



**SOUTH DAKOTA
BOARD OF ACCOUNTANCY**
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Agenda
South Dakota Board of Accountancy Meeting
Conference Call
9:00 a.m. (CT)
November 18, 2011

A=Action
D=Discussion
I=Information

	Page
A-Approval of Minutes of Meeting October 17, 2011.....	2-4
A-Approval of Certificates & Firm Permits.....	5-6
A-Financial Statements through October 2011.....	7-15
A –Report to Board on Grades.....	16-17
D-Report to Board on Recap of NASBA Annual Conference.....	18
D-Executive Director’s Report.....	19
 NASBA	
D-Mutual Recognition Agreement with Hong Kong.....	20-26
D-Meeting Minutes Board of Directors July 29, 2011.....	27-37
D-Meeting Highlights Board of Directors October 21, 2011.....	38-39
D-Executive Summary and Responses to Regional Director’s Quarterly Questions.....	40-57
A-Regional Director’s quarterly focus questions.....	58-59
I-NASBA Response to FAF Private Company Plan.....	60-61

EXECUTIVE SESSION

Equivalent Review, SD Reviews & Follow-ups for Board Approval..... Spt. Pkt.

FUTURE MEETING DATES (all times CT)

December 19– 10:00 – Conference Call



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South Dakota Board of Accountancy
Minutes of Meeting
Holiday Inn - Ambassador Room
October 17, 2011

The Board of Accountancy held a meeting at the Holiday Inn in Sioux Falls, SD on Monday, October 17, 2011. Chair Holly Brunick called the meeting to order at 8:04 a.m.

The following members were present: Holly Brunick, Marty Guindon, David Olson, John Linn, Jr., John Mitchell, and John Peterson. A quorum was present.

Also present were Nicole Kasin, Executive Director; Julie Iverson, Senior Secretary; and Aaron Arnold, Legal Counsel.

Chair Brunick asked if there were any additions to the agenda:
Addition to Peer Review

A motion was made by John Peterson and seconded by John Mitchell to approve September 17, 2011, meeting minutes. The motion unanimously carried.

A motion was made by Dave Olson and seconded by John Linn, Jr. to approve the issuance of individual certificates and firm permits through October 12, 2011. The motion unanimously carried.

A motion was made by Dave Olson and seconded by John Linn, Jr. to approve the financial statements through September 2011. The motion unanimously carried.

Executive Director Kasin discussed her Executive Directors report to the Board. The Board held a discussion on the issues as follows:

The Board had a discussion regarding an inactive CPA sitting on the board of a charitable organization. It was determined that it is acceptable for a CPA to remain in an inactive status and sit on a charitable board, taking into consideration the organization is not a publicly traded company and the individual is not compensated.

The Board was informed that on October 12, 2011, randomly selected licensees were sent a notice that they had been selected for CPE Audits. The licensee must submit the required documentation to the board office by December 1, 2011.

The IACBE, a national accreditation body, sent a letter requesting the boards input on a few questions. The Board discussed regional and nation accreditation and completed the questions.

The Board discussed the AICPA/NASBA CPE Standards Executive Summary and Exposure Draft, the AICPA's White Paper on final changes for Performing and Reporting on Peer Review, and the AICPA's Exposure Draft Omnibus Proposal Professional Ethics Division.

A motion was made by Marty Guindon and seconded by John Linn, Jr. to enter into executive session for the deliberative process for peer reviews and follow-ups. The motion unanimously carried.

The Board came out of executive session.

A motion was made by Marty Guindon and seconded by John Mitchell to accept the peer reviews and follow-ups as discussed in executive session. The motion unanimously carried.

Hearing at 9:30 a.m. for Richard Law- Present were: Board Legal Counsel Aaron Arnold, Board Chair Holly Brunick, Vice Chair John Linn, Jr., Secretary-Treasurer John Peterson, Board Members John Mitchell, Marty Guindon, and David Olson. Others present were staff members Nicole Kasin, Executive Director; and Julie Iverson, Senior Secretary.

Board Legal Counsel Aaron Arnold presented the Board's case. After discussion the Board closed the hearing at 9:57 a.m.

A motion was made by Dave Olson and seconded by John Linn, Jr. to enter into executive session for the purpose of deliberation. The motion unanimously carried.

The Board came out of executive session for further questions.

A motion was made by John Mitchell and seconded by John Peterson to enter into executive session for the purpose of deliberation. The motion unanimously carried.

The Board came out of executive session.

A motion was made by John Peterson and seconded by John Mitchell to hold revocation of Certificate No. 1993 in abeyance so long as the following conditions are met: Richard Law shall pay an administrative fine of \$500 to the Board by December 31, 2011; He shall complete the delinquent 22.5 hours of CPE by April 1, 2012 and provide the Board with acceptable documentation of said completion; He shall provide acceptable documentation to the Board by July 31, 2012 of all CPE hours claimed for the years ending June 30, 2011 and June 30, 2012; He shall have no further violations of SDCL 36-20B or any administrative rules adopted pursuant to said chapter for a period of 31 months. The motion carried; 5 Aye, 1 Abstain (Brunick).

Hearing at 11:00 a.m. for Bradley Whitsell- Present were: Board Legal Counsel Aaron Arnold, Board Chair Holly Brunick, Vice Chair John Linn, Jr., Secretary-Treasurer John Peterson, Board Members John Mitchell, Marty Guindon, and David Olson. Others present were Bradley Whitsell, staff members Nicole Kasin, Executive Director; and Julie Iverson, Senior Secretary.

Board Legal Counsel Aaron Arnold presented the Board's case. Bradley Whitsell presented his case. After discussion by both parties, the Board closed the hearing at 11:26 a.m.

A motion was made by John Mitchell and seconded by John Peterson to enter into executive session for the purpose of deliberation. The motion unanimously carried.

The Board came out of executive session.

A motion was made by John Peterson and seconded by John Mitchell to revoke Certificate No. 2873 of Bradley D. Whitsell with the condition that he shall not reapply for licensure for a period of three years. The motion unanimously carried.

Hearing at 12:10 p.m. for Mark Kiroff- Present were: Board Legal Counsel Aaron Arnold, Board Chair Holly Brunick, Vice Chair John Linn, Jr., Secretary-Treasurer John Peterson, Board Members John Mitchell, Marty Guindon, and David Olson. Others present were staff members Nicole Kasin, Executive Director; and Julie Iverson, Senior Secretary.

Board Legal Counsel Aaron Arnold presented the Board's case. After discussion the Board closed the hearing at 12:24 p.m.

A motion was made by John Peterson and seconded by John Linn, Jr. to enter into executive session for the purpose of deliberation. The motion unanimously carried.

The Board came out of executive session.

A motion was made by John Peterson and seconded by John Linn, Jr. to deny the renewal of Certificate No. 2848 for Mark Kiroff with the condition that he shall not reapply for licensure for a period of five years. Kiroff is to pay an administrative fee of \$500 to the Board by December 31, 2011. He is required to return his SD CPA Certificate No. 2848 to the Board by December 31, 2011. The motion unanimously carried.

Hearing at 12:50 p.m. for Stacey Gray- Present were: Board Legal Counsel Aaron Arnold, Board Chair Holly Brunick, Vice Chair John Linn, Jr., Secretary-Treasurer John Peterson, Board Members John Mitchell, Marty Guindon, and David Olson. Others present were staff members Nicole Kasin, Executive Director; and Julie Iverson, Senior Secretary.

Board Legal Counsel Aaron Arnold presented the Board's case. After discussion the Board closed the hearing at 1:10 p.m.

A motion was made by Marty Guindon and seconded by John Mitchell to enter into executive session for the purpose of deliberation. The motion unanimously carried.

The Board came out of executive session for further questions.

A motion was made by John Linn, Jr. and seconded by Dave Olson enter into executive session for the purpose of deliberation. The motion unanimously carried.

The Board came out of executive session.

A motion was made by John Linn, Jr. and seconded John Peterson to accept the renewal of Certificate No. 2260 for Stacey Gray. The motion unanimously carried.

FUTURE MEETING DATES (all times CT)

November 18, 2011 – 9:00 a.m. Conference Call

December 19, 2011 – 10:00 a.m. Conference Call

A motion was made by John Peterson and seconded by John Mitchell to adjourn the meeting. The motion unanimously carried.

All business having come before the board was concluded and Chair Holly Brunick adjourned the meeting at 2:35 p.m.

Holly Brunick, CPA, Chair

Attest: _____
Nicole Kasin, Executive Director

John Peterson, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES
BOARD COPY**

Issued Through November 14, 2011

Number	Name	Date Issued	Location
2998	Betsy Lynn Raymond	10/14/11	Parkston, SD
2999	Rae Simpson	10/19/11	Rapid City, SD
3000	Corissa Ann Hoffman	10/28/11	Sioux Falls, SD
3001	Joanne Victoria Belbas	10/28/11	Sioux Falls, SD
3002	Jonna Lee Brost	11/07/11	Sioux Falls, SD
3003	Eric L. Vanden Hull	11/14/11	Sioux Falls, SD

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

**Issued Through
November 14, 2011**

Number	Name	Date Issued	Basis/Comments
1538	Babcock, Langbein and Company New Brighton, MN	11/18/11	New Firm
1539	Steven C. Wagner, CPA Sioux Falls, SD	11/01/11	New Firm
1540	ELO Prof. L.L.C. Sioux Falls, SD	11/10/11	Additional Location

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

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

BALANCE	DR/CR	CENTER DESCRIPTION
406,907.80	DR	BOARD OF ACCOUNTANCY
406,907.80	DR *	
406,907.80	DR **	
406,907.80	DR ***	

+ 1,153.55 C102A-044
408,061.35 deposited 10/26/2011

STATE OF SOUTH DAKOTA
MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 10/31/2011

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

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
6503	103100061802	52045600	91729	10/07/2011	99781432	ECOWATER	12035896		22.35	DR
	OBJSUB: 5204560	WATER								
6503	103100061802	52047400	CI102A-036	10/07/2011	134472				22.35	DR *
	OBJSUB: 5204740	BANK FEES AND CHARGES							35.12	DR
	OBJECT: 5204	CONTRACTUAL SERVICES							1,692.61	DR **
6503	103100061802	52050200	1544655-0	10/07/2011	01973235	BROWNSAENG	12028533		4.66	DR
6503	103100061802	52050200	1544717-0	10/07/2011	01973235	BROWNSAENG	12028533		29.07	DR
	OBJSUB: 5205020	OFFICE SUPPLIES							33.73	DR *
6503	103100061802	52053200	34886	10/07/2011	99781107	BUSINESSPR	12003048		13.80	DR
6503	103100061802	52053200	35003	10/31/2011	99788275	BUSINESSPR	12003048		6.90	DR
	OBJSUB: 5205320	PRINTING-COMMERCIAL							20.70	DR *
	OBJECT: 5205	SUPPLIES & MATERIALS							54.43	DR **
6503	103100061802	5228000	T102-035	10/12/2011					676.74	DR
	OBJSUB: 5228000	OPER TRANS OUT -NON BUDGT							676.74	DR *
	OBJECT: 5228	NONOP EXP/NONBGTD OP TR							2,559.21	DR **
	GROUP: 52	OPERATING EXPENSES							6,882.99	DR ***
	COMP: 6503								6,882.99	DR ****
	CNTR: 103100061802								6,882.99	DR *****
	B, UNIT: 1031								6,882.99	DR *****

South Dakota Board of Accountancy
Balance Sheet
As of October 31, 2011

	Oct 31, 11
ASSETS	
Current Assets	
Checking/Savings	
1130000 · Local Checking - US Bank	1,815.93
1140000 · Pool Cash State of SD	408,061.35
Total Checking/Savings	409,877.28
Other Current Assets	
1131000 · Cash-Security Lending Collatera	14,957.90
1213000 · Investment Income Receivable	1,806.99
Total Other Current Assets	16,764.89
Total Current Assets	426,642.17
Fixed Assets	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-96,810.93
Total 1670000 · Computer Software	43,252.30
Total Fixed Assets	43,252.30
TOTAL ASSETS	469,894.47
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2110000 · Accounts Payable	13,261.47
Total Accounts Payable	13,261.47
Other Current Liabilities	
2810000 · Amounts Held for Others	30,814.77
Total Other Current Liabilities	30,814.77
Total Current Liabilities	44,076.24
Long Term Liabilities	
2960000 · Compensated Absences Payable	12,338.53
Total Long Term Liabilities	12,338.53
Total Liabilities	56,414.77
Equity	
3220000 · Unrestricted Net Assets	213,106.44
3300100 · Invested In Capital Assets	43,252.30
3900 · Retained Earnings	30,235.30
Net Income	126,885.66
Total Equity	413,479.70
TOTAL LIABILITIES & EQUITY	469,894.47

South Dakota Board of Accountancy

Profit & Loss Budget vs. Actual

July through October 2011

	Jul - Oct 11	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	750.00	3,000.00	-2,250.00	25.0%
4293551 · Certificate Renewals-Active	53,940.00	49,000.00	4,940.00	110.1%
4293552 · Certificate Renewals-Inactive	20,250.00	19,500.00	750.00	103.8%
4293553 · Certificate Renewals-Retired	670.00	700.00	-30.00	95.7%
4293554 · Initial Firm Permits	550.00	1,250.00	-700.00	44.0%
4293555 · Firm Permit Renewals	19,700.00	18,350.00	1,350.00	107.4%
4293557 · Initial Audit				
5208011 · REFUNDS	-30.00			
4293557 · Initial Audit - Other	420.00	600.00	-180.00	70.0%
Total 4293557 · Initial Audit	390.00	600.00	-210.00	65.0%
4293558 · Re-Exam Audit	1,050.00	1,890.00	-840.00	55.6%
4293560 · Late Fees-Initial Certificate	50.00			
4293561 · Late Fees-Certificate Renewals	2,650.00	4,000.00	-1,350.00	66.3%
4293563 · Late Fees-Firm Permit Renewals	550.00	800.00	-250.00	68.8%
4293564 · Late Fees-Peer Review	350.00	1,100.00	-750.00	31.8%
4293566 · Firm Permit Individual	69,420.00	64,000.00	5,420.00	108.5%
4293567 · Peer Review Admin Fee	225.00	5,650.00	-5,425.00	4.0%
4293568 · Firm Permit Name Change	105.00	100.00	5.00	105.0%
4293569 · Initial FAR	300.00	990.00	-690.00	30.3%
4293570 · Initial REG	330.00	530.00	-200.00	62.3%
4293571 · Initial BEC	360.00	780.00	-420.00	46.2%
4293572 · Re-Exam FAR	660.00	1,710.00	-1,050.00	38.6%
4293573 · Re-Exam REG	690.00	1,800.00	-1,110.00	38.3%
4293574 · Re-Exam BEC	930.00	1,920.00	-990.00	48.4%
4491000 · Interest and Dividend Revenue	11,505.78	15,000.00	-3,494.22	76.7%
4896021 · Legal Recovery Cost	1,630.00	1,000.00	630.00	163.0%
Total Income	187,055.78	193,670.00	-6,614.22	96.6%
Gross Profit	187,055.78	193,670.00	-6,614.22	96.6%
Expense				
5101010 · F-T Emp Sal & Wages	17,619.48	66,239.00	-48,619.52	26.6%
5101020 · P-T/Temp Emp Sal & Wages	4,806.56	19,380.00	-14,573.44	24.8%
5101030 · Board & Comm Mbrs Fees	600.00	4,020.00	-3,420.00	14.9%
5102010 · OASI-Employer's Share	1,630.73	6,549.00	-4,918.27	24.9%
5102020 · Retirement-ER Share	1,345.58	5,147.00	-3,801.42	26.1%
5102060 · Health /Life Ins.-ER Share	5,019.68	17,869.00	-12,849.32	28.1%
5102080 · Worker's Compensation	62.79	133.00	-70.21	47.2%
5102090 · Unemployment Insurance	22.45	55.00	-32.55	40.8%
5203010 · Auto--State Owned	135.43	1,000.00	-864.57	13.5%
5203020 · Auto-Private-Ownes Low Mileage	452.00	300.00	152.00	150.7%
5203030 · In State-Auto- Priv. High Miles	893.92	1,700.00	-806.08	52.6%
5203100 · In State-Lodging	807.74	1,000.00	-192.26	80.8%
5203120 · In State-Incidentals to Travel	0.00	100.00	-100.00	0.0%
5203140 · InState-Tax Meals Not Overnigt	18.00	100.00	-82.00	18.0%
5203150 · InState-Non-Tax Meals OverNight	260.00	500.00	-240.00	52.0%
5203230 · OS-Auto Private High Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	0.00	6,700.00	-6,700.00	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	350.00	-350.00	0.0%
5203350 · OS-Non-Taxable Meals Overnight	0.00	1,000.00	-1,000.00	0.0%
5204010 · Subscriptions	0.00	1,500.00	-1,500.00	0.0%
5204020 · Dues and Membership Fees	3,200.00	3,900.00	-700.00	82.1%
5204030 · Legal Document Fees	0.00	500.00	-500.00	0.0%
5204160 · Workshop Registration Fees	2,385.00	5,400.00	-3,015.00	44.2%
5204180 · Computer Services-State	177.00	600.00	-423.00	29.5%
5204181 · Computer Development Serv-State	1,455.20	10,400.00	-8,944.80	14.0%
5204200 · Central Services	1,822.52	7,000.00	-5,177.48	26.0%
5204220 · Equipment Service & Maintenance	28.25	300.00	-271.75	9.4%
5204230 · Janitorial/Maintenance Services	479.44	1,560.00	-1,080.56	30.7%
5204340 · Computer Software Maintenance	265.00	1,000.00	-735.00	26.5%
5204360 · Advertising-Newspapers	0.00	2,100.00	-2,100.00	0.0%
5204440 · Newsletter Publishing	0.00	1,100.00	-1,100.00	0.0%

South Dakota Board of Accountancy
Profit & Loss Budget vs. Actual
 July through October 2011

	<u>Jul - Oct 11</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
5204460 · Equipment Rental	971.40	4,500.00	-3,528.60	21.6%
5204480 · Microfilm and Photography	462.66	700.00	-237.34	66.1%
5204490 · Rents Privately Owned Property	5,077.80	15,531.00	-10,453.20	32.7%
5204530 · Telecommunications Services	635.45	2,500.00	-1,864.55	25.4%
5204540 · Electricity	233.23	865.00	-631.77	27.0%
5204560 · Water	44.70	240.00	-195.30	18.6%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	2,567.10	2,700.00	-132.90	95.1%
5205020 · Office Supplies	135.71	1,700.00	-1,564.29	8.0%
5205310 · Printing State	0.00	500.00	-500.00	0.0%
5205320 · Printing/Duplicating/Binding Co	56.70	1,000.00	-943.30	5.7%
5205330 · Supplemental Publications	350.00	700.00	-350.00	50.0%
5205340 · Microfilm Supplies/Materials	0.00	300.00	-300.00	0.0%
5205350 · Postage	5.85	3,100.00	-3,094.15	0.2%
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	500.00	-500.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	2,149.31	7,400.00	-5,250.69	29.0%
5228030 · Depreciation Expense	4,023.44	12,070.40	-8,046.96	33.3%
Total Expense	<u>60,200.12</u>	<u>237,818.40</u>	<u>-177,618.28</u>	<u>25.3%</u>
Net Ordinary Income	<u>126,855.66</u>	<u>-44,148.40</u>	<u>171,004.06</u>	<u>-287.3%</u>
Net Income	<u>126,855.66</u>	<u>-44,148.40</u>	<u>171,004.06</u>	<u>-287.3%</u>

South Dakota Board of Accountancy
PREVIOUS YEAR MONTHLY COMPARISON
October 2011

	<u>Oct 11</u>	<u>Oct 10</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	200.00	100.00	100.00	100.0%
4293551 · Certificate Renewals-Active	50.00	200.00	-150.00	-75.0%
4293552 · Certificate Renewals-Inactive	100.00	100.00	0.00	0.0%
4293554 · Initial Firm Permits	50.00	150.00	-100.00	-66.7%
4293557 · Initial Audit	90.00	0.00	90.00	100.0%
4293558 · Re-Exam Audit	330.00	330.00	0.00	0.0%
4293561 · Late Fees-Certificate Renewals	150.00	250.00	-100.00	-40.0%
4293564 · Late Fees-Peer Review	250.00	100.00	150.00	150.0%
4293566 · Firm Permit Individual	260.00	585.00	-325.00	-55.6%
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	60.00	90.00	-30.00	-33.3%
4293571 · Initial BEC	60.00	120.00	-60.00	-50.0%
4293572 · Re-Exam FAR	240.00	90.00	150.00	166.7%
4293573 · Re-Exam REG	270.00	120.00	150.00	125.0%
4293574 · Re-Exam BEC	330.00	240.00	90.00	37.5%
4896021 · Legal Recovery Cost	380.00	0.00	380.00	100.0%
Total Income	<u>2,920.00</u>	<u>2,550.00</u>	<u>370.00</u>	<u>14.5%</u>
Gross Profit	2,920.00	2,550.00	370.00	14.5%
Expense				
5101010 · F-T Emp Sal & Wages	2,481.60	5,459.52	-2,977.92	-54.6%
5101020 · P-T/Temp Emp Sal & Wages	655.26	1,463.17	-807.91	-55.2%
5101030 · Board & Comm Mbrs Fees	0.00	240.00	-240.00	-100.0%
5102010 · OASI-Employer's Share	219.89	511.99	-292.10	-57.1%
5102020 · Retirement-ER Share	188.22	415.37	-227.15	-54.7%
5102060 · Health /Life Ins.-ER Share	766.89	1,533.78	-766.89	-50.0%
5102080 · Worker's Compensation	8.77	11.77	-3.00	-25.5%
5102090 · Unemployment Insurance	3.15	5.88	-2.73	-46.4%
5203010 · Auto--State Owned	135.43	0.00	135.43	100.0%
5203020 · Auto-Private-Ownes Low Mileage	271.20	0.00	271.20	100.0%
5203030 · In State-Auto- Priv. High Miles	446.96	0.00	446.96	100.0%
5203100 · In State-Lodging	400.24	0.00	400.24	100.0%
5203140 · InState-Tax Meals Not Overnigt	9.00	0.00	9.00	100.0%
5203150 · InState-Non-Tax Meals OverNight	130.00	0.00	130.00	100.0%
5204010 · Subscriptions	0.00	227.75	-227.75	-100.0%
5204180 · Computer Services-State	60.00	57.00	3.00	5.3%
5204181 · Computer Development Serv-State	0.00	264.00	-264.00	-100.0%
5204200 · Central Services	256.31	201.96	54.35	26.9%
5204220 · Equipment Service & Maintenance	4.46	6.43	-1.97	-30.6%
5204230 · Janitorial/Maintenance Services	119.86	119.86	0.00	0.0%
5204340 · Computer Software Maintenance	52.50	52.50	0.00	0.0%
5204460 · Equipment Rental	93.60	93.60	0.00	0.0%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	185.27	181.75	3.52	1.9%
5204540 · Electricity	55.49	59.14	-3.65	-6.2%
5204740 · Bank Fees and Charges	35.12	142.01	-106.89	-75.3%
5205020 · Office Supplies	35.45	171.57	-136.12	-79.3%
5205320 · Printing/Duplicating/Binding Co	6.90	20.70	-13.80	-66.7%
5205330 · Supplemental Publications	350.00	318.75	31.25	9.8%
5205350 · Postage	0.00	1,000.00	-1,000.00	-100.0%
5228000 · Operating Transfers Out-NonBudg	676.74	539.19	137.55	25.5%
5228030 · Depreciation Expense	1,005.86	1,005.86	0.00	0.0%
Total Expense	<u>9,923.62</u>	<u>15,373.00</u>	<u>-5,449.38</u>	<u>-35.5%</u>
Net Ordinary Income	<u>-7,003.62</u>	<u>-12,823.00</u>	<u>5,819.38</u>	<u>45.4%</u>
Net Income	<u>-7,003.62</u>	<u>-12,823.00</u>	<u>5,819.38</u>	<u>45.4%</u>

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
 July through October 2011

	Jul - Oct 11	Jul - Oct 10	\$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	750.00	875.00	-125.00	-14.3%
4293551 · Certificate Renewals-Active	53,940.00	54,750.00	-810.00	-1.5%
4293552 · Certificate Renewals-Inactive	20,250.00	20,000.00	250.00	1.3%
4293553 · Certificate Renewals-Retired	670.00	650.00	20.00	3.1%
4293554 · Initial Firm Permits	550.00	450.00	100.00	22.2%
4293555 · Firm Permit Renewals	19,700.00	19,900.00	-200.00	-1.0%
4293557 · Initial Audit	390.00	270.00	120.00	44.4%
4293558 · Re-Exam Audit	1,050.00	1,020.00	30.00	2.9%
4293560 · Late Fees-Initial Certificate	50.00	0.00	50.00	100.0%
4293561 · Late Fees-Certificate Renewals	2,650.00	5,750.00	-3,100.00	-53.9%
4293563 · Late Fees-Firm Permit Renewals	550.00	1,100.00	-550.00	-50.0%
4293564 · Late Fees-Peer Review	350.00	400.00	-50.00	-12.5%
4293566 · Firm Permit Individual	69,420.00	68,600.00	820.00	1.2%
4293567 · Peer Review Admin Fee	225.00	525.00	-300.00	-57.1%
4293568 · Firm Permit Name Change	105.00	75.00	30.00	40.0%
4293569 · Initial FAR	300.00	630.00	-330.00	-52.4%
4293570 · Initial REG	330.00	180.00	150.00	83.3%
4293571 · Initial BEC	360.00	540.00	-180.00	-33.3%
4293572 · Re-Exam FAR	660.00	720.00	-60.00	-8.3%
4293573 · Re-Exam REG	690.00	690.00	0.00	0.0%
4293574 · Re-Exam BEC	930.00	1,050.00	-120.00	-11.4%
4491000 · Interest and Dividend Revenue	11,505.78	16,547.72	-5,041.94	-30.5%
4896021 · Legal Recovery Cost	1,630.00	0.00	1,630.00	100.0%
Total Income	187,055.78	194,722.72	-7,666.94	-3.9%
Gross Profit	187,055.78	194,722.72	-7,666.94	-3.9%
Expense				
5101010 · F-T Emp Sal & Wages	17,619.48	17,879.93	-260.45	-1.5%
5101020 · P-T/Temp Emp Sal & Wages	4,806.56	5,021.34	-214.78	-4.3%
5101030 · Board & Comm Mbrs Fees	600.00	1,038.00	-438.00	-42.2%
5102010 · OASI-Employer's Share	1,630.73	1,738.00	-107.27	-6.2%
5102020 · Retirement-ER Share	1,345.58	1,374.09	-28.51	-2.1%
5102060 · Health /Life Ins.-ER Share	5,019.68	5,023.13	-3.45	-0.1%
5102080 · Worker's Compensation	62.79	38.94	23.85	61.3%
5102090 · Unemployment Insurance	22.45	19.45	3.00	15.4%
5203010 · Auto--State Owned	135.43	0.00	135.43	100.0%
5203020 · Auto-Private-Ownes Low Mileage	452.00	271.20	180.80	66.7%
5203030 · In State-Auto- Priv. High Miles	893.92	398.12	495.80	124.5%
5203100 · In State-Lodging	807.74	93.00	714.74	768.5%
5203140 · InState-Tax Meals Not OverNigt	18.00	9.00	9.00	100.0%
5203150 · InState-Non-Tax Meals OverNigt	260.00	137.00	123.00	89.8%
5203260 · OS-Air Commercial Carrier	0.00	1,345.10	-1,345.10	-100.0%
5203280 · OS-Other Public Carrier	0.00	42.00	-42.00	-100.0%
5203300 · OS-Lodging	0.00	1,840.40	-1,840.40	-100.0%
5203320 · OS-Incidentals to Travel	0.00	61.00	-61.00	-100.0%
5203350 · OS-Non-Taxable Meals Overnight	0.00	259.00	-259.00	-100.0%
5204010 · Subscriptions	0.00	227.75	-227.75	-100.0%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204160 · Workshop Registration Fees	2,385.00	2,465.00	-80.00	-3.3%
5204180 · Computer Services-State	177.00	228.00	-51.00	-22.4%
5204181 · Computer Development Serv-State	1,455.20	2,640.00	-1,184.80	-44.9%
5204200 · Central Services	1,822.52	1,755.15	67.37	3.8%
5204220 · Equipment Service & Maintenance	28.25	31.86	-3.61	-11.3%
5204230 · Janitorial/Maintenance Services	479.44	479.44	0.00	0.0%
5204340 · Computer Software Maintenance	265.00	317.50	-52.50	-16.5%
5204440 · Newsletter Publishing	0.00	486.89	-486.89	-100.0%
5204460 · Equipment Rental	971.40	1,568.40	-597.00	-38.1%
5204480 · Microfilm and Photography	462.66	0.00	462.66	100.0%
5204490 · Rents Privately Owned Property	5,077.80	5,077.80	0.00	0.0%
5204530 · Telecommunications Services	635.45	822.46	-187.01	-22.7%
5204540 · Electricity	233.23	264.18	-30.95	-11.7%
5204560 · Water	44.70	23.35	21.35	91.4%
5204740 · Bank Fees and Charges	2,567.10	2,162.59	404.51	18.7%
5205020 · Office Supplies	135.71	272.66	-136.95	-50.2%

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
 July through October 2011

	<u>Jul - Oct 11</u>	<u>Jul - Oct 10</u>	<u>\$ Change</u>	<u>% Change</u>
5205320 · Printing/Duplicating/Binding Co	56.70	353.67	-296.97	-84.0%
5205330 · Supplemental Publications	350.00	318.75	31.25	9.8%
5205350 · Postage	5.85	1,507.15	-1,501.30	-99.6%
5228000 · Operating Transfers Out-NonBudg	2,149.31	1,628.33	520.98	32.0%
5228030 · Depreciation Expense	4,023.44	4,023.44	0.00	0.0%
Total Expense	<u>60,200.12</u>	<u>66,443.07</u>	<u>-6,242.95</u>	<u>-9.4%</u>
Net Ordinary Income	<u>126,855.66</u>	<u>128,279.65</u>	<u>-1,423.99</u>	<u>-1.1%</u>
Net Income	<u>126,855.66</u>	<u>128,279.65</u>	<u>-1,423.99</u>	<u>-1.1%</u>

REPORT TO BOARD ON GRADES

Nicole Kasin

The grades were posted for review for the 30th window. These grades are through September 2011. 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 1-30

Window	(All)
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Average of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	73	72	74	73	73
BHSU	69	69	70	71	70
COTech	67	72	66	74	70
DSU	72	69	62	70	68
DWU	67	65	64	73	67
Mt. Marty	66	66	77	67	67
NAU	55	53	53	62	55
NSU	71	68	71	69	69
OS	73	72	70	73	72
SDSU	76	74	79	76	76
USD	77	75	74	75	75
USF	73	75	75	77	75
Grand Total	73	71	72	73	72

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

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

Count of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	49	58	43	51	201
BHSU	58	65	47	51	221
COTech	8	7	6	8	29
DSU	12	14	13	9	48
DWU	7	8	7	5	27
Mt. Marty	13	15	3	10	41
NAU	3	7	6	4	20
NSU	54	71	37	50	212
OS	151	162	141	136	590
SDSU	13	20	11	11	55
USD	134	144	137	130	545
USF	31	41	30	29	131
Grand Total	533	612	481	494	2120

Average for past 8 windows (3 or more parts)

Window	(Multiple Items)
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Average of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	78	73	76	77	76
BHSU	70	67	69	71	69
COTech	71		54	72	68
DWU	78	64	66	70	70
Mt. Marty	69				69
NAU		65	56		60
NSU	72	66	74	73	71
OS	72	72	69	72	71
SDSU	70	71	77	69	71
USD	75	73	72	74	74
USF	72	73	76	80	75
Grand Total	73	71	71	73	72

The Board needs to Approve the 2011-3 (30th Window) grades.

REPORT TO BOARD ON RECAP OF NASBA ANNUAL CONFERENCE

Nicole Kasin

The NASBA Annual Conference covered the following topics:

- PCAOB: Fresh look at Auditing – Chairman Doty covered the relevance, credibility and transparency of Audits
- Report from the AICPA – Chairman Anton discussed the upcoming projects of the AICPA and the impact with State Boards
- FASB: Standard Setting Priorities – Chairwoman Seidman discussed the work with the IASB and future role of FASB and their upcoming projects
- Mutual Recognition Agreement with Hong Kong – Signing of MRA
- International Ethics Project – Chairman Dakduk discussed the IAESB and the inadvertent violations of code of professional conduct, possible illegal acts, conflicts of interest and challenges for small and medium sized entities
- Legal Challenges for Global Accountant – Counsel Noel Allen and Michael Young discussed liability challenges for global networks, legal perils of rule making for accountants, convergence of standards and issues raised by PCAOB Chair Doty
- Regional Breakout Meeting – We discussed NASBA's response to FAF, Positions on the Blue Ribbon Panel recommendations, compliance issues, education and online courses, AICPA's joint venture with the Chartered Institute of Management Accountants, revision of CPE standards, CPE audits, and issues affecting each state
- Listening to Educators – Higher education's accountability, efficiency and implications on the accountancy profession
- IRS Return Preparers Registration – PTIN update, CPE requirement, transition into new government structure
- CPE Ethics Panel – Interrelationship between ethics and compliance, fraud & culture, future risks and lessons learned
- State Board Chair and ED Breakfasts – updates from those across the nation on issues impacting each region and state
- Exam Update – Faster score reporting, update on international administration and expansion

EXECUTIVE DIRECTOR'S REPORT

Nicole Kasin

Board Appointments – Terms

From Secretary Roberts... The Legislative Task Force would like to offer a bill in the upcoming session to move the reappointment (term-ending dates) from our current June 30 to October 30.

Those with current terms that are to end on June 30 would be moved to an end date of October 30.

Does the Board have any concerns with the change?

Update on Advisory Score Release for CPA Candidates

With the new score releases beginning in the 4Q11, I have worked with NASBA to allow our candidates to view their advisory scores online. Candidates need their section id and date of birth to retrieve the information. When the scores are released from the AICPA to NASBA, candidates may begin to check online for their advisory score. This has decreased their wait time for their advisory score from 3-4 business days to 24-48 hours. The official score is still mailed to the candidate from our office.

Here is the current time table from the AICPA on Score Release timeline:

Day in Testing Window*	Target Release Date Timeline	Target 11Q4 Score Release
Day 1 – 20	10 business days following day 20 of the testing window	November 3
Day 21 – 45	5 business days following day 45 of the testing window	November 21
Day 46 – Close of Window	5 business days following the close of the testing window	December 7
After Close of Window	5 business days after receiving all scoring data for the testing window.	TBA

Note: Some scores for the BEC section may be released in a subsequent release due to the written communication tasks.

MUTUAL RECOGNITION AGREEMENT

Recommended by

The Hong Kong Institute of Certified Public Accountants

and

The NASBA/AICPA International Qualifications Appraisal Board

Representing

**The National Association of State
Boards of Accountancy**

NASBA

and

**The American Institute of
Certified Public Accountants**

AICPA

MUTUAL RECOGNITION AGREEMENT

Introduction

1. **The National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA)** have jointly established the **NASBA/AICPA International Qualifications Appraisal Board (IQAB)** to eliminate impediments to reciprocity by serving as the link between the accounting profession in the United States and the accounting profession in other jurisdictions, such as Hong Kong, that are seeking mutual recognition of accounting qualifications for the purpose of granting the Certified Public Accountant designation (**CPA Designation**).
2. **The Hong Kong Institute of Certified Public Accountants (HKICPA)** and the IQAB, as Parties to this document, have achieved a consensus on principles for reciprocity to be recommended to the individual United States (U.S.) State Boards of Accountancy or their equivalents in each jurisdiction (**State Boards of Accountancy**) that grant the CPA Designation. To promote reciprocity this agreement has been approved by the Council of the HKICPA and the Boards of Directors of the NASBA and the AICPA.
3. The HKICPA is empowered under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) to issue the CPA Designation to qualified applicants and the Practising Certificate (see clause 18). The United States has 55 jurisdictions, and their State Boards of Accountancy are legislatively empowered to grant the CPA Designation and license to practice accountancy, subject to the laws and regulations in each jurisdiction. To promote reciprocity, the HKICPA and the IQAB recommend the adoption of the following principles for the mutual recognition of their respective accounting qualifications for the purpose of granting the CPA Designation.

Basis of Recognition

4. The IQAB has reviewed the education requirements, the examination requirements, the experience requirements, the required body of knowledge and the required standards of professional practice with respect to the granting of the CPA Designation in Hong Kong.
5. The HKICPA has reviewed the education requirements, the examination requirements, the experience requirements, the required body of knowledge and the required standards of professional practice with respect to the granting of the CPA Designation in the United States.
6. As a result of these reviews, the Parties are satisfied that the qualification standards for the CPA Designation in Hong Kong and in the United States are substantially equivalent.
7. The following clauses set forth the principles for reciprocity in respect of each of the three areas of education, examination and experience for the purpose of applying for the grant of CPA Designation in Hong Kong and in the United States.

Education

8. Applicants from Hong Kong having a three-year degree baccalaureate or higher degree obtained at a university accredited or recognized by the HKICPA and having acquired the CPA Designation from the HKICPA through completing the HKICPA's Qualification Programme that took effect in 1999 (**Qualification Programme**) shall be considered as having satisfied the education requirements of the Uniform Accountancy Act of the United States (**Uniform Accountancy Act**).

Those Applicants from Hong Kong who did not complete the Qualification Programme but who (a) were registered as a HKICPA member on or before 31 December 2001, and (b) hold a three-year baccalaureate or higher degree obtained at a university accredited or recognized by the HKICPA and (c) possess at least four years of post-baccalaureate accounting experience, shall also be considered as having satisfied the education requirements of the Uniform Accountancy Act.

9. The following provisions shall apply to applicants from the United States:
- (1) Those applicants who acquired the CPA Designation from a U.S. Jurisdiction through satisfying its education requirements by holding (a) a baccalaureate degree or (b) a baccalaureate and a higher degree, acquired through a course, or courses, of study comprising in aggregate not less than 150 semester hours (within the meaning used in section 5(c)(2) of the Uniform Accountancy Act) (**Semester Hours**)
 - (i) which 150 Semester Hours were substantially undertaken in the United States; and
 - (ii) which baccalaureate degree is, or (in the case of those applicants holding both a baccalaureate and a higher degree) both of which degrees are, recognized by the applicable State Board of Accountancy (**Recognized U.S. Degree**)shall be considered as having satisfied the education requirements of the HKICPA.
 - (2) Those applicants who acquired the CPA Designation from a U.S. Jurisdiction which as at the date of this agreement has not yet introduced the 150 Semester Hours requirement and who hold a Recognized U.S. Degree must also meet the 150 Semester Hours requirement through a course, or courses, of study substantially undertaken in the United States, which is required to be assessed by the HKICPA in its discretion on a case-by-case basis so as to be considered as having satisfied the education requirements of the HKICPA. If at the date of this agreement a U.S. Jurisdiction has not yet introduced the 150 Semester Hours requirement but subsequently introduces the requirement at any time before an applicant acquires the CPA Designation from that U.S. Jurisdiction, then the principles set out in clause 9(1) shall apply to such an applicant.
 - (3) Notwithstanding clauses 9(1) and (2), those applicants who acquired the CPA Designation prior to the date of this agreement from a U.S. Jurisdiction without having met the 150 Semester Hours requirement but who hold a Recognized U.S. Degree acquired through a course, or courses, of study substantially undertaken in the

United States shall be considered as having satisfied the education requirements of the HKICPA.

Examinations

10. The Parties agree that, subject to the other provisions of this agreement, applicants:
- (1) from Hong Kong who (a) have successfully completed the Qualification Programme; or (b) have registered as a HKICPA member on or before 31 December 2001, and hold a three-year baccalaureate or higher degree obtained at a university accredited or recognized by the HKICPA and possess at least four years of post-baccalaureate accounting experience; and
 - (2) from the United States who have successfully completed the Uniform CPA Examination as administered on behalf of a U.S. Jurisdiction by the NASBA and who have met the education and experience requirements under this agreement for applicants from the United States

shall not be required to complete the other jurisdiction's examination in order to achieve the CPA Designation of the jurisdiction into which entry is being sought.

11. All applicants for reciprocity may be required to pass examinations designed to assure that the applicants have satisfactory knowledge of relevant local and national legislation, standards and practices in the jurisdiction being entered. For the time being, the examination for applicants from the United States is the HKICPA Aptitude Test on Hong Kong Law and Hong Kong Taxation; and the examination for applicants from Hong Kong is the U. S. International Qualification Examination.
12. The Parties recognize that an individual U.S. Jurisdiction may require successful completion of an additional examination on the statutes, regulations, and ethical rules of that jurisdiction.

The Parties recognize that the HKICPA may require successful completion of an additional examination on the statutes, regulations, and ethical rules of Hong Kong.

13. The IQAB or such other body as the IQAB may designate from time to time, may periodically review the Qualification Programme including the body of knowledge to be tested, the policies and procedures for its construction, administration, security and oversight to provide assurance to State Boards of Accountancy that the Qualification Programme can be relied upon as an appropriate test of the qualifications of CPA candidates.

The HKICPA, or such other body as the HKICPA may designate from time to time, may complete similar reviews of the Uniform CPA Examination including the body of knowledge to be tested, the policies and procedures for its construction, administration, security and oversight to provide a similar assurance to the Council of the HKICPA that the

Uniform CPA Examination can be relied upon as an appropriate test of the qualifications of CPA candidates.

Experience

14. Applicants having acquired the CPA Designation from a U.S. Jurisdiction shall have gained at least three years of relevant accounting experience recognized by the HKICPA to meet the experience requirement in order to be eligible to receive the CPA Designation from the HKICPA.

Similarly, applicants having acquired the CPA Designation from the HKICPA shall have gained at least three years of relevant accounting experience recognized by the relevant U.S. Jurisdiction to meet the experience requirement in order to be eligible to receive the CPA Designation in the United States.

15. (a) Ordinarily, the amount and nature of accounting experience required by the jurisdiction granting the original CPA Designation must be equivalent to the experience requirement of the jurisdiction granting the reciprocal CPA Designation and must have been obtained under the supervision or direction of a CPA licensed in the original jurisdiction; and (b) if either the amount or nature of the accounting experience obtained by an applicant pursuant to the requirements of the jurisdiction of original CPA Designation does not meet the requirements of the jurisdiction granting the reciprocal CPA Designation, the applicant may be permitted to complete the prescribed experience in the jurisdiction into which entry is sought before becoming eligible to receive the applicable CPA Designation.

Performance of Statutory Audits, Attest Services, Compilations or Reports on Financial Statements in the United States

16. In the United States, individuals who hold a CPA license granted by a State Board of Accountancy and designated as CPA are entitled to perform statutory audits, provided they meet the competency requirements of the applicable professional standards, including requisite additional experience/training for supervising or signing reports on financial statements or other attest work.
17. Any U.S. CPA who (a) is responsible for supervising attest or compilation services or (b) signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the accounting firm, shall meet the competency requirements set out in the U.S. professional standards for such services.

Performance of Statutory Audits, Attest Services, Compilations or Reports on Financial Statements in Hong Kong

18. Individuals designated as a CPA in Hong Kong are required to hold a Practising Certificate (PC) granted by the HKICPA in order to perform statutory audits, provided they meet the competency requirements of the applicable professional standards, including requisite additional experience/training for supervising or signing reports on financial statements or

other attest work. For the purposes of this clause, the Parties agree that the applicable standards for statutory audits in Hong Kong and the granting of a PC shall include, without limitation, the requirements under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and its By-laws in force at the time of application.

19. Any Hong Kong CPA who (a) is responsible for supervising attest or compilation services or (b) signs or authorizes someone to sign the accountant's report on the financial statements on behalf of the accounting firm, shall meet the competency requirements set out in the Hong Kong professional standards for such services.

Continuing Professional Development

20. Each of the HKICPA and the State Boards of Accountancy recognizes the Continuing Professional Development (CPD) requirements for maintaining the CPA Designation of the other body. If an individual holds dual CPA Designations, and satisfies the CPD requirements and obligations of one CPA Designation, the other body will recognize this as substantially equivalent to meeting its own requirements.

Reciprocal Eligibility

21. Each Party will assess individual applications for recognition from the other body. In assessing such applications, each body will seek verification from the qualifying body that the applicant is in good standing with the other body. Each body agrees to provide such verification on a timely basis when requested. Each body reserves the right to require individuals applying to the other body under the terms of this agreement to maintain their CPA Designation with the original qualifying body. Each body shall facilitate the process of obtaining audit rights for those individuals covered by this agreement.

Exclusion of Third Party Recognition

22. This agreement does not apply to individuals who have gained recognition by either body through another agreement with a third party. This clause does not apply to the HKICPA members registered on or before 31 December 2001.

Reserved Discretion

23. This agreement, however, does not remove the right of either body to grant the CPA Designation to applicants from the other body who may not necessarily meet the criteria set out in this agreement.

Notice of Changes

24. The Parties agree to provide each other with information on changes to their education requirements, examination requirements, experience requirements, the required body of knowledge and the required standards of professional practice with respect to the granting of their respective CPA Designation.

Termination

25. Either Party may, with a one-hundred-eighty-day (180) notice, withdraw their consent to this agreement for just cause.

Expiration

26. This agreement shall be in force for a period of five years from the date of signing of this agreement by both Parties and may be renewed or extended for additional five-year or shorter periods through mutual agreement of the Parties.

Status of Agreement

27. This agreement sets out the Parties' consensus on principles for reciprocity for adoption by the HKICPA and the IQAB for mutual recognition of accounting qualifications for the purpose of granting the CPA Designation in their respective jurisdictions and is not intended to be, and shall not be, enforceable or justiciable in any courts, tribunals or organization of any jurisdiction whatsoever. In the event of any disagreement in relation to this agreement, the Parties agree to negotiate in good faith with a view to resolving the disagreement.

In Witness Whereof

Gregory J. Anton, CPA
AICPA, Chairman

Barry C. Melancon, CPA
AICPA, President & CEO

Tsai Wing Chung, Philip, CPA
HKICPA, President

Winnie C.W. Cheung, CPA
HKICPA, Chief Executive

Michael T. Daggett, CPA
NASBA, Chairman

David A. Costello, CPA
NASBA, President & CEO

William Treacy
U.S. IQAB, Chairman

Dated this _____ day of _____, 2011.

National Association of State Boards of Accountancy, Inc.

Meeting of the Board of Directors July 29, 2011 – Coeur d’Alene, Idaho

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 Michael Daggett at 9:00 a.m. on Friday, July 29, 2011 at the Coeur d’Alene Hotel in Coeur d’Alene, Idaho.

2. Report of Attendance

President David Costello reported the following were present:

Officers

Michael T. Daggett, CPA (AZ), Chair
Mark P. Harris, CPA (LA), Vice Chair
Billy M. Atkinson, CPA (TX), Past Chair
Theodore W. Long, Jr., CPA (OH), Treasurer, Director-at-Large
Gaylen R. Hansen, CPA (CO), Secretary, Director-at-Large

Directors-at-Large

Donald H. Burkett, CPA (SC)
Walter C. Davenport, CPA (NC)
Richard Isserman, CPA (NY)
Carlos E. Johnson, CPA (OK)
Harry O. Parsons, CPA (NV)
Kathleen J. Smith, CPA, Esq. (NE)
E. Kent Smoll, CPA (KS)

Regional Directors

Jefferson Chickering, CPA (NH), Northeast
Miley (“Bucky”) Glover, CPA (NC), Middle Atlantic – via phone
Janice L. Gray, CPA (OK), Southwest
Telford A. Lodden, CPA (IA), Central
Kenneth R. Odom, CPA (AL), Southeast
Laurie J. Tish, CPA (WA), Pacific
Kim Tredinnick, CPA (WI), Great Lakes
Karen Forrest Turner, CPA (CO), Mountain

Executive Directors’ Liaison

Richard C. Sweeney, CPA (WA) – via phone

Staff

David A. Costello, CPA, President and Chief Executive Officer
Ken L. Bishop, Senior Vice President and Chief Operating Officer
Michael R. Bryant, CPA, Chief Financial Officer
Louise Dratler Haberman, Director - Information and Research
Thomas G. Kenny, Director – Communications
Noel L. Allen, Esq., Legal Counsel
Anita L. Holt, Executive Assistant to the President
Alfonzo Alexander – Chief Relationship Officer
Denise Hanley – President, Management Administrative Services

Guests

Wesley P. Johnson, CPA, Chair, Examination Review Board
Toerien DeWit, CPA, Staff Director, Examination Review Board

3. Approval of Minutes

On a motion by Mr. Burkett, seconded by Mr. Parsons, the minutes of the April 29, 2011 meeting of the NASBA Board of Directors were approved as submitted by Secretary Hansen.

4. Report of the Chair

Chair Daggett reported the Executive Committee had met on the previous day and discussed how the various positions on private company standards might be brought together. They also discussed the Uniform CPA Examination and the Examination Review Board. Mr. Daggett commended Mr. Hansen on representing NASBA at the SEC IFRS roundtable on July 7 and said that NASBA was proud to have its voice recognized by being selected to sit at the table. The Executive Committee also discussed the strategic plan and the Center for the Public Trust. The process for filling the two-year Director-at-Large slot Mr. Hansen will vacate in October, as well as the Treasurer and Secretary positions, was discussed by the Executive Committee.

The 2011 Regional Meetings were applauded by Chair Daggett, as he noted the many positive participant evaluations garnered by the meetings. He congratulated the Regional Directors and staff for developing and conducting these meetings.

Raymond Johnson (OR) has been appointed to serve on the International Federation of Accountants' Consultative Advisory Group for the International Accounting Education Standards Board, Mr. Daggett announced. Charles Calhoun (FL) is retiring from the Advisory Group after having served two terms as NASBA's representatives.

He also praised NASBA's Fourth Annual International Forum that was held in Vancouver, Canada, July 25-26. Approximately 80 people attended and Messrs. Hansen, Allen, Bishop, Costello and Ms. Tish were among the speakers. Prior to the Forum, NASBA leaders held a summit meeting with the Canadian Institute of Chartered Accountants and some AICPA leaders, Chair Daggett reported. At that summit meeting they talked about mutual recognition between countries, testing in Canada and the United States, the potential for one examination for both countries with one technological platform, and similarities between the CICA's final examination and the Uniform CPA Examination. The leaders speculated about having one North American certification, resulting in a

common designation for the North American group. Chair Daggett said that if such talks continue, NASBA would want to include representatives from the Instituto Mexicano de Contadores Publicos. Currently there are three accounting designations in Canada and their institutes are attempting to bring them together as "Chartered Professional Accountants," CPA. Quebec has been mandated to find a way to merge CA, CMA and CGA by April 2012, Chair Daggett said. The other Canadian provinces would probably merge later.

Chair Daggett reported he had attended the opening of the new NASBA Guam call center with Mr. Bishop. It is likely a second shift will be established in Guam that coupled with the Nashville service will provide 24 hours of coverage for callers, he said.

In March, Chair Daggett participated in Vice Chair Harris' planning session for his year in office. In addition, Mr. Daggett attended the AICPA Council meeting in Washington, DC, and met with Congressman Michael Conaway. NASBA Chair Daggett had also attended the Financial Accounting Foundation's annual dinner, which is relatively new recognition for NASBA, and at that time spoke with FAF Chair Jack Brennan, SEC Chair Mary Schapiro and PCAOB Chair James Doty.

Mr. Daggett also reported Grant Thornton's representatives had met with him in NASBA's Nashville headquarters to develop a better relationship.

5. Report from the President and Chief Operating Officer

President Costello explained the pertinence of the theme "Ad Astra" ("to the stars") to the strategic plan and 2011 Annual Meeting, as everything NASBA does is pointed forward. He called on Executive Vice President Bishop to present the President's report with him. Mr. Bishop stated that examination leadership is one of NASBA's goals as it looks to continually improve the service. While it used to take four-to-eight weeks for an Examination candidate to receive a notice to schedule (NTS), the process now takes only four days, Mr. Bishop reported. Over 2,000 candidates will be taking the Examination at international locations. NASBA will be expanding its evaluation services so that they cover international candidates as well as domestic candidates after January 1, 2012. This will provide one-stop shopping for international candidates. Tracking of NASBA's international Web site is showing where there is interest in the CPA. Mr. Bishop said the number of countries where there will be U.S. CPA testing sites will be expanding. He also noted that during the previous week NASBA had signed an agreement to perform licensing services for Puerto Rico.

NASBA is now a factor influencing standard-setting, President Costello said, as the association is working with other regulators.

Mr. Bishop reported that every NASBA employee is being reviewed to help identify future talent for NASBA. President Costello said NASBA is strong and healthy and will continue to be able to help member Boards in need. He also said he expects the Center for the Public Trust to be financially sound and healthy.

The single most significant financial event in NASBA's history, the sale of Professional Credential Services, has added to NASBA's financial health, President Costello commented. Mr. Bishop added that NASBA had a really good year operationally, in addition to the gain originating from the PCS sale.

CPT has rolled out "the Ethics Network," which Mr. Costello predicted will sweep the country. This year the CPT presented its "Being a Difference Award" to Malissia Clinton, Kathleen Edmond, Stephen Epstein, Thomas Hill and Robbie Narcisse. It also held a student leader meeting in conjunction with the Eastern Regional Meeting.

Mr. Bishop said NASBA's Training, Analytics & Quality group is looking at the CPT's operation to see how it can be made more efficient, "We will make it a good business arrangement as well as a good cause," he stated. NASBA has also launched its revamped Web site, Mr. Bishop said, which is more intuitive.

Plans for NASBA's Annual Meeting include a black tie event at Schermerhorn Center on October 25 and a Songwriters' Night on October 24, Mr. Costello stated. He hopes this year's CPT auction will raise \$75,000 for the Center.

6. Report from the Administration and Finance Committee

Treasurer Long reported the Administration and Finance Committee had met the previous day and looked at the 2011 projected results and the operational and capital budgets for 2012. The A&F Committee had also received a report regarding the completed PCS transaction. He reviewed with the NASBA Board the figures contained in Management's Discussion and Analysis of Fiscal Year 2012 Operating Budget and Fiscal 2011 Projections.

Mr. Long called on NASBA Chief Financial Officer Bryant to review the details of the June 15, 2011 PCS transaction. At the request of several Board members, Chair Daggett said the Executive Committee would work with the Audit Committee to determine if additional steps need to be taken to provide assurance to the Board regarding certain transaction-related issues. Audit Committee Chair Burkett said his committee would consider the identified issues.

Per the Board's vote at its April meeting, and subsequent review by legal counsel, the new investment policy, which gives the investment advisor greater discretionary authority, should be implemented by September 1, 2011, Mr. Long announced.

On a motion by Mr. Burkett, seconded by Mr. Odom, the Board unanimously approved the FY 2011-2012 NASBA operating and capital budgets as presented by Treasurer Long.

7. Report of the Examination Review Board

Examination Review Board Chair Wes Johnson referred the Board to the ERB's report on the 2010 Uniform CPA Examination and the International Qualification Examination, including the management observation comments. Mr. Johnson said the new ERB, which includes five volunteers and three full-time staff members is much more efficient, robust and transparent than the previous 12-volunteer-member ERB had been. In October the ERB began conducting site visits which continued through February and in May they implemented "Team Mate," an audit program that documents the progress of their work. They have started their work programs for 2011. Sandy Wilson (AK) will assume the role of ERB Chair on August 1. Mr. Johnson reported that the ERB expects to reduce substantially the amount of time it will need from their IT consultant and psychometrician. The ERB will be looking at the international administration of the CPA Examination and they will finalize their plans for site observations at their August meeting, Mr. Johnson stated. He said the ERB had asked the Boards where they wanted them to focus this year and the response was "international."

Mr. DeWit, ERB director, pointed out the management letter includes 12 comments of varying importance. He briefly reviewed each comment and how they are being addressed. He reported 50 site visits had been made this year.

8. Report of the CPE Advisory Committee

Continuing Professional Education Advisory Committee Chair Lodden presented the proposed revisions to the standards for CPE sponsors, last issued by the AICPA and NASBA in 2002. The revision project came out of the May 2010 NASBA CPE sponsor forum, Mr. Lodden recalled. A task force was constructed by Mr. Lodden, Mr. Long, Joseph Cote and Yordanos Dumez to address the issues raised at that meeting. The task force included sponsors, CPE Advisory Committee members, state society members, educators and a representative of the AICPA, and met about a dozen times. They then presented their work to a new AICPA/NASBA joint task force and after several additional meetings the final draft was agreed to on July 6, 2011. Mr. Lodden said the Committee asked that a 60-day exposure period be set for the standards and then both the AICPA and NASBA Boards approve the final version at their fall meetings for implementation on January 1, 2012.

The proposed standards contain many clarifications of the previous version, serve as a best practices guideline, and anticipate future learning methods. Mr. Lodden said the committee does not expect these revisions will generate much controversy as they are mainly reorganization of the existing standards, including incorporation of the CPE Sponsor Registry's Frequently Asked Questions into the standards. The Committee has established a process for how standards are to be revised and updated. Ms. Tish moved to expose the revised standards, Mr. Long seconded and all approved.

9. Report of the Committee on State Board Relevance and Effectiveness

Committee Chair Glover reported the Committee had met in Chicago on May 12. It is a large committee and has been divided into three subcommittees, two of which are developing questionnaires – one on relationships with state societies and the other on attributes that constitute an independent board. In addition, a document for the Boards to report on their activities to their legislators is being developed.

Mr. Glover made a presentation to the CPA Society Executives Association that was well received and the Committee led breakouts at the NASBA Regional Meetings to offer assistance to states that want to move toward independence. He reported that at the breakout sessions Mr. Bishop had said NASBA will be hiring a legislative support person. Mr. Glover believes this person will be helpful in assisting states like Georgia and Michigan that have voiced interest in working toward more independence. Mr. Bishop said his business plan for a new staff person responsible for creating a legislative office has been reviewed by NASBA Vice Chair Mark Harris. This is part of Mr. Bishop's transition plan to go into effect January 1, 2012. In the meantime, he said that he is looking at how to respond in the fall.

10. Report from the NASBA/AICPA International Qualifications Appraisal Board

Ms. Smith presented the draft mutual recognition agreement between the Hong Kong Institute of Certified Public Accountants and NASBA/AICPA IQAB for approval by the NASBA Board. She moved the agreement be approved by the NASBA Board as presented, and Mr. Smoll seconded.

This agreement has been worked on for five years, Ms. Smith reported. She explained that the way one becomes a CPA in Hong Kong is not the same as the process in the U.S. On page 3 of the agreement it is recognized that those who are Hong Kong CPAs have gone through a three-year degree program or higher and completed the Hong Kong Institute of CPAs' program, but it does not cover

those without a degree. Mr. Allen said the details of the Hong Kong program are different but the net sum is the same as the US CPA. Details of this mutual recognition agreement are different than others because the HKICPA was particularly concerned about potential “backdoor” admission to the HKICPA through first becoming a US CPA, Mr. Allen explained. If the AICPA and NASBA Boards approve the agreement, then it would be sent to the State Boards for their adoption and implementation.

The agreement was unanimously approved as submitted.

11. Report of the Nominating Committee

Mr. Atkinson presented the slate recommended by the Nominating Committee. This included:

Directors-at-Large (three-year terms)

Richard Isserman (Delegate – NY)

Kenneth R. Odom (Delegate – AL)

Laurie J. Tish (Associate – WA)

Regional Directors (one-year terms)

Middle Atlantic – Miley (Bucky) W. Glover (Delegate – NC)

Great Lakes – Kim L. Tredinnick (Delegate – WI)

Southwest – Janice L. Gray (Delegate – OK)

Southeast – Jimmy E. Burkes (Delegate - MS)

Mountain – Karen F. Turner (Delegate – CO)

Central – Telford A. Lodden (Delegate – IA)

Pacific – Raymond Johnson (Delegate – OR)

Northeast – Jefferson M. Chickering (Delegate – NH)

Mr. Atkinson said he will be sending letters to individuals considered but not chosen by the Nominating Committee in order to have them confirm they are willing to be considered for the spot created by Mr. Hansen moving up to vice chair. There will be no recommendation from the Nominating Committee on who should fill that post.

12. Report of Global Strategies Committee

Global Strategies Committee Chair Tish noted that the Canadian Institute of Chartered Accountants and the British Columbia Institute of Chartered Accountants had participated in sponsoring the fourth international regulators’ conference. The conference’s breakout sessions and segments on enforcement, the Uniform Accountancy Act and Mexico were particularly well received, she reported. The Committee will hold an in-person strategy meeting in the fall to determine which organizations NASBA should become involved in, either with its staff or volunteers.

13. Report of the Regulatory Response Committee

Regulatory Response Committee Chair Isserman reported they had developed two letters which had been sent to the appropriate parties. One went to the Auditing Standards Board on when independence needed to be applied. Mr. Odom, who serves on the ASB, said the letter had been considered, but NASBA’s recommendation had not been taken.

Another letter went out to the AICPA Professional Ethics Executive Committee with the participation of the Ethics and Strategic Professional Issues Committee.

The Committee is drafting a letter to be sent to the Securities and Exchange Commission on their work plan on International Financial Reporting Standards. The letter will maintain the position taken in NASBA's November 2007 letter to the SEC. Mr. Isserman said the committee believes the Financial Accounting Standards Board should continue as a strong entity and should not in any way be sacrificed in the name of internationalization of standards.

There will also be a NASBA response before the end of September to the PCAOB's consultation paper on audit reports. Another PCAOB paper on mandatory rotation is expected to be released soon.

The Committee is awaiting the Financial Accounting Foundation's response to the Blue Ribbon Panel's recommendations. It is anticipated commentary on that response will be requested.

Mr. Odom remarked that the Regulatory Response Committee and the Ethics Committee had held a conference call with Mr. Hansen in preparation for his participation in the SEC's roundtable on July 7. Mr. Hansen said a PCAOB roundtable is being planned for September 15 on the proposed audit reporting model; however, he will be out of the country at that time and NASBA has suggested three other people to represent the association.

14. Report of the Uniform Accountancy Act Committee

Uniform Accountancy Act Committee Chair Carlos Johnson briefly summarized the progress of the proposals being made related to CPA firm names. The effort began when Ms. Tish chaired the UAA Committee 2009-2010 and then continued throughout the year until an exposure draft was released in December 2010. The proposed revisions being brought to the Board of Directors include changes made in response to comments received during the comment period ended June 1, 2011 and the verbal comments made during NASBA's June Regional Meetings. During the Regional Meetings, Mr. Johnson, Ms. Tish, Dwight Hadley (NY) and Andrew DuBoff (NJ) presented breakout sessions describing the Committee's work.

The most recent changes to the draft were outlined by Mr. Johnson: The Committee expanded Section 14(i) and eliminated the definitions proposed earlier for Sections 3(n) and (o); they synchronized the reference to "network firm" to the AICPA Code of Professional Conduct in effect as of July 1, 2011; and, in response to suggestions made at the Eastern Regional Meeting, inserted a sentence at the beginning of Rule 14-1 that recognizes the State Board's authority to approve CPA firm names. Mr. Johnson said these changes created a cleaner presentation. He recommended the Board approve as submitted the changes to the UAA and the Model Rules. Mr. Atkinson seconded. No major issues were raised and all voted in favor of the changes as proposed. Mr. Johnson said the UAA Committee will be working on other issues that he will present to the Board at future meetings.

15. Report of the Audit Committee

Audit Committee Chair Burkett reported the Audit Committee had not met since before the April meeting. They will meet in August to discuss financial statement issues related to the PCS transaction.

16. Report of the Committee on Relations with Member Boards

Committee Chair Odom reported the Regional Directors had been busy with the presentation of the Regional Meetings and the New Board Member Orientation programs. The evaluations of these events were included in the Board's agenda binder and all were rated highly. At the Committee's meeting on July 28 they had discussed these evaluations as well as the 2012 Regional Meetings, which are planned for Anchorage and Philadelphia. Topics to be discussed at the Regional Breakfast Meetings to be held during the Annual Meeting were identified, as were Focus Questions for the coming quarter. Mr. Odom asked the members of the Board to submit recommendations for Focus Questions to be posed to the member Boards.

17. Report of the Education Committee

Education Committee Chair Turner reported the contracts for three research grants will be signed at the American Accounting Association's Annual Meeting in August, which she will attend with Messrs. Atkinson, Hansen and Alexander. The researchers will receive payment of the grants in thirds, with a third given at the beginning, then another third, and the final third upon completion.

The Committee is also trying to develop a NASBA database that researchers could use to find out information about CPA Examination candidates. Ms. Turner said the Committee will be meeting with the IT department in Nashville.

The report of the AAA's Pathways Commission is expected in late fall. It is anticipated the report will follow closely the recommendations of the Treasury Department's ACAP, Ms. Turner said. She thanked Melanie Thompson (TX) for her continuing work on the Commission.

The California Board has released an exposure draft on their new 150-hour education requirements, with comments due at the end of the summer, Ms. Turner reported. Mr. Harris suggested that NASBA respond to the exposure draft as it might raise a mobility problem. He was not sure if the Education Committee or the Regulatory Response Committee should consider drafting the letter.

18. Report of the Ethics and Strategic Professional Issues Committee

Committee Chair Hansen reported the Ethics Committee, with the Regulatory Response Committee and the Global Strategies Committee, had been considering IFRS in preparation for his participation in the SEC's July 7 Roundtable and held a conference call on what was to be presented. The Ethics Committee is now considering the audit reporting model as presented by the Public Companies Accounting Oversight Board. IFAC's IAASB has a similar project under discussion.

Mr. Hansen will be attending a meeting of the AICPA Professional Ethics Executive Committee and in September IFAC's Consultative Advisory Groups..

19. Report of the Executive Directors Committee

Committee Chair Sweeney reported the Executive Directors Committee had met following the Eastern Regional meeting. They are happy to entertain suggestions from the Board of Directors for their 2012 Annual Meeting. The Committee would like to talk to NASBA leadership about how to reduce the cost of guest registration at their conference. Mr. Bishop's suggestion for developing a

legislative support office in NASBA was well received by the executive directors, Mr. Sweeney stated, and Mr. Bishop will be asked to discuss that at the next Executive Directors' Annual Meeting. Another topic to be addressed at that conference will be the licensing of foreign nationals, including clarification on how they should be treated by the Accountancy Boards, Mr. Sweeney said.

Some finalization on how to deal with the information request from the U.S. Department of Health and Human Services is being requested by the executive directors, Mr. Sweeney reported. Some Boards have been asked for information, others have not, some have registered with HHS and others have not. Most of the Boards that have not been contacted want to remain unnoticed, but it is uncomfortable for the executive directors not knowing what is expected of them, Mr. Sweeney said.

During the Executive Directors' Annual Meeting they will discuss as a table topic disclosure risk with social media. Mr. Sweeney said he also has some ideas about how the Executive Directors Committee operates and how its leadership is appointed. He thanked Pat Hartman and other NASBA staff members for their assistance with the committee and said a tentative agenda for the Executive Directors' Annual Meeting would be constructed soon.

20. Report of the Communications Committee

Communications Committee Chair Chickering reported the Committee holds monthly meetings and the subcommittees hold conference calls as well. The Committee presented breakout sessions at the Regional Meetings which were well received. Most of the State Boards have no money with which to do any marketing, so the Communications Committee is finding technology and unique ways to reach out to the public.

The Boards' communications officers will gather for a breakfast meeting at the NASBA Annual Meeting. The Committee will continue to reach out to find new initiatives the Boards have launched and see if they can be of help. The Committee is looking at Facebook and Twitter and creating a toolbox to hand out at the breakfast meeting, Mr. Chickering said. The Communications Committee sent out a letter to NASBA's other committees offering to help them and to see what resources NASBA has to help them.

Mr. Kenny, who is liaison to the Communications Committee, encouraged the Boards to have their executive directors call him for assistance in getting all Boards on Facebook.

21. Report of the CPA Examination and Administration Committee

Committee Chair Davenport reported the Committee is in consultation with the Board of Examiners to review the agenda for the BOE meeting. The Committee held a conference call on July 14 to discuss the implementation of the 2012 Uniform CPA Examination's fee changes. In 2012 there will be a decrease in fees that could expose NASBA to a \$500,000 loss. CFO Bryant explained that, by decreasing the window to more closely match the time of payment and the time the candidate actually takes the examination, the impact of decreasing fees on NASBA is lessened. President Costello assured the Board that NASBA will break even over the term of the master agreement. Mr. Bishop thanked the Committee for holding a special meeting to consider this situation.

22. Report of the Enforcement Committees

Mr. Parsons reported the enforcement manual, developed by the Enforcement Resources Committee under Michael Weinshel (CT), is still undergoing review and when the final edits are completed it will be placed on the NASBA Web site on the Executive Directors' password protected page.

The Enforcement Committee, chaired by Mr. Parsons, is supporting the development of a certified investigator training program. This is being done with staff support from Linda Biek and calling on the law enforcement background of Vice Chair Bishop. An investigator's manual is being developed, and a subcommittee is continuing to add reference materials. In addition, the Committee is working on setting up referral programs with other bodies. Ms. Biek is working on this with various federal agencies and Larry Gray (MO) is setting up the program with the IRS. Mr. Parsons said he has also been talking to Mr. Kenny about what information could be released to the public when a Board takes an enforcement action. The Committee's primary current focus is working on the investigator program, Mr. Parsons stated.

23. Report of the Awards Committee

Chair Daggett reported Thomas Sadler (WA) is chairing the Awards Committee this year and Mr. Atkinson will chair it next year. Mr. Daggett announced the following NASBA award recipients recommended by the Awards Committee:

William H. Van Rensselaer Public Service Award – Sandra A. Suran, CPA (OR)

NASBA Distinguished Service Award – Philip W. Gleason, CPA (MN)

Lorraine P. Sachs Standard of Excellence Award – Barbara R. Porter (ID)

Ms. Smith moved to accept the recommended award winners. Mr. Burkett seconded. The award winners were unanimously approved.

24. Report of the Bylaws Committee

Bylaws Committee Chair Smith reported some amendments to the NASBA Bylaws had been proposed, but none of the recommendations were ready to be brought to the Board. There may be some issues brought to the Board's October meeting, but nothing will be ready to be voted on at the 2011 Annual Meeting. Among areas being considered, Ms. Smith reported, are: broadening the oversight duties of the Board, changing the length of term of office of some positions, putting term limits on committee membership, limiting the number of NASBA associates on committees, setting a timeline for Bylaws and tracking what happens to proposals for Bylaws changes. Ms. Smith invited the Board members to submit additional topics to her.

25. Report of the Compliance Assurance Committee

Compliance Assurance Committee Chair Gray reported the Committee will hold a meeting on August 15 and then on August 16 will meet with the AICPA Peer Review Oversight Committee. There are 59 individuals signed up to attend the Peer Review Oversight Committee Conference, including representatives from 27 State Boards and 17 state societies. The state societies had asked if they could attend this year's conference and, as some Boards have reported having difficulty in receiving

information from the societies, the Committee had decided to open the event to state society representatives, Ms. Gray explained. Only about eight states have prepared checklists and other forms for their oversight committees, so the Committee is going to provide these checklists on a jump drive to the meeting's participants.

A meeting with the AICPA Peer Review Board is being planned. Last year the NASBA Committee was successful in getting information from the Peer Review Board. On August 10 there will be a part of the AICPA's Peer Review Board meeting to which the public can call in to listen, Mr. Odom noted that NASBA has two has two representatives on the National Peer Review Committee and one on the Peer Review Board.

26. Future Meetings

Ms. Smith said she had reviewed the tentative agenda for the 2011 NASBA Annual Meeting and she thought the Boards will want to hear an update on (1) the Blue Ribbon Panel and (2) the Texas unlicensed foreign auditor initiative. Chair Daggett said the Annual Meeting will be too early to expect to hear a recommendation from the Blue Ribbon Panel. He assured the Board that when the Financial Accounting Foundation makes its recommendations, the Boards will be alerted. As to the foreign auditor situation, Mr. Daggett said that the Texas Board is doing a lot of research on that.

Mr. Allen said the preliminary research showed in 40 states there were over 100 firms from 20 different countries involved in over 300 engagements that had not properly registered with the states. Mr. Odom asked if that information is going to be shared with the states where these audits took place. President Costello said the original phase of the research is being completed and NASBA would work with the Texas Board.

Mr. Odom said both those topics would be part of the Regional Breakfast Meetings' discussions.

As PCAOB Chair James Doty will be the keynote speaker at the Annual Meeting, questions about the foreign auditors situation may be brought in to him via questions from the audience at that time, President Costello suggested. Ms. Smith suggested that Mr. Doty be given extra time for questions.

27. Adjournment

There being no additional business, Mr. Burkett moved to adjourn and Mr. Parsons seconded. All agreed to adjourn. The meeting was adjourned at 3:25 p.m.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Highlights of the Board of Directors Meeting

October 21, 2011 – Nashville, TN

At a duly called meeting of the Board of Directors of the National Association of State Boards of Accountancy, Inc., held on Friday, October 21, 2011 at the Opryland Hotel, in Nashville, TN, the Board took the following actions:

▫ Authorized the President and Chair to communicate to the Financial Accounting Foundation (FAF) the following:

1. The Board of Directors agrees with and commends the FAF process;
2. Acknowledges the sovereignty of State Boards' independent actions and authority to fulfill their responsibilities pursuant to Sarbanes-Oxley Section 209, pertinent state laws and the 10th Amendment to the U.S. Constitution;
3. Supports the conclusions of the FAF as exposed in its "Plan to Establish the Private Company Standards Improvement Council"; and
4. Supports and intends to monitor the accountability measures contained therein to ensure the Improvement Council will accomplish its objectives.

▫ Heard a report from Chair Michael T. Daggett (AZ) on the AICPA/NASBA summit meeting of the organizations' leaders on September 8 in New York City.

▫ Were given an overview by President David A. Costello of his work with 16 NASBA Boards of Directors during his years in office. He praised the Boards for their independence in attitude. He also endorsed the FISH philosophy for staff training and motivation, and said he would be sharing it with all the State Boards' executive directors.

▫ Received a report from Treasurer Theodore W. Long, Jr. (OH), chairman of the Administration and Finance Committee, that NASBA had the best financial year in its history in 2011, with consolidated earnings of \$9.5 million. In addition, unrestricted net assets at year-end were \$26.9 million and NASBA continued to be free of debt. Mr. Long also reported that NASBA achieved a 12.2 percent return on its long-term investments for the year.

▫ Heard from Education Committee Chair Karen F. Turner (CO) that the contracts with the recipients of NASBA's first group of research grants had been signed in August and results of those projects will be reported at the June 2012 Regional Meetings. Dr. Turner asked the Board members and committee chairs to submit research requests to her for next year's grants.

- Received a report from Executive Vice President Ken L. Bishop that 3,454 sections of the Uniform CPA Examination had been signed up for administration outside the United States, which was in line with estimated participation. Most recently, an agreement that will allow candidates to take the Examination in Brazil has also been signed (adding to the sites in Bahrain, Japan, Kuwait, Lebanon and the United Arab Emirates). Candidates from three Latin American countries will be able to take the test in Brazil.
- Learned from State Board Relevance and Effectiveness Committee Chair Bucky Glover (NC) that a survey had been sent out to the Executive Directors of all State Boards to determine how many of the characteristics of a semi-independent board the accountancy boards currently have. The Committee will be sending out a second survey to Board Chairs and Executive Directors and to State Society Chairs and Executive Directors to gauge the quality of the Board/society relationships throughout the country.
- Received a report from CPE Advisory Committee Chair Telford A. Lodden (IA) that the proposed revised standards for continuing professional education sponsors have been exposed with a deadline for comments extended until December 1, 2011. The Committee is considering the approximately 40 pages of comments they have already received.
- Learned the Uniform Accountancy Act Committee's top priority this year will be addressing the issue of non-US auditors performing work in the United States without having appropriately registered with the State Board. Committee Chair Carlos E. Johnson (OK) said the Committee will also consider whistle-blowing, retired licensees, independence and the definition of attest.
- Received a recommendation from Bylaws Committee Chair Kathleen J. Smith (NE) that guidelines on term length for NASBA committee members be developed, but not be codified in NASBA's Bylaws.
- Praised President David A. Costello for his many achievements for the benefit of NASBA, as he will be retiring at the end of 2011 and Mr. Bishop will step into his post.
- Thanked Ms. Smith, Billy M. Atkinson (TX) and Richard Sweeney (WA) for their service to the Board.

▫ At a Special Meeting on October 25, 2011 elected Theodore W. Long, Jr. (OH) to fill newly-elected Vice Chair Gaylen R. Hansen's (CO) unexpired two-year term as Director-at-Large. Also elected E. Kent Smoll (KS) to be NASBA's Treasurer and Kenneth R. Odom (AL) to be the Board's Secretary.

Next NASBA Board meeting scheduled for January 20, 2012 in Key West, FL.

Distribution:

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

Executive Summary
August 8-October 5, 2011
Regional Directors' Focus Question Responses

38 State Boards Responding

1. Are there any new communications efforts that your Board has implemented within the last year? Please explain.

New communications efforts: Facebook; Twitter; Web site updates; electronic newsletters; brochures.

Will your Board be sending its representative to the Communications Officers' breakfast at the Annual Meeting? YES: 26

2. Does your Board restrict the number of on-line classes acceptable for continuing professional education (i.e., can all CPE requirements be obtained via on-line courses)? Please explain.

NO: 26 YES: 10 N/A: 2.

3. Is your Board accepting on-line education at the baccalaureate or graduate levels as part of domestic or foreign education? Please explain what qualifications you have for such courses.

Common response: Yes, if course credit obtained from accredited school or university.

4. How is your Board addressing out-of-state CPA firms' mobility compliance? Provide examples.

No issues to date: 10 states

Common answer: Responds to complaints.

5. The Texas Board has discovered non-U.S. accountants have signed the SEC's 10-K forms for companies based in Texas and brought this to the attention of the SEC. The Board has found non-U.S. accountants have signed these forms for companies in other states. How does your Board plan to respond to this should you be made aware that such violations are occurring in your state?

Common response: Initiate investigation; issue cease and desist order.

6. Are there any concerns that you would like NASBA to address?

Some concerns: Assistance with legal matters and legislative issues; continue work on mobility.

See Regional Directors' Focus Question Report for details.

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 August 8 and October 5, 2011. Responses which indicated nothing to report have not been included in this summary.

Respectfully submitted,

*Kenneth R. Odom (AL) – Chair, Committee on Relations with Member Boards,
Southeast Regional Director*

Jefferson Chickering (NH) – Northeast Regional Director

Miley ("Bucky") W. Glover (NC) – Middle Atlantic Regional Director

Janice L. Gray (OK) – Southwest Regional Director

Telford ("Ted") A. Lodden (IA) – Central Regional Director

Laurie J. Tish (WA) – Pacific Regional Director

Kim Tredinnick (WI) – Great Lakes Regional Director

Karen F. Turner (CO) – Mountain Regional Director

1. Are there any new communications efforts that your Board has implemented within the last year? Please explain. Will your Board be sending its representative to the Communications Officers' breakfast at the Annual Meeting?

Attending Communication Officers' Breakfast:

YES – AL, AR, CO, HI, ID, IA, IL, LA, MI, MN, MS, MO, NC, ND, NE, NM, NV, OK, PR,
RI, SC, SD, TN, VI, WA, WY

NO – CA, GU, VA, WI

NOT SURE – AK, DC, KS, MA

Alabama – We updated licensee search on website and added new links such as Mobility Information.

Arkansas – We created a Facebook page in April 2011. We also sent out an annual report to all Arkansas legislators for the first time this year. Also the Executive Director has spoken at various student events sponsored by the Arkansas Society of CPAs, as well as society chapter meetings.

California – This has been a very active year for Communications and Outreach. In the past year the California Board

- Launched successful Facebook and Twitter accounts to facilitate outreach to consumers, licensees and other stakeholders.
- Began an "Ask the Expert" series on Facebook to address questions.
- Produced the first in a series of "how to" videos for the CBA Web site and YouTube.
- Moved from hard copy with postal delivery of its newsletter to a digital format.

- Began outreach to colleges and universities regarding the changes to educational requirements effective January 2014.

Due to travel restrictions due to California's budget situation, we will not be sending a representative to the breakfast at the Annual Meeting.

Colorado – The Department staff is attending more events with the Society of CPA's, Universities and others who have an interest in knowing the requirements for the exam and licensure.

Hawaii – Requesting that the public report to the Board any complaints against licensees has been effective. Also the distribution of information through the professional associations (Hawaii Society of Certified Public Accountants and the Hawaii Association of Public Accountants) has been very helpful as well.

Idaho – The Idaho Board began a Facebook page. The Exam Candidates especially like the information that gets posted. But our licensees often use the page as well.

Illinois BOE - Illinois has created a Twitter account, but to date has not utilized it. Illinois is considering the use of Facebook as another means of communications as well and will hopefully be on Facebook by spring, 2012.

Iowa – The Board is working on implementing a Facebook page. We are in the process of writing a social media policy after which we will start a Facebook page

Louisiana – An improved board website design was launched in March. This website is easier to read, update, and navigate. For the first time, we are able to provide a "licensee lookup" feature. We also have added information on how a complaint can be submitted on a prominently tabbed webpage.

Massachusetts – As far as I know no one from the Massachusetts Board will be attending the Annual Meeting. We have a new Board member as of August 1, 2011, and the member she replaced used to attend these meetings. 08/30/2011 update –Chairman Robert Temkin informs me he will try to attend.

Michigan – Michigan has not implemented any new communication efforts. We are, however, working on coordinating more effectively with our state society.

Montana – The Board has started sending its newsletters electronically and plans to use the listserve that has been put together to get reminders and timely information out to licensees as needed. Board staff are going to begin meeting with state chapters of the Society as requested and have been meeting with Society staff on a regular basis in an effort to maintain a good working relationship. The Board plans to start holding one meeting a year on college campuses in the state to reach out to accounting educators and students.

Nebraska – Yes, the Board has implemented an "e-mail blast" system to registrants of the Board. The information was gleaned from the Board's database and can be sent to all and/or

specific registrant groups (active, inactives, firms, etc.) To begin we are sending licensing/CPE reminders and plan on future communications regarding Board activities.

New Hampshire – The Board's Web site has a new look and feel. The Board has a Facebook page effective 9/22/11.

New Mexico – No new communication efforts have been implemented within the past year. Due to severe budget restrictions, the Board's quarterly newsletter is no longer disseminated via US Mail; it is available on the website only.

North Carolina – The Board is in process of remodeling its website.

North Dakota – A personal meeting at the Governor's Office, with Chief of Staff, Lieutenant Governor, and the leader of the Office of Management & Budget.

Oklahoma – Oklahoma is currently expanding on existing efforts in outreach and education. This includes additional informational brochures, courtesy e-mails, and group presentations. The Oklahoma Accountancy Board will have representatives at the national conference, including Vicky Petete who is the chair of our outreach committee.

Puerto Rico – Yes, we announce to all CPA's in Puerto Rico that NASBA was taking care of the responsibilities for Licensing all new and renewals CPA's commencing August 1, 2011.

South Carolina – Currently looking into the implementation of a Facebook page and Twitter; however, nothing has been turned on.

South Dakota – The South Dakota Board utilizes Facebook for social media.

Tennessee – No new efforts have been implemented. We are somewhat restricted in our communications efforts by the policies of the Department of Commerce and Insurance.

Texas – Recent communication efforts with the SEC & the PCAOB concerning the audit of firms listing their principle place of business as Texas with the SEC, Texas Comptroller, and Texas Secretary of State by a foreign accounting firm not registered in Texas.

Virginia – The Virginia Board of Accountancy has initiated numerous communications activities during the past year, to include: 1) Formation of a Communications Committee made up of students, CPA Exam candidates, CPA's, Virginia educators, and communications personnel to include the Virginia Society of CPAs; 2) Email distribution list of accounting liaisons at Virginia colleges and universities; 3) Development of an Education Handbook, 4) Launch of a new website, 5) Holding two Board meetings at college campuses (Virginia Commonwealth University and Old Dominion University) to provide exposure to students and faculty with a third scheduled for the University of Richmond on November 2, 2011 and 6) Increased email communications to CPA Exam candidates and Licensees. The Virginia Board of Accountancy is also developing social media applications to include Facebook, Twitter and Linked-In, as well as a formal e-newsletter to be issued in October 2011.

Virgin Islands – Within the year the Board has instituted a policy of receiving (prior to mailings) a copy of all correspondence mailed by the Executive Director (employed by the State to work with all Boards) on behalf of the Board be presented to the Board for approval. This was implemented to ensure that all communication is approved by the Board, and keeps the Board abreast (between meetings) of all activity related to the Board. The approval for these communications can be obtained via email.

Washington – The Washington Board has enhanced the website to address the following:

- Links to Governor's website re the desirability of licensing and/or residing in Washington State by CPA Exam candidates testing internationally;
- Refreshing website information.

Additionally the Exec has opened a dialogue with a visually challenged individual desiring to pursue a career as a licensed CPA and developing a strategy to overcome identified challenges by those individuals who have challenges in entering the profession due their physical challenges and possible stigma attached to those personal characteristics.

Wisconsin – No new communications efforts. We do not have a communications officer.

Wyoming – Changes to communication efforts include revisions of all mailings, forms, and letters to improve readability and soften the tone of the message as appropriate.

Also revised was the Board's web site which continues to be an ongoing project. The format of the semi-annual Board newsletter has been completely revised and will now be sent no less than quarterly.

A "Rules" brochure was developed recently. It is being mailed to all new certificate holders. The purpose of the brochure is to inform new holders of the rules that govern their certificate and practice. The brochure refers new holders to the Board's web site to access the most current version of the Rules and Regulation and replaces a bulky and heavy notebook with about 80 pages that we used to send.

2. Does your Board restrict the number of on-line classes acceptable for continuing professional education (i.e., can all CPE requirements be obtained via on-line courses)? Please explain.

NO: AK, CA, CO, DC, GU, HI, ID, KS, LA, MA, MS, MO, MT, NH, NM, NV, NY, ND, OK, SD, TN, TX, VA, WA, WI, WY

Alabama – Yes, Alabama licensees are limited to 20 hours of self-study per fiscal year.

Arkansas – Our CPE rules do not limit on-line courses. 16 of the 40 hours required each year must be taken in a "group" setting, which can be taken online via live webinars.

Iowa – Iowa limits the amount of self-study courses to 50% of the renewal requirement (60 CPE). As long as the courses are "interactive" they are not considered self-study.

Michigan – R 338.5218 provides that credit for self-study program shall not be more than 50% of the minimum qualifying hours in any continuing education period. Therefore, an individual may all CPE courses on-line as long as at least 50% are interactive “group” programs.

Minnesota – In each three year rolling period, CPAs are required to complete a minimum of 24 “live” CPE credits.

Nebraska – Technically, yes; however, we restrict “self-study” courses to 50% of the 80 hour/ two year requirement. The CPA could attend “webinars” considered as formal because there is online interaction with the instructor for the other 50% of the required hours.

North Carolina – The Board does not restrict the number of on-line classes for CPE credit. However, the Board requires that all licensees take at least eight hours of non-self study annually as a part of its annual CPE requirements. This CPE may be on-line group study.

Puerto Rico – The Board requires that a minimum number of CPE’s must be on live courses.

Rhode Island – Yes. Rhode Island limits self-study to 80 credits out of a mandatory minimum of 120 credits.

South Carolina – Online QAS approved self-study courses are limited to 20 hours per reporting period (calendar year); however, live webinars where the individual periodically either answers questions or enters codes during the seminar are allowed with no restrictions. If the course material is classified as Personal Development only 8 hours can be counted per reporting period.

Virgin Islands – As the Board works toward implementation of the UAA, CPE requirements will be implemented, without a limit to the number of on-line classes. Currently there are no CPE requirements for licensed CPA’s in the territory.

Wisconsin – No. Wisconsin does not have mandatory CPE.

3. Is your Board accepting on-line education at the baccalaureate or graduate levels as part of domestic or foreign education? Please explain what qualifications you have for such courses.

Alabama – Yes, the courses must be successfully completed for college credit at a college or university accredited by a regional accreditation board such as the Southern Association of Colleges and Universities.

Alaska – Yes. Need to graduate with a baccalaureate’s degree and 150 hours.

Arkansas – Yes. Online courses qualify as long as they were taken through an accredited College or University.

California – The California Board of Accountancy accepts any education completed from a degree-granting college, university, or other institution of learning provided it is recognized by a United States regional or national accrediting agency. Any foreign education must be evaluated by a California Board of Accountancy-approved foreign credentials evaluation service. Provided the on-line education, including a baccalaureate degree or graduate level coursework, was taken from an regionally or nationally accredited institution of higher learning, or was deemed substantially equivalent to education earned at a regionally or nationally accredited institution of higher learning by a California Board of Accountancy-approved foreign credentials evaluation service, then the California Board of Accountancy will count it toward any CPA Exam and CPA licensure education requirements.

Colorado – No restrictions but school must be accredited.

DC – Yes, As long as a course is taken at a school that is accredited by an organization recognized by the Board, the course will be accepted.

Guam – Yes.

Hawaii – Yes, on-line education at the baccalaureate or graduate levels is acceptable so long as the credits are earned at an institution of higher learning accredited by a U.S. regional or national accrediting agency, or in the case of foreign education, has been deemed by one of eight Hawaii-Board approved academic credential evaluating services to be equivalent to credits earned at a regionally or nationally accredited U.S. school.

Idaho – Yes. Idaho accepts online education provided the educational program/institution meets the accreditation requirements as listed in the UAA.

Illinois BOE – Illinois does accept on-line education for domestic candidates only. The institution must be fully accredited.

Iowa – As long as the college offering the on-line education is accredited the courses are accepted.

Kansas - Yes from a nationally accredited college.

Louisiana – Yes, provided that for candidates who were educated in the U.S. such educational courses result in earned college credit and are obtained at a *regionally accredited* university. For candidates educated outside of the U.S., the education is evaluated by a credential service to determine its equivalency to domestic requirements.

Massachusetts – Yes. Our rules state that we accept education earned at a four year college or university, regionally or nationally accredited. Thus any degree or course from a four year college or university, regionally or nationally accredited qualifies in MA. Foreign education is similarly verified as from an accredited institution by our foreign education evaluation service, CED.

Michigan – Michigan does not distinguish whether a course was completed “on-line” vs. “on-location.” Michigan reviews the official transcript from the University or Credential Evaluation.

Minnesota – Only if it is accepted by and reflected on an official baccalaureate or graduate program of an accredited educational institution.

Mississippi – On-line courses are acceptable to satisfy the education requirement for the examination only if they are from an accredited university.

Missouri – The course must be part of the curriculum of a university or college with regional accreditation.

Montana – Montana does accept on-line education for meeting the education requirements for licensure. The only qualification is that the courses be obtained from an accredited school as outlined in Board rules.

Nebraska – Yes. Generally, Board regulations allow for accreditation from a recognized program approved by the Council of Higher Education Accreditation (CHEA). It would be helpful in the future if NASBA could organize a presentation on the accreditation methods and the issues involving online courses.

Nevada – On-line education is accepted as a means to meeting the education requirement. The Board does not approve the course structure for on-line course work. As long as the course is taken through an approved accredited university the coursework will count.

New Hampshire – The Board does not differentiate between on-line education and classroom education.

New Mexico – As per the Board’s rules, there is no restriction regarding the number of hours of course work that may be completed online as part of the preparatory program at either the baccalaureate or the graduate level. The only caveat is that the course work must be completed through a regionally accredited institution.

New York – On-line course work completed at a regionally accredited college or university is accepted.

North Carolina – The Board accepts on-line education at the baccalaureate or graduate level from any US institution that is accredited by any of the US regional accrediting associations as long as the student is given credit for taking and passing the course at the institution.

North Dakota – We would accept these classes, if provided by an accredited college. If not accredited, further investigation would be necessary.

Oklahoma – Oklahoma does accept on-line education if the university or college is accredited.

Puerto Rico – The Board accepts persons who graduate at baccalaureate or graduate levels from recognized institutions, regardless if some have on-line education.

Rhode Island – Yes, but only from accredited schools.

South Carolina – Yes, provided the domestic institution is accredited by one of the 6 Regional Accrediting organizations. Any foreign education has to be evaluated by one of the approved evaluation services: Joseph Silney or Foreign Academic Credential Services.

South Dakota – We do accept online courses in education. We do not qualify courses, that is the responsibility of the regionally accredited school to maintain compliance with the qualifications.

Tennessee – Yes, we accept on-line education if the degree granting institution awards credit for the course(s).

Texas – We accept online education for purposes of eligibility up to a maximum of 15 hours credit in accounting courses.

Virginia – The Virginia Board of Accountancy educational requirements currently accept on-line domestic education as long as the credits are from an approved accredited institution. All foreign and non-accredited education must be evaluated by an education evaluation firm approved by the Virginia Board of Accountancy to determine equivalency with Virginia education requirements. The evaluation must be completed prior to applying to take the CPA Exam or for CPA licensure in Virginia. The education evaluation firm must provide a “course-by-course” evaluation of all non-accredited coursework and send the education evaluation to the Virginia Board of Accountancy.

Virgin Islands – All educational courses presented for the purpose of fulfilling the educational requirement for sitting the exam must be obtained from an accredited institution. There has not been a situation where the evaluation of educational qualification for courses taken via an online school has had to be evaluated.

Washington – Yes the Board does accept degrees granted by online educational institutions provided that the institution meets the accreditation standards set forth in Board Rule.

Wisconsin – We are assuming this is to obtain 150 credits for sitting for the CPA Exam. So, if baccalaureate or graduate from an accredited school, we are accepting it.

Wyoming – There is no distinction in Wyoming Board Rules and Regulations regarding online education. The educational institution must be accredited by an accrediting association as specifically outlined in Chapter 2 of Board Rules and Regulations.

4. How is your Board addressing out-of-state CPA firms' mobility compliance? Provide examples.

No issues to date: AL, AK, GU, IA, KS, MN, ND, VA, WI, WY

Arkansas – We try to catch unlicensed activity by out of state firms and in state firms. Any suggestions or resources from NASBA that would help us in this regard would be appreciated.

California – The California Board of Accountancy has not adopted mobility. However, the California Board of Accountancy allows out-of-state licensees to practice public accountancy in this state under California Practice Privilege, which is the concept presented to the California Board of Accountancy by NASBA in 2003.

- (a) A public accounting firm that is authorized to practice in another state and that does not have an office in this state may engage in the practice of public accountancy in this state through the holder of a California Practice privilege provided that:
 - (1) The practice of public accountancy by the firm is limited to authorized practice by the holder of the practice privilege.
 - (2) A firm that engages in practice under this section is deemed to consent to the personal, subject matter, and disciplinary jurisdiction of the board with respect to any practice under this section.
- (b) The Board may revoke, suspend, issue a fine pursuant to Article 6.5 (commencing with Section 5116), or otherwise restrict or discipline the firm for any act that would be grounds for discipline against a holder of a practice privilege through which the firm practices.

Colorado – The Board has not had recent experience with this issue other than the confusion on when someone needs to be licensed or not. Mobility compliance would be addressed in the normal complaint process.

DC – DC has not adopted mobility for individual CPAs or CPA firms.

Hawaii – Unfortunately, Hawaii is not yet a mobility state.

Idaho – Idaho allows out-of-state CPAs and firms to practice in our state under mobility, provided the CPA is licensed in the state where their principal place of business exists and the firm is registered and undergoing Peer Review in that state. If the home state does not require firm registration and peer review, the firm must register with the Idaho Board and provide us with copies of their peer review documents.

Louisiana – Our website has a page devoted to the licensing and practice privilege responsibilities of non-resident licensees. The link is:

<http://cpaboard.state.la.us/non-resident-cpa-licensing-requirements/>

Massachusetts – We issued a Policy Notice and it is on our website. Certainly, the NABSA website is at least incomplete and perhaps inaccurate with regard to Massachusetts Mobility Requirement Compliance as every state where a CPA is traveling to Massachusetts is advised to “Contact the state Board”. We get enough contact without NASBA sending more.

Michigan – Michigan is not verifying compliance unless a complaint is filed. The Department's Enforcement Division would review and investigate the issue if it determines that a violation of the Occupation Code as occurred.

Mississippi – Out-of state firms only have to be registered with the Board if performing audit and attestation services as defined by Mississippi law. The Board does monitor those firms compliance with registration and the peer review requirements. However, if a firm does not register with the Board as required, the Board would have to receive a complaint and react to that complaint. No examples are available at this time.

Missouri – We expect out-of-state CPAs' to meet their state's CPE requirements, however, if their state does not have an ethics requirement we expect them to meet our ethics requirement. Currently, our ethics requirement is 2 hours each year, however, our rule will change soon and we will then require 6 hours of ethic's CPE in the 3 calendar years prior to the renewal year. This may be taken in any CPE hourly increment.

Montana – Montana was just advised of our first issue with an out-of-state firm working in the state and claiming practice privilege. It appears that the firm misunderstood mobility rules as they had established an office in the state without obtaining a Montana license. This is the extent of the information that can be provided at this point as this is the first mobility issue dealt with in Montana and it is under investigation currently.

Nebraska – Provide information from the Board website and staff regarding Mobility provisions. Rely on Enforcement Complaints. Interested in what others are doing.

Nevada – Nevada's mobility legislation included the requirement for firms to register with the Board if they are providing attestation services. The compliance is gained through the notification and registration of the firm.

New Hampshire – The Board's statute was amended in 2009 to allow for greater mobility. Out-of-state CPA firms only have to register if they are providing attest or compilation services.

New Mexico – Firms do apply for and receive a permit to practice if attest work is to be performed in New Mexico under the mobility provision. The Board does not have a way to actually monitor compliance with this requirement, however, and it would not be aware that an out-of-state firm was not in compliance unless it were to receive a complaint against that firm or the individual CPA who performed the work.

New York – Mobility is not effective until November 15, 2011 in New York.

North Carolina – The Board is addressing compliance with CPA firm mobility requirements through third party complaints, referrals from North Carolina CPAs for lack of compliance and through review of advertising communications.

Oklahoma – The Board addresses this issue when it receives information about a firm performing engagements requiring notification and registration with the Board. We have

recently had individuals performing audits without registering with the Oklahoma Accountancy Board and our enforcement committee has dealt with them with appropriate penalties and notification to the appropriate state board where the firm is registered.

Puerto Rico – Puerto Rico is not on mobility.

Rhode Island – Rhode Island requires the submission of a peer review if the firm is seeking a Rhode Island firm permit to practice.

South Carolina – We are relying on each state Board to police their own firms and if there is a complaint then we would address that firm under mobility. However, we have concerns when one state is not as tough regarding sanctions and only suspends a CPA for six months and then they are back to practicing and we would give a stronger sanction. What happens when we revoke a license and they move across the state line and come into our state and practice under Mobility?

South Dakota – We had one individual (firm) that performed attest work and did not get licensed. The Board took disciplinary action against her and also informed her home state (Idaho). The Idaho Board acted swiftly and took disciplinary action against her also. Our Board was satisfied with the action that the home state took.

Tennessee – Tennessee allows complete mobility for firms as well as for individuals. Therefore, if the firm is in good standing in their home state then they may practice in Tennessee with no notice to the Board.

Texas – Texas has an ongoing program for unlicensed practice however mobility appears to be working well for those firms and individuals entitled to the practice privilege.

Virgin Islands – Currently, out-of-state CPA firms' mobility compliance is not an issue in the Virgin Islands as laws relative to mobility have not been enacted.

Washington – The Executive Director has addressed only two mobility related instances:

- One was a referral from the state's Department of Financial Institutions regarding a deficient audit report filed by a DFI registrant. The Executive Director referred the matter to the licensing jurisdiction, Illinois, but after one year of no response referred the matter to another state, Missouri, in which the home office of the responsible party was located for follow-up. DFI was advised of the Board's actions pursuant to the Board's inter-agency agreement with DFI.
- The second mobility issue was the result of a disciplinary action by a Board in a substantially equivalent state regarding a sole proprietor who did a government audit in this state without the required firm license. That matter has been settled by consent agreement.

Additionally, the Board continues to wrestle with the complex issue of the "piling on of multiple penalties" for disciplinary actions against firms and individuals in those cases in which the specific violation(s) occurred in another state but the firm or individual has a license or rendered additional services in Washington State. This issue is proposed to be vetted at the Executive Directors' Conference in March, 2012.

Wisconsin – No pro active enforcement. Wisconsin just responds to complaints and no complaints have been filed to date on this issue.

5. The Texas Board has discovered non-U.S. accountants have signed the SEC's 10-K forms for companies based in Texas and brought this to the attention of the SEC. The Board has found non-U.S. accountants have signed these forms for companies in other states. How does your Board plan to respond to this should you be made aware that such violations are occurring in your state?

Alabama – Why would the SEC accept such filings? If such violations occur in Alabama we will handle such violations in accordance with our established disciplinary procedures.

Alaska – Not aware of any.

Arkansas – An investigation would be opened and appropriate action taken by the board after all of the facts had been gathered. We would encourage the SEC not to accept reports issued by non licensed CPAs.

California – The California Board of Accountancy would consider initiating an investigation to determine if any of the provisions in the California Accountancy Act or California Board of Accountancy Regulations were violated.

Colorado – Once the Board becomes aware of these specific instances, the Board would issue a Cease and Desist Order.

DC – The subject has not been discussed.

Guam – N/A.

Hawaii – All such violations would be reported by the Board to the Regulatory Industries Complaints Office (“RICO”) of the Department of Commerce and Consumer Affairs (the Board’s umbrella agency) for action against unlicensed activity. RICO would, in turn, notify the federal authorities, including the SEC.

Idaho – This situation is not likely to occur in Idaho. Because this is a low-risk scenario in the protection of the public, we have not developed a proactive approach. Instead, we continue to rely on a complaint-driven approach (reactive) to handling such a case if one were to arise.

Iowa – The Board will discuss at their next meeting.

Kansas - We would handle it in the same fashion as any other complaint and conduct a thorough investigation.

Louisiana – We would consider whether issuing a cease and desist order would be appropriate under the circumstances. We would likely refer the matter to the SEC and advise NASBA.

Massachusetts – Anyone or any firm not licensed in Massachusetts is violating our law by entering this state and performing an SEC work unless they come from a state where full SEC mobility privileges are afforded Massachusetts CPAs. Since we have no mobility with any foreign country, all need Massachusetts CPA licenses to provide such services if the services require one to enter Massachusetts, and we have no plans to establish reciprocity with any foreign country.

Michigan – The Department's Enforcement Division would be charged with reviewing the issue and determining if it will open a complaint for investigation.

Minnesota – Not yet determined.

Mississippi – Most probably if a firm has signed the SEC's 10-K it is accompanied by other work (in particular - audited financial statements). In that case, the Board would pursue this as a disciplinary or criminal matter under the normal avenues and processes.

Missouri – I believe if we became aware that a non-US accountant signed an SEC's 10-K form for a company in Missouri we would advise the SEC and the company that the non-US accountant was not a legitimate CPA in the US and as such the form could not be relied upon. In addition, we would send a cease and desist letter to the non-US accountant. If the non-US accountant did not cease and desist, we would file an injunction against them in Cole County, Missouri (the Board's home office location).

Montana – At this point we would plan on turning over the information to our compliance and investigation staff and following regular procedures for when the Board is made aware of non-compliance issues.

Nebraska – The Board has the ability to file a formal complaint against the CPA firm if warranted.

Nevada – The Board is very interested in this type of activity and would definitely take the appropriate investigative action. If a violation has occurred in the State then a Cease & Desist would be issued to individuals or firms. The Board has contacted Texas and is looking forward to the information that will be provided in connection with their research/investigation.

New Hampshire – This has not been an issue for the New Hampshire Board.

New Mexico – The Board has not discussed this issue for the reasons stated in #4 above.

New York – A complaint would be filed and an investigation would be conducted that could result in disciplinary action for illegal practice in New York.

North Carolina – The Board will respond using its normal process of investigating a violation of its statutes and rules.

North Dakota – This is not an issue in North Dakota, to our knowledge. We have researched the matter, and have not identified similar problems.

Oklahoma – The enforcement committee is planning a review of Oklahoma based SEC filers of 10-Ks. The 10-Ks of the Oklahoma companies will be reviewed and additional follow up as appropriate will be made. Any violations of this nature reported to us will be referred to our enforcement committee for appropriate disciplinary action.

Puerto Rico – First of all any filing done with non-U.S. accountants would be declared null and void and the Company would be subject to any corresponding fines and penalties for not complying with the proper filing. The Non-US accountant may be subject to fines and penalties.

Rhode Island – If Rhode Island is notified by the SEC, Rhode Island would send a cease and desist letter.

South Carolina – Issue a Cease and Desist notice for non-registered firms and individuals.

South Dakota – We would work with our legal counsel if this issue was brought to our attention and go through the complaint and take disciplinary action if necessary.

Tennessee – If this should occur in Tennessee, then a complaint would be opened and appropriate disciplinary action taken. It would appear that the SEC should take steps to verify that the forms are signed by properly licensed professionals since this problem has been brought to their attention. It would be the responsibility of the SEC to notify the Board that unlicensed activity was taking place.

Virginia – To date there have been no issues found with non-U.S. accountants signing SEC 10-K forms, although the Virginia Board of Accountancy is not currently nor proactively searching for such issues. Problems, if found, would routinely be addressed through our enforcement process and would be reported to the SEC.

Virgin Islands – This is currently not an issue for the Board, as we are not aware of public companies based in the US Virgin Islands.

Washington – The agency director is currently identifying those unlicensed firms or individuals issuing audit reports on registered public companies in this state. The issue will then be discussed with Board Officers to determine appropriate next steps.

The agency director does not believe that the issue is limited solely to SEC registrants. We are aware, and have been involved with, state regulatory filings in which unregistered CPA firms have performed audits and issued audit reports in this state. These identified filings were performed principally by Canadian affiliates of Washington state licensed firms. The solution was to require the reports to be issued (after performance evaluations by the licensed U.S. affiliates) by the resident Washington State office.

Wisconsin – A complaint would have to be filed. A case by case review would be performed to determine if a violation has occurred. They would then be disciplined according to our disciplinary process.

Wyoming – In the event of a complaint, the Wyoming Board would consider the matter to be “unlicensed practice” and would issue a Cease and Desist letter and report the matter to the SEC.

6. Are there any concerns that you would like NASBA to address?

Arkansas – Are non CPAs allowed to issue agreed upon procedures reports in the various jurisdictions? Do boards have oversight of these types of reports through peer review or quality review programs?

Colorado – A. Help serve as a liaison with all Foreign Evaluation companies and associations.
B. Explore options for CPE audits.

DC – Help the Board squash DC Council Bill B19-80, the Accountant Mobility Amendment Act of 2011.

Guam – Guam's Test Center has experienced a 27.6% decrease in paid candidates, a 34.4% decrease in paid test events (including a 9.4% decrease in paid events per candidate, down to 1.76 events/candidate) resulting in a 39.5% decrease in total Test Center revenues for our FY2011 to-date, through July 31, 2011. Noting that over 2,000 candidates registered to sit for the first "iExam" international window of August 2011, while Guam's Japanese candidates declined both in total numbers and as a component of total candidates at a more rapid rate than any other origin-based component, the Guam Board would finally like to see the "iExam business plan" that was promised in 2008 (as was apparently presented and discussed in recent NASBA Board meetings), and see the origin analysis of candidates sitting internationally to determine if there is an actual increase in Japanese candidates (or indeed in total foreign origin candidates) versus a relative shifting of test center venues among the existing foreign candidates. At the least, Guam would like to know if NASBA is in any way collecting the necessary data to properly evaluate the incremental "iExam" candidates, revenues and associated costs necessary to achieve a real reduction in the overall or "domestic" exam costs, as has been so often cited as a goal of implementing the "iExam".

Idaho – No concerns at this time. The Board is looking forward to the exchange of ideas at the Annual Meeting.

Illinois BOE – It is recommended that NASBA continue to explore ways to assist states in attaining semi-independent status.

Kansas - Requirements for mobility in other states being more onerous than was intended.

Massachusetts – Get the correct or updated information on the NASBA Mobility website. We instituted our Mobility law to allow any CPA on temporary practice to come into Massachusetts without “notice or fee” as long as the state where they are licensed allows Massachusetts CPAs to practice without “notice or fee”. If every state did this, there would be Substantial Equivalency. New York is the latest state to confine service restrictions and since I am not aware of a New York requirement for peer review (which we have had since 1997), it is quite disconcerting to have them take credit for instituting SE Mobility. I also am not sure that New York allows tax preparation with registration and NASBA can research this for us as well, since our Board would further restrict New York CPAs in any temporary practice in Massachusetts.
THANKS YOU FOR YOUR HELP

Missouri – We are very interested in seeing NASBA create legislative assistance for Boards to assist them in legislative changes to become more autonomous and with other legislative efforts.

Nebraska – As indicated in question #3 future presentations could address the online education accreditation process by CHEA and/or other accrediting bodies.

The Board is becoming more concerned with the cost of NASBA conferences. Maybe a future discussion can address this issue.

North Dakota – It would be nice to moderate the cost of dues and national meeting registration.

Rhode Island – Rhode Island needs additional assistance with legal matters.

Texas – We would like UAA Committee to consider the definition of Principle Place of Business as soon as possible in order to establish a national standard for all states to address the concern of the performance of audits in this country by unlicensed foreign accounting firms.

Virgin Islands – The Virgin Islands Board would like NASBA to address the closing of the US Virgin Islands Prometric Site, the US Virgin Islands approval to host the testing of foreign candidates, and on-island assistance in finalizing draft legislation for adoption in the US Virgin Islands. Additional support is also being requested from NASBA for completion of the USVI goal to have current laws and regulations in place.

Washington –

- Improved inter-relationships between the NASBA Communications Committee and the several other committees who are also charged with external communications.
- NASBA recommendations regarding discipline of foreign national licensees residing in countries without a disciplinary body, i.e., *if fines and costs are imposed on U.S. Residents in discipline should the same result be imposed on foreign resident licensees even though collection is less than likely;*
- In the interest of global harmony, should the UAA and state statutes recommended to be modified to recognize the value of voluntary association delivered technical courses (e.g. those offered by the Institute of Chartered Accountants). It appears that in certain instances those subsequent courses are recognized as part of the qualifying basic education in foreign countries. Foreign education evaluators are frequently granting U.S.

Equivalent College/University Bachelors degree credits subsequent to a 2 year equivalent degree program. Some U.S. Accredited Educational Institutions are also recognizing those association courses in conjunction with 2 year Degrees of Commerce for entry into U.S. accredited graduate degree programs.

- Also, see the “piling on” comment in Q #4.

Wyoming – The Wyoming Board has considered participation in the new CPAverify service designed to allow the public a tool to search for licensees in all states and jurisdictions that report.

The Board has concerns regarding the way the information is reported in relation to “Discipline.” Even with the recent verbiage revision, the Board and the Wyoming Society of CPAs Executive Committee continue to be concerned about the public’s perception of individual licensees in relation to the way discipline is listed in the roster.

If a holder has not been disciplined, the way the roster reads may lead a member of the public to believe that there is (or has been) a potential issue when, in fact, there has not. The Wyoming Board recognizes the value of the service to the public particularly in light of mobility. Until there is a resolution to what and how the information is displayed relative to discipline (if that is at all possible), or some other resolution is reached, the Board will decline participation.

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

- ☐ **Input only from Board Chair: AK, PR**
- ☐ **Input only from Executive Director: IA, KS, LA, MI, MO, MT, ND, NM, TN**
- ☐ **Input only from Board Chair and Executive Director: NC, TX, VA**
- ☐ **Input from all Board Members and Executive Director: AL, CA, CO, HI, ID, MS, NE, NH, NV, NY, OK, RI, SC, SD, WI, WY**
- ☐ **Input from some Board Members and Executive Director: AR, IL, MN, WA**
- ☐ **Input from all Board Members: GU**
- ☐ **Input from some Board Members: DC, MA, VI**
- Other (please explain):**

REGIONAL DIRECTORS' FOCUS QUESTIONS

*The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. **Please send your Board's responses to your Regional Director by January 5, 2012.** Use additional sheets for your responses if needed.*

JURISDICTION _____ **DATE** _____
NAME OF PERSON SUBMITTING FORM _____

1. NASBA is continuing its grant program for accounting research. Are there any research topics/areas of study that your Board would find particularly helpful?

2. How does your Board find CPAs who are having operational compliance problems?

3. Does your Board regularly provide a written report to the state legislature and, if so, what information is contained in that report?

4. As there is regular rotation of State Accountancy Board members, how does your Board ensure consistency in the discipline it metes out to licensees over the years?

5. How does your Board find investigators with the expertise needed to handle reviews of SEC disciplinary actions?

6. Are there any concerns that you would like NASBA to address?

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

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

Other (please explain):

10/31/11



National Association of State Boards of Accountancy

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David A. Costello, CPA
President & CEO

November 3, 2011

Board of Trustees
Financial Accounting Foundation
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: *Plan to Establish the Private Company Standards Improvement Council*

Dear Trustees:

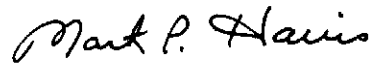
At a duly called meeting of the Board of Directors (the Board) of the National Association of State Boards of Accountancy, Inc. (NASBA), held on Friday, October 21, 2011 at the Opryland Hotel, in Nashville, TN, the Board reviewed and deliberated your "*Plan to Establish the Private Company Standards Improvement Council*" and the process involved in your key conclusions described in the plan document. The Board authorized us to communicate to you the following summary strongly-held position as voted on during that meeting:

1. The Board agrees with and commends the Financial Accounting Foundation's (FAF) process;
2. Acknowledges the sovereignty of State Boards' independent actions and authority to fulfill their responsibilities pursuant to Sarbanes-Oxley Section 209, pertinent state laws and the 10th Amendment to the U.S. Constitution;
3. Supports the conclusions of the FAF as exposed in its "*Plan to Establish the Private Company Standards Improvement Council*"; and
4. Supports and intends to monitor the accountability measures contained therein to ensure the Improvement Council will accomplish its objectives.

We must emphasize the pivotal point contained in position number four relating to accountability. The principal parties engaged in the vigorous and healthy debate on private company accounting standards do agree that there are significant issues with the current standard setting processes involving the private community which must be addressed. We in NASBA believe you have set forth a plan which if monitored closely, evaluated frequently, subjected to well documented accountability measures, and adjusted as necessary to ensure the highest quality application of accounting standards to the private sector will be responsive to the accounting profession, regulatory concerns and the public interest.

We offer you our continued support as you finalize your private company standards process and we will be pleased to be involved on behalf of our 55 state boards of accountancy in any direct manner you deem appropriate.

Sincerely,

Handwritten signature of Mark P. Harris in black ink.

Mark P. Harris, CPA
Chairman

Handwritten signature of David A. Costello in black ink.

David A. Costello, CPA
President & CEO