

**ADDITIONS TO AGENDA**  
**SOUTH DAKOTA BOARD OF ACCOUNTANCY**  
**BOARD MEETING, March 26, 2012**

A=Action  
D=Discussion  
I=Information

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## **Additions to Executive Directors Report**

### **Recap of NASBA ED Conference**

#### **Roll Call of States**

- Various states with enforcement issues, ranging from CPE to licensure revocation
- Rule changes and updates more geared toward UAA
- Movement towards online renewal systems and updating technology
- Various fee structures are being reviewed

#### **Table Topics**

I was the speaker for Communicating with Licensees and Public so I was not able to attend the other breakout sessions.

- Proposed Modification to UAA
- Emerging Issues

#### **State Board Relevance and Effectiveness Strategies Update**

- An update for Board moving towards autonomous or semi-autonomous status

#### **NASBA Services**

- A breakdown of the services offered by NASBA and the movement to offer more services at no cost to state boards

#### **Customer Service**

- Service training, hands on exercises, and various ways to improve the customer service side of boards.

#### **Credential Update**

- Update from AICPA on the Chartered Global Management Accountant designation and qualifications

#### **PCAOB – Foreign Auditors**

- Update from TX Board on new rules to capture foreign auditors
- Steps that the AICPA is taking to work with the PCAOB to find foreign auditors and inform them of their requirements to register in the USA

#### **Peer Review**

- Overview from myself on the extent our Board reviews peer reviews
- Overview from NE on their state quality enhancement program
- Overview from AICPA on the peer review program

#### **Enforcement Practices and Civil Litigation**

- Update from Noel Allen on cases that affect regulatory boards and cases won and lost by accountancy boards in the past year.

#### **PTIN**

- How the PTIN affects state boards, compliance levels, IRS complaints, Q&A with examples

#### CPA Verify/ALD

- Currently 24 states on both ALD and CPA verify
- 11 additional states on just ALD and those states are working to be on CPA verify
- 14 additional states are working towards being on ALD and/or CPA verify
- 6 states with no activity at this time

#### Enforcement Manual Guidelines

- A draft of an enforcement manual was distributed to the EDs and feedback has been solicited. The manual will be an evergreen resource and kept online for EDs to use at their discretion.

#### NASBA Financial Update

- A financial update from Michael Bryant, Sr. VP and CFO of NASBA. A recap of how NASBA is generating revenue and the balance of the expenses.

#### International Administration of CPA Exam

- A review of the international exam from NASBA since its inception a year ago, growth, expansion, volume of international candidates, application process and test centers.

## 17<sup>th</sup> Annual Legal Counsel Conference:

- Roll Call of the States:
  - The main topic of discussion this year during Roll Call was CPE Audits and disciplining those that fail them. It seems a number of states are looking to institute random CPE audits, much like SD already does, and they asked a bunch of question on how many audits they do, what states do when someone fails, etc. I explained the process we go through in SD and how failures are disciplined.
  
- Joint Standards/CPA verify:
  - This was a NASBA presentation about CPA verify and how they would like all regulatory boards to participate in it. CPA verify will be a webpage that will be, in essence, a national registry of all the CPAs in the country. NASBA would like the boards to provide the names and license numbers, along with up to date disciplinary actions taken against CPAs. With that info on the web, anyone in the country will be able to look up a CPA to ensure they are licensed and in good standing in their jurisdiction.
  
- Social Media:
  - This was a presentation on how NASBA hired a PR consultant firm to increase their web presence by different social media avenues, e.g. facebook, twitter, etc. From a legal standpoint, this presentation offered no value. But, from a social media standpoint, the presentation was interesting to see the impact social media had for NASBA with regards to its web presence.
  
- Case Law Update:
  - Nothing of real consequence discussed. This was more of an update about the cases that were discussed last year, as some of them have wrapped up. But, no state really had any major case law going on right now that was a hot topic of discussion. There were a lot of new attorneys in the room, so much of the time was catching them up on the cases discussed last year so the update on those cases made sense.

- Incorporated by Reference:
  - This was a discussion about how many states incorporate certain definitions, or code of ethics, by reference to them in their laws or rules. The presenter discussed some of the unintended consequences of this, such as the SAS 70 exclusion that occurred in some states. A general discussion was had talking about how each state handles incorporation by reference differently. I think South Dakota is lucky in that we generally have our incorporations in our rules and can change them more easily than those jurisdictions that have them in their laws.
  
- Mobility:
  - Discussed mobility and how it has been progressing. Showed us a slideshow of the website and how it works. This was pretty much an update on CPAMobilty.org and how it's been working since its implementation.
  
- Foreign Auditors:
  - This was an interesting discussion about foreign auditors and the problems that Texas has been having with them. Foreign Auditors are not registering with Texas and are performing audits for companies based in Texas. Texas sends out cease and desist letters, and many companies are complying with those. But, there are those companies that are bad actors and not complying, which leaves Texas at a loss of what to do.
  - The problem stems from what the definition of principle place of business is. For accountant auditing purposes, the definitions speaks of where the auditing services are directed to, which could be any foreign country. But, the bulk of the operations, and all the federal filing documents could say the principle place of business is in Texas. So which is it? Texas has interpreted that if your company files paperwork with the federal government that your principle place of business is in Texas, then it is and you have to be registered.
  - This issue arises when foreign companies use shell companies “located” in Texas with no assets to get on the US stock exchange, then reverse merge them with the actual foreign companies. Some of those foreign companies have no real assets either, even though they list them, and no one has ever looked into those foreign companies, and investors are being hurt after the reverse merge.
  
- Investigations:
  - We walked through a formal hearing process for a violation in Tennessee. Their process is pretty different than ours, and after sitting through their process, it is safe to say that we are thankful it is different.