



**SOUTH DAKOTA
BOARD OF ACCOUNTANCY**
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Agenda
South Dakota Board of Accountancy Meeting
Conference Call
9:00 a.m. (CT)
October 15, 2012

A=Action

D=Discussion

I=Information

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A-Approval of Minutes of Meeting September 17, 2012..... 2-3

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NASBA

D-Response to AICPA on PEEC Draft and ARSC Draft..... 9-12

EXECUTIVE SESSION

Equivalent Reviews, South Dakota Reviews and follow ups for Board Approval..... Spt. Pkt.

FUTURE MEETING DATES (all times CT)

December 10 – 8:30 – Pierre



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South Dakota Board of Accountancy
Minutes of Meeting-Conference Call
September 17, 2012 - 9:00 a.m.

The Board of Accountancy held a meeting by conference call on Monday, September 17, 2012. Chair John Mitchell called the meeting to order at 9:01 a.m.

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

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

Chair John Mitchell asked if there were any additions to the agenda.
Additions to the Executive Director Report

A motion was made by Holly Brunick and seconded by Marty Guindon to approve the August 15, 2012, meeting minutes. A roll call vote was taken. The motion unanimously carried.

A motion was made by John Peterson and seconded by Marty Guindon to approve the issuance of individual certificates and firm permits through September 11, 2012. A roll call vote was taken. The motion unanimously carried.

A motion was made by Marty Guindon and seconded by John Peterson to approve the financial statements through August 2012. A roll call vote was taken. The motion unanimously carried.

Executive Director Kasin discussed her report. She explained that online license renewals were completed and provided statistics of renewals thru September 10, 2012. Those that have not renewed have been put in an expired status. The Board was informed that the licensees have been selected for CPE audits and letters were sent out to those selected on September 11. Also, there is a possible change in the location for the CPA exam testing center in Rapid City. Currently NASBA and Prometric are in negotiations on the new site. The contract for the new site is planned to be signed by October 1. Executive Director Kasin also informed the Board of days she will be out of the office due to her appointment to serve as the Executive Director's Committee Chair and the Executive Director Liaison to the NASBA Board of Directors.

The Board discussed the wording for the change to SDCL 36-20B in regards to firm fees and adding a definition for "owner" to the statutes.

A motion was made by Holly Brunick and seconded by John Peterson to draft a proposed bill changing the wording for firm fees to reflect the fee not to exceed sixty-five dollars for each owner, plus fifty dollars for each firm practicing public accountancy in this state and to add the definition of owner in the statute. The drafted bill should be submitted to DLR by the September 21 deadline for the legislative review process. A roll call vote was taken. The motion unanimously carried.

The Board was informed of the NASBA Candidate Care Report.

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

The Board came out of executive session.

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

FUTURE MEETING DATES (all times CT)

October 15 – 9:00 – Conference Call

December 3 or 10– 8:30 – Pierre, SD

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

All business having come before the board was concluded and Chair John Mitchell adjourned the meeting at 10:15 a.m.

John Mitchell, CPA, Chair

Attest:

Nicole Kasin, Executive Director

John Peterson, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES
BOARD COPY**

Issued Through October 5, 2012

Number	Name	Date Issued	Location
3046	Carrie Joy Christensen	9/18/12	Mitchell, SD
3047	Michael Robert Brusven	9/21/12	Billings, MT
3048	Roger Eugene Schulke	9/26/12	Sioux Falls, SD
3049	Dustin Michael Olson	9/28/12	Sioux Falls, SD

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

**Issued Through
October 5, 2012**

Number	Name	Date Issued	Basis/Comments
1595	Quam & Berglin, P.C. Vermillion, SD	10/01/12	Additional Location

EXECUTIVE DIRECTOR'S REPORT

Nicole Kasin

CPE Audits

The list of licensees has been selected for CPE audits and letters were sent out to those selected on September 11. There will be a total of 117 audits and 147 verifications for out of state affidavits signed. The due date for the material to be received in our office is October 31, 2012.

Testing Center

The new testing center in Rapid City has opened effective October 1. The third party arrangement is with KT Connections.

Future Calendar

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

On October 25-27, 2012 I will attend NASBA Board of Directors meeting in Orlando, FL.

On October 28-31, 2012 I will attend NASBA Annual Conference in Orlando, FL.

On October 31 to November 1, 2012, I will attend NASBA International Forum in Orlando, FL.

Proposed Legislation to DLR

The drafted legislation was submitted to DLR for review on October 4. There was one change in the statute language to allow us to set up the tier based language for the rules.

The main reading of the statute will be: Rules specifying the procedures and fees, not to exceed sixty-five dollars for each ~~person holding a certificate to practice~~ owner, plus fifty dollars for each firm ~~office~~ practicing public accountancy in this state, for initial issuance or renewal of a firm permit. Any rule regarding a fee passed pursuant to this subdivision may be a flat fee or tier based;

The drafted rules that were sent for the board review were then submitted to DLR for assistance in understanding the complete change in fee structure and assisted in the addition of the above language for the statute.

The drafted bill is now under review by the Legislative Task Force and the Governor. I was told that decisions will be made and we should receive notice sometime after November 12 if the bill will be moving forward.

REPORT TO BOARD ON GRADES

Nicole Kasin

The grades were posted for review for the 34th window. These grades are through September 2012. 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 1-34

Window	(All)
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Average of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	74	71	72	73	73
BHSU	68	69	70	71	69
COTech	62	71	66	74	68
DSU	72	69	62	70	68
DWU	68	65	64	75	68
Mt. Marty	68	68	73	67	68
NAU	60	53	58	65	59
NSU	71	69	72	70	70
OS	73	72	70	73	72
SDSU	75	73	76	75	74
USD	77	75	74	75	75
USF	74	74	74	78	75
Grand Total	73	72	72	73	72

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

Window	(All)
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Count of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	56	62	48	60	226
BHSU	64	68	52	55	239
COTech	12	10	6	9	37
DSU	12	14	14	9	49
DWU	9	8	7	7	31
Mt. Marty	16	20	6	14	56
NAU	5	7	9	10	31
NSU	66	82	49	64	261
OS	179	183	161	158	681
SDSU	20	28	16	18	82
USD	157	174	161	151	643
USF	42	53	44	34	173
Grand Total	638	709	573	589	2509

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	78	71	71	75	73
BHSU	64	68	69	71	68
COTech	64	68	48	72	65
DWU	77	58	66	74	70
Mt. Marty	73	73	70	69	71
NAU	72		64	67	67
NSU	72	72	74	73	73
OS	73	71	65	70	70
SDSU	71	73	72	72	72
USD	75	75	74	74	74
USF	76	70	74	79	74
Grand Total	73	72	70	72	72

The Board needs to Approve the 2012-3 (34th Window) grades.



National Association of State Boards of Accountancy

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September 6, 2012

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Re: Exposure Draft dated June 29, 2012 – Omnibus Proposal, AICPA Professional Ethics Executive Committee, Proposed Revised and New Interpretations and Proposed Deletions of Ethics Rulings, *Proposed Revised Interpretation No. 101-3 Under Rule 101*; and Exposure Draft dated June 29, 2012 - Proposed Statements on Standards for Accounting and Review Services, AICPA Accounting and Review Services Committee, *Association with Unaudited Financial Statements; Compilation of Financial Statements; and Compilation of Financial Statements-Special Considerations* (collectively, “Exposure Drafts”)

Dear Members and Staff of the AICPA Professional Ethics Executive Committee and Members and Staff of the AICPA Accounting and Review Services Committee:

We appreciate the opportunity to offer comment on the Exposure Draft of the Professional Ethics Executive Committee (“PEEC Draft”) and the Exposure Draft of the AICPA Accounting and Review Services Committee (“ARSC Draft”). The National Association of State Boards of Accountancy’s (NASBA) mission is to enhance the effectiveness of the licensing authorities for public accounting firms and certified public accountants in the United States and its territories. In furtherance of that objective, we offer the following comments on the Exposure Drafts.

Comments on the ARSC and PEEC Drafts

Effective Dates

We suggest that the effective dates of the Exposure Drafts be made the same date, December 15, 2014. Early adoption of the ARSC proposal should not be allowed since dual standards operating simultaneously may cause regulatory and public confusion.

Comments on the ARSC Draft

Association With Unaudited Financial Statements

NASBA believes a public protection issue is inherent in the “Proposed Statement on Standards for Accounting and Review Services, *Association With Unaudited Financial Statements*” (the “Proposed Statement”).

As a matter of principle, we believe that a financial statement user should be able to clearly understand the CPA’s role in the preparation of financial statements. We are concerned that this principle is not advanced when Paragraph 5 (Definitions) of the Proposed Standard says, in part, that an accountant is associated with unaudited financial statements when (5b): “...the accountant prepares, in whole or in part, financial statements, even though the accountant does not append the accountant’s name to the financial statements.”

Paragraph 7 of the Proposed Standard says: “When the accountant is associated with unaudited financial statements for the reasons described in paragraph 5b, the accountant should request that the entity clearly indicate that the financial statements were not compiled, reviewed, or audited.”

The Proposed Standard does not preclude the accountant from attaching a report to the unaudited financial statements and suggests wording to “clearly indicate that the accountant has not compiled, reviewed, or audited the financial statements” and state that the accountant does not express an opinion or any form of assurance on them. However, the Proposed Standard does not require that a report be issued by the accountant.

We strongly recommend that Paragraph 4 be changed to require that the accountant attach a report to the unaudited financial statements and that the report’s wording include the following:

“We (I) have prepared [assisted in the preparation of] the financial statements of [Entity Name]. The financial statements as of and for the year ended December 31, 20XX, were not compiled, reviewed, or audited and, accordingly, we (I) do not express an opinion or any form of assurance on them.”

Also, each page of the unaudited financial statements should also include the legend: “See Accountant’s Report.”

Paragraph 6 of the Proposed Standard requires the accountant to apply certain procedures to unaudited financial statements that the accountant is associated with (as described in Paragraph 5a). Paragraph 6 is silent on financial statements that the accountant has prepared (as described in Paragraph 5b). We recommend, as a minimum, that the final standard remind the accountant

Lisa A. Snyder, CPA
Michael P. Glynn, CPA
September 6, 2012
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that whenever preparing financial statements for clients, that the accountant also is responsible for the appropriate disposition of known errors or other misstatements.

One consequence that may occur as a result of designating “prepare and present” engagements as non-attest engagements is that such engagements will no longer be subject to peer review. We believe that many entities that previously requested compilation services, which are subject to peer review, may request that the accountant perform a “prepare and present” engagement and will not request a compilation. Thus, a significant amount of work by accountants may no longer be scrutinized by peer review teams.

We believe that ARSC should address the potential ramifications of this issue within the American Institute of Certified Public Accountants, including its Peer Review Board, prior to proceeding with “prepare and present” engagements.

We believe the proposed requirements for association with non-attest financial statement engagements should include a written engagement letter between accountant and entity. In the engagement letter the entity should agree to inform potential users that the financial statements were not compiled, reviewed or audited.

Compilation of Financial Statements –Material Misstatements

We note that in the ARSC Draft, *Compilation of Financial Statements*, when the accountant is asked to read the financial statements, the accountant is to consider whether they are free from obvious material misstatements (Paragraph 3a). However, in Paragraph 14, the accountant is asked to read only for obvious material errors. This appears to us to be an unintended discrepancy in the requirements without a meaningful distinction in the circumstances. Accordingly, we suggest substituting “misstatements” for “error” in Paragraph 14.

Please also consider adding a definition of “misstatements.” While the term “fraud” is included in the definitions section of the Clarified Compilation standard, the terms “error” and “misstatements” are only described in the explanatory paragraphs of A17 and A22. We suggest the terms “error” and “misstatement” should also be included in the definitions.

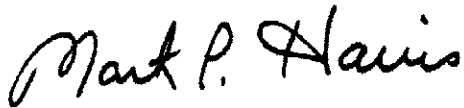
Comment on the PEEC Draft

We support the changes to Interpretation No. 101-3 and to the new interpretations under Rules 501 and 502 in the Code of Professional Conduct.

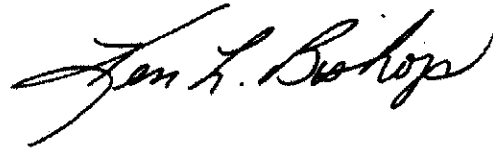
Lisa A. Snyder, CPA
Michael P. Glynn, CPA
September 6, 2012
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We appreciate the opportunity to comment on the Exposure Drafts.

Sincerely,

Handwritten signature of Mark P. Harris in black ink.

Mark P. Harris, CPA
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop
NASBA President and CEO