidate must attain the uniform passing grade established through a psychometrically acceptable standard-setting procedure and approved by the Board.

**Rule 5-7 – Retake and granting of credit requirements.**

- (a) A Candidate may take the required Test Sections individually and in any order. Credit for any Test Section(s) passed shall be valid for a period of eighteen (18) months and be calculated from the actual date the Candidate took that Test Section, without having to attain a minimum score on any failed Test Section(s) and without regard to whether the Candidate has taken other Test Sections.
  - (1) Candidates must pass all Test Sections of the examination within a rolling eighteen- (18) month period, which begins on the date that the first Test Section(s) passed is taken.
  - (2) Candidates cannot retake a failed Test Section(s) in the same testing window. A testing window is equal to a calendar quarter (Jan-Mar, Apr-Jun, Jul-Sep, Oct-Dec). Candidates will be able to test no less than two (2) months out of each testing window.
  - (3) In the event all Test Sections of the examination are not passed within the rolling eighteen- (18) month period, credit for any Test Section(s) passed outside the eighteen- (18) month period will expire and that Test Section(s) must be retaken.
- (b) A Candidate shall retain credit for any and all Test Sections of the examination passed as a candidate of another state if such credit would have been given under then applicable requirements in this State.
- (c) A Candidate shall be deemed to have passed the examination once the Candidate holds at the same time valid credit for passing each of the Test Sections of the examination. For purposes of this section, credit for passing a Test Section of the examination is valid from the actual date of the Testing Event for that Test Section, regardless of the date the Candidate actually receives notice of the passing grade.
- (d) Notwithstanding subsection (a) of this Rule, the Board may in particular cases extend the term of credit validity upon a showing that the credit was lost by reason of circumstances beyond the Candidate's control.

**Rule 5-8 – Candidate testing fee.**

The Candidate shall, for each Test Section scheduled by the Candidate to the Board or its designee, pay a Candidate Testing Fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider, as well as reasonable application fees established by the State Board.

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

Meeting of the Board of Directors

January 22, 2016 – Loews Hotel – Miami Beach, 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 Donald H. Burkett at 9:00 a.m. on Friday, January 22, 2016 at the Loews Hotel in Miami Beach, FL.

2. Report of Attendance

President Ken L. Bishop reported the following were present:

Officers

Donald H. Burkett, CPA (SC), Chair  
Telford A. Lodden, CPA (IA), Vice Chair  
Walter C. Davenport, CPA (NC), Past Chair  
E. Kent Smoll, CPA (KS), Treasurer  
Laurie J. Tish, CPA (WA), Secretary

Directors-at-Large

A. Carlos Barrera, CPA (TX)  
Jimmy E. Burkes, CPA (MS)  
Tyrone E. Dickerson, CPA (VA)  
Raymond N. Johnson, CPA (OR)  
Harry O. Parsons, CPA (NV)  
Richard N. Reisig, CPA (MT)

Regional Directors

J. Coalter Baker, CPA (TX), Southwest Regional Director  
Maria E. Caldwell, CPA (FL), Southeast Regional Director  
John F. Dailey, Jr., CPA (NJ), Northeast Regional Director  
W. Michael Fritz, CPA (OH), Great Lakes Regional Director  
Sharon Jensen, CPA (WI), Central Regional Director  
Edwin G. Jolicoeur, CPA (WA), Pacific Regional Director  
Stephanie Saunders, CPA (VA), Middle Atlantic Regional Director  
Benjamin C. Steele, CPA (NV), Mountain Regional Director

James Corley, CPA (AR) – Executive Directors Committee Liaison

Absent

Janice L. Gray, CPA (OK), Director-at-Large

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, Vice President - Information and Research  
Thomas G. Kenny, Director – Communications  
Troy Walker, CPA, Controller  
Noel L. Allen, Esq., Outside Legal Counsel  
Alfonzo Alexander, President, NASBA Center for the Public Trust (via phone)

Guest

Lisa Dampf, Chief Human Resources Officer

3. Approval of Minutes

Secretary Tish presented the minutes of the Board of Directors' October 23 and October 27, 2015 meetings and moved for their approval with correction. Mr. Parsons seconded and the minutes were unanimously approved with correction.

4. Chair's Report

Chair Burkett reported he had spoken before a meeting of the South Carolina Society of CPAs and been honored at its Centennial celebration as one of the state's outstanding accountants. Since the NASBA Annual Meeting in November, Mr. Burkett had also participated in meetings of the Administration and Finance Committee's Investment Committee and Communications Committee, and many other NASBA committees' conference calls. With NASBA Executive Vice President and COO Colleen Conrad, he had attended a meeting of the Financial Accounting Foundation's Private Company Council, the final meeting under the chairmanship of NASBA Past Chair Billy Atkinson (TX). He also attended the Ohio Board of Accountancy's retreat. One of Mr. Burkett's focuses this year will be diversity, and he reported participating in several of the Diversity Committee's conference calls and concluded they are headed in the right direction. Mr. Burkett has met with NASBA staff in Nashville and attended the staff directors' holiday dinner. NASBA and AICPA leaders will be holding a summit meeting on February 3 and he mentioned topics to be discussed and asked the Board of Directors to suggest others that should be covered.

Throughout the year, NASBA will be recommending appointments to numerous external boards and committees, Mr. Burkett explained, and he urged those who would be interested in those appointments to let him and President Bishop know of their interest well in advance of the openings.

5. President's Report

President Bishop reported on staff appreciation activities, including the presentation of the Ad Astra Per Aspera Award to Bill Howell for his positive employee spirit. Despite snow delays, operations are moving forward to relocate employees to: the sixth floor of the redesigned Nashville headquarters by the end of January; to the seventh floor around the end of March, and the eighth floor in early May.

NASBA's international relevance is increasing, President Bishop said, as he noted recent meetings with leaders of the United Kingdom's Financial Reporting Council and South African Institute of Chartered Accountants. He anticipates the NASBA/AICPA International Qualifications Appraisal Board will build on these relationships.

President Bishop reported NASBA is continuing to monitor the work of the Private Company Council to ensure its authority is not weakened. NASBA Past Chair Diane Rubin has been named a member of the Financial Accounting Foundation which oversees the work of the PCC. Ms. Conrad recently spoke to the enforcement staff of the Public Company Accounting Oversight Board at an internal conference.

Assistant Speaker of the New York State Assembly Felix Ortiz visited the Nashville office to speak about the Uniform Accountancy Act with President Bishop and staff. He is a member of Somos el Futuro ("We Are the Future"), the organization of Latino legislators. President Bishop has been asked to speak to that group and expects to meet with Mr. Ortiz in the future. President Bishop also reported he is meeting with representatives of the international accounting firms.

This is the third year of the NASBA strategic plan that was developed using the new model, President Bishop pointed out. How the business units fit into the plan is now being completed and quarterly business reviews are being done in a more formal way. Work is underway to change the NASBA culture to coordinate with the strategic plan. Efforts are being made to build the CPA candidate pipeline and discussions are being held with the AICPA to consider joint efforts. Alfonzo Alexander, NASBA's point person on diversity, is continuing efforts in support of the Diversity Committee to increase diversity on the State Boards and the NASBA Board. Additional initiatives are focused on diversity in the CPA pipeline.

Vice President – State Board Relations Dan Dustin visited 19 Boards last year and has other Board visits scheduled for this year. Director of Governmental and Legislative Affairs John Johnson is tracking hundreds of bills that may impact the regulation of the accounting profession. There are 34 members in the NASBA Key Contact Person Program, who have collectively listed 111 contacts. Increasing the monitoring of federal legislation is being considered. Ms. Conrad asked the Board members to be sure to alert Mr. Johnson or Mr. Dustin of any legislation they see arising in their states that could impact the Boards.

The way other accounting credentials are being promoted is being monitored by NASBA, President Bishop reported, as they can negatively impact the CPA candidate pipeline.

Arrangements have been worked out with the Department of Labor so that they will notify State Boards when they discover deficient audits, and a receipt form has been developed for this process, Ms. Conrad reported. The Board can have a consent form voluntarily signed by the licensee to present to the DOL to share their inspection results. The files will enable the Boards to move forward with their own investigation in an expedited fashion.

President Bishop explained NASBA has been reviewing the State Boards' enforcement programs to determine if they are substantially equivalent to NASBA's guidelines, as requested by the California Board to comply with their law. To date, 27 were found to be substantially equivalent, another 10 will be substantially equivalent once they report disciplinary issues on their websites, and other Boards have been notified of other differences, Ms. Conrad reported.

NASBA has submitted comments to the AICPA on the proposed revisions to the Uniform CPA Examination and they are being seriously considered, Ms. Conrad reported. During the next year a spike in the number of test takers is expected, in anticipation of the launch of the revised Examination in April 2017. Several test administration initiatives are moving forward and will be communicated with the State Boards and candidates in the coming months.

Potential CPA Examination candidates and licensees are now being offered an advisory evaluation service by NASBA that reviews their education and tells them what else they require to qualify to take the Uniform CPA Examination. Ms. Conrad reported the charge to the candidate ranges from \$50 to \$150 depending on the service needed. NASBA is also preparing to kick off a new Experience Verification Service targeted initially at candidates taking the Examination outside the United States who seek CPA review and sign off of their experience for licensure purposes. President Bishop explained that NASBA process for this review will include a detailed background check. Experience will be verified by a CPA.

Michigan has become the 51<sup>st</sup> Board to sign on to the Accountancy Licensing Database. President Bishop pointed out this means 99 percent of the CPA population is now in the ALD. The only states that remain outside the ALD are Delaware, Hawaii, Utah and Wisconsin.

Many IT projects are underway at NASBA. The Gateway's business requirements have been completed and now, in response to a direct request from the executive directors, high priority is being given to expansion and improvements to the CPETracking system by mid-September 2016, President Bishop said.

NASBA is well ahead in its operational results, even though the long-term investment fund experienced a loss, he said. Growth in operating areas has contributed positively to NASBA's financial results. The NASBA Center for the Public Trust is slightly behind its projections because of the timing of some major donations; however, Mr. Bishop believes that thanks to the CPT's student chapters, NASBA is getting known on colleges and universities and so it is providing as much "bang for the buck" as other NASBA activities.

## 6. Report of the Vice Chair

Vice Chair Lodden reported he had spent most of his NASBA time this quarter working with the NASBA/AICPA International Qualifications Appraisal Board (IQAB) but he had also participated in calls of the CPE Committee, Compliance Assurance Committee, Investment Committee and Legislative Support Committee. IQAB is considering renewals of existing mutual recognition agreements, as well as working out how unilateral recognition of non-U.S. professionals can be accomplished.

Mr. Lodden said he was happy to see the way the CPE Committee worked through the comments received on the exposure draft of the CPE Standards.

The Iowa Society of CPAs asked Mr. Lodden to attend their meeting and hear their concerns about how the CGMA may impact the CPA pipeline.

Locations for the 2017 Board of Directors Meetings have not yet been determined by Mr. Lodden.

## 7. Report from the Chief Human Resources Officer

Ms. Dampf shared a detailed census of NASBA employees including locations, average tenure and age, as well as the current hiring climate. She also outlined new on-boarding programs and initiatives to attract and retain quality employees.

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

Treasurer Smoll summarized the Investment Committee's and Administration and Finance Committee's meetings from the previous two days. Senior Vice President and CFO Bryant outlined the current year's results. Mr. Bryant then presented a detailed report on the status of capital expenditures as compared to budget, most specifically in regard to the renovation of the office space in Nashville. Mr. Smoll made a motion at the behest of the A&F Committee recommending that the Board approve the November financial statements as presented. Mr. Steele seconded the motion. The Board voted unanimously to approve the financial statements as recommended by the A&F Committee.

#### 9. Report from Executive Directors Liaison

Executive Directors Committee Chair James Corley reported the issues concerning State Boards' executive directors around the country will be highlighted at the March 15-17 conference in Tucson, AZ. At least three states have reacted strongly to the North Carolina Dental Board decision, Mr. Corley noted, Alabama, Oklahoma and West Virginia. He said the executive directors take comfort in NASBA's being aware of this issue, as legal counsel Noel Allen has discussed the case for years at NASBA meetings. He said the NASBA webinar had been helpful for the executive directors. Mr. Corley observed that Arkansas is in an anti-regulatory environment and there is fear the legislatures will use the NC Dental decision to water down regulation.

The CGMA is another issue that concerns the executive directors as they fear it could cause enforcement issues in the states and deplete the CPA candidate pipeline, which is an additional public protection concern. The Executive Directors Committee had met the previous week to review the agenda for the March ED Conference. State CPA Society CEOs are being again invited this year to attend the conference. Mr. Corley noted that a session on the AICPA's CGMA initiative is included on the agenda.

#### 10. Report from the Education Committee

Education Committee Chair Raymond Johnson presented the Education Committee's recommendation that Nathan H. Jeppson and Mary B. Burns of Montana State University be awarded a grant of \$6,500 to assist their research into "Is Being Selective and Attuned to Top Quality Students All that Matter? The Impact on CPA Exam Performance by Student Characteristics, Accounting Program Quality, and Delays in Test Taking." Mr. Reisig seconded the motion to award the grant and all approved.

Dr. Johnson noted that this year the application deadline for the NASBA accounting education research grants had been moved to December to cover work being done over the summer. However, that change seems not to have been heard by academe, so the Education



Committee has decided to reopen the application window. Dr. Johnson will be meeting with leaders of accounting programs in two weeks and expects that will generate added applications.

The NASBA/AICPA Accreditation Forum will be held on January 29 in Washington, D.C., right after the Council for Higher Education Accreditation (CHEA) meeting, which Dr. Johnson will be attending with NASBA Past Chair Carlos Johnson. Three of the six regional accreditation bodies are registered to be represented at the joint forum. Jan Williams, past chair of the American Accounting Association, will be moderating the forum, which will discuss the reliance that State Boards place on transcripts, the accreditation process and the impact of changes in higher education on accreditation as required in the Uniform Accountancy Act. The NASBA and AICPA Education Committees will hold a joint meeting after the forum.

#### 11. Report of the CPE Committee

CPE Committee Chair Maria Caldwell reported the exposure draft of the revised *Statement on Standards for Continuing Professional Education Programs* had produced 50 comments, which the Committee had carefully reviewed. The concept of “nano” learning, which Ms. Caldwell cited as the biggest change in the revised Standards, resulted in many comments. The Committee thought about the parameters that need to be placed around nano learning and had revised the proposed Standards accordingly. On behalf of the CPE Committee, Ms. Caldwell made a motion for the Board to approve the re-exposure of the revised CPE Standards until April 30, 2016. Mr. Dailey seconded and all approved re-exposing the Standards.

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

Committee on Relations with Member Boards Chair John Dailey reported the Regional Directors have created a tentative agenda for the Eastern Regional Meeting, June 7-9 in Asheville, NC, and the Western Regional Meeting, June 22-24 in Denver, CO. Attendees’ evaluations of previous meetings were considered in the planning. Unlike recent years, the chair/presidents’ breakfast and the executive directors’ breakfast are going to be held on the morning of the first full-day of the meetings. The Committee also made plans for the New Accountancy Board Member Orientation Sessions, to be held the day before the Regional Meetings begin. It was suggested that those sessions include information on NASBA’s positions on the top issues of the day.

One of the breakout sessions at the Regional Meetings will cover handling of records of deceased or incapacitated sole practitioners. Chair Burkett reported South Carolina recently made part of their application process the naming of a licensee to be responsible for handling records in such an event. Ms. Saunders questioned if something about this should be in the UAA. Dr. Johnson said there are models for how to handle such records in the medical profession, particularly in the social work area. Mr. Barrera reported the issue of transfer of files had been brought up at the AICPA Professional Ethics Executive Committee’s meeting but no enforceable solution has been found.

Another topic to be covered at the Regional Meetings is the overlapping of the work of the Enforcement, Accountancy Licensing Database and Compliance Assurance Committees, as noted by Enforcement Committee Chair Harry Parsons. Three members from each of those

NASBA committees have been appointed to a joint task force working to close enforcement gaps.

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

UAA Committee Chair Coalter Barker reported the NASBA/AICPA Uniform Accountancy Act Committee will meet February 1-2 in Fort Lauderdale, FL. Among the topics being worked on at this time are: cleaning up the UAA in terms of timeliness, grammar and consistency; recognition of international professionals; changes required for transitioning to the next version of the Uniform CPA Examination; and required updates in education, compliance assurance and continuing professional education.

#### 14. Report on International Recognition

International Qualifications Appraisal Board Chair Telford Lodden reviewed the status of the current Mutual Recognition Agreements that IQAB is in the process of considering for renewal. One goal is to make the agreements easier to understand and more specific as to what each party is giving and getting in return. Dr. Johnson made a motion to extend the MRA with the Institute of Chartered Accountants in Ireland until December 31, 2016 to allow for a transparent agreement to be negotiated, one which could serve as a model for other agreements. Mr. Dickerson seconded and all approved the extension.

Following discussion of who should be covered by Mutual Recognition Agreements, all but one Board member voted in favor of only allowing professionals with audit privileges in their own countries to qualify for the U.S. CPA under the terms of the MRA. All agreed that the MRAs should include tabs that clearly map out how individuals can use these agreements.

#### 15. Policy Discussion

The Board of Directors discussed how public protection could be impacted by changes in the structure and programs of the AICPA.

#### 16. Election of Center for the Public Trust Board Members

NASBA Chair Burkett recessed the NASBA Board of Directors meeting to hold the Annual Shareholder Meeting of the Center for the Public Trust, as required in the CPT's Bylaws. Speaking to the NASBA Board, as the sole shareholder of the NASBA Center for the Public Trust, CPT President Alexander asked that the following be appointed to the CPT Board: Joseph A. Petito reappointed for a two-year term as the Accountants Coalition representative, and Keith Darcy appointed for a three-year term. Mr. Smoll moved to approve Mr. Darcy, then Mr. Jolicoeur seconded and the appointment was unanimously approved. Ms. Tish moved to

reappoint Mr. Petito, then Mr. Dickerson seconded, and he was also unanimously approved. Mr. Dickerson then moved to adjourn the CPT meeting, Mr. Parsons seconded and all approved.

17. Future Meetings

Chair Burkett announced the NASBA Board of Directors will meet: April 28-29 in San Francisco, CA; July 21-22 in Rapid City, SD; and October 27-28 in Austin, TX.

18. Adjournment

Mr. Parsons moved to adjourn the meeting, Mr. Steele seconded and all agreed to adjourn. The meeting was adjourned at 3:55 p.m.

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

### **Highlights of the Board of Directors Meeting**

**April 29, 2016 – San Francisco, CA**

At a duly called meeting of the Board of Directors of the National Association of State Boards of Accountancy, Inc., held on Friday, April 29, 2016 at the Marriott Union Square in San Francisco, California, the Board took the following actions:

- Unanimously approved American Samoa as the 56<sup>th</sup> member of the National Association of State Boards of Accountancy, on a motion by Director-at-Large Laurie Tish (WA), seconded by Director-at-Large Harry Parsons (NV). Samoa will be included in the Pacific Region.
- Approved for exposure changes to Section 6 of the Uniform Accountancy Act to provide for recognition of substantially equivalent non-U.S. auditors as recommended by the NASBA/AICPA International Qualifications Appraisal Board. Also approved for exposure changes to Model Rules 5-3, 5-4, 5-5, 5-6 and 5-7 to provide for examination administration changes in support of the revised Uniform CPA Examination. The changes were proposed by the CBT Administration Committee, chaired by Richard N. Reisig (MT), and the NASBA/AICPA UAA Committee and presented by NASBA UAA Committee Chair J. Coalter Baker (TX). The comment period will run 90 days from the exposure date.
- Approved the financial report as presented by Treasurer E. Kent Smoll (KS).
- Accepted the recommendations of the Administration and Finance Committee for changes in NASBA's investment policy, as described by Senior Vice President and CFO Michael Bryant.
- Approved the Education Committee's recommended recipients of NASBA accounting education research grants, Dr. Adrain L. Mayse for his work on "Accreditation and CPA Exam Performance: An Examination of Gender and Race," and Dr. Kamala Raghavan for her work on "Strategies to Help Students in a Minority University Achieve Success in the Accounting Profession and Help to Diversify the Accounting Pipeline." Education Committee Chair Raymond N. Johnson (OR) announced the NASBA and AICPA information exchange with higher education accreditors, held on January 29 in Washington, D.C., has resulted in continuing conversations with accreditors to work toward ensuring the quality of the evaluation process.
- Received a summary from Chair Donald H. Burkett (SC) of his NASBA activities during the past quarter. These included participation in a summit meeting with the volunteer leadership of the American Institute of CPAs, addressing the State Board Executive Directors and Legal Counsel Conference attendees, meeting with the Association of Chartered Accountants in the United States, and joining in on several NASBA Committees' conference calls. Chair Burkett congratulated the Executive Directors Committee, chaired by James Corley (AR), and NASBA staff for developing and presenting excellent conferences.

□ Learned from President and CEO Ken Bishop that NASBA has joined with regulatory associations of other professions to form the Professional Licensing Coalition. NASBA Director of Governmental and Regulatory Affairs John Johnson will serve as NASBA's representative to this group supporting federal legislation to protect State Board members. In addition, Nigyar Mamedova, CPA, has been added to the NASBA staff in the new position of Technical Director, to offer support to NASBA volunteers serving on committees both inside and outside NASBA, as well as NASBA staff leadership. President Bishop advised that the NASBA build-out project was nearly complete and that it is expected the final floor (8) will be finished and occupied before the end of May.

□ Heard from NASBA Executive Vice President and COO Colleen K. Conrad that the finalization of the revised Uniform CPA Examination was announced to the public in April and will be launched in April 2017. It is anticipated that in the next 6-9 months the number of CPA candidates will increase, prior to the revised Examination's release, and Ms. Conrad assured the Board that the resources required to handle the increase will be in place.

□ Received a report entitled "ALD: A Vision for 2020" from ALD/CPAverify Committee Chair Laurie Tish, setting out a roadmap for the future uses of ALD and CPAverify. She reported a joint task force has been formed on which NASBA's ALD Committee, Enforcement Committee and Compliance Assurance Committee each have three members to coordinate their efforts.

□ Received a report from Compliance Services Director and Chief Legal Officer Maria L. Caldwell, Esq., on the work of her departments. Currently 51 jurisdictions are participating in the Accountancy Licensee Database, with Wisconsin expected to join within a month, Ms. Caldwell announced. The CPE Sponsor Registry includes 2,142 CPE sponsors and plans are underway for the National Registry Summit scheduled for September 13-14 in Tampa, FL.

□ Heard from Compliance Assurance Committee Chair John F. Dailey (NJ) that proposed changes to the UAA Model Rules are being delayed until the impact on State Boards of the AICPA's changes to its peer review program's administration is determined.

□ Reviewed the March 21, 2016 and April 15, 2016 NASBA comment letters to the International Ethics Standards Board for Accountants, as presented by Regulatory Response Committee Chair W. Michael Fritz (OH).

The next meeting of the NASBA Board of Directors will be held on July 22, 2016 in Rapid City, South Dakota.

*Distribution: State Board Chairs/President, Members and Executive Directors, NASBA Board of Directors and Committee Chairs and NASBA Staff Directors*

**Executive Summary  
January –April 2016  
Regional Directors' Focus Question Responses**

**40 Boards Responding**

**(AK, AL, AR, AZ, CA, CO, CT, DC, FL, GU, HI, IA, ID, IL DFPR, IL BOE, KS, KY, LA, MD, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, PA, SC, SD, TX, VA, WA, WY)**

**1. How quickly can your Board begin the enforcement process in response to a firm's failed peer review?**

**Some responses:**

- **Immediately upon receipt of evidence of failed peer review: CA, CT, GU, IL DFPR, KS, KY, MO, NC, ND, NV, TX**

**2. How long will it be until the firm is referred to the Board's enforcement committee?**

**Some responses:**

- **Immediately: AL, CA, GU, KS, MD, MT, TX**

**3. Is your Board proposing any changes to speed up the process? Yes/No/Other (please specify).**

**Some responses:**

- **No: AK, AL, CT, GU, IA, ID, IL DFPR, KS, KY, LA, MD, MN, MS, MT, NC, ND, NE, NH, NJ, NV, OH, OK, SD, VA**
- **Yes: CO, NM, SC, TX**

**4. Does your Board believe the experience requirement for audit practice in your state should be revisited?**

**Some responses:**

- **No: AK, AL, AR, HI, IL DFPR, LA, MD, MN, NH, OH, OK, SC, SD, WY**
- **Not an issued Board has discussed: AZ, FL, IA, LA, MO, MS, MT, NC, NJ, NY, TX**

**5. Does your Board believe the AICPA's new CGMA (Chartered Global Management Accountant) credential will impact the CPA candidate pipeline? Yes/No/Other (please specify).**

**Some responses:**

- **Yes - AL, DC, FL, GU, ID, IL BOE, KS, OH, OK, SC, TX, WY**
- **Has not been discussed by the Board - AR, AZ, CA, CT, HI, IL DFPR, LA, MO, MT, NJ, NY, VA**

**6. Does your Board foresee the CGMA credential impacting the Board's operations to protect the public in other ways? Yes/No/Other (please specify).**

**Some responses:**

- **Yes - AR, CO, DC, FL, GU, ID, NC, NE, OH, SC, TX**

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

**Some responses:**

- **AK – Extreme travel restrictions.**
- **CT – Attempt to consolidate Board.**
- **WA – Recently passed firm mobility.**

**8. Can NASBA be of any assistance to your Board at this time?**

**Some responses:**

- **DC – May seek collaboration with NASBA on Peer Review and Center for the Public Trust.**
- **FL – Do other Boards limit credit from CLEP, AP or internships?**
- **NM – Assist in drafting new law.**

**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 January and April 2016. Responses which indicated nothing to report have not been included in this summary.

Respectfully submitted,

*John F. Dailey, Jr. (NJ) – Chair, Committee on Relations with Member Boards  
Northeast Regional Director*

*J. Coalter Baker (TX) – Southwest Regional Director*

*Maria E. Caldwell (FL) – Southeast Regional Director*

*W. Michael Fritz (OH) – Great Lakes Regional Director*

*Sharon A. Jensen (MN) – Central Regional Director*

*Edwin G. Jolicoeur (WA) – Pacific Regional Director*

*Stephanie S. Saunders (VA) – Middle Atlantic Regional Director*

*Benjamin C. Steele (NV) – Mountain Regional Director*

### **1- How quickly can your Board begin the enforcement process in response to a firm's failed peer review?**

AK - Current statutes don't allow "enforcement" action for failed peer review.

AL - Per our rules, peer review remains "education" focused. The Board only takes action if a firm has two failed reports and is subsequently dropped from the peer review program.

AR - We will attempt legislation in 2017 to require peer review for those who issue attest reports.

AZ - If the Board's Peer Review Oversight Advisory Committee made a recommendation to the Board to take enforcement action the Board would consider it at the first available Board meeting and then the matter would be referred to either the Board's Tax or Accounting and Auditing Advisory Committee. The Board and Committees meet monthly.

CA - The California Accountancy Act requires a firm receiving a substandard (for California purposes this means fail) peer review report to file a copy of the report to the CBA. CBA Regulations require that when a firm files a copy of the report, it does so within 45 days of the report's acceptance by a Board-recognized peer review program provider. A firm must include with its submission any materials documenting the prescription of any remedial or corrective actions and any materials, if available, documenting completion of any prescribed remedial or corrective actions. Additionally, a Board-recognized peer review program provider (in California the only such provider is the American Institute of CPAs Peer Review Program) must file a copy of any substandard peer review reports issued to a California-licensed firm. Upon receipt of a failed peer review, the CBA initiates an investigation. During the course of our investigation, an Investigative Certified Public Accountant reviews the failed peer review report to determine if there are significant departures from professional standards to warrant

enforcement action by the CBA. Enforcement action may include additional continuing education courses, citation and fine, or referring the matter to the Office of the Attorney General for the filing of an Accusation. The CBA also confirms that the firm has completed any corrective action that was ordered by the administering entity and that the administering entity has accepted the corrective action. The CBA, therefore, treats a firm receiving a failed peer review similar to complaint of negligence. If the CBA seeks to take disciplinary action against a firm receiving a substandard peer review report, it must collect evidence that demonstrates, to a degree of clear and convincing proof, that the work performed by a firm was grossly negligent or constituted repeated acts of negligence.

CO - Peer review matters will be addressed as the items are placed on the agenda.

CT – Immediately.

DC - The DC Board meets the first Friday of each month, and can vote on an action within thirty (30) days.

FL - The Florida Board of Accountancy is not notified of failed Peer Reviews and a failed Peer Review does not trigger an enforcement action.

GU – Upon receipt of advice of a failed peer review.

HI - We are just beginning our mandatory peer review program - a completed peer review is required for the renewal of a firm's permit for the 2018-2019 biennial license period; therefore, we have no data/information on this.

IA - As soon as the next regularly scheduled Board meeting.

ID – At this point, we have begun to take action after a firm has received their second consecutive failed peer review. The exception would be if we were ever to be contacted or notified by the administering organization that there was a major issue that had been identified.

IL - The Illinois Department of Financial and Professional Regulation (“Department”) immediately refers a complaint to investigations to investigate a complaint. The Department’s Enforcement Guidelines state, “It is recommended that investigations be completed within five (5) months of assignment to the individual investigator. Due to the unique and complex nature of certain cases, it may not be possible to complete some investigations within this suggested timeframe.” However, peer review cases typically proceed to prosecutions and enforcement prior to 5 months.

KS - Upon receipt of the final Peer Review documents.

KY - As soon as the Board reviews a report that it finds enforcement action needs to be taken.

LA – We have access to FSBA and generally send a letter to a firm who failed the peer review immediately. The letter indicates that the Board has taken note, the firm should follow all remedial actions required by the Peer Review Program, certain documents should be retained should another fail occur, and that the Board would respond in the event of a subsequent fail. On



a second fail, the matter is referred to a Board Member serving as an Investigative Officer pretty quickly. We currently are not proposing any changes to that process.

MD – The failed peer review can be presented to the Board's Enforcement Committee upon receipt. It would then be processed as any other allegation made against a licensee or firm (preliminary review, investigation, assignment for legal review, formal hearing, and prescription for remedy or disciplinary action).

MN - 48 hours.

MO - Once notified by the AICPA or the MSCPA's we can begin the enforcement process. Missouri law is restrictive on the Board having access to peer review documents.

MS - An investigative case will be opened within a few weeks of Board notification of a failed peer review. The case is opened with a letter to the firm requesting a response within 30 days.

MT - It would fall under the normal complaint process. Once the Board receives verification of a failed peer review, a complaint would be filed.

NC - Immediately upon receipt of the failed peer review.

ND – Immediately.

NE – The Board would begin the regular enforcement process that could include an inquiry into the failed review and any factors contributing to the failure as reported by the firm on a case by case basis. If determined probable cause exists and a possible violation of the Board's Rules of Professional Conduct occurred the Enforcement Committee of the Board would recommend a Petition be filed against the CPA/CPA firm and a hearing would be held before the Board. Various sanctions could be considered as outlined within the Public Accountancy Act. The process likely would be from 2-6 months at the earliest.

NH - A failed peer review would be reviewed by the Board as an enforcement action. Board meetings are held approximately every other month.

NJ - Firms are required to file the Board's Peer Review Compliance Reporting Form within 30 days of acceptance of its Peer Review by the Sponsoring organization. Once received, the form and accompanying report are passed on to the PROC for appropriate action.

NM - Once we receive the failed report we can refer it to the complaint committee.

NV - As soon as a violation has been identified the Board can begin the enforcement process.

NY - The New York State Board does not take enforcement action on firms that have only had a failed peer review report.

OH - The Accountancy Ohio Board (ABO) does not take action against the firm for a failed Peer Review unless the firm does not comply with the Ohio Society of CPAs (OSCPA) requirements.

OK - As soon as the peer review is posted to the FSBA the Peer Review Oversight Committee will evaluate within 90 days. We strive to send within 48 hours of the PROC evaluation the results to the Board's Enforcement officer.

PA – The Board Office does not know this timeframe.

SC – We can open a complaint fairly quickly after we are notified. Failing peer review is the complaint but we would have to do an investigation to get everything for the case. Our goal for investigations is 150 days.

SD - Our current process with a failed peer review is not through the enforcement process. If necessary, the board may open an enforcement case and begin an investigation at any time.

TX – The Board has changed recently to allow the Board to act immediately.

VA - At this time the Board does not currently open an enforcement case solely in response to a failed peer review. However, the Board recently approved a procedure whereby the Board's Enforcement Committee will look at all peer reviews that result in two consecutive failed, pass with deficiency or a combination of such peer reviews. This process will begin within the next several months.

WA - We can usually begin the enforcement process within two weeks. The Executive Director is currently in discussion with the Board Chair to discuss the specifics of discipline for firms that fail peer review.

WY - The Peer Review Oversight Committee (PROC) receives copies of all peer reviewer reports and acceptance letters for review. Recommendations for Board consideration are prepared for the Board to consider and accept in one action. Failed Peer Review documents are received and initially reviewed by Board staff who forwards the pertinent materials to the PROC for possible recommendation to the Board or to prompt an investigation which may lead to disciplinary action.

## **2- How long will it be until the firm is referred to the Board's enforcement committee?**

AK - Board does not have an enforcement committee. All investigative matters start with Board investigator.

AL - Immediately.

AZ - See question 1.

CA - The CBA has internal resources for the purposes of reviewing complaints and performing investigations. Upon receipt of a failed peer review report, the CBA initiates a complaint and assigns it for investigation.

CO - N/A. The Colorado Board does not have a separate enforcement committee.

CT - Once a final decision is made.

DC - If a failed firm peer review is brought to the attention of the Board, members will deliberate and vote on an action.

GU – Immediately.

IA - Unknown.

ID – After the second failed peer review.

IL DFPR - The Department's Enforcement Guidelines state "it is recommended that prosecutors file a notice of Informal Conference, Notice of Intent to Deny, Rule to Show Cause, or formal complaint within 60 days of assignment of a new case. Attorneys must evaluate each case in order to determine the timeliness and appropriateness of filings and may, where appropriate, consult with their unit Chiefs when making the determinations." The Prosecutions Unit typically consults with a Public Accountant Registration and Licensure Committee ("Committee") member regarding relevant cases prior to filing of any of a notice of Informal Conference, Notice of Intent to Deny, Rule to Show Cause, or formal complaint.

KS – Immediately.

KY - We do not have an enforcement committee. Instead the report goes to the full Board for a decision.

LA – See response to question 4.

MD – Immediately.

MN - File opened, assigned to committee member. 48 hours.

MO - That would depend on locating the respondent and if the respondent retains legal counsel. Most complaints are "referred" within 6 to 12 months.

MS - Usually within a few weeks of the firm's response referenced in the response to the previous question.

MT - Immediately - The screening panel would make a determination if the complaint continued.

NC - 30 to 60 days before the Professional Standards Committee of the Board reviews the information from all parties on the failed peer review.

ND - The Board itself would handle the matter; we do not use an enforcement committee.

NE – Again, on a case by case basis and if determined it was needed the enforcement committee could be called to meet as soon as possible to consider the matter for recommendation to the Board that a Petition be filed in the matter. A Petition against the firm could not be filed until a Board meeting was held. In an extreme matter, a special Board meeting could be held to speed the process.

NH - The Board does not have an enforcement committee. The entire Board reviews potential enforcement actions and refers them to an investigator if warranted.

NJ - The PROC meets quarterly and the chair of the PROC reports directly to the Board at the next Board meeting. Generally speaking, issues are usually discussed within a 2-4 month timeline.

NM - See response to the previous question.

NV - The information would be relayed to the enforcement committee right away

OH - If the firm fails to comply with OSCP requirements on a failed review, the ABO will send a letter for hearing.

OK - This could be a few days or up to 60 days depending on the date of the next enforcement committee meeting.

PA – The Board office does not know this timeframe.

SC – It is referred to the investigative review committee once the investigation is complete – so four to eight months.

SD - N/A - The board does not have an enforcement committee.

TX – Could be referred to the next scheduled meeting of an Enforcement Committee – 60-90 days.

VA - Once these firms are identified in the Facilitated State Board Access (FSBA) System, Board staff will prepare the proper investigative file and refer it to the Board's Enforcement Committee. This process will be handled as with all other investigative cases.

WA - Enforcement actions are first reviewed by the ED, and then referred to a consulting board member (CBM). If a violation is confirmed, the complaint is usually addressed through a consent agreement.

WY - Depending upon the circumstances regarding the firm involved and whether or not there have been past peer review issues, the matter may be referred to a Committee of the Board for investigation and possible disciplinary action.

**3- Is your Board proposing any changes to speed up the process? Yes/No/Other (please specify)**

AK - No statute change currently in process, but the Board would like more information on how other jurisdictions handle failed peer reviews.

No – AL, CT, GU, IA, ID, IL DFPR, KS, KY, LA, MD, MN, MS, MT, NC, ND, NE, NH, NJ, NV, OH, OK, PA, SD

Yes – CO, NM, TX

DC - Developing a comprehensive peer review process to supplement our regulations.

MO - Our Board would like the entire peer review process be more open to the Board.

NM - Yes. We are changing the rules to be notified earlier in the process.

SC – We recently changed the process to reduce the time to 150 days, but we do allow for extensions in complicated cases. However, manpower issues is a concern.

TX – Yes.

VA - At this time there are no proposed changes to speed up the process; however, specific facts and circumstances will always dictate the urgency of an enforcement case.

WA - We are considering additional measures to monitor firm performance over multiple reporting periods.

WY - The Board and its staff work very closely together and the volume of peer review materials received for review and consideration by the PROC is low. It would be relatively easy to find failed peer review reports for prompt attention.

**4- Does your Board believe the experience requirement for audit practice in your state should be revisited?**

AK – No. The Board just removed the 500 attest hour requirement from the licensure requirements at the very end of 2015.

No - AL, AR, HI, MN, IL DFPR, MD, NH, OH, OK, WY.

AZ – It has not been a matter that has been discussed by the Board.

CA – The CBA is currently in discussion regarding the 500 attest experience requirement for CPA licensure. California licensees, stakeholders and other State Boards of Accountancy participated in a recent survey regarding this requirement. The results of the survey will be brought before the CBA at its March 2016 meeting to continue the discussion on whether to maintain, modify or eliminate this requirement.

CO – The type of experience that can be used is broad in the following areas: public accounting, government, industry and academia.

DC – The questions on our Certificate of Experience may require revision and/or updates.

FL – This is not an issue that the Board has addressed.

GU – Maybe. Guam has an existing requirement for 1,000 hours of experience under a licensee authorized to perform attest services and/or sign reports to be eligible for an attest license. Perhaps this should be expanded to require public accounting experience to become a licensed CPA since the exam is based on the practice analysis of entry requirements to perform entry level public accounting tasks.

ID – The Idaho Board will be discussing at an upcoming meeting but due to the challenges Idaho has geographically in addition to firms which provide those services in a geographically challenged state has caused the Board to be reluctant to make any changes in this area.

KS – Yes.

KY – A number of current and former Board members expressed that opinion.

LA – This has not come before the Board as yet. We have not heard any comment from the public or the state's professionals on this matter.

MD – No. The issue is being considered at the Board's future meetings. However, any changes cannot be made in a vacuum. All Boards of Accountancy must be of one voice on this matter to be consistent with substantial equivalency.

MO – This has not been a discussion item by the Board for some time.

MS – This has not been discussed in depth by the Board. The subject will be brought up for discussion at a future Board meeting.

MT – We haven't had that discussion.

NC – The Board has not discussed revisiting the experience requirement.

ND – There is probably some sentiment that changes would be preferred.

NE – Generally, the Board is in agreement a review of the current experience requirement is appropriate based on recent concern over audit quality as outlined by the AICPA and recent concern of the DOL and others. Nebraska currently requires two years of experience within a CPA firm and three years for private and other forms of experience.

NJ – This issue has not been discussed.

NM – Currently, the experience requirement is one year, and we have not had any problems.

NV – The Board just changed their experience requirement for licensure to two years public accounting and removed the attest requirement. The Board was not in favor of making this change but needed to do so under threat of legislation. It would be difficult to go back and add a requirement now that the change has been made.

NY – The New York State Board has not discussed this topic.

PA – Attest experience has already been deleted from the required 1600 hours of experience.

SC – Yes. It is a concern that someone can receive a CPA license and open a firm the next day, and not have a broad base of experience. The concern increases when all of the experience was obtained in industry and has a narrow scope. In protecting the public a two year experience requirement may be better.

SD – No. We require 375 hours of experience to sign off on attest services.

TX – Not under consideration at this time.

VA – The Board should at least have a discussion regarding this requirement. The Executive Director has added the “Experience requirement” topic to the Board’s June 16, 2016 Planning Meeting agenda.

WA – The Executive Director can only speak for himself, but has not heard anything from any of the Board members concerning revising the Board’s current process.

**5- Does your Board believe the AICPA's new CGMA (Chartered Global Management Accountant) credential will impact the CPA candidate pipeline? Yes/No/Other (please specify)**

Yes – AL, DC, ID, IL BOE, KS, OK, SC, TX, WY.

AK - Maybe - depends on how it is marketed and what employers are looking for; however the US CPA designation is still more well-known.

AR - This issue has not been addressed / discussed by our Board.

AZ - It has not been specifically addressed by the Board but it will be a future agenda item following the Executive Director's conference and the amount of discussion and concern around the topic.

CA - The CBA has not discussed this issue although it may do so at a future date.

CO - The type of experience that can be used is broad in the following areas: public accounting, government, industry and academia.

CT - Our board has not discussed at this time.

FL - To the extent the CPA candidates believe they can practice as a CGMA without a license, yes this could impact the CPA candidate pipeline.

GU – Yes, it will likely discourage borderline CPA candidates to fall back to the CGMA thus diminishing the CPA pipeline in the long run, especially given their membership in the AICPA.... Wait, is that the American Institute of Certified Public Accountants or the Association of International Certified Professional Accountants, and who now owns the exam and what does it qualify you for?

HI - The Board does not have enough information to respond.

IL DFPR - The Committee has not yet taken a position on this issue.

KY - Unsure at this point but it will be in violation of our statute as to using CGMA.

LA – This is on the next Board’s meeting agenda for discussion.

MD – No opinion at this time.

MN - May, too soon to tell numbers and impact.

MO - This has not been a discussion item by the Board for some time.

MS - Accounting graduates might opt for the CGMA credential because the education and testing requirements are less stringent. Currently, in most States, CGMAs are not subject to State regulation and oversight unless a complaint is filed with the Board. In addition, dues paid for the CGMA are substantially less than CPA license fees.

MT - We will be discussing this at the May meeting.

NC - It is unclear at this time whether the candidate pipeline will be impacted.

ND - Unsure the belief of the board members.

NE – No.

NH - The CGMA has the potential to cause confusion for the public.

NJ - The issue has been discussed. While there is concern, it is unclear how the credential may affect the number and quality of future candidates in NJ.

NM - We believe people may earn the CGMA and not continue to pursue their CPA designation.

NY - The New York State Board has not discussed the impact of the CGMA credential on the CPA pipeline. The New York State Education Law that governs the use of restricted titles doesn't explicitly state "CGMA" or Chartered Global Management Accountant.

OH – Yes. Maybe need to discuss with the Board.

PA – The Board has not discussed this yet.

SC – Yes. We already know we don't have enough candidates to fill the positions that will be opening up to the huge number of CPAs retiring. If there are X number of accounting students who could be CPAs, some will choose to just be an accountant, some will become CPAs, and now some will choose to be CGMAs, so it has to reduce the pipeline.

SD - It will depend on how the AICPA markets the credential.

VA - The Board has not had a discussion regarding the CGMA as it relates to the CPA candidate pipeline. While the AICPA will begin electronic voting on this measure in mid-April, the Executive Director has added this topic to the Board's next meeting agenda (for May 6, 2016). However, in general any credentialing option for accounting majors to the CPA credential has the potential to impact the CPA candidate pipeline.

WA - There is no definitive opinion on this, but the Executive Director has heard concerns regarding possible challenges to enforcement if CGMAs are found to be practicing public accounting. The Executive Director knows that this is a very hot issue with many state boards outside of Washington.

**6- Does your Board foresee the CGMA credential impacting the Board's operations to protect the public in other ways? Yes/No/Other (please specify)**

Yes – CO, DC, ID, NC, NE, OH, SC, TX



No – ND

AK - The designation could be confusing to the public if people think that the CGMA is interchangeable with the CPA designation.

AL - Per Statute in Alabama, a person cannot hold themselves out as a CGMA if they are not a CPA or PA.

AR - Yes. We would like to see information / data from the AICPA that supports their assertion that the pipeline will not be affected.

AZ - It has not been specifically addressed by the Board but it will be a future agenda item following the Executive Directors' conference and the amount of discussion and concern around the topic.

CA - The CBA has not discussed this issue although it may do so at a future date.

CT - Our board has not discussed at this time.

FL - If the CGMA credential reduces the number of licensed CPAs, the Board's operations will be impacted because there will likely be an increase in unlicensed activity. While the financial impact will be borne by our Board's umbrella state agency, the agency uses the prosecutors which handle the Board's licensed disciplinary cases and Board staff could be involved in the unlicensed cases. Additionally, if a significant number of licensees forgo their license in favor of an unlicensed CGMA credential, this could have a direct fiscal impact on our Board.

GU – Yes, adding fuel to the fire of confusion regarding professional qualifications.

HI - The Board does not have enough information to respond.

IL BOE - There is a mixed reaction from our board on this question. With the improved economy, many students are taking opportunities for employment without completing the CPA. With the AICPA acceptance of the CGMA, this may very well lead to more students opting only for the credential and never completing the CPA.

IL DFPR - The Committee has not yet taken a position on this issue.

KS - Unknown at this time.

KY - Unsure since at this point it is supposed to only be for those in industry however over the years we have found CPAs in industry performing audits, reviews and compilations for private clients. This may only add to the confusion as to what someone with a CIGMA may do.

LA – This is on the next Board's meeting agenda for discussion.

MD – No opinion at this time.

MN - See response to previous question.

MO - No meaningful discussion has been held by the Board on this subject.

MS - The CGMA credential cannot be used on attest and SSARS engagements but if used by a CGMA, such use will definitely be confusing to the public. Existing Accountancy Law prohibits the issuance of an opinion or other attestation as to the fairness, accuracy or reliability of financial statements by persons other than licensed CPAs.

MT - I'll know more after the May board meeting.

NH - It's too soon to tell.

NJ - Not sure. The Board is monitoring the situation.

NM - The CGMA confuses both the public and students.

NV - We may receive more calls with complaints based on CGMA issues. However no jurisdiction over this credential. The CGMA could cause confusion among the general public.

NY - The Board has discussed the topic of the changes with the CGMA credential. The Board believes that the AICPA's new CGMA designation is likely to cause consumer confusion. The general public is likely to assume that the process to obtain the CGMA credential is similar to obtaining the CPA credential, with a similar level of education, examination and experience. The AICPA should embark upon an educational campaign that is necessary to inform the public that the credentials are not interchangeable. However, the Board is not certain that the AICPA will be part of such an educational campaign because they are the organization promoting the CGMA credential.

OK - The board believes there will be some confusion in the public by having unlicensed designations supported by the AICPA.

PA – The Board has not discussed this yet.

SC – Yes. To the general public the designation could be confused with CPAs. If we receive complaints about CGMAs we have no jurisdiction so we can't protect the public. The use of confusing titles is prohibited by the UAA. It dilutes the value of the CPA designation. There are concerns that it implies a certain level of competency, but is not subject to regulation, so it puts a disparate burden on licensed CPAs, which may diminish the number of accountants choosing to be licensed as a CPA. Currently, the CPA designation is very valuable to jobs in industry, and if the CPA violates any standards they are subject to sanctions by the Boards of Accountancy. If a CGMA violates standards the Board of Accountancy cannot do anything. When the CGMA is paired with the AICPA the public will think they are also a CPA.

SD - We have statute to protect the terms (SDCL 36-20B-57) certified, chartered, enrolled, licensed, registered or accredited. Also (SDCL 36-20B-58) protects the terms accountant, auditor and accounting. If the AICPA dilutes the value of the CPA they may bring more issues to the Board for regulation.

VA - In reference to the protection of the public issue, the Board is in the process of determining if the use of the CGMA credential by non-CPA licensees is a violation of Virginia statutes.

WA - See response to previous question.

WY - The Wyoming Board of Certified Public Accountants does not have jurisdiction over the practice of public accountants. The Board office frequently receives calls of complaint regarding a "CPA's" work quality or other issues. When the caller provides the name of the "CPA", frequently we find that the person isn't registered. Upon further inquiry by Board staff, it is determined that the accountant/tax preparer and has not been referring to himself as a CPA. The caller's response is usually something along the lines that they "assumed the person was a CPA." Adoption of the CGMA designation by the AICPA is expected to create additional confusion on the part of the public.

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

AK - Extreme travel restrictions - Out of state travel will not be approved unless it is paid for by a 3rd party.

AL - Currently the Board is supporting a bill that creates the Regulatory Office for Boards, Commissions and Agencies in response to the NC Dental Board case.

CA - • As of January 1, 2016 the CBA has a single educational pathway of 150 semester units for CPA licensure. • The CBA has conducted a study of its attest experience requirement for CPA licensure to determine whether it is necessary and sufficient to protect consumers. The CBA will be evaluating and deliberating the results during 2016. • The CBA's Mobility Stakeholder Group (MSG) is continuing its work in advising the CBA on mobility-related issues, including the CBA's review of other states' enforcement programs to determine if they are substantially equivalent to NASBA's Guiding Principles of Enforcement. • The CBA is pursuing regulations related to the new level of service created in SSARS 21, preparation engagements. Those who perform preparation engagements as their highest level of service will be exempt from the mandatory peer review requirement, but will be required to complete 8 hours of accounting and auditing continuing education (CE) and four hours of fraud detection CE. • Effective January 1, 2016, pursuant to CBA Regulations section 12.1, experience in academia now qualifies toward the general accounting experience requirement for CPA licensure if certain requirements are met. • The United States Department of Labor's (DOL) Employee Benefits Security Administration published a report titled "Assessing the Quality of Employee Benefit Plan Audits." In a recent letter from the DOL Office of the Chief Accountant, the DOL highlighted the findings of the report and provided the CBA with statistics specific to California. The CBA will be conducting further study of this matter including examining options such as changes to the CBA's laws, regulations, continuing education requirements, enhanced enforcement strategies, increased outreach, or any other changes that will improve the quality of employee benefit plan audits in California to protect the consumers relying on those benefit plans.

CO - Peer review is a relatively new program for Colorado.

CT - Currently the Governor's proposed budget is attempting to consolidate the board with the Department of Consumer Protection without the current staff. In addition, we have proposed legislation to regulate non-credentialed certified public accountants.

DC - • Process to eliminate unnecessary barriers to ease entry for both national and international candidates • NASBA/CGMA discussions • Peer Review – implementation and enforcement • Created a DC Center for Public Trust Committee • Implementing process to audit DC CPA continuing professional education (CPE) submissions

FL - We continue to have a significant number of disciplinary cases relating to failure to complete statutorily required CPE. We also continue to consider changes to education requirements and are seeing several petitions for waivers of our rules relating to foreign degrees.

Guam – Pending mobility legislation, working with University of Guam to develop a masters' degree in accounting to qualify future CPA candidates for licensure with 150 hours of education upon completion of the degree program.

HI - • The successful implementation of its peer review program. • Continued efforts to adopt mobility.

IL BOE - A total update to our administrative rules has just been published for first reading in the Illinois Register. Without objection, the rules should be promulgated in approximately 90-100 days. Administrators of the board have been meeting with various groups and associations including the Chicago public school system to promote diversity and encourage the introduction of AP accounting courses in the high schools.

IL DFPR - The Department proposed updated administrative rules for the Illinois Public Accounting Act which are likely to be adopted in February 2016.

KS - Proposed legislation for technical amendments and the new definition of attest. The CPA Society has introduced legislation to allow candidates to sit for the exam 60 days before meeting the education requirements.

LA – We have proposed statute changes allowing for CPA-Retired status, allowing candidates to sit for the CPA Exam prior to acquiring 150 hours, allowing firm mobility, providing for an increase in our fee schedule, and allowing for an increase in Board member compensation.

MN - Waiting appointment of three new board members.

MO - Our Board is reviewing our rules and regulations at this time.

NC - In 2014 the Board began and completed the process of review of all its rules as required by statute and have just completed effective 2/1/16 the re-adoption of all its rules as required by statute.

NE – The Board is awaiting its 2015 Rule Package to be approved by the Governor's Policy Research Office. Significant rule changes include the adoption of the UAA definition of Attest Services and a new Chapter to administer the requirement of Peer Review for Nebraska firms.

NM - We are modifying our Board rules to match the new peer review standards. Our Board is currently experiencing a hiring freeze and other budget restraints.

NY - New York is looking to update the Rules of the Board of Regents - Unprofessional Conduct, Special Provisions for the profession of public accountancy - 29.10 and the Regulations of the Commissioner Section 70.

OH - Due to SSARS 21, the ABO has changed several firms to non-attest firms and will likely change more. The ABO has made rule changes regarding Peer Review and firms that are no longer performing attest services. (4701-9-05 Attestation Standards.)

OK - Reaction to the North Carolina Dental case has created significant process changes pursuant to Executive Orders and direction from the Oklahoma Attorney General. Consolidation legislation and board makeup legislation are of concern.

PA – New licensing system to be implemented in the next year or so.

SC - Based upon proposed changes to the AICPA Peer Review Program, we will need to delay forming a PROC. We can't define what the PROC will do when the program is changing. We are concerned that the Board of Accountancy has not had any input in the changes.

TX – On-line completion of the testing of the Rules of Professional Conduct Exam for new CPA candidates.

VA - The Board issued an RFP for a new licensing and management database solution on March 22, 2016. Responses are due on May 3, 2016.

WA - Washington recently passed firm mobility.

WY - The Board staff is busy working with a licensing management system vendor to replace the Board's current database and online license renewal system. The impact on staff is anticipated to be very significant as the system is designed and tested.

#### **8- Can NASBA be of any assistance to your Board at this time?**

No – IA, IL BOE, KS, KY, MN, MO, NH, SC.

AK - See previous question/answer - the AK Board/staff will only be able to participate in out of state meetings (ED conference, regional, & annual meetings) if NASBA is willing to assist with scholarships.

CO - Yes. The Board is excited about the creation of the CPE Tracking tool and is excited to be joining later this fall.

CT - Yes, NASBA has been very helpful in submitting written testimony in supporting of the board current status.

DC - The DC Board may seek collaboration with NASBA on the following:

- Peer Reviews
- Center for Public Trust.

FL - In addition to requesting assistance in assessing business law requirements for examination and licensure by other jurisdictions, the Board has requested help in assessing whether other

Boards of Accountancy limit college credit from CLEP, AP, or internships for licensure, and an assessment of how Florida candidates are performing on the CPA examination when compared to states requiring fewer upper division accounting hours as a licensure requirement.

GU – Yes, promote the Guam Test Center as a destination for Chinese CPA exam candidates versus testing in China.

HI - Yes, NASBA can continue to assist the Hawaii Board with participation in the ALD and other services, and continue to support the Board with scholarships and other assistance to attend NASBA meetings and conferences.

LA – We will be contacting NASBA soon regarding communications – always on our to-do list but never quite get there.

MS - NASBA can continue to monitor pending legislation and alert/inform the Board regarding such legislation.

NC - We would like to be contacted by NASBA's IT department regarding the data that can be mined from our Uniform CPA Examination candidates.

NE - The Board's CPE Committee has requested an update to the committee and the Board at the Board's July Board meeting regarding the CPE Exposure Draft. Ms. Jessica Luttrell from NASBA is set to attend the meeting and provide an overview of the changes to the standards.

NJ - The Board has gone through a significant turnover in members and ED recently. It might be a good time to have Dan Dustin reintroduce NASBA to the new Board. Also, help with our CPE audits is still an issue.

NM - We are beginning the process of updating the Accountancy Act for 2017. We will need NASBA's assistance drafting the new law.

NY - The New York Board looks forward to finding solutions with NASBA to resolving the current matters regarding the electronic transfer of education records.

OH - Always a huge help to Ohio but nothing currently needed. Thank you as always. We enjoy the support NASBA offers and will not hesitate to make request when needed.

OK - We may need some assistance by appearing in legislative committees this year.

VA - NASBA's Communications team is working with us on new videos. We also appreciate NASBA keeping the Board abreast of issues in the industry/CPA profession. No further assistance is needed at this time.

WY - Ms. Ivey has already been in conversation with John Johnson about a bill that was introduced in response to the outcome of the NC Dental Board case decision handed down by the U. S. Supreme Court. Senate File 55 failed for lack of introduction.

**9 - 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 and Executive Director: AK, FL, NM, NY

Input only from Executive Director: AL, AR, AZ, CT, IA, KS, KY, LA, MO, MT, OH, PA, TX

Input from all Board Members and Executive Director: CA, CO, DC, GU, MD, ND, NE, NH, NV, OK, SD, VA, WY

Input from all Board Members: HI

Input from some Board Members and Executive Director: ID, IL BOE, SC, WA

Input from the Committee, the Committee's counsel and the Committee's executive director: IL DFPR

Input from Board Chair, Executive Director and some Board Members: MN

Input from some Board members, the Executive Director, and the Associate Director: MS

Input from some Board Members: NJ

Input from Assistant Executive Director and staff - Kelly A. Kelly, our firm licensing secretary, and input from some Board members: OH

4.20.16