

Meeting Agenda
SOUTH DAKOTA BOARD OF ACCOUNTANCY
Conference Call
September 19, 2017
9:00 a.m. (CDT)

A=Action
D=Discussion
I=Information

A. Call to Order.....	Pummel
B. Roll Call.....	Kasin
C. A-Approval of Minutes of Meeting August 9, 2017.....	2-3
D. A-Approval of Certificates & Firm Permits.....	4-5
E. A-Approval of Financial Statements through August 2017.....	6-15
F. A-Report to Board on Grades.....	16-17
G. D-Executive Director's Report.....	18-19

AICPA

H. D-Evolving Peer Review Administration to Enhance Audit Quality....	20-35
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EXECUTIVE SESSION

I. Equivalent Reviews, South Dakota Reviews and Off-Site Request for Board Approval.....	Spt. Pkt.
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FUTURE MEETING DATES (all times CT)

- J. October 26, 2017 – 9:00 Conference Call
December 5, 2017 – 9:00 Conference Call
- K. Adjournment

Meeting Minutes
SOUTH DAKOTA BOARD OF ACCOUNTANCY

Eide Bailly, 5th Floor Conference Room

200 E. 10th St., Sioux Falls

August 9, 2017 8:30 a.m. CDT

Chair David Pummel called the meeting to order at 8:29 a.m.

Members Present: Jeff Strand, Deidre Budahl, Jeff Smith, Holly Brunick and David Pummel.

Members Not Present: Marty Guindon

Others Present: Nicole Kasin, Executive Director; Julie Iverson, Sr. Secretary; Graham Oey, Staff Attorney, DLR; and Sharon Jensen, NASBA Central Regional Director.

Jeff Strand made a motion to approve the agenda. Deidre Budahl seconded the motion. **MOTION PASSED.** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

Holly Brunick made a motion to approve the election of board officers as follows: David Pummel – Chair, Deidre Budahl - Vice Chair, and Jeff Smith Secretary/Treasurer. Jeff Strand seconded the motion. **MOTION PASSED.** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

Deidre Budahl made a motion to approve the July 21, 2017 meeting minutes. Jeff Smith seconded the motion. **MOTION PASSED.** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

Holly Brunick made a motion to approve the issuance firm permits through August 3, 2017. Deidre Budahl seconded the motion. **MOTION PASSED.** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

Jeff Strand made a motion to approve the financial statements through July 2017. Deidre Budahl seconded the motion. **MOTION PASSED.** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

The Board discussed NASBA's annual meeting which will be held October 29 – November 1, 2017 in New York, NY.

Jeff Smith made a motion to approve travel for all board members and the executive director to attend NASBA's annual meeting in New York, NY October 29-November 1, 2017. Deidre Budahl seconded the motion. **MOTION PASSED.** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

The CPE Committee presented their recommendations for rule changes for CPE. Rules changes will be presented with a public hearing.

The Board reviewed and discussed the FY19 proposed budget.

Deidre Budahl made a motion to approve the amended FY19 budget. Holly Brunick seconded the motion. **MOTION PASSED.** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

Executive Director Kasin discussed her report with an update on the new database, the board's

two year audit ending June 30, 2016, online renewals, the Board's July 2017 newsletter, and a statue review.

Sharon Jensen, NASBA Central Regional Director gave an update from the July 2017 NASBA Board of Director's meeting.

The Board discussed the NASBA UAA Use of Titles Exposure Draft, the Board of Director's meeting minutes from April 21, 2017 and meeting highlights from July 21, 2017, the Report of the Nominating Committee, Proposed Bylaws Amendment, and responses to Regional Directors' Focus questions.

David Pummel, Chair, will draft a response letter to NASBA regarding UAA Use of Title Exposure Draft.

The Board took a break for lunch. The Board resumed the regular Board meeting at 1:21 p.m.

Jeff Strand made a motion to enter into executive session for the deliberative process for Peer Review, off-site request and complaints. Holly Brunick seconded the motion. **MOTION PASSED.** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

The Board came out of executive session.

Holly Brunick made a motion to accept the peer reviews, off-site request, and to close the complaints as discussed in executive session. Jeff Strand seconded the motion. **MOTION PASSED** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

The following individuals with the South Dakota CPA Society joined the meeting at 1:35 p.m.: Laura Coome, Tom Bahrenfuss, and Amy Bourne.

The Board and representatives from the SD CPA Society discussed Peer Review, use of the CGMA designation, Accounting term, UAA updates and proposed legislation, and recommendations for board member positions opening in October 2017.

Representatives from the SD CPA Society left the meeting at 3:25.

FUTURE MEETING DATES (all times CT)


September 19, 2017 – 9:00 a.m. conference call

October 26, 2017 – 9:00 a.m. conference call

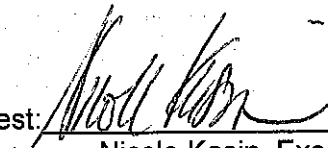
December 5, 2017 – 9:00 a.m. conference call

Jeff Strand made a motion to adjourn the meeting. Deidre Budahl seconded the motion. **MOTION PASSED** (Strand -yea; Budahl -yea; Smith-yea; Brunick-yea; Pummel-yea)

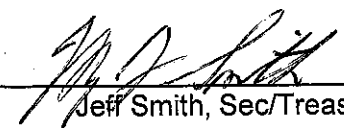
All business having come before the board was concluded and Chair David Pummel adjourned the meeting at 3:31 p.m.



David Pummel, CPA, Chair

Attest: 

Nicole Kasin, Executive Director



Jeff Smith, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES
BOARD COPY**

Issued Through September 12, 2017

Number	Name	Date Issued	Location
3329	Jessica Lynn Akland	8/15/17	Sioux Falls, SD
2976	Mona Ann Ness	3/29/11	Sioux Falls, SD
3330	Chadwick Kent Wilkins	8/29/17	Rapid City, SD
3331	Brandon Charles Gronseth	9/08/17	Sioux Falls, SD

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

**Issued Through
September 12, 2017**

Number	Name	Date Issued	Basis/Comments
1699	Carl Henderson, CPA PC Estes Park, CO	08/29/17	New Firm

BA1409R1

STATE OF SOUTH DAKOTA
CASH CENTER BALANCES
AS OF: 08/31/2017

PAGE

126

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

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	562,658.47	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			562,658.47	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			562,658.47	DR **	
BUDGET UNIT TOTAL 1031			562,658.47	DR ***	

STATE OF SOUTH DAKOTA
MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 08/31/2017

AGENCY BUDGET CENTER	UNIT	LABOR & REGULATION BOARD OF ACCOUNTANCY BOARD OF ACCOUNTANCY	COMPANY NO	COMPANY NAME	PROFESSIONAL & LICENSING BOARDS	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/CR
103100061802	5101010	F-T EMP SAL & WAGES	5101010	CGEX170726	08/02/2017		2,430.83	DR					
103100061802	5101010	CGEX170811		08/16/2017			2,726.47	DR					
103100061802	5101020	F-T EMP SAL & WAGES	5101020	CGEX170726	08/02/2017		5,157.30	DR					
103100061802	5101020	CGEX170811		08/16/2017			951.38	DR					
103100061802	5101020	CGEX170811		08/16/2017			1,210.26	DR					
103100061802	5101030	P-T/TEMP EMP SAL & WAGES	5101030	CGEX170726	08/02/2017		2,161.64	DR					
103100061802	5101030	CGEX170811		08/16/2017			300.00	DR					
103100061802	5101030	CGEX170811		08/16/2017			120.00	DR					
103100061802	5101030	BOARD & COMM MBS FEES	5101030	CGEX170726	08/02/2017		420.00	DR					
103100061802	5101030	EMPLOYEE SALARIES	5101030	CGEX170726	08/02/2017		7,738.94	DR					
103100061802	5101030	CGEX170811		08/16/2017			247.32	DR					
103100061802	5102010	CGEX170811		08/16/2017			276.33	DR					
103100061802	5102010	CGEX170811		08/16/2017			523.65	DR					
103100061802	5102020	CGEX170726		08/02/2017			202.93	DR					
103100061802	5102020	CGEX170811		08/16/2017			236.23	DR					
103100061802	5102060	HEALTH/LIFE INS.-ER SHARE	5102060	CGEX170726	08/02/2017		439.16	DR					
103100061802	5102060	CGEX170811		08/16/2017			757.59	DR					
103100061802	5102060	CGEX170811		08/16/2017			742.88	DR					
103100061802	5102080	RETIREMENT-ER SHARE	5102080	CGEX170726	08/02/2017		1,500.47	DR					
103100061802	5102080	CGEX170811		08/16/2017			5.75	DR					
103100061802	5102080	CGEX170811		08/16/2017			6.69	DR					
103100061802	5102090	WORKER'S COMPENSATION	5102090	CGEX170726	08/02/2017		12.44	DR					
103100061802	5102090	CGEX170811		08/16/2017			1.52	DR					
103100061802	5102090	CGEX170811		08/16/2017			1.76	DR					
103100061802	5203230	UNEMPLOYMENT COMPENSATION	5203230	CGEX170803	08/04/2017		3.28	DR					
103100061802	5203230	EMPLOYEE BENEFITS	5203230	CGEX170803	08/04/2017		2,479.00	DR					
103100061802	5203230	PERSONAL SERVICES	5203230	CGEX170803	08/04/2017		10,217.94	DR					
103100061802	5203260	AVTO-PRIV (OUT-STATE) H/R	5203260	CGEX170803	08/04/2017		698.88	DR					
103100061802	5203260	CGEX170803		08/04/2017			705.60	DR					
103100061802	5203280	ATR-COMM-OUT-OF-STATE	5203280	CGEX170803	08/04/2017		705.60	DR					
103100061802	5203280	CGEX170803		08/04/2017			49.00	DR					
103100061802	5203300	OTHER-PUBLIC-OUT-OF-STATE	5203300	CGEX170803	08/04/2017		927.95	DR					
103100061802	5203300	CGEX170803		08/04/2017			779.07	DR					

STATE OF SOUTH DAKOTA
MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 08/31/2017

AGENCY BUDGET CENTER	UNIT	10	LABOR & REGULATION BOARD OF ACCOUNTANCY	BOARD OF ACCOUNTANCY	COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV OR PAYMENT #	APRVL #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/CR
6503	103100061802	5203300	LODGING/OUT-OF-STATE	CGEX170803	OBJSUB:	5203300			08/04/2017						1,707.02	DR *
6503	103100061802	5203320	E108-025		OBJSUB:	5203320			09/01/2017						24.00	DR
6503	103100061802	5203350	INCIDENTALS-OUT-OF-STATE	CGEX170803	OBJSUB:	5203350			08/04/2017						64.00	DR *
6503	103100061802	5203350	CGEX170803		OBJSUB:	5203350			08/04/2017						125.00	DR
6503	103100061802	5203350	CGEX170803		OBJSUB:	5203350			08/04/2017						59.00	DR
6503	103100061802	5203350	E108-025		OBJSUB:	5203350			09/01/2017						45.00	DR
6503	103100061802	5203350	NON-TAXABLE MEALS/OUT-ST		OBJSUB:	5203350									288.00	DR *
6503	103100061802	5204020	TRAVEL	ORDER-07608	OBJECT:	5203			08/23/2017						3,512.50	DR **
6503	103100061802	5204160	DUES & MEMBERSHIP FEES	C108-044	OBJSUB:	5204160			08/04/2017						3,200.00	DR *
6503	103100061802	5204180	WORKSHOP REGISTRATION FEE	DP807101	OBJSUB:	5204180			08/23/2017						695.00	CR *
6503	103100061802	5204180	COMPUTER SERVICES-STATE	DP807101	OBJSUB:	5204180			08/23/2017						106.05	DR *
6503	103100061802	5204181	BIT DEVELOPMENT COSTS	PL807057	OBJSUB:	5204181			08/23/2017						1,242.00	DR *
6503	103100061802	5204200	CENTRAL SERVICES	IN411789	OBJSUB:	5204200			08/11/2017						164.81	DR *
6503	103100061802	5204220	EQUIPMENT SERV & MAINT	18-014 JUL-JUN18	OBJSUB:	5204220			08/16/2017						72.67	DR
6503	103100061802	5204230	JANITORIAL & MAINT SERV	ACCOURTMENT2018	OBJSUB:	5204230			08/25/2017						73.65	DR
6503	103100061802	5204490	RENTS-PRIVATE OWNED PROP.	TI807152	OBJSUB:	5204490			08/16/2017						146.32	DR *
6503	103100061802	5204530	ELECTRICITY	CI108A-006	OBJSUB:	5204530			08/09/2017						134.25	DR
6503	103100061802	5204530	TELECOMMUNICATIONS SRVCS	CI108A-006	OBJSUB:	5204530			08/09/2017						134.25	DR
6503	103100061802	5204540	ELECTRICITY	CI108A-006	OBJSUB:	5204540			08/09/2017						268.50	DR *
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						1,269.45	DR *
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						118.13	DR
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						255.00	DR
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						260.00	DR
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						42.00	DR
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						675.13	DR *
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						47.36	DR *
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						2,173.91	DR
6503	103100061802	5204740	ELECTRICITY	CI108A-006	OBJSUB:	5204740			08/09/2017						2,173.91	DR

STATE OF SOUTH DAKOTA
MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 08/31/2017

AGENCY BUDGET CENTER-5	UNIT 1031	LABOR & REGULATION BOARD OF ACCOUNTANCY BOARD OF ACCOUNTANCY	COMP CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV OR PAYMENT #	APPL #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/CR
6503	103100061802	52047400			CI108A-006	08/09/2017	302258					2,173.91	CR
6503	103100061802	52049600				08/09/2017	00433079		NATLASSNST	12005047		2,173.91	DR *
6503	103100061802	52049600				08/11/2017	00434127		NATLASSNST	12005047		7,349.25	DR
6503	103100061802	52049600				09/01/2017	00439808		NATLASSNST	12005047		3,943.70	DR
6503	103100061802	52049600										5,521.55	DR
6503	103100061802	52050200										16,814.50	DR *
6503	103100061802	52050200										25,413.03	DR **
6503	103100061802	52050200										375.87	DR
6503	103100061802	52050200										6.90	DR
6503	103100061802	52050280										382.77	DR *
6503	103100061802	52050280										22.99	DR
6503	103100061802	52050280										17.00	DR
6503	103100061802	52053200										39.99	DR *
6503	103100061802	52053200										24.15	DR
6503	103100061802	52280000										24.15	DR *
6503	103100061802	52280000										446.91	DR **
6503	103100061802	52280000										486.34	DR
6503	103100061802	52280000										486.34	DR
6503	103100061802	52280000										486.34	DR *
6503	103100061802	52280000										486.34	DR **
6503	103100061802	52280000										29,858.78	DR ***
6503	103100061802	52280000										40,076.72	DR *****
6503	103100061802	52280000										40,076.72	DR *****
6503	103100061802	52280000										40,076.72	DR *****

South Dakota Board of Accountancy
Balance Sheet
As of August 31, 2017

	Aug 31, 17
ASSETS	
Current Assets	
Checking/Savings	
1130000 · Local Checking - Great Western	384.53
1140000 · Pool Cash State of SD	562,658.47
Total Checking/Savings	563,043.00
Other Current Assets	
1131000 · Interest Income Receivable	8,148.45
1213000 · Investment Income Receivable	1,149.12
Total Other Current Assets	9,297.57
Total Current Assets	572,340.57
Fixed Assets	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-140,063.23
1670000 · Computer Software - Other	15,301.00
Total 1670000 · Computer Software	15,301.00
Total Fixed Assets	15,301.00
TOTAL ASSETS	587,641.57
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2110000 · Accounts Payable	6,936.28
Total Accounts Payable	6,936.28
Other Current Liabilities	
2430000 · Accrued Wages Payable	7,530.77
2810000 · Amounts Held for Others	32,314.69
Total Other Current Liabilities	39,845.46
Total Current Liabilities	46,781.74
Long Term Liabilities	
2960000 · Compensated Absences Payable	17,470.51
Total Long Term Liabilities	17,470.51
Total Liabilities	64,252.25
Equity	
3220000 · Unrestricted Net Assets	317,825.02
3900 · Retained Earnings	62,017.54
Net Income	143,546.76
Total Equity	523,389.32
TOTAL LIABILITIES & EQUITY	587,641.57

South Dakota Board of Accountancy

Profit & Loss Budget vs. Actual

July through August 2017

	Jul - Aug 17	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	175.00	2,500.00	-2,325.00	7.0%
4293551 · Certificate Renewals-Active	52,150.00	58,000.00	-5,850.00	89.9%
4293552 · Certificate Renewals-Inactive	15,350.00	21,000.00	-5,650.00	73.1%
4293553 · Certificate Renewals-Retired	760.00	1,050.00	-290.00	72.4%
4293554 · Initial Firm Permits	150.00	700.00	-550.00	21.4%
4293555 · Firm Permit Renewals	11,400.00	15,500.00	-4,100.00	73.5%
4293557 · Initial Audit	90.00	900.00	-810.00	10.0%
4293558 · Re-Exam Audit	390.00	2,460.00	-2,070.00	15.9%
4293560 · Late Fees-Initial Certificate	0.00	0.00	0.00	0.0%
4293561 · Late Fees-Certificate Renewals	1,800.00	3,000.00	-1,200.00	60.0%
4293562 · Late Fees-Firm Permits	0.00	0.00	0.00	0.0%
4293563 · Late Fees-Firm Permit Renewals	350.00	500.00	-150.00	70.0%
4293564 · Late Fees-Peer Review	400.00	1,300.00	-900.00	30.8%
4293566 · Firm Permit Owners				
5208003 · REFUNDS	-65.00			
4293566 · Firm Permit Owners - Other	88,670.00	105,000.00	-16,330.00	84.4%
Total 4293566 · Firm Permit Owners	88,605.00	105,000.00	-16,395.00	84.4%
4293567 · Peer Review Admin Fee	600.00	5,500.00	-4,900.00	10.9%
4293568 · Firm Permit Name Change	50.00	100.00	-50.00	50.0%
4293569 · Initial FAR	180.00	1,140.00	-960.00	15.8%
4293570 · Initial REG	120.00	660.00	-540.00	18.2%
4293571 · Initial BEC	60.00	930.00	-870.00	6.5%
4293572 · Re-Exam FAR	390.00	1,860.00	-1,470.00	21.0%
4293573 · Re-Exam REG	270.00	2,310.00	-2,040.00	11.7%
4293574 · Re-Exam BEC	120.00	2,310.00	-2,190.00	5.2%
4491000 · Interest and Dividend Revenue	5,470.45	4,000.00	1,470.45	136.8%
4896021 · Legal Recovery Cost	0.00	1,000.00	-1,000.00	0.0%
Total Income	178,880.45	231,720.00	-52,839.55	77.2%
Gross Profit	178,880.45	231,720.00	-52,839.55	77.2%
Expense				
5101010 · F-T Emp Sal & Wages	10,080.82	76,588.00	-66,507.18	13.2%
5101020 · P-T/Temp Emp Sal & Wages	4,119.42	31,035.00	-26,915.58	13.3%
5101030 · Board & Comm Mbrs Fees	960.00	4,683.00	-3,723.00	20.5%
5102010 · OASI-Employer's Share	1,023.07	8,281.00	-7,257.93	12.4%
5102020 · Retirement-ER Share	852.02	6,495.00	-5,642.98	13.1%
5102060 · Health /Life Ins.-ER Share	2,997.00	21,183.00	-18,186.00	14.1%
5102080 · Worker's Compensation	24.15	43.00	-18.85	56.2%
5102090 · Unemployment Insurance	6.37	108.00	-101.63	5.9%
5203010 · Auto--State Owned	0.00	400.00	-400.00	0.0%
5203020 · Auto-Private-Ownes Low Mileage	0.00	400.00	-400.00	0.0%
5203030 · In State-Auto- Priv. High Miles	672.00	1,500.00	-828.00	44.8%
5203100 · In State-Lodging	158.00	1,000.00	-842.00	15.8%
5203120 · In State-Incidentals to Travel	10.00	100.00	-90.00	10.0%
5203140 · InState-Tax Meals Not OverNigt	11.00	100.00	-89.00	11.0%
5203150 · InState-Non-Tax Meals OverNigt	94.00	400.00	-306.00	23.5%
5203230 · OS-Auto Private High Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	0.00	6,000.00	-6,000.00	0.0%
5203280 · OS-Other Public Carrier	0.00	500.00	-500.00	0.0%
5203300 · OS-Lodging	0.00	7,800.00	-7,800.00	0.0%
5203320 · OS-Incidentals to Travel	0.00	450.00	-450.00	0.0%
5203350 · OS-Non-Taxable Meals Overnight	0.00	1,000.00	-1,000.00	0.0%
5204010 · Subscriptions	0.00	1,000.00	-1,000.00	0.0%
5204020 · Dues and Membership Fees	3,200.00	3,900.00	-700.00	82.1%
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	0.00	15,000.00	-15,000.00	0.0%
5204080 · Consultant Fees--Legal	0.00	0.00	0.00	0.0%
5204160 · Workshop Registration Fees	-695.00	6,000.00	-6,695.00	-11.6%
5204180 · Computer Services-State	106.05	5,000.00	-4,893.95	2.1%
5204181 · Computer Development Serv-State	1,242.00	2,000.00	-758.00	62.1%

South Dakota Board of Accountancy
Profit & Loss Budget vs. Actual
July through August 2017

	Jul - Aug 17	Budget	\$ Over Budget	% of Budget
5204200 · Central Services	1,506.26	9,000.00	-7,493.74	16.7%
5204220 · Equipment Service & Maintenance	4.32	300.00	-295.68	1.4%
5204230 · Janitorial/Maintenance Services	268.50	1,650.00	-1,381.50	16.3%
5204340 · Computer Software Maintenance	0.00	2,000.00	-2,000.00	0.0%
5204360 · Advertising-Newspapers	0.00	1,000.00	-1,000.00	0.0%
5204440 · Newsletter Publishing	0.00	100.00	-100.00	0.0%
5204460 · Equipment Rental	745.00	4,000.00	-3,255.00	18.6%
5204480 · Microfilm and Photography	0.00	0.00	0.00	0.0%
5204490 · Rents Privately Owned Property	2,538.90	15,734.00	-13,195.10	16.1%
5204510 · Rent-Other	0.00	500.00	-500.00	0.0%
5204530 · Telecommunications Services	717.13	3,500.00	-2,782.87	20.5%
5204540 · Electricity	93.83	865.00	-771.17	10.8%
5204560 · Water	0.00	240.00	-240.00	0.0%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	3,154.71	6,500.00	-3,345.29	48.5%
5204960 · Other Contractual Services	0.00	0.00	0.00	0.0%
5205020 · Office Supplies	412.54	2,000.00	-1,587.46	20.6%
5205028 · OFFICE SUPPLIES-2	0.00	0.00	0.00	0.0%
5205310 · Printing State	0.00	250.00	-250.00	0.0%
5205320 · Printing/Duplicating/Binding Co	6.90	1,000.00	-993.10	0.7%
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	0.00	2,000.00	-2,000.00	0.0%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	0.00	4,800.00	-4,800.00	0.0%
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	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	1,024.70	6,000.00	-4,975.30	17.1%
Total Expense	35,333.69	274,415.00	-239,081.31	12.9%
Net Ordinary Income	143,546.76	-42,695.00	186,241.76	-336.2%
Net Income	143,546.76	-42,695.00	186,241.76	-336.2%

South Dakota Board of Accountancy
PREVIOUS YEAR MONTHLY COMPARISON
August 2017

	Aug 17	Aug 16	\$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	125.00	500.00	-375.00	-75.0%
4293551 · Certificate Renewals-Active	19,900.00	11,800.00	8,100.00	68.6%
4293552 · Certificate Renewals-Inactive	8,150.00	3,600.00	4,550.00	126.4%
4293553 · Certificate Renewals-Retired	270.00	240.00	30.00	12.5%
4293554 · Initial Firm Permits	100.00	100.00	0.00	0.0%
4293555 · Firm Permit Renewals	4,850.00	2,550.00	2,300.00	90.2%
4293557 · Initial Audit	30.00	30.00	0.00	0.0%
4293558 · Re-Exam Audit	210.00	150.00	60.00	40.0%
4293560 · Late Fees-Initial Certificate	0.00	100.00	-100.00	-100.0%
4293561 · Late Fees-Certificate Renewals	1,550.00	1,700.00	-150.00	-8.8%
4293563 · Late Fees-Firm Permit Renewals	300.00	300.00	0.00	0.0%
4293564 · Late Fees-Peer Review	50.00	250.00	-200.00	-80.0%
4293566 · Firm Permit Owners	32,680.00	9,810.00	22,870.00	233.1%
4293567 · Peer Review Admin Fee	75.00	150.00	-75.00	-50.0%
4293568 · Firm Permit Name Change	25.00	50.00	-25.00	-50.0%
4293569 · Initial FAR	90.00	30.00	60.00	200.0%
4293570 · Initial REG	90.00	120.00	-30.00	-25.0%
4293571 · Inital BEC	0.00	90.00	-90.00	-100.0%
4293572 · Re-Exam FAR	240.00	300.00	-60.00	-20.0%
4293573 · Re-Exam REG	120.00	90.00	30.00	33.3%
4293574 · Re-Exam BEC	60.00	180.00	-120.00	-66.7%
4491000 · Interest and Dividend Revenue	5,470.45	5,466.12	4.33	0.1%
Total Income	74,385.45	37,606.12	36,779.33	97.8%
Gross Profit	74,385.45	37,606.12	36,779.33	97.8%
Expense				
5101010 · F-T Emp Sal & Wages	5,157.30	4,607.23	550.07	11.9%
5101020 · P-T/Temp Emp Sal & Wages	2,161.64	1,886.58	275.06	14.6%
5101030 · Board & Comm Mbrs Fees	420.00	300.00	120.00	40.0%
5102010 · OASI-Employer's Share	523.65	453.50	70.15	15.5%
5102020 · Retirement-ER Share	439.16	389.61	49.55	12.7%
5102060 · Health /Life Ins.-ER Share	1,500.47	1,435.90	64.57	4.5%
5102080 · Worker's Compensation	12.44	7.77	4.67	60.1%
5102090 · Unemployment Insurance	3.28	2.52	0.76	30.2%
5203020 · Auto-Private-Ownes Low Mileage	0.00	207.92	-207.92	-100.0%
5203030 · In State-Auto- Priv. High Miles	672.00	729.12	-57.12	-7.8%
5203100 · In State-Lodging	158.00	407.50	-249.50	-61.2%
5203120 · In State-Incidentals to Travel	10.00	25.00	-15.00	-60.0%
5203140 · InState-Tax Meals Not Overnigt	11.00	11.00	0.00	0.0%
5203150 · InState-Non-Tax Meals OverNight	94.00	212.00	-118.00	-55.7%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204160 · Workshop Registration Fees	-695.00	0.00	-695.00	-100.0%
5204180 · Computer Services-State	0.00	106.05	-106.05	-100.0%
5204200 · Central Services	164.81	202.10	-37.29	-18.5%
5204220 · Equipment Service & Maintenance	2.65	3.39	-0.74	-21.8%
5204230 · Janitorial/Maintenance Services	134.25	130.34	3.91	3.0%
5204460 · Equipment Rental	674.00	674.00	0.00	0.0%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	302.00	317.42	-15.42	-4.9%
5204540 · Electricity	46.47	43.99	2.48	5.6%
5204740 · Bank Fees and Charges	2,173.91	2,651.98	-478.07	-18.0%
5204960 · Other Contractual Services	0.00	360.00	-360.00	-100.0%
5205020 · Office Supplies	13.68	187.62	-173.94	-92.7%
5205320 · Printing/Duplicating/Binding Co	0.00	17.25	-17.25	-100.0%
5228000 · Operating Transfers Out-NonBudg	486.34	528.42	-42.08	-8.0%
Total Expense	18,935.50	20,367.66	-1,432.16	-7.0%
Net Ordinary Income	55,449.95	17,238.46	38,211.49	221.7%
Net Income	55,449.95	17,238.46	38,211.49	221.7%

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
 July through August 2017

	Jul - Aug 17	Jul - Aug 16	\$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	175.00	650.00	-475.00	-73.1%
4293551 · Certificate Renewals-Active	52,150.00	59,200.00	-7,050.00	-11.9%
4293552 · Certificate Renewals-Inactive	15,350.00	18,900.00	-3,550.00	-18.8%
4293553 · Certificate Renewals-Retired	760.00	1,160.00	-400.00	-34.5%
4293554 · Initial Firm Permits	150.00	250.00	-100.00	-40.0%
4293555 · Firm Permit Renewals	11,400.00	13,400.00	-2,000.00	-14.9%
4293557 · Initial Audit	90.00	120.00	-30.00	-25.0%
4293558 · Re-Exam Audit	390.00	240.00	150.00	62.5%
4293560 · Late Fees-Initial Certificate	0.00	100.00	-100.00	-100.0%
4293561 · Late Fees-Certificate Renewals	1,800.00	1,700.00	100.00	5.9%
4293563 · Late Fees-Firm Permit Renewals	350.00	350.00	0.00	0.0%
4293564 · Late Fees-Peer Review	400.00	300.00	100.00	33.3%
4293566 · Firm Permit Owners	88,605.00	99,845.00	-11,240.00	-11.3%
4293567 · Peer Review Admin Fee	600.00	225.00	375.00	166.7%
4293568 · Firm Permit Name Change	50.00	100.00	-50.00	-50.0%
4293569 · Initial FAR	180.00	120.00	60.00	50.0%
4293570 · Initial REG	120.00	150.00	-30.00	-20.0%
4293571 · Initial BEC	60.00	150.00	-90.00	-60.0%
4293572 · Re-Exam FAR	390.00	420.00	-30.00	-7.1%
4293573 · Re-Exam REG	270.00	360.00	-90.00	-25.0%
4293574 · Re-Exam BEC	120.00	330.00	-210.00	-63.6%
4491000 · Interest and Dividend Revenue	5,470.45	5,466.12	4.33	0.1%
Total Income	178,880.45	203,536.12	-24,655.67	-12.1%
Gross Profit	178,880.45	203,536.12	-24,655.67	-12.1%
Expense				
5101010 · F-T Emp Sal & Wages	10,080.82	9,560.21	520.61	5.5%
5101020 · P-T/Temp Emp Sal & Wages	4,119.42	3,760.22	359.20	9.6%
5101030 · Board & Comm Mbrs Fees	960.00	1,200.00	-240.00	-20.0%
5102010 · OASI-Employer's Share	1,023.07	977.21	45.86	4.7%
5102020 · Retirement-ER Share	852.02	799.20	52.82	6.6%
5102060 · Health /Life Ins.-ER Share	2,997.00	2,888.18	108.82	3.8%
5102080 · Worker's Compensation	24.15	15.95	8.20	51.4%
5102090 · Unemployment Insurance	6.37	5.16	1.21	23.5%
5203020 · Auto-Private-Ownes Low Mileage	0.00	364.78	-364.78	-100.0%
5203030 · In State-Auto- Priv. High Miles	672.00	779.52	-107.52	-13.8%
5203100 · In State-Lodging	158.00	564.10	-406.10	-72.0%
5203120 · In State-Incidentals to Travel	10.00	25.00	-15.00	-60.0%
5203140 · InState-Tax Meals Not OverNigt	11.00	11.00	0.00	0.0%
5203150 · InState-Non-Tax Meals OverNigt	94.00	240.00	-146.00	-60.8%
5203230 · OS-Auto Private High Mileage	0.00	335.16	-335.16	-100.0%
5203260 · OS-Air Commercial Carrier	0.00	2,165.60	-2,165.60	-100.0%
5203280 · OS-Other Public Carrier	0.00	257.35	-257.35	-100.0%
5203300 · OS-Lodging	0.00	2,055.15	-2,055.15	-100.0%
5203320 · OS-Incidentals to Travel	0.00	230.00	-230.00	-100.0%
5203350 · OS-Non-Taxable Meals Overnight	0.00	297.00	-297.00	-100.0%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204160 · Workshop Registration Fees	-695.00	0.00	-695.00	-100.0%
5204180 · Computer Services-State	106.05	212.10	-106.05	-50.0%
5204181 · Computer Development Serv-State	1,242.00	0.00	1,242.00	100.0%
5204200 · Central Services	1,506.26	1,500.80	5.46	0.4%
5204220 · Equipment Service & Maintenance	4.32	6.77	-2.45	-36.2%
5204230 · Janitorial/Maintenance Services	268.50	260.68	7.82	3.0%
5204460 · Equipment Rental	745.00	745.00	0.00	0.0%
5204490 · Rents Privately Owned Property	2,538.90	2,538.90	0.00	0.0%
5204530 · Telecommunications Services	717.13	528.76	188.37	35.6%
5204540 · Electricity	93.83	87.96	5.87	6.7%
5204560 · Water	0.00	22.35	-22.35	-100.0%
5204740 · Bank Fees and Charges	3,154.71	3,715.48	-560.77	-15.1%
5204960 · Other Contractual Services	0.00	360.00	-360.00	-100.0%
5205020 · Office Supplies	412.54	187.62	224.92	119.9%

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
July through August 2017

	<u>Jul - Aug 17</u>	<u>Jul - Aug 16</u>	<u>\$ Change</u>	<u>% Change</u>
5205320 · Printing/Duplicating/Binding Co	6.90	31.05	-24.15	-77.8%
5228000 · Operating Transfers Out-NonBudg	1,024.70	848.09	176.61	20.8%
Total Expense	<u>35,333.69</u>	<u>40,776.35</u>	<u>-5,442.66</u>	<u>-13.4%</u>
Net Ordinary Income	<u>143,546.76</u>	<u>162,759.77</u>	<u>-19,213.01</u>	<u>-11.8%</u>
Net Income	<u>143,546.76</u>	<u>162,759.77</u>	<u>-19,213.01</u>	<u>-11.8%</u>

REPORT TO BOARD ON GRADES

Nicole Kasin

The grades were posted for review for the 53rd window. These grades are through June 2017. I have included the average scores per school since CBT started along with the number of students that have sat for their school respectively. The last chart shows the averages for the past 8 windows.

Overall Average Window 1-53

Window	(All)
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Average of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	75	73	73	74	74
BHSU	71	71	70	72	71
COTech	65	69	69	73	69
DSU	70	70	62	69	67
DWU	70	66	65	75	69
Mt. Marty	65	67	72	69	68
NAU	69	66	67	69	68
NSU	72	69	72	71	71
OS	74	73	71	72	72
SDSU	74	75	76	77	76
USD	77	75	74	74	75
USF	73	75	74	77	74
Grand Total	74	73	72	73	73

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

Window	(All)
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Count of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	98	102	92	110	402
BHSU	120	125	105	102	452
COTech	23	21	14	14	72
DSU	17	18	16	14	65
DWU	18	17	19	15	69
Mt. Marty	26	28	17	20	91
NAU	16	20	25	23	84
NSU	99	116	80	96	391
OS	254	264	245	235	998
SDSU	41	40	30	36	147
USD	273	291	275	282	1121
USF	86	82	80	67	315
Grand Total	1071	1124	998	1014	4207

Average for past 8 windows (3 or more parts)

Window	(Multiple Items)
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Average of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	Grand Total
Augie	75	77	73	76	75
BHSU	70	74	73	75	73
DSU		68			68
DWU		64	74	73	71
Mt. Marty	58	53	76		61
NAU	72	74	72	70	72
NSU	71	65	64	72	68
OS	74	76	74	68	73
SDSU	76	78	75	78	77
USD	76	74	72	73	74
USF	72	80	76	75	75
Grand Total	73	74	72	73	73

The Board needs to Approve the 2017-2 (53rd Window) grades.

EXECUTIVE DIRECTOR'S REPORT

Nicole Kasin

Statute Review

Follow-up from August meeting.

SDCL 36-20B-58 Accountant or auditor--Restrictions on use of title, designation, and language-- Exceptions--Violation as misdemeanor. No person or firm which does not hold a valid certificate, permit, or registration issued under this chapter may assume or use any title or designation that includes the words, accountant, auditor, or accounting, in connection with any other language, including the language of a report, that implies that such person or firm holds such a certificate, permit, or registration or has special competence as an accountant or auditor. However, the provisions of this section do not apply to any individual granted practice privileges under the provisions of § 36-20B-66 or 36-20B-67 or to any firm that is exempt from the permit requirements pursuant to § 36-20B-32.2 or 36-20B-32.3.

This section does not prohibit any officer, partner, member, manager, or employee of any firm or organization from affixing that person's own signature to any statement in reference to the financial affairs of such firm or organization with any wording designating the position, title, or office that the person holds therein nor prohibit any act of a public official or employee in the performance of the persons duties as such.

A violation of this section is a Class 2 misdemeanor.

Database update

The board staff is working with GL Solutions to create the database. We are wrapping up the design process and moving into the mapping of data with various processes. After looking at calendars and seeing the work yet to complete we are setting a goal of testing the database starting late fall and then adjusting schedules with results of the testing.

Board Audit

The audit has concluded and it has been sent to Department of Legislative Audit for review on the two years ending June 30, 2016.

Online Renewals

The renewal period has concluded and those that did not renew have been sent notice that their license is now expired and they are required to relinquish their CPA license to the Board. I did complete a summary of the completed renewals.

Board Discussion

- Any New Business/topics?

DATE	Form 19-Firm		Form 27-Retired		Form 28-Active		Form 29-Inactive		Daily Totals
	COMP	APVD	BD	APVD	COMP	APVD	BD	APVD	
Thursday, June 15, 2017	2	2	2	0	9	2	1	0	18
Friday, June 16, 2017	0	0	5	0	10	2	12	0	29
Saturday, June 17, 2017	0	0	1	0	2	0	3	0	6
Sunday, June 18, 2017	1	0	0	0	3	0	3	0	7
Monday, June 19, 2017	4	3	4	0	26	5	9	0	51
Tuesday, June 20, 2017	1	1	3	0	20	4	8	0	37
Wednesday, June 21, 2017	8	1	4	0	13	2	7	0	35
Thursday, June 22, 2017	2	1	3	0	15	6	5	0	32
Friday, June 23, 2017	2	0	2	0	9	4	1	0	18
Saturday, June 24, 2017	1	1	0	0	4	0	1	0	7
Sunday, June 25, 2017	0	0	2	0	1	0	3	0	6
Monday, June 26, 2017	3	1	0	0	14	2	6	0	26
Tuesday, June 27, 2017	2	2	1	0	23	1	4	0	33
Wednesday, June 28, 2017	4	0	1	0	19	4	4	0	32
Thursday, June 29, 2017	4	0	1	0	19	1	1	0	26
Friday, June 30, 2017	1	0	0	0	13	4	3	0	21
Saturday, July 1, 2017	2	0	1	0	3	0	1	0	7
Sunday, July 2, 2017	0	0	0	0	4	1	0	0	5
Monday, July 3, 2017	1	1	3	0	5	2	1	0	13
Tuesday, July 4, 2017	0	0	0	0	1	0	2	0	3
Wednesday, July 5, 2017	1	0	0	0	23	5	4	0	33
Thursday, July 6, 2017	3	0	3	0	15	2	6	0	29
Friday, July 7, 2017	3	0	1	0	15	2	1	0	22
Saturday, July 8, 2017	0	0	1	0	1	0	1	0	3
Sunday, July 9, 2017	0	0	1	0	3	1	2	0	7
Monday, July 10, 2017	3	1	0	0	17	3	5	0	29
Tuesday, July 11, 2017	5	0	1	0	23	2	4	0	35
Wednesday, July 12, 2017	5	0	3	0	12	2	5	0	27
Thursday, July 13, 2017	3	0	1	0	13	1	5	0	23
Friday, July 14, 2017	3	1	1	0	10	3	4	0	22
Saturday, July 15, 2017	0	1	0	0	1	1	0	1	4
Sunday, July 16, 2017	1	0	0	0	5	0	1	0	7
Monday, July 17, 2017	3	1	0	0	21	2	3	0	30
Tuesday, July 18, 2017	9	0	0	0	20	5	3	0	37
Wednesday, July 19, 2017	4	1	1	0	11	1	5	0	23
Thursday, July 20, 2017	3	1	2	0	20	4	4	0	34
Friday, July 21, 2017	6	1	0	0	20	2	6	0	35
Saturday, July 22, 2017	1	0	0	0	5	0	0	0	6
Sunday, July 23, 2017	1	0	0	0	5	0	4	0	10
Monday, July 24, 2017	1	4	1	0	29	2	4	0	41
Tuesday, July 25, 2017	6	0	1	0	24	2	13	0	46
Wednesday, July 26, 2017	3	1	2	0	19	4	7	0	36
Thursday, July 27, 2017	7	2	1	0	27	4	12	0	53
Friday, July 28, 2017	9	0	2	0	26	10	12	1	60
Saturday, July 29, 2017	3	1	0	0	10	0	4	1	19
Sunday, July 30, 2017	1	0	2	0	14	0	4	0	21
Monday, July 31, 2017	24	6	5	0	86	25	74	2	222
Tuesday, August 1, 2017	7	1	2	0	13	6	17	1	47
Wednesday, August 2, 2017	0	0	0	0	2	0	0	0	2
Thursday, August 3, 2017	1	0	0	0	0	0	0	0	1
Friday, August 4, 2017	0	0	0	0	0	1	0	0	1
Saturday, August 5, 2017	0	0	0	0	0	0	0	0	0
Sunday, August 6, 2017	0	0	0	0	0	0	2	0	2
Monday, August 7, 2017	0	0	0	0	2	0	0	0	2
Wednesday, August 9, 2017	1	0	0	0	0	0	1	0	2
Thursday, August 10, 2017	1	0	0	0	2	4	2	0	9
Friday, August 11, 2017	0	0	1	0	1	0	2	0	4
Sunday, August 13, 2017	0	0	0	0	0	0	1	0	1
Monday, August 14, 2017	0	0	0	0	0	0	2	0	2
Tuesday, August 15, 2017	0	0	0	0	0	1	0	0	1
Wednesday, August 16, 2017	0	0	0	0	0	0	1	0	1
Monday, August 21, 2017	0	0	0	0	1	1	1	0	3
Tuesday, August 22, 2017	0	0	0	0	0	1	0	0	1
Wednesday, August 23, 2017	0	0	1	0	1	0	0	0	2
Tuesday, August 29, 2017	0	0	0	0	1	1	0	0	2
Wednesday, August 30, 2017	0	1	0	0	0	0	0	0	1
Thursday, August 31, 2017	0	0	0	0	0	0	1	0	1
Friday, September 01, 2017	0	0	0	0	0	0	1	0	1
Monday, September 04, 2017	0	0	2	0	0	0	0	0	2
Tuesday, September 05, 2017	0	0	0	0	0	2	2	0	4
Thursday, September 07, 2017	0	0	0	0	1	0	0	0	1
Totals	156	36	68	0	712	140	301	6	1419
Totals per form	192		68		852		307		

Total Renewals									
Online & Via Mail	273		120		1210		384		1987
% Completed Online	70.33%		56.67%		70.41%		79.95%		71.41%
Expired Status	16		7		14		7		44
% Completed overall	94.46%		94.49%		98.86%		98.21%		97.83%

9/12/2017



Peer Review
Program

Evolving Peer Review Administration to Enhance Audit Quality

August 31, 2017

Introduction

The evolution of peer review administration is part of the AICPA's Enhancing Audit Quality (EAQ) initiative, with the objective to ultimately improve audit performance by increasing consistency, efficiency and effectiveness of the AICPA Peer Review Program (Program) administration.

Each of the state CPA societies and all peer review administering entities (AEs) have been integral to the success of the peer review function, which is enormous in both scope and size across the country. Their commitment to meeting the needs of practitioner members and regulators has been, and continues to be, tremendous. At the same time, the need for an evolution of peer review administration was overwhelmingly validated by stakeholder feedback. Peer review has grown and matured over the past 35 years in the marketplace, regulatory environment and technological environment, and its evolution does not diminish the contributions of any state CPA society or AE.

Benchmark Model

Beginning in 2018, our enhanced model for peer review program administration **requires AEs to meet specific benchmarks, diligently monitored by the AICPA, and increases transparency of AE performance.**

These benchmarks will include qualitative, objective and measurable criteria, and AEs will be evaluated based upon whether they consistently meet these benchmarks. AE performance will be made transparent through new reporting requirements to various stakeholders, such as society CEOs and state boards of accountancy, as appropriate. The suggested benchmarks illustrated in this paper are subject to changes and approval by the AICPA Peer Review Board (PRB), and may be modified over time due to advances in technology and other factors.

Inconsistencies in administrative processes and report acceptance have been identified by PRB Oversight Task Force (OTF) members and AICPA staff through Report Acceptance Body (RAB) observations, AE oversight visits and other processes. These inconsistencies, though previously communicated only to the AE, led to peer reviews that were administered untimely and with results not in compliance with the Program, and further study revealed evidence of familiarity also having affected the review approval process. The proposed benchmarks will be developed by identifying how to:

- Minimize the inconsistencies;
- Increase the probability that individuals with the appropriate skills, knowledge and experience perform and consider technical reviews and the RAB process; and
- Optimize the peer review process so firms can meet their licensing requirements efficiently.

Benchmarks and Familiarity Mitigation

Benchmarks are based on the AICPA's *Standards for Performing and Reporting on Peer Reviews*, Interpretations and Supplemental Guidance (Program Standards) and fall into three categories: administrator, technical reviewer and Committee/RAB. AEs will be required to develop policies and procedures to address how the AE will comply with the benchmarks. AEs' performance against benchmarks will be reported on by the AE and monitored by the AICPA and the PRB's OTF.

In addition, each AE will be required to develop and disclose its policies and procedures designed to mitigate the familiarity threat that exists among Committees/RABs, technical reviewers, peer reviewers and firms subject to review, based on the AE's particular circumstances. Such procedures may include one or more of the following (not all inclusive):

- Redacting identifying information about firm and/or peer reviewers from documents presented to the RAB
- Arranging for the acceptance of its committee members' peer reviews by another AE
- Arranging for the acceptance of its high-volume reviewers' reviews by another AE

- Arranging for RAB members or specialists from other states to participate in RABs
- Engaging qualified individuals from another state to perform all technical reviews

See Exhibit 1 for examples of familiarity threats to be mitigated.

In addition to the policies and procedures designed to mitigate the familiarity threat developed by each AE, all committee and RAB members will annually be required to: (1) participate in guided discussion that will emphasize the importance of maintaining objectivity and the appropriate level of skepticism, and (2) sign confirmations indicating their agreement to comply with Program Standards and maintain objectivity and an appropriate level of skepticism.

For each AE, the applicable society CEO(s) will be accountable for the peer review administrative process under his/her organization's responsibility. Accordingly, the CEO will be responsible for:

- Ensuring the necessary staffing is in place,
- Hiring appropriately-qualified individuals,
- Monitoring compliance with the benchmarks, and
- At least annually, signing a statement agreeing to administer the Program in accordance with standards and regulated guidance issued by the PRB.

See Exhibit 2 for descriptions of proposed benchmarks.

Benchmark Violations and Fair Procedures

Failure to Meet Benchmarks

If performance benchmarks are not consistently met, a society (or organization) may lose its qualification to be an AE. Benchmark compliance will be monitored by OTF and AICPA staff through reports generated from Peer Review Integrated Management Application (PRIMA), observations of Committee and RAB meetings and AE oversight visits. If an AE fails to meet the benchmarks and appropriate, timely remediation is not achieved, the PRB will rescind the AE's standing to administer the Program.

If an AE fails to meet the required benchmarks, fair procedures will be followed to determine the appropriate remediation. The fair procedures developed will provide the AE an opportunity to remedy the situation(s) that created the violation(s), with disqualification as an AE resulting only from a failure to remediate to meet the established benchmarks. When remediation is required, the individual within the AE responsible for the Program should immediately take required actions, and the society's or organization's CEO should oversee the remediation.

Violations will fall into one of two categories:

1. **Non-Compliance**: Requires remediation and appropriate transparency to stakeholders. In addition, a pattern of non-compliance and failure to remediate will result in "Probation" status.
2. **Significant Non-Compliance**: Requires remediation and appropriate transparency to stakeholders, and results in "Probation" status.

"Probation" status may require additional oversight, with the AE being responsible for reimbursing expenses incurred during external oversight of the remediation.

Exhibit 3 provides a flow chart and an illustrated example of fair procedures.

The fair procedures will be fully developed and shared with all stakeholders, including the potential costs to the AE for remediation and probationary oversight activities.

As previously indicated, the proposed benchmarks illustrated in this paper are subject to changes and approval by the PRB, including the determination of which benchmark violations are considered significant. Below are examples of potential significant non-compliance with the benchmarks, which will cause an AE to move into probation:

- Late or incomplete submission of the Annual Plan of Administration (POA) by due date
- Not completing the required annual minimum number of oversights by the due date
- Not addressing reviewer performance issues timely
- Technical reviewer and Committee/RAB members not applying appropriate level of objectivity and skepticism (familiarity threat)
- Receiving repeat comments in a RAB observation report from the immediate preceding report
- Releasing confidential peer review information to an external party without written permission from the firm
- Sending over 15% of required communications late, over a period of time, yet to be determined
- RABs accepting reviews without the presence of members who have appropriate experience/expertise, or a quorum
- Not performing administrative oversight in years in which oversight is not performed by the OTF
- RAB consistently deferring or delaying over 10% of reviews, over a period of time, yet to be determined
- Not engaging/using technical reviewers who possess appropriate experience, training or expertise
- Technical reviewers not present at RAB meetings
- Not structuring and scheduling RAB meetings appropriately
- Not responding timely to requests from the OTF or AICPA staff

CPA on Staff Requirement

Though the primary focus of the proposed model is the achievement of identified benchmarks, each AE will be required to have at least one CPA employed on staff to lead the Program administration, who is actively engaged and knowledgeable about the Program Standards, administrative requirements and processes. The CPA must have the authority, sufficient skills and audit experience needed to lead the Program, including identifying and correcting inadequate performance of an administrator or technical reviewer. This individual will:

- Be fully committed to the objectives of the Program and its administration and have the credibility of an experienced peer to challenge Committees/RABs when necessary
- Conduct monitoring procedures and present results to the society's or organization's CEO (if individual is someone other than the CEO)
- Be responsible for day to day operations of the Program, which allows for continuity and a backup plan

The person responsible for leading the day-to-day operations of the program needs to be knowledgeable about not only the Program Standards and administrative requirements and processes, but also the professional standards being applied to the peer reviews administered. Accordingly, this individual will be required to meet the continuing education requirements of a team captain and be highly encouraged to attend the peer review conference annually.

Further, the CPA designation allows the staff person to be considered a "peer" by all those responsible for correction of performance, including technical reviewers. It strengthens the credibility of the staff person by enhancing their understanding of materiality of technical issues and their impact on the reviews when questioning or challenging the actions of administrative staff and technical reviewers, if needed.

Full-time vs. part-time

The CPA on staff may be employed part-time if the AE administers for a single state, and must be full-time when administering for more than one state. However, if the additional state(s)' review volume does not result in a significant increase in overall volume or complexity, the AICPA will allow an AE to request a waiver of the full-time CPA requirement if it can demonstrate the CPA can sufficiently perform the duties described above for multiple states in a part-time capacity.

Three-year transition to meet CPA requirement available to AEs

The AICPA and the PRB believe that a CPA on staff is necessary to most effectively and consistently lead the administration and meet the benchmarks of the Program in the future. However, they recognize some AEs operate effectively without a CPA on staff in today's environment, and the CPA requirement may represent a significant change. Therefore, to allow sufficient time for a smooth transition of leadership, or to transition its peer review program to another AE, all AEs may request a waiver, subject to approval by the PRB, that will give them up to three years to meet the requirement to have a CPA on staff leading the Program. The AICPA may grant this conditional waiver for an AE that wishes to continue to administer the Program with existing non-CPA staff through December 31, 2020, to be reviewed and re-approved annually. To receive the waiver, the AE must provide the request in writing to the AICPA by April 1, 2018. The request should demonstrate the individual's qualifications (skills, knowledge of professional standards and experience) to meet the objectives noted above. The waiver will be reviewed annually and will no longer be applicable if the current structure or specific staff personnel of the AE changes. This includes, but is not limited to, changes to the state(s) administered by the requesting AE and turnover (or significant change in scope of duties) of the previously approved staff member. Also, if the AE does not meet the benchmarks, the AICPA may rescind the waiver and require the AE to hire an appropriately-qualified CPA.

Oversight and State Board Relations

Administering Entities are expected to proactively communicate with applicable state boards of accountancy regarding administration of the Program in accordance with guidelines and Program Standards. State board of accountancy **oversight will continue to be a critical component of the Program's administration.** Program administration will not be effective without external oversight such as that performed by the OTF and state board-appointed Peer Review Oversight Committees (PROCs).

Discontinuing Program Administration

If at any time an AE decides to discontinue administration of the Program, the AE is responsible for identifying another AE to transition administration. A transition request must be made to the PRB by submitting a transition form (Exhibit 4), which must be approved by the OTF prior to transition. If another AE cannot be identified, the AICPA may take on administration as needed.

See Exhibit 4 for the Peer Review Administration Change Form.

Exhibit 1 – Familiarity Threat

Definition

The AICPA Code of Professional Conduct defines a familiarity threat as:

“The *threat* that, due to a long or close relationship with a *client*, a *member* will become too sympathetic to the *client’s* interests or too accepting of the *client’s* work or product. Examples of familiarity *threats* include the following:

- a. A *member’s* immediate family or close relative is employed by the *client*.
- b. A *member’s* close friend is employed by the *client*.
- c. A former *partner* or professional employee joins the *client* in a *key position* and has knowledge of the *firm’s* policies and practices for the *professional services* engagement.
- d. Senior personnel have a long association with a *client*.
- e. A *member* has a significant close business relationship with an officer, a director, or a 10 percent shareholder of a *client*.”

Actual Examples

There have been numerous instances during RAB observations where OTF members and AICPA staff have noted discussions in which decisions have been made based on comments such as, “We know John and he must have considered XYZ (or followed up to see if this was isolated) when making his decision,” despite the lack of documentation in the review workpapers presented.

Also, there have been situations where the RAB has dismissed the findings of an enhanced oversight, despite the stated qualifications of the subject matter expert (SME) performing the oversight, simply based on the RAB member’s personal familiarity with the reviewer.

Some Actual Examples:

- Not issuing feedback (or addressing all issues) because:
 - RAB members “know the reviewer”
 - Reviewer performs a high volume of reviews in the state and RAB is afraid to offend him/her
 - Reviewer was a former or current RAB member or is a technical reviewer
- Reviewed firm (or reviewer) teaches for the society or sits on some other society committee or has other relationship with the society, “so the individual really knows what they are doing and we don’t need to pursue further” (these are situations where it is not apparent the reviewer properly performed the work and additional inquiry is warranted before accepting the review)
- Committee member given informal feedback on reviews they performed while a different reviewer is issued formal feedback for the same issue
- Allowing committee members additional time to complete their resume verification without consequences
- Committee members exempted from oversight
- Admissions by firms that they engage peer review committee member firms to perform their reviews because “it is known that the committees are incestuous” and it makes it a “smoother process” for their reviews to be accepted
- A high-volume reviewer received a performance deficiency letter in late February but didn’t sign it until the end of May; the AE failed to take action (letters are required to be signed or appealed within 30 days) and, as a result, the reviewer continued to conduct reviews several months longer than should have been allowed

- A reviewer failed to improve his performance after completing required remediation and the OTF had to refer the reviewer to a hearing panel to remove from pool because the AE failed to take action itself
- Failure to enforce requirement to deem an engagement non-conforming when other audits meet professional standards – the excuse being that the “firm does good work overall”
- Refusing to accept the results of an enhanced oversight (performed at AICPA level) even when presented with the firm’s deficient work paper – the excuse being that it was “just a documentation issue” (related to a significant audit procedure without any support in the file)
- Peer reviewers and RAB members will mention how long a firm has been performing the must-select engagement or that type of must-select engagement when presented with issues (generally documentation) identified on the relevant area of practice (as if doing it wrong for a long time or a lot of times somehow makes it right)
- Multiple instances where, following an enhanced oversight, the RAB has allowed the peer reviewer/firm to provide documentation not provided to SME during the enhanced oversight (such documentation should be provided at that time) – it appears that reviewer/firms familiar to the RAB are being “allowed” to create workpapers

Remediation Expectation

Each AE will be required to develop and disclose in its Plan of Administration (POA) its policies and procedures designed to mitigate the familiarity threat that exists among Committees/RABs, technical reviewers, peer reviewers and firms subject to review, based on the AE’s particular circumstances.

Such procedures may potentially include one or more of the following (not all inclusive):

- RAB member rotation
- Technical reviewers from another state
- RAB members from another state
- High volume reviewers’ reviews accepted by another state
- Redacting identifying information about firm and/or peer reviewers from documents presented to the RAB
- Arranging for the acceptance of its committee members’ peer reviews by another AE
- Arranging for the acceptance of its high-volume reviewers’ reviews by another AE
- Arranging for RAB members or specialists from other states to participate in RABs
- Engaging qualified individuals from another state to perform all technical reviews

In addition to the policies and procedures designed to mitigate the familiarity threat developed by each AE, all committee and RAB members will annually be required to: (1) participate in guided discussion that will emphasize the importance of maintaining objectivity and the appropriate level of skepticism, and (2) sign confirmations indicating their agreement to comply with Program Standards and maintain objectivity and an appropriate level of skepticism.

Exhibit 2 – Benchmarks

The following are draft performance benchmarks for which each AE will be held accountable. All benchmarks suggested in this paper are subject to modification and approval by the PRB. The OTF and AICPA staff will monitor compliance utilizing PRIMA, observations of Committee and RAB meetings and AE oversight visits.

Some benchmarks may require changes to current guidance. Current and implied benchmarks listed below and corresponding guidance will be formalized and approved by the PRB at its meeting on February 2, 2018. All AEs will be expected to be in full compliance with these benchmarks that are currently expected and implied by May 1, 2018.

The 2019 POA due November 1, 2018, will require AEs to document their compliance with benchmarks during 2018. Self-reporting and fair procedures will be effective beginning January 1, 2019.

Current and Implied Requirements (to be finalized February 2, 2018)

Administrator Benchmarks:

- Enter committee decision for reviews when acceptance has been delayed or deferred, and send letters within two weeks of RAB meetings
- Submit complete annual POA by due date, including completion of all requirements
- Select appropriate reviews for oversight based on written criteria in the policies and procedures, which considers risks associated with both the reviewer and the firm
- Ensure the minimum number of oversights and the related criteria are met and performed throughout the year
- Send overdue letters and other communications when appropriate, as required by guidance
- Follow the documentation retention criteria policy established within Interpretation 25-1
- Comply with confidentiality requirements of the Program and the boards for the states the AE administers; this includes:
 - Establish internal confidentiality procedures
 - Communicate the policies and procedures to all parties involved in the peer review administration process
 - Observe that the policies and procedures are followed
- Complete administration checklist and record working papers received within four business days of receipt
- Fully implement recommendations from RAB observations in a timely manner upon receipt of the report
- Fully implement recommendations from RAB observations such that no comments are repeated in subsequent observations
- Provide RAB materials electronically to RAB members one week in advance of RAB meetings
- Respond timely to requests from the OTF or AICPA staff

Technical Reviewer Benchmarks:

- Perform the technical review timely and in accordance with the RAB Handbook requirements (including applying appropriate levels of objectivity and skepticism)
- Recommend reviews or engagements for oversight when appropriate
- Limit reviews with open items and that are missing relevant information from being included in the RAB package unless RAB consultation is necessary (overall over time, an AE should have less than 10% of its reviews delayed or deferred to another meeting)
- Make appropriate decisions on exceptions (e.g. extensions, team members, off-site reviews, etc.) and maintain support for exceptions
- Perform the reviewer resume verification process timely and in accordance with the Oversight Handbook

- Fully implement recommendations from RAB observations such that no comments are repeated in subsequent observations
- Be familiar with guidance issued by the PRB and the board licensure laws for the states in which the AEs administer peer reviews
- Propose due dates for corrective actions or implementation plans after discussing feasibility with the firm in advance of RAB meetings to be included in the RAB materials
- Respond timely to requests from the OTF or AICPA staff
- Fully implement recommendations from RAB observations in a timely manner upon receipt of the report

Committee/RAB Benchmarks:

- Conduct RAB meetings with sufficient frequency to meet 120-day rule for timeliness of presentation of reviews (60-day rule for engagement reviews with certain criteria)¹
- Structure each meeting's RAB member composition to include members with relevant industry experience (regarding must-select engagements)
- Ensure each review has a quorum of RAB members to vote on it in accordance with the RAB Handbook
- Be familiar with guidance issued by the PRB
- Meet qualifications as established in the RAB Handbook
- Read materials prior to the RAB meeting and come prepared to discuss agenda items
- Discuss peer reviews and do not overly rely on the technical reviewer (including applying appropriate levels of objectivity and skepticism)
- Assign corrective actions and implementation plans in the appropriate situations with due dates that are feasible and will benefit the firm
- Issue timely the appropriate level of reviewer feedback that the situation dictates
- Shepherd reviews through the completion process timely, including adhering to specific guidance regarding not waiving or extending corrective actions and implementation plans (exception – hardships)
- Perform oversights on firms and reviewers timely in accordance with the Oversight Handbook and each AE's own written policies and procedures
- Annually evaluate qualifications and competencies of technical reviewer(s)
- Perform administrative oversight in accordance with the Oversight Handbook
- Establish RAB meeting length so that the entire meeting is productive, and the length is appropriate to adequately discuss each peer review given its complexity (suggestion: conference calls should not be scheduled for more than two hours)
- Fully implement recommendations from RAB observations in a timely manner upon receipt of the report
- Fully implement recommendations from RAB observations such that no comments are repeated in subsequent observations
- Respond timely to requests from the OTF or AICPA staff

Potential New Requirements – To be finalized with effective dates by the OTF and PRB, with input from stakeholders

Potential new benchmarks will be finalized with input from stakeholders, including AEs, technical reviewers, peer review committee members, the PRB and the NASBA Compliance Assurance Committee (CAC). Dates for expected compliance of new benchmarks will be determined at the time they are finalized.

¹ This plan does not propose a minimum number of RAB meetings per year.

Potential New Administrative Benchmarks:

- Weekly investigate reviews for which review team composition can't be approved
- Address the familiarity threat for Committee and RAB composition within the POA

Potential New Technical Reviewer Benchmarks

- Prepare reviewer feedback forms and letters in advance of RAB meeting to be included in the RAB materials
- Obtain must-select training to perform technical reviews of peer reviews that have engagements from must-select industries
- Be present during RAB meetings in which his/her reviews are presented to answer RAB member questions to avoid deferrals or delays
- Thoroughly review and prepare peer reviews for RAB meetings to minimize the number of reviews that are deferred or delayed accepted subject to missing information

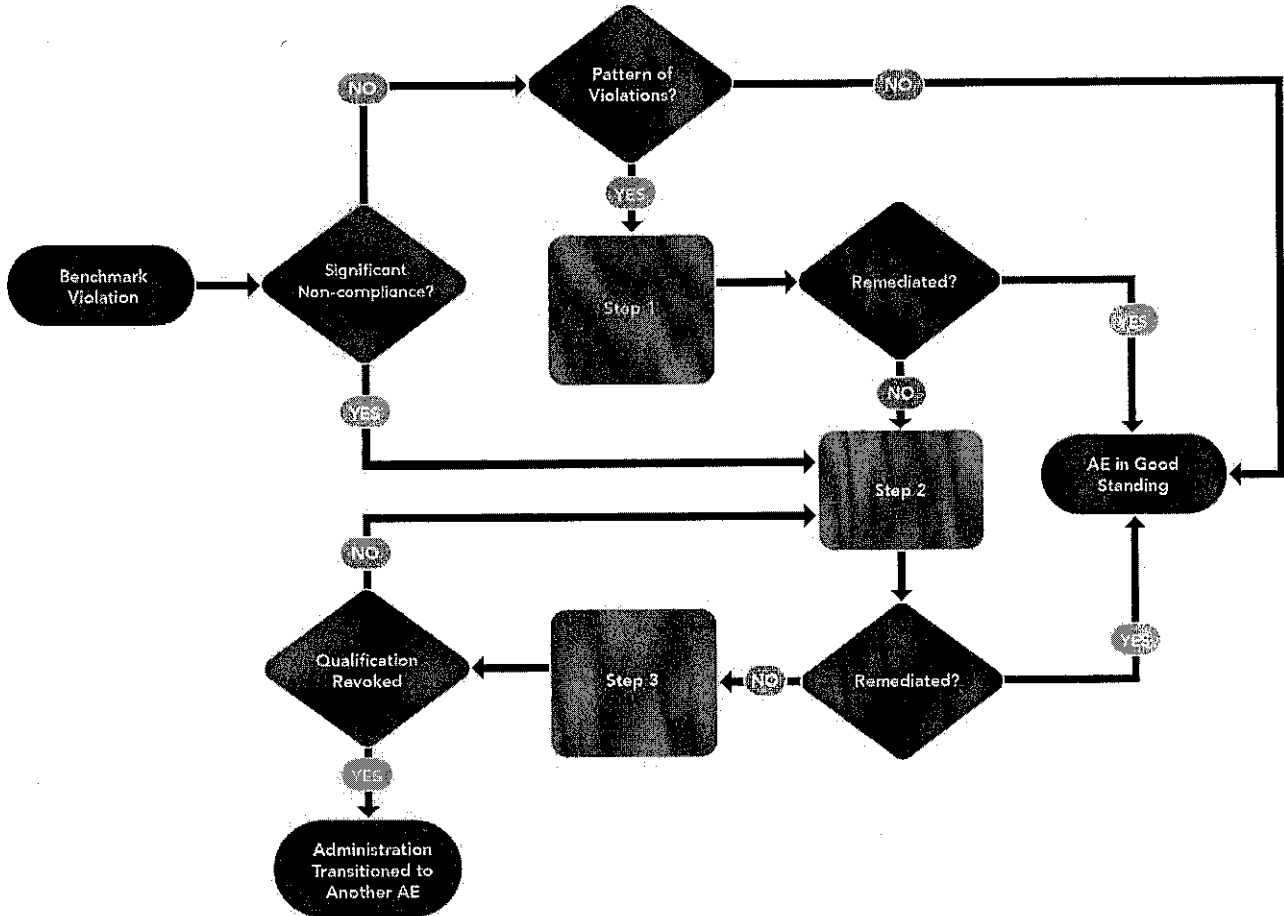
Potential New Committee/RAB Benchmarks:

- Schedule RAB meetings at least two weeks in advance
- Establish a written RAB rotation policy regarding RAB composition within the POA
- Ensure an oversight plan is approved by the Committee and is in place by a required date
- Present pertinent facts on each review prior to discussion and voting

Exhibit 3 – Fair Procedures

If an AE fails to meet the established benchmarks, fair procedures will be followed. The anticipated process will include multiple steps, including required remediation and, if remediation is not successful, termination of the AE's qualification to administer the Program. The AICPA staff and the OTF would be able to assist in determining the reasonableness of a remediation plan or help to design it.

Process Flow:



Steps in Fair Procedures:

Step 1: Increased monitoring performed remotely by AICPA staff. Determination to move to Step 1 made by AICPA staff, with periodic reporting of activity to the OTF.

- Accelerated RAB observations to include all reviews presented to RAB. (Second RAB observation to occur no sooner than 30 days after the first.)
 - Procedures include reviewing RAB materials, observing the RAB meeting and preparing the report.
- Monitor status of open reviews monthly during this period.

Step 2: Probation. Increased monitoring performed by AICPA staff and/or OTF member.

- Depending on the nature of the non-compliance and the oversight deemed necessary by the OTF, costs incurred because of the oversight would be the responsibility of the AE. These costs could include a reasonable hourly rate for AICPA staff and/or OTF member time and/or travel expenses.
- Determination to move to Step 2 made by OTF.

Example: Below are activities that may occur with increased monitoring during the probation period. Multiple activities, including repetitions, may be required. As mentioned above, the AEs would be expected to reimburse the AICPA and OTF members for time and expenses incurred. This could cost the AE from very minimal to \$40,000. Note, however, that actual hours, rates and resulting costs may vary greatly.

- RAB meeting observation – procedures include reviewing materials, observing the meeting and preparing a report to the OTF (time estimate – 5 hours)
- Test AE's compliance with administrative procedures (time estimate – 4 hours)
- Committee meeting observation (time estimate – 3 hours)
- Travel to AE for in-person observation (time estimate – 4 to 10 hours)

Step 3: Referral to hearing panel to determine whether:

- The AE's qualification to administer the Program will be terminated (with its administration transitioned to another AE), or
- The AE will be allowed to continue to remediate (i.e., return to Step 2).

Exhibit 4

**Peer Review Administration Change Form
(Subject to review and approval by the AICPA OTF)**

Instructions

This form should be completed when an administering entity (AE) is transitioning peer review administration to another AE either permanently or temporarily. State CPA society Chief Executive Officers (CEOs) should jointly complete this form with the assistance of state society peer review staff or AICPA staff, as needed.

If the transition is planned, this form should be prepared as much in advance of the effective date as possible. If the transition was not planned, the form is due within 30 days of the effective date.

This completed form, including each AEs' supporting information, should be combined and sent to prsupport@aicpa.org. These documents will be forwarded to the Oversight Task Force for review and approval.

If you have any questions, please contact the peer review team at 919.402.4502 or prsupport@aicpa.org.

General transition information

1. ____ (predecessor AE) is transitioning peer review administration to ____ (successor AE).
2. Effective date of transition is ____.
3. Means of transitioning peer review administration: Reviews commencing on or after ____ (date) will be administered by the successor AE.
4. Permanent change
5. Temporary change
Anticipated end date ____
6. Predecessor AEs are expected to speak to their state board of accountancy regarding the change in administration prior to making a final decision. Provide the name of the state board of accountancy representative contacted and the date of the communication. ____
7. Each AE should enter total estimated number of reviews administered.

AE name	Calendar Year 2015		Calendar Year 2016		Calendar Year 2017	
	Engagement	System	Engagement	System	Engagement	System
Predecessor AE _____						
Successor AE _____						

8. Whether the change is permanent or temporary, the predecessor AE should provide the transition date and plan for each category listed below.
- Workpapers received for technical review – For example, the successor AE will perform the technical review for all workpapers received after June 1, 2017.
 - Transition date and plan: _____
 - Reviews ready for RAB – For example, reviews ready for RAB prior to June 1, 2017, will be considered for acceptance by the predecessor AE.
 - Transition date and plan: _____
 - Reviews with outstanding corrective actions and/or implementation plans – For example, reviews with outstanding corrective actions and/or implementation plans as of June 1, 2017, will be transitioned to the successor AE.
 - Transition date and plan: _____
9. Each AE should provide a year-to-date status (including the predecessor AE's transition date and plan for any in process) for the following AE oversight requirements by completing the Excel templates:
- Oversight of peer reviews and reviewers
 - Annual verification of reviewers' resumes
-

Additional required information

1. Predecessor AE should provide signed *Peer Review Computer Systems Usage Policy and Agreement* granting permission to the successor AE assuming administration.
 2. If peer review administration transition is permanent, the successor AE should provide a revised back-up plan for key individuals involved in peer review administration for the coming year. If utilizing a third-party, this back-up plan should be signed by all parties.
 3. Will you obtain signed confidentiality agreements from all individuals anticipated to attend RAB or committee meetings (e.g. new RAB or committee members, Peer Review Oversight Committee (PROC) members)? Yes No
 4. Successor AE should explain any staffing changes as a result of this transition. _____
-

Signatures of state CPA society Chief Executive Officers (CEOs)

Predecessor AE

(Signature of CEO)

(Date)

(Print name)

(AE name)

Successor AE

By signing this form, I agree to administer the AICPA Peer Review Program in accordance with AICPA Peer Review Program Standards and related guidance issued by the AICPA Peer Review Board.

(Signature of CEO)

(Date)

(Print name)

(AE name)



Peer Review
Program

