SOUTH DAKOTA
BOARD OF ACCOUNTANCY
301 E. 14th Street, Suite 200
Sioux Falls, SD 57104
(605) 367-5770 / Fax: (605) 367-5773
e-mail sdbdacct.sdbd@midconetwork.com
www.accountancy.sd.gov

Agenda
South Dakota Board of Accountancy Meeting
Conference Call
9:00 a.m. (CT)
December 5, 2014

A=Action
D=Discussion
I=Information

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A-Approval of Minutes of Meeting October 27, 2014	2-4
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EXECUTIVE SESSION	
Equivalent Reviews and South Dakota Reviews for Board Approval	Spt. Pkt.

FUTURE MEETING DATES (all times CT)
January 23 – 9:00 Conference Call
March 20 – 9:00 Conference Call

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South Dakota Board of Accountancy Meeting
Minutes of Meeting
Department of Legislative Audit – Conference Room
8:30 a.m. (CDT)
October 27, 2014

The Board of Accountancy held a meeting at the Department of Legislative Audit – Conference Room in Pierre, SD on Monday, October 27, 2014. Chair John Mitchell called the meeting to order at 8:35 a.m.

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

Also present were Nicole Kasin, Executive Director; Julie Iverson, Senior Secretary; Aaron Arnold, Legal Counsel and Department of Labor & Regulation; Laura Coome, SD CPA Society; and Jeff Smith.

A motion was made by David Pummel and seconded by John Peterson to approve the September 17, 2014, meeting minutes. The motion unanimously carried.

A motion was made by John Peterson and seconded by Holly Brunick to approve the issuance of individual certificates and firm permits through October 21, 2014. The motion unanimously carried.

A motion was made by John Linn Jr. and seconded by Marty Guindon to approve the financial statements through September 2014. The motion unanimously carried.

The Board discussed the report on the CPA exam grades for the 42nd window.

A motion was made by John Linn Jr. and seconded by David Pummel to approve the CPA Exam scores for the 42nd CPA Exam window through September 2014. The motion unanimously carried.

Executive Director Kasin discussed the update on the electronic data storage management, CPE audits, the audit for the two years ending June 30, 2014, and the Board appointment and re-appointment of members.

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

The Board came out of executive session.

A motion was made by John Peterson and seconded by David Pummel to accept the peer reviews, South Dakota reviews and follow-up as discussed in executive session. The motion unanimously carried.

At 9:08 a motion was made by Holly Brunick and seconded by David Pummel to begin the Public Rules Hearing. The motion unanimously carried.

Chair Mitchell gave an overview of rule 20:75:02:07 Definition of disability – Learning disability; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:04:00 Definitions; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:04:01 Standards for continuing professional education program measurement; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:04:05 Non-group continuing professional education program criteria; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:04:15 Documentation for continuing professional education credit; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:04:18 Standards for continuing professional education program sponsors of self-study programs; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:05:01 Independence; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:05:05 Auditing, accounting, and review standards; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:05:06 Accounting principles; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:05:07 Professional standards and conduct; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:05:08 Interpretations; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:05:17 Records retention; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:07:01 Definitions; then opened the floor to public testimony. There was no public testimony.

Chair Mitchell gave an overview of rule 20:75:07:08 Conduct of review -- Location; then opened the floor to public testimony. There was no public testimony.

After Board discussion, ARSD 20:75:04:00(27) was amended to add to the definition "an accredited institution as described in 20:75:02:12."

The Board will leave the comment period open for an additional ten days after the meeting.

A motion was made by John Linn Jr. and seconded by David Pummel that the proposed rule amendments be adopted with the revisions that were discussed at the hearing. The motion unanimously carried.

The Public Rules Hearing was closed at 9:30 a.m.

The board discussed AICPA's paper on the audit process of private entities.

Hearing at 10:00 a.m. for Keith Germann

Present were Board Legal Counsel Aaron Arnold, Board Chair John Mitchell, Vice Chair John Linn, Jr., Secretary-Treasurer David Pummel, Board Members Holly Brunick, John Peterson, and Marty Guindon. Others present were staff members Nicole Kasin, Executive Director and Julie Iverson, Senior Secretary. Those from the public present were Laura Coome, SD CPA Society, and Jeff Smith. Not present was Keith Germann.

Board Legal Counsel Aaron Arnold presented the Board's case. The Board closed the hearing at 11:17 a.m.

A motion was made by Marty Guindon 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 Linn, Jr. to revoke firm permit #1457, Keith C. Germann, CPA and to suspend the practice privileges of Keith C. Germann. Mr. Germann will be required to appear in person before the board for reinstatement. The motion unanimously carried. Aaron Arnold will prepare the findings of fact, conclusions of law and order.

The board discussed the AICPA paper on maintaining the relevance of the CPA examination.

FUTURE MEETING DATES (all times CT)
December 5, 2014 – 9:00 a.m. Conference call
January 23, 2015 – 9:00 a.m. Conference call
March 20, 2015 – 9:00 a.m. Conference call

A motion was made by Marty Guindon and seconded by David Pummel to adjourn the meeting. The motion unanimously carried.

All business having come before the board was concluded and Chair John Mitchell adjourned the meeting at 12:20 p.m.

John Mitchell, CPA, Chair

Attest: _____
Nicole Kasin, Executive Director

_____
David Pummel, Sec/Treasurer

CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES
BOARD COPY

Issued Through December 1, 2014

Number	Name	Date Issued	Location
3176	Brady L. Velgersdyk	10/23/14	Sioux Falls, SD
3177	Jordan Scott Hartley	10/29/14	Sioux Falls, SD
3178	Lei Zhang	10/30/14	Sioux Falls, SD
3179	Amy Violet Samuelson	10/31/14	Sioux Falls, SD
3180	Ashley Marie Schelling	11/13/14	Sioux Falls, SD
3181	Scott Edward Bell	11/21/14	Canton, SD
3182	Kia Marissa Smith	11/25/14	Rapid City, SD

FIRM PERMITS TO PRACTICE PUBLIC ACCOUNTANCY
BOARD COPY

Issued Through
December 1, 2014

Number	Name	Date Issued	Basis/Comments
1633	Melissa B. Petersen, CPA LLC Grand Rapids, MI	10/28/14	New Firm
1634	Bauerle and Company, PC Denver, CO	11/13/14	New Firm
1635	Price and Associates CPAs, LLC dba A-lign CPAs Tampa, FL	11/19/14	New Firm
1636	Scott E. Bell, JD, CPA Canton, SD	11/21/14	New Firm
1637	Causey Demgen & Moore P.C. Denver, CO	12/01/14	New Firm

CASH CENTER BALANCES
AS OF: 10/31/2014

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

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	412,788.43	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			412,788.43	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			412,788.43	DR **	
BUDGET UNIT TOTAL 1031			412,788.43	DR ***	

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

COMPANY NO 6503
COMPANY NAME PROFESSIONAL & LICENSING BOARDS

COMP	CENTER	ACCOUNT		DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
6503	103100061802	51010100		CGEX140926	10/01/2014					2,046.01	DR
6503	103100061802	51010100		CGEX141014	10/17/2014					2,046.00	DR
6503	103100061802	51010100		CGEX141028	10/31/2014					2,046.00	DR
	OBJSUB:	5101010	F-T EMP SAL & WAGES							6,138.01	DR *
6503	103100061802	51010200		CGEX140926	10/01/2014					1,302.88	DR
6503	103100061802	51010200		CGEX141014	10/17/2014					1,336.86	DR
6503	103100061802	51010200		CGEX141028	10/31/2014					1,560.56	DR
	OBJSUB:	5101020	P-T/TEMP EMP SAL & WAGES							4,200.30	DR *
6503	103100061802	51010300		CGEX140926	10/01/2014					240.00	DR
	OBJSUB:	5101030	BOARD & COMM MBRS FEES							240.00	DR *
	OBJECT:	5101	EMPLOYEE SALARIES							10,578.31	DR **
6503	103100061802	51020100		CGEX140926	10/01/2014					259.93	DR
6503	103100061802	51020100		CGEX141014	10/17/2014					228.21	DR
6503	103100061802	51020100		CGEX141028	10/31/2014					255.96	DR
	OBJSUB:	5102010	OASI-EMPLOYER'S SHARE							744.10	DR *
6503	103100061802	51020200		CGEX140926	10/01/2014					200.94	DR
6503	103100061802	51020200		CGEX141014	10/17/2014					202.97	DR
6503	103100061802	51020200		CGEX141028	10/31/2014					202.27	DR
	OBJSUB:	5102020	RETIREMENT-ER SHARE							606.18	DR *
6503	103100061802	51020600		CGEX140926	10/01/2014					1,077.75	DR
6503	103100061802	51020600		CGEX141014	10/17/2014					1,077.75	DR
6503	103100061802	51020600		CGEX141028	10/31/2014					1,077.75	DR
	OBJSUB:	5102060	HEALTH/LIFE INS.-ER SHARE							3,233.25	DR *
6503	103100061802	51020800		CGEX140926	10/01/2014					2.01	DR
6503	103100061802	51020800		CGEX141014	10/17/2014					2.03	DR
6503	103100061802	51020800		CGEX141028	10/31/2014					2.17	DR
	OBJSUB:	5102080	WORKER'S COMPENSATION							6.21	DR *
6503	103100061802	51020900		CGEX140926	10/01/2014					1.51	DR
6503	103100061802	51020900		CGEX141014	10/17/2014					1.52	DR
6503	103100061802	51020900		CGEX141028	10/31/2014					1.63	DR
	OBJSUB:	5102090	UNEMPLOYMENT COMPENSATION							4.66	DR *
	OBJECT:	5102	EMPLOYEE BENEFITS							4,594.40	DR **
	GROUP:	51	PERSONAL SERVICES							15,172.71	DR ***
6503	103100061802	52032600		CGEX141009	10/10/2014	079507				609.70	DR
	OBJSUB:	5203260	AIR-COMM-OUT-OF-STATE							609.70	DR *
6503	103100061802	52032800		CGEX141009	10/10/2014	079507				13.85	DR

AGENCY 10 LABOR & REGULATION
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
	OBJSUB:	5203280	OTHER-PUBLIC-OUT-OF-STATE							13.85	DR *
6503	103100061802	52033000		CGEX141009	10/10/2014	079507				173.44	DR
	OBJSUB:	5203300	LODGING/OUT-OF-STATE							173.44	DR *
6503	103100061802	52033200		CGEX141009	10/10/2014	079507				16.00	DR
	OBJSUB:	5203320	INCIDENTALS-OUT-OF-STATE							16.00	DR *
6503	103100061802	52033500		CGEX141009	10/10/2014	079507				34.00	DR
	OBJSUB:	5203350	NON-TAXABLE MEALS/OUT-ST							34.00	DR *
	OBJECT:	5203	TRAVEL							846.99	DR **
6503	103100061802	52040100		553976	10/10/2014	00140012	LONGLEAFSE	12257135		199.00	DR
	OBJSUB:	5204010	SUBSCRIPTIONS							199.00	DR *
6503	103100061802	52041600		03193,3194,3195	10/10/2014	00139415	NATLASSNST	12005047		2,085.00	DR
	OBJSUB:	5204160	WORKSHOP REGISTRATION FEE							2,085.00	DR *
6503	103100061802	52041800		DP509099	10/28/2014					465.00	DR
	OBJSUB:	5204180	COMPUTER SERVICES-STATE							465.00	DR *
6503	103100061802	52042000		PL509054	10/28/2014					57.79	DR
6503	103100061802	52042000		PL509054	10/28/2014					57.75	DR
6503	103100061802	52042000		PL509054	10/28/2014					57.75	CR
6503	103100061802	52042000		RM509052	10/28/2014					75.12	DR
	OBJSUB:	5204200	CENTRAL SERVICES							132.91	DR *
6503	103100061802	52042300		15SC100002 OCT14	10/31/2014	00145515	SUNSETOFFI	12043890		122.86	DR
	OBJSUB:	5204230	JANITORIAL & MAINT SERV							122.86	DR *
6503	103100061802	52043600		3675770 1014	10/31/2014	02095203	ABERDEENAM	12028485		212.20	DR
	OBJSUB:	5204360	ADVERTISING-NEWSPAPER							212.20	DR *
6503	103100061802	52044900		ACCOUNTRENT2014	10/28/2014	02095052	MCGINNISRO	12074040		1,269.45	DR
	OBJSUB:	5204490	RENTS-PRIVATE OWNED PROP.							1,269.45	DR *
6503	103100061802	52045300		TL509153	10/28/2014					95.71	DR
6503	103100061802	52045300		2872359210870914	10/08/2014	00139326	ATTMOBILIT	12279233		66.93	DR
	OBJSUB:	5204530	TELECOMMUNICATIONS SRVCS							162.64	DR *
6503	103100061802	52045400		5159417006 0914	10/10/2014	02092564	XCELENERGY	12023853		46.65	DR
	OBJSUB:	5204540	ELECTRICITY							46.65	DR *
6503	103100061802	52045600		138109	10/31/2014	00145434	ECOWATER	12035896		22.35	DR
	OBJSUB:	5204560	WATER							22.35	DR *
6503	103100061802	52047400		CI105A-026	10/17/2014	217322				120.42	DR
	OBJSUB:	5204740	BANK FEES AND CHARGES							120.42	DR *
6503	103100061802	52049600		13587688	10/22/2014	00142357	NATLASSNST	12005047		228.03	DR

MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 10/31/2014

AGENCY 10 LABOR & REGULATION
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
	OBJSUB:	5204960	OTHER CONTRACTUAL SERVICE							228.03	DR *
	OBJECT:	5204	CONTRACTUAL SERVICES							5,066.51	DR **
6503	103100061802	52050280		410873	10/17/2014	02093706	OFFICEMAXI	12162845		45.04	DR
6503	103100061802	52050280		411122	10/17/2014	02093706	OFFICEMAXI	12162845		14.30	DR
	OBJSUB:	5205028	OFFICE SUPPLIES							59.34	DR *
6503	103100061802	52053200		38898	10/17/2014	00141517	BUSINESSPR	12003048		30.00	DR
	OBJSUB:	5205320	PRINTING-COMMERCIAL							30.00	DR *
6503	103100061802	52053500		092514	10/10/2014	00140189	USPOSTALSE	12005421	A2	1,000.00	DR
	OBJSUB:	5205350	POSTAGE							1,000.00	DR *
	OBJECT:	5205	SUPPLIES & MATERIALS							1,089.34	DR **
6503	103100061802	5228000		T105-031	10/08/2014					183.07	DR
	OBJSUB:	5228000	OPER TRANS OUT -NON BUDGT							183.07	DR *
	OBJECT:	5228	NONOP EXP/NONBGTD OP TR							183.07	DR **
	GROUP:	52	OPERATING EXPENSES							7,185.91	DR ***
	COMP:	6503								22,358.62	DR ****
	CNTR:	103100061802								22,358.62	DR *****
	B. UNIT:	1031								22,358.62	DR ******

South Dakota Board of Accountancy
Balance Sheet
As of October 31, 2014

	Oct 31, 14	
ASSETS		
Current Assets		
Checking/Savings		
1130000 · Local Checking - US Bank		2,736.32
1140000 · Pool Cash State of SD		412,788.43
Total Checking/Savings		415,524.75
Other Current Assets		
1131000 · Interest Income Receivable		4,710.31
1213000 · Investment Income Receivable		1,058.55
Total Other Current Assets		5,768.86
Total Current Assets		421,293.61
Fixed Assets		
1670000 · Computer Software		
Original Cost	140,063.23	
1770000 · Depreciation	-133,022.21	
Total 1670000 · Computer Software		7,041.02
Total Fixed Assets		7,041.02
TOTAL ASSETS		**428,334.63**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2110000 · Accounts Payable		13,517.08
Total Accounts Payable		13,517.08
Other Current Liabilities		
2430000 · Accrued Wages Payable		7,478.29
2810000 · Amounts Held for Others		21,120.75
Total Other Current Liabilities		28,599.04
Total Current Liabilities		42,116.12
Long Term Liabilities		
2960000 · Compensated Absences Payable		16,686.44
Total Long Term Liabilities		16,686.44
Total Liabilities		58,802.56
Equity		
3220000 · Unrestricted Net Assets		248,707.71
3300100 · Invested In Capital Assets		7,041.10
3900 · Retained Earnings		4,512.55
Net Income		109,270.71
Total Equity		369,532.07
TOTAL LIABILITIES & EQUITY		**428,334.63**

South Dakota Board of Accountancy
Profit & Loss Budget vs. Actual
July through October 2014

	Jul - Oct 14	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	1,300.00	2,200.00	-900.00	59.1%
4293551 · Certificate Renewals-Active				
5208002 · Refunds	-10.00			
4293551 · Certificate Renewals-Active - Other	57,460.00	55,000.00	2,460.00	104.5%
Total 4293551 · Certificate Renewals-Active	57,450.00	55,000.00	2,450.00	104.5%
4293552 · Certificate Renewals-Inactive	20,050.00	19,000.00	1,050.00	105.5%
4293553 · Certificate Renewals-Retired				
5208005 · REFUNDS	-40.00			
4293553 · Certificate Renewals-Retired - Other	1,010.00	750.00	260.00	134.7%
Total 4293553 · Certificate Renewals-Retired	970.00	750.00	220.00	129.3%
4293554 · Initial Firm Permits	400.00	900.00	-500.00	44.4%
4293555 · Firm Permit Renewals				
5208004 · REFUNDS	-150.00			
4293555 · Firm Permit Renewals - Other	14,160.00	15,000.00	-840.00	94.4%
Total 4293555 · Firm Permit Renewals	14,010.00	15,000.00	-990.00	93.4%
4293557 · Initial Audit	240.00	900.00	-660.00	26.7%
4293558 · Re-Exam Audit	750.00	2,460.00	-1,710.00	30.5%
4293561 · Late Fees-Certificate Renewals	2,600.00	3,700.00	-1,100.00	70.3%
4293563 · Late Fees-Firm Permit Renewals	300.00	800.00	-500.00	37.5%
4293564 · Late Fees-Peer Review	250.00	1,300.00	-1,050.00	19.2%
4293566 · Firm Permit Owners	89,280.00	78,000.00	11,280.00	114.5%
4293567 · Peer Review Admin Fee	450.00	5,650.00	-5,200.00	8.0%
4293568 · Firm Permit Name Change	75.00	100.00	-25.00	75.0%
4293569 · Initial FAR	450.00	1,140.00	-690.00	39.5%
4293570 · Initial REG	180.00	660.00	-480.00	27.3%
4293571 · Inital BEC	240.00	930.00	-690.00	25.8%
4293572 · Re-Exam FAR	480.00	1,860.00	-1,380.00	25.8%
4293573 · Re-Exam REG	720.00	2,310.00	-1,590.00	31.2%
4293574 · Re-Exam BEC	660.00	2,310.00	-1,650.00	28.6%
4491000 · Interest and Dividend Revenue	3,578.78	8,500.00	-4,921.22	42.1%
4896021 · Legal Recovery Cost	100.00	1,000.00	-900.00	10.0%
Total Income	194,533.78	204,470.00	-9,936.22	95.1%
Gross Profit	194,533.78	204,470.00	-9,936.22	95.1%
Expense				
5101010 · F-T Emp Sal & Wages	18,414.02	72,759.00	-54,344.98	25.3%
5101020 · P-T/Temp Emp Sal & Wages	12,081.06	18,779.00	-6,697.94	64.3%
5101030 · Board & Comm Mbrs Fees	1,080.00	4,372.00	-3,292.00	24.7%
5102010 · OASI-Employer's Share	2,262.60	7,362.00	-5,099.40	30.7%
5102020 · Retirement-ER Share	1,815.60	5,492.00	-3,676.40	33.1%
5102060 · Health /Life Ins.-ER Share	9,699.75	22,007.00	-12,307.25	44.1%
5102080 · Worker's Compensation	18.32	254.00	-235.68	7.2%
5102090 · Unemployment Insurance	13.75	91.00	-77.25	15.1%
5203010 · Auto--State Owned	0.00	1,000.00	-1,000.00	0.0%
5203020 · Auto-Private-Ownes Low Mileage	180.80	400.00	-219.20	45.2%
5203030 · In State-Auto- Priv. High Miles	1,092.98	1,500.00	-407.02	72.9%
5203100 · In State-Lodging	673.75	1,000.00	-326.25	67.4%
5203120 · In State-Incidentals to Travel	10.00	100.00	-90.00	10.0%
5203140 · InState-Tax Meals Not Overnigt	0.00	100.00	-100.00	0.0%
5203150 · InState-Non-Tax Meals OverNight	363.00	400.00	-37.00	90.8%
5203220 · OS-Auto Private Low Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	609.70	6,000.00	-5,390.30	10.2%
5203280 · OS-Other Public Carrier	13.85	500.00	-486.15	2.8%
5203300 · OS-Lodging	173.44	7,800.00	-7,626.56	2.2%
5203320 · OS-Incidentals to Travel	16.00	450.00	-434.00	3.6%
5203350 · OS-Non-Taxable Meals Overnight	34.00	1,300.00	-1,266.00	2.6%
5204010 · Subscriptions	313.00	1,000.00	-687.00	31.3%
5204020 · Dues and Membership Fees	3,200.00	3,900.00	-700.00	82.1%
5204030 · Legal Document Fees	0.00	300.00	-300.00	0.0%

South Dakota Board of Accountancy
Profit & Loss Budget vs. Actual
July through October 2014

	Jul - Oct 14	Budget	$ Over Budget	% of Budget
5204040 · Consultant Fees-Accounting	6,390.00	7,100.00	-710.00	90.0%
5204160 · Workshop Registration Fees	2,085.00	6,000.00	-3,915.00	34.8%
5204180 · Computer Services-State	234.00	600.00	-366.00	39.0%
5204181 · Computer Development Serv-State	1,032.00	10,400.00	-9,368.00	9.9%
5204200 · Central Services	2,565.65	7,000.00	-4,434.35	36.7%
5204220 · Equipment Service & Maintenance	18.45	300.00	-281.55	6.2%
5204230 · Janitorial/Maintenance Services	491.44	1,560.00	-1,068.56	31.5%
5204340 · Computer Software Maintenance	122.50	1,500.00	-1,377.50	8.2%
5204360 · Advertising-Newspapers	773.53	1,000.00	-226.47	77.4%
5204440 · Newsletter Publishing	444.00	1,100.00	-656.00	40.4%
5204460 · Equipment Rental	825.00	4,000.00	-3,175.00	20.6%
5204480 · Microfilm and Photography	0.00	700.00	-700.00	0.0%
5204490 · Rents Privately Owned Property	5,077.80	15,234.00	-10,156.20	33.3%
5204510 · Rent-Other	230.80	250.00	-19.20	92.3%
5204530 · Telecommunications Services	984.64	2,800.00	-1,815.36	35.2%
5204540 · Electricity	198.76	865.00	-666.24	23.0%
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	3,644.99	5,500.00	-1,855.01	66.3%
5205020 · Office Supplies	87.35	2,000.00	-1,912.65	4.4%
5205310 · Printing State	0.00	500.00	-500.00	0.0%
5205320 · Printing/Duplicating/Binding Co	93.00	1,000.00	-907.00	9.3%
5205330 · Supplemental Publications	387.50	700.00	-312.50	55.4%
5205340 · Microfilm Supplies/Materials	0.00	300.00	-300.00	0.0%
5205350 · Postage	1,927.52	2,000.00	-72.48	96.4%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	175.00	4,800.00	-4,625.00	3.6%
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	1,340.30	7,400.00	-6,059.70	18.1%
5228030 · Depreciation Expense	4,023.52	12,070.40	-8,046.88	33.3%
Total Expense	85,263.07	257,195.40	-171,932.33	33.2%
Net Ordinary Income	109,270.71	-52,725.40	161,996.11	-207.2%
Net Income	**109,270.71**	**-52,725.40**	**161,996.11**	**-207.2%**

South Dakota Board of Accountancy
PREVIOUS YEAR MONTHLY COMPARISON
October 2014

	Oct 14	Oct 13	$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	450.00	400.00	50.00	12.5%
4293551 · Certificate Renewals-Active	0.00	100.00	-100.00	-100.0%
4293552 · Certificate Renewals-Inactive	150.00	50.00	100.00	200.0%
4293554 · Initial Firm Permits	50.00	50.00	0.00	0.0%
4293555 · Firm Permit Renewals	50.00	0.00	50.00	100.0%
4293557 · Initial Audit	60.00	0.00	60.00	100.0%
4293558 · Re-Exam Audit	180.00	150.00	30.00	20.0%
4293560 · Late Fees-Initial Certificate	0.00	50.00	-50.00	-100.0%
4293561 · Late Fees-Certificate Renewals	150.00	0.00	150.00	100.0%
4293563 · Late Fees-Firm Permit Renewals	50.00	0.00	50.00	100.0%
4293564 · Late Fees-Peer Review	0.00	150.00	-150.00	-100.0%
4293566 · Firm Permit Owners	130.00	65.00	65.00	100.0%
4293568 · Firm Permit Name Change	0.00	25.00	-25.00	-100.0%
4293569 · Initial FAR	120.00	90.00	30.00	33.3%
4293571 · Inital BEC	0.00	30.00	-30.00	-100.0%
4293572 · Re-Exam FAR	150.00	240.00	-90.00	-37.5%
4293573 · Re-Exam REG	210.00	330.00	-120.00	-36.4%
4293574 · Re-Exam BEC	150.00	330.00	-180.00	-54.6%
Total Income	1,900.00	2,060.00	-160.00	-7.8%
Gross Profit	1,900.00	2,060.00	-160.00	-7.8%
Expense				
5101010 · F-T Emp Sal & Wages	6,138.01	3,972.32	2,165.69	54.5%
5101020 · P-T/Temp Emp Sal & Wages	4,200.30	1,578.83	2,621.47	166.0%
5101030 · Board & Comm Mbrs Fees	240.00	180.00	60.00	33.3%
5102010 · OASI-Employer's Share	744.10	425.02	319.08	75.1%
5102020 · Retirement-ER Share	606.18	333.07	273.11	82.0%
5102060 · Health /Life Ins.-ER Share	3,233.25	1,211.52	2,021.73	166.9%
5102080 · Worker's Compensation	6.21	7.21	-1.00	-13.9%
5102090 · Unemployment Insurance	4.66	1.78	2.88	161.8%
5203030 · In State-Auto- Priv. High Miles	398.12	0.00	398.12	100.0%
5203100 · In State-Lodging	333.25	0.00	333.25	100.0%
5203150 · InState-Non-Tax Meals OverNight	165.00	0.00	165.00	100.0%
5204040 · Consultant Fees-Accounting	6,390.00	0.00	6,390.00	100.0%
5204200 · Central Services	132.91	119.31	13.60	11.4%
5204220 · Equipment Service & Maintenance	4.23	3.44	0.79	23.0%
5204230 · Janitorial/Maintenance Services	122.86	122.86	0.00	0.0%
5204360 · Advertising-Newspapers	212.20	0.00	212.20	100.0%
5204460 · Equipment Rental	57.00	57.00	0.00	0.0%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	257.64	275.56	-17.92	-6.5%
5204540 · Electricity	58.08	54.90	3.18	5.8%
5204560 · Water	22.35	22.35	0.00	0.0%
5204740 · Bank Fees and Charges	129.37	91.64	37.73	41.2%
5204960 · Other Contractual Services	0.00	283.50	-283.50	-100.0%
5205020 · Office Supplies	0.00	28.84	-28.84	-100.0%
5205320 · Printing/Duplicating/Binding Co	30.00	0.00	30.00	100.0%
5205330 · Supplemental Publications	387.50	387.50	0.00	0.0%
5205350 · Postage	21.02	0.00	21.02	100.0%
5207900 · Computer Hardware	0.00	0.00	0.00	0.0%
5228000 · Operating Transfers Out-NonBudg	183.07	140.63	42.44	30.2%
5228030 · Depreciation Expense	1,005.86	1,005.86	0.00	0.0%
Total Expense	26,352.62	11,572.59	14,780.03	127.7%
Net Ordinary Income	-24,452.62	-9,512.59	-14,940.03	-157.1%
Net Income	**-24,452.62**	**-9,512.59**	**-14,940.03**	**-157.1%**

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
July through October 2014

	Jul - Oct 14	Jul - Oct 13	$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	1,300.00	1,150.00	150.00	13.0%
4293551 · Certificate Renewals-Active	57,450.00	56,450.00	1,000.00	1.8%
4293552 · Certificate Renewals-Inactive	20,050.00	19,650.00	400.00	2.0%
4293553 · Certificate Renewals-Retired	970.00	820.00	150.00	18.3%
4293554 · Initial Firm Permits	400.00	200.00	200.00	100.0%
4293555 · Firm Permit Renewals	14,010.00	13,700.00	310.00	2.3%
4293557 · Initial Audit	240.00	180.00	60.00	33.3%
4293558 · Re-Exam Audit	750.00	840.00	-90.00	-10.7%
4293560 · Late Fees-Initial Certificate	0.00	150.00	-150.00	-100.0%
4293561 · Late Fees-Certificate Renewals	2,600.00	1,950.00	650.00	33.3%
4293563 · Late Fees-Firm Permit Renewals	300.00	700.00	-400.00	-57.1%
4293564 · Late Fees-Peer Review	250.00	650.00	-400.00	-61.5%
4293566 · Firm Permit Owners	89,280.00	87,235.00	2,045.00	2.3%
4293567 · Peer Review Admin Fee	450.00	675.00	-225.00	-33.3%
4293568 · Firm Permit Name Change	75.00	100.00	-25.00	-25.0%
4293569 · Initial FAR	450.00	360.00	90.00	25.0%
4293570 · Initial REG	180.00	60.00	120.00	200.0%
4293571 · Inital BEC	240.00	180.00	60.00	33.3%
4293572 · Re-Exam FAR	480.00	690.00	-210.00	-30.4%
4293573 · Re-Exam REG	720.00	900.00	-180.00	-20.0%
4293574 · Re-Exam BEC	660.00	780.00	-120.00	-15.4%
4491000 · Interest and Dividend Revenue	3,578.78	5,207.41	-1,628.63	-31.3%
4896021 · Legal Recovery Cost	100.00	0.00	100.00	100.0%
Total Income	194,533.78	192,627.41	1,906.37	1.0%
Gross Profit	194,533.78	192,627.41	1,906.37	1.0%
Expense				
5101010 · F-T Emp Sal & Wages	18,414.02	16,103.16	2,310.86	14.4%
5101020 · P-T/Temp Emp Sal & Wages	12,081.06	6,940.16	5,140.90	74.1%
5101030 · Board & Comm Mbrs Fees	1,080.00	1,140.00	-60.00	-5.3%
5102010 · OASI-Employer's Share	2,262.60	1,796.36	466.24	26.0%
5102020 · Retirement-ER Share	1,815.60	1,382.59	433.01	31.3%
5102060 · Health /Life Ins.-ER Share	9,699.75	5,451.84	4,247.91	77.9%
5102080 · Worker's Compensation	18.32	29.94	-11.62	-38.8%
5102090 · Unemployment Insurance	13.75	7.40	6.35	85.8%
5203010 · Auto--State Owned	0.00	296.96	-296.96	-100.0%
5203020 · Auto-Private-Ownes Low Mileage	180.80	180.80	0.00	0.0%
5203030 · In State-Auto- Priv. High Miles	1,092.98	694.86	398.12	57.3%
5203100 · In State-Lodging	673.75	350.00	323.75	92.5%
5203120 · In State-Incidentals to Travel	10.00	0.00	10.00	100.0%
5203150 · InState-Non-Tax Meals OverNight	363.00	215.00	148.00	68.8%
5203260 · OS-Air Commercial Carrier	609.70	0.00	609.70	100.0%
5203280 · OS-Other Public Carrier	13.85	0.00	13.85	100.0%
5203300 · OS-Lodging	173.44	0.00	173.44	100.0%
5203320 · OS-Incidentals to Travel	16.00	0.00	16.00	100.0%
5203350 · OS-Non-Taxable Meals Overnight	34.00	0.00	34.00	100.0%
5204010 · Subscriptions	313.00	0.00	313.00	100.0%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204040 · Consultant Fees-Accounting	6,390.00	0.00	6,390.00	100.0%
5204160 · Workshop Registration Fees	2,085.00	1,090.00	995.00	91.3%
5204180 · Computer Services-State	234.00	297.00	-63.00	-21.2%
5204181 · Computer Development Serv-State	1,032.00	4,902.30	-3,870.30	-79.0%
5204200 · Central Services	2,565.65	1,764.68	800.97	45.4%
5204220 · Equipment Service & Maintenance	18.45	29.31	-10.86	-37.1%
5204230 · Janitorial/Maintenance Services	491.44	491.44	0.00	0.0%
5204340 · Computer Software Maintenance	122.50	0.00	122.50	100.0%
5204360 · Advertising-Newspapers	773.53	0.00	773.53	100.0%
5204440 · Newsletter Publishing	444.00	0.00	444.00	100.0%
5204460 · Equipment Rental	825.00	825.00	0.00	0.0%
5204490 · Rents Privately Owned Property	5,077.80	5,077.80	0.00	0.0%
5204510 · Rent-Other	230.80	200.00	30.80	15.4%
5204530 · Telecommunications Services	984.64	1,013.72	-29.08	-2.9%
5204540 · Electricity	198.76	205.35	-6.59	-3.2%

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
July through October 2014

	Jul - Oct 14	Jul - Oct 13	$ Change	% Change
5204560 · Water	44.70	22.35	22.35	100.0%
5204740 · Bank Fees and Charges	3,644.99	3,340.90	304.09	9.1%
5204960 · Other Contractual Services	0.00	283.50	-283.50	-100.0%
5205020 · Office Supplies	87.35	107.72	-20.37	-18.9%
5205320 · Printing/Duplicating/Binding Co	93.00	45.15	47.85	106.0%
5205330 · Supplemental Publications	387.50	387.50	0.00	0.0%
5205350 · Postage	1,927.52	0.00	1,927.52	100.0%
5207900 · Computer Hardware	175.00	-238.63	413.63	173.3%
5228000 · Operating Transfers Out-NonBudg	1,340.30	1,226.08	114.22	9.3%
5228030 · Depreciation Expense	4,023.52	4,023.44	0.08	0.0%
Total Expense	85,263.07	62,883.68	22,379.39	35.6%
Net Ordinary Income	109,270.71	129,743.73	-20,473.02	-15.8%
Net Income	**109,270.71**	**129,743.73**	**-20,473.02**	**-15.8%**

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION
SOUTH DAKOTA BOARD OF ACCOUNTANCY
BASIC FINANCIAL STATEMENTS
FOR THE TWO YEARS ENDED JUNE 30, 2014

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION
SOUTH DAKOTA BOARD OF ACCOUNTANCY

BOARD MEMBERS

John Mitchell, CPA	Chair
John Linn, Jr., CPA	Vice-Chair
David Pummel, CPA	Secretary-Treasurer
Martin Guindon, CPA	Ex Officio Member
Holly Brunick, CPA	Member
John Peterson	Lay Member

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION
SOUTH DAKOTA BOARD OF ACCOUNTANCY

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EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Dennis Daugaard
Governor of South Dakota
and
South Dakota Department of Labor and Regulation
700 Governors Drive
Pierre, South Dakota
and
South Dakota Board of Accountancy
301 East 14th Street, Suite 200
Sioux Falls, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the South Dakota Board of Accountancy (the Board), an enterprise fund of the South Dakota State government, as of and for the two years ended June 30, 2014, and the related notes to the financial statements, which collectively comprise South Dakota Board of Accountancy's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
October 29, 2014

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION
SOUTH DAKOTA BOARD OF ACCOUNTANCY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE TWO YEARS ENDED JUNE 30, 2014

STATUS OF PRIOR AUDIT FINDINGS

There were no findings in the prior audit.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION
SOUTH DAKOTA BOARD OF ACCOUNTANCY
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE TWO YEARS ENDED JUNE 30, 2014

CURRENT AUDIT FINDING AND RECOMMENDATION

There are no findings in the current audit.

EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report

The Honorable Dennis Daugaard
Governor of South Dakota
and
South Dakota Department of Labor and Regulation
700 Governors Drive
Pierre, South Dakota
and
South Dakota Board of Accountancy
301 East 14th Street, Suite 200
Sioux Falls, South Dakota

We have audited the accompanying financial statements of the business-type activities of the South Dakota Board of Accountancy, an enterprise fund of the State of South Dakota as of and for the two years ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the South Dakota Board of Accountancy, an enterprise fund of the State of South Dakota, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the South Dakota Board of Accountancy are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of South Dakota that is attributable to the transactions of the South Dakota Board of Accountancy. They do not purport to, and do not present fairly the financial position of the State of South Dakota as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

The list of Board Members is presented for purposes of additional information and is not a required part of the basic financial statements, and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 29, 2014, on our consideration of the South Dakota Board of Accountancy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the South Dakota Board of Accountancy's internal control over financial reporting and compliance.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
October 29, 2014

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND
STATEMENTS OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 340,985	$ 277,421
Investment income receivable	1,059	970
Total current assets	342,044	278,391
Noncurrent assets:		
Capital assets:		
Software development costs	140,063	140,063
Less accumulated depreciation	(128,999)	(116,928)
Total noncurrent assets	11,064	23,135
Total assets	$ 353,108	$ 301,526
Liabilities		
Current liabilities:		
Accounts payable	2,981	5,846
Amounts held for others	26,232	30,305
Accrued wages and benefits payable	7,478	6,462
Unearned revenues	39,470	-
Compensated absences, current portion	8,817	7,534
Total current liabilities	84,978	50,147
Noncurrent liabilities		
Compensated absences, long-term portion	7,869	6,585
Total noncurrent liabilities	7,869	6,585
Total liabilities	92,847	56,732
Net Position		
Net invested in capital assets	11,064	23,135
Unrestricted	249,197	221,659
Total net position	260,261	244,794
Total liabilities and net position	$ 353,108	$ 301,526

See accompanying notes to the financial statements.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
Operating revenues:		
Licenses, permits and fees:		
Business and occupational licensing:		
Initial permits and renewals	$ 189,295	$ 176,375
Examination fees	11,340	12,420
Total licenses, permits and fees	200,635	188,795
Charges for sales and services:		
Quality review	7,000	4,525
Recovery of costs of proceedings	1,250	700
Total charges for sales and services	8,250	5,225
Total operating revenues	208,885	194,020
Operating expenses:		
Personnel services	79,220	86,234
Employee benefits	35,611	33,916
Travel	12,088	19,946
Contractual services	57,008	66,360
Supplies and materials	2,495	7,723
Depreciation	12,070	12,070
Total operating expenses	198,492	226,249
Operating Income (Loss)	10,393	(32,229)
Non-operating revenues:		
Interest income	5,122	3,084
Investing expenses	(48)	(244)
Total non-operating revenues	5,074	2,840
Change in net position	15,467	(29,389)
Net position beginning of year	244,794	274,183
Net position end of year	$ 260,261	$ 244,794

See accompanying notes to the financial statements.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
Cash flows from operating activities:		
Receipts from customers	$ 318,596	$ 249,385
Payments to customers	(6,848)	(5,658)
Payments to suppliers	(141,922)	(163,206)
Payments to employees	(111,247)	(120,090)
Net cash provided (used) by operating activities	58,579	(39,569)
Cash flows from investing activities:		
Interest on investments	5,033	3,350
Investing expenses	(48)	(244)
Net cash provided (used) by investing activities	4,985	3,106
Net increase (decrease) in cash and cash equivalents	63,564	(36,463)
Cash and cash equivalents beginning of year	277,421	313,884
Cash and cash equivalents end of year	$ 340,985	$ 277,421
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 10,393	$ (32,229)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	12,070	12,070
Increase (decrease) in accounts payable	(2,865)	644
Increase (decrease) amounts held for others	(4,073)	(474)
Increase (decrease) in unearned revenues	39,470	(19,640)
Increase (decrease) in accrued salaries payable	1,017	(726)
Increase in compensated absences	2,567	786
Net cash provided by operating activities	$ 58,579	$ (39,569)

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The fund included in this report is a fund of the State of South Dakota. The South Dakota Board of Accountancy is a function subunit the Department of Labor and Regulation. Consequently, the financial statements do not purport to, and do not, present fairly the financial position, changes in financial position, and cash flows of the State of South Dakota government in accordance with accounting principles generally accepted in the United States of America. The purpose of the Board is to administer and enforce the rules and regulations regarding the practice of public accounting.

b. Fund Accounting

The Board is accounted for as an enterprise fund of the State of South Dakota government. Enterprise funds are used to account for activities for which a fee is charged to external users for goods or services. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. Basis of Accounting

The Board is reported on the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned and expenses are recognized when they are incurred.

d. Cash and Cash Equivalents

This account includes cash and investments include demand deposits and a participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the state's internal investment pool is reported at fair value.

e. Capital Assets

The Board's policy is to capitalize all assets with an acquisition cost of $5,000 or more and a useful life of more than one year. All assets are valued at historical cost or estimated cost if actual cost is not available, except for donated assets which are recorded at their estimated fair value at the date of donation. All of the reported capital assets have been valued at actual cost as of June 30, 2014.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful life of software development costs has been estimated to be six years.

f. Compensated Absences

Annual leave is earned by all permanent employees who work in excess of 20 hours per week at the following rates:

0 – 15 years of service is .0576925 hours per hour worked cumulating to 240 hours

15 or more years of service is .076923125 hours per hour worked cumulating to 320 hours

Upon termination, if the employee has worked more than six months, all unused vacation hours are paid to the employee at the current rate of pay.

Sick leave is earned by all permanent employees at the rate of .053846154 hours per hour worked. Upon termination, if the employee has seven or more consecutive years of service, one-fourth of their accumulated sick leave balance, not to exceed 480 hours are paid to the employee at the current rate of pay.

A liability has been recorded in the financial statements for compensated absences in accordance with GASB statements. The current portion of this liability is estimated based on historical trends.

g. Equity

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

2. DEPOSITS AND INVESTMENTS

Various restrictions on deposits and investments are imposed by state statues. These restrictions are summarized below:

Deposits – The Board's deposits are made in qualified public depositories as defined by SDCL 4-6A-1 and with the South Dakota State Treasurer. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of the bank's public debt rating, which may not be less

than "AA" or better, or a qualified pubic depository may furnish a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

The bank balance of the local checking account at June 30, 2014 was as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 4,549.53
Total Deposits	$ 4,549.53

The carrying amount of deposits at June 30, 2014 was $4,549.53. They were all adequately insured as of June 30, 2014.

The Board's cash includes a participating interest in the State's internal investment pool held by the State Treasurer. The remaining reported cash of $329,205.62 consists of $329,205.62 held in the State's internal investment pool. The management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Commission (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in SDIC's audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501. Funds on deposit with the State Treasury are invested by the State Investment Officer pursuant to SDCL 4-5-23 with the Board getting its proportionate share of interest income under SDCL 4-5-30. The Board did not have privately held investments as of June 30, 2014.

3. CAPITAL ASSETS

A summary of changes in capital assets for the two fiscal years ended June 30, 2014, is as follows:

	Balance @ 6/30/13	Additions	Deletions	Balance @ 6/30/14
Computer software	$ 140,063.23	$ -	$ -	$ 140,063.23
Accum. depreciation	(116,928.29)	(12,070.40)	-	(128,998.69)
Capital Assets, Net	$ 23,134.94	$ (12,070.40)	$ -	$ 11,064.54

	Balance @ 6/30/12	Additions	Deletions	Balance @ 6/30/13
Computer software	$ 140,063.23	$ -	$ -	$ 140,063.23
Accum. depreciation	(104,857.89)	(12,070.40)	-	(116,928.29)
Capital Assets, Net	$ 35,205.34	$ (12,070.40)	$ -	$ 23,134.94

4. LONG- TERM DEBT

As of June 30, 2014, the following liabilities existed for accumulated unpaid leave balances calculated at the employees' June 30, 2014 pay rates including the employer's share of employee benefits:

Vacation pay	$	8,817
Sick pay		7,869
Total	$	16,686

A summary of the changes in long-term debt follows:

		Compenstated Absences
Debt payable, July 1, 2012	$	13,334
Additions to compensated absences		14,120
Deductions from compensated absences		(10,768)
Debt payable, June 30, 2014	$	16,686

See Note 1f for additional information relating to compensated absences.

5. LEASES

Operating Leases:

The South Dakota Board of Accountancy leases office space pursuant to an operating lease. A new lease was signed in October 2012 and will expire September 2018. Rents paid pursuant to this lease totaled $15,233 and $15,233 for the fiscal years ended June 30, 2013 and 2014, respectively.

The South Dakota Board of Accountancy leases a copier pursuant to an operating lease which expires December 2014. Rents paid pursuant to these leases totaled $867 and $684 for the fiscal years ended June 30, 2013 and 2014, respectively.

The South Dakota Board of Accountancy leases a postage meter/scale pursuant to an operating lease which expires September 2015. Rents paid pursuant to these leases totaled $2,388 and $2,388 for the fiscal years ended June 30, 2013 and 2014, respectively.

The following are the minimum payments on the existing operating leases:

Year Ending		Amount
6/30/15	$	17,963
6/30/16		15,830
6/30/17		15,233
6/30/18		15,233
6/30/19		3,808
Totals	$	68,067

6. RETIREMENT PLAN

The Board participates in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit plan established to provide retirement, disability, and survivor benefits for employees of the State of South Dakota and its political subdivisions. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501 or by calling (605) 773-3731.

Employees are required by state statute to contribute 6% of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The right to receive retirement benefits vests after three years of credited service. The Board's contributions to the SDRS for the fiscal years ended June 30, 2012, 2013 and 2014 were $6,079.69, $4,931.93 and $4,418.55 respectively.

7. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The South Dakota Board of Accountancy is an enterprise fund of the State of South Dakota government and the Board employees are considered employees of the State of South Dakota. The State of South Dakota is self-insured for workers' compensation benefits, unemployment insurance, health insurance, and life insurance. The State of South Dakota covers risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability) through a Public Entity Pool Liability (PEPL). The State of South Dakota is insured for boiler insurance, aircraft, and performance bonds through outside insurance companies. The State of South Dakota is uninsured for property losses, with the exception of bonded and revenue-producing buildings that are covered through outside insurance companies.

The Board is charged "premiums" by the State of South Dakota for coverage provided.

The State of South Dakota issues a publicly available financial report that includes additional disclosures related to risk management.

8. EXAMINATION FEE REVENUE/AMOUNTS HELD FOR OTHERS

The Board collects the total exam fee from the participants but reports as revenue only the portion of the fee that belongs to the South Dakota Board of Accountancy as established by administrative rule. The portion of the exam fee that will be remitted to NASBA and others is reported as a current liability account titled "Amounts Held For Others."

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
(605)773-3595
FAX(605)773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

RECEIVED
NOV 26 2014
S.D. BOARD OF ACCOUNTANCY

November 24, 2014

Ms. Nicole Kasin, Executive Director
South Dakota Board of Accountancy
301 East 14th Street, Suite 200
Sioux Falls, SD 57104

Dear Ms. Kasin:

We have accepted your audit report on the South Dakota Board of Accountancy for the fiscal years ended June 30, 2014 and 2013.

Our review was limited to the report and did not include a review of the working papers.

Sincerely,

Martin L. Guindon, CPA
Auditor General

MLG:RJC:sld

cc: Aleene Williams, CPA
East, Vander Woude, Grant & Co., P.C.
707 West 11th Street
Sioux Falls, SD 57104

EXECUTIVE DIRECTOR'S REPORT

Nicole Kasin

CPE Audits

The list of licensees has been selected for CPE audits and letters were sent out to those selected on September 25. The documentation was due in our office no later than October 31, 2014. The following chart shows the status of the audits as of December 1, 2014.

	Selected	Complied	Not Complied	Granted Extension	Approved CPE Audit	Failed CPE Audit
CPA (Active)	54	54	0	0	34	0
CPA (Active in Firm)	58	58	0	0	51	0

Proposed Rules

The rules hearing was on October 27 and the Board kept the comment period open for 10 days after the hearing. No additional comments were received. The proposed rule changes will be reviewed by the interim rules review committee on December 16, 2014.

Recap from the Annual Meeting

- Communications Breakfast – update on services that NASBA will provide to boards at no cost: PSA's, newsletters, quick mass emails on small yet significant happenings in our state.
- Our Debt Problems are still far from solved –
    - Issues to bring down the USA (K-12 education, energy conservation, national debt, political dysfunction)
    - Hot spots in the national budget: healthcare costs, social security costs, military, interest fees paid as a portion of the overall budget.
- Future plans from AICPA Chair – movement of the definition of attest in the current legislative sessions, uniform wording and support for states that want to adopt firm mobility, evaluation and implementation of the AICPA code of professional conduct, expansion of the Uniform CPA Exam into foreign countries, practice analysis for the Uniform CPA exam announcing the new exam in 2016 and implementation of the new exam begins in 2017, transforming the peer review program.
- The New Audit Report: Revealing Key Audit Matters – areas of higher assessed ricks of material misstatements or significant risks, significant auditor judgments, significant events or transactions, in most cases the (KAM) will relate to significant or complex matters disclosed in the financial statements.
- Changes coming from the PCAOB:
  Auditing accounting estimates, including fair market measurements and related disclosures; Related parties; Improving transparency through disclosure of engagement partner and certain other participants in audits; Auditor's reporting model; Supervision of other auditors and multi-location audit engagements; Use of specialists; Framework for reorganization of PCAOB auditing standards; Going concern; Confirmation; Quality control standards, including assignment and documentation of firm supervisory responsibilities; Subsequent events

- Focus on Small Government – 90,000 state and local governments, 100% of states use GAAP. Why is this important? Long term view, creates good accountability relationships, and establishes trust with government constituents. Also it creates an objective and unbiased standpoint.
- Relying on the Educators –
    - What makes a course qualify for credit –contact hours and coursework hours total as defined by the department of education. Each school then determines if to accept the courses not taken at their school. Current language may not allow for MOOC courses to be accepted by state universities,
    - Why accreditation is meaningful to State Boards- AACSB (peer review and not a government entity) NASBA model rule 5 (c) has the three levels – institution is level 3; institution and business school is level 2; institution, business school and accounting program is level 1. Areas of emphasis in level 1; certification and licensure in mission, impact of faculty on business and practice, continuous improvement, preparation of accounting students in technology and data analytics, professional qualifications, certification and experience of faculty, professional engagement of faculty with business/practice.
- Regional breakfast meeting – Discussion on what is happening in each of the states, including issues with the DOL audits and how states are starting to take action against the firms in regards to non-compliance and peer review issues. Short discussion on IRS PTIN lists and education of MOOC and AP courses and which states are accepting the credits and if there are any limitations in the number of hours accepted.
- Annual Business meeting – Minutes of 106th annual business meeting; NASBA awards; Elections of NASBA Board members; Administration & Finance Committee report; Audit Committee report; Bylaws Committee report; Center for the Public Trust report; Executive Directors Committee report; President's Report
- Update on the Internal Revenue Service – update on the budget of the IRS, the systems in place and outdated technology, the limits on the IRS with the reduced budget and reduced staff, discussion on fraudulent tax filing and individuals that have had identity theft and false tax returns filed against their names.
- What the Practice Analysis Means to State Boards and other exam news – reviewing the trends and statistics of the current exam; provided an update on the international exams; the timeline on the research project for the practice analysis; discussion on the invitation to comment, large scale survey and exposure draft on the exam.
- Strengthening Peer Review Standards Now – discussion from the fallout of the DOL employee benefit plans that were not covered by peer reviews.
- Executive Directors' breakfast meeting – issues discussed were CPE audits, DOL audits, IRS PTIN registrants, and employee morale.
- Reports from Committees - Standard Setting Study Group; Leadership Development Group; Trends for the 2015 Legislative Session
- Legal Case Update – Noel gave an update on the various cases in the current trend.

Board Discussion

- Any New Business/topics?

AICPA American Institute of CPAs

AICPA BOARD OF EXAMINERS (BOE)
MEETING HIGHLIGHTS
October 9 – 10, 2014

Participants

BOE Members: Rick Niswander (Chair), Wendy Perez (Past Chair), Allan Cohen, Steve DelVecchio, Mari DeVries, Russ Friedewald, DJ Gannon, Jeff Hoops, Kristine Hull, Barbara Ley, Gary Lubin, Leslie Mostow, Gina Pruitt, Mark Shermis, Tom Winkler, Amy Sutherland (Incoming Content Chair)

AICPA Staff: Michael Decker (Staff Liaison), Noel Albertson, Ophir Lehavy, Joe Maslott, John Mattar, Kris McMasters (Consultant), Robin Stackhouse

NASBA Staff: Onita Porter (NASBA Examination Review Board)

Both Rick Niswander and Michael Decker thanked the following BOE members for their dedicated service and contributions: Paula Thomas, Mari DeVries (Content Committee Chair), DJ Gannon, Barbara Ley (State Board Committee Chair) and Wendy Perez (past BOE Chair).

Committee Reports

At its October 2014 meeting, the BOE heard reports from the State Board Committee, the Psychometric Oversight Committee and the Content Committee.

Barbara Ley, Chair of the State Board Committee (SBC), reported on the prior day's meeting. The SBC-sponsored 2014 CPA Exam booklet has been published and distributed widely. The "Event in a Box" (PowerPoint, talking points and student flyer) is now available to State Board Executive Directors, State Societies and BOE members. The SBC supports the Practice Analysis and the Invitation to Comment, and is working to encourage all State Boards to submit their responses by December 2nd.

- The Examinations Team is thankful to Barbara Ley for her service to the SBC and welcomes Roberta Newhouse (OR) as incoming State Board Committee Chair.

Mark Shermis, Chair of the Psychometric Oversight Committee (POC), reported that the psychometric operations and analyses are strong and have not raised any issues. The POC is maintaining oversight of the Practice Analysis and is prepared to assist in the design of the next version of the CPA Exam, the requisite standard setting and the design of any updated test administration model. The Committee suggested meeting three times a year (rather than two) to provide consultation as the Team begins to transition to the next version of the Exam.

The POC also discussed the potential impact to reliability, test length, item development costs, item inventory size recommendations, scoring timelines and scoring of various test design scenarios, including a shift to an increased percentage of simulations.

Mari DeVries, Chair of the Content Committee, reported on updates from the Content and Subcommittee meetings. The Content Committee and its subcommittees are heavily involved in the Practice Analysis: supporting staff in updated test blueprint designs, the design and development of new item types, increased focus on skills assessment and approaches to prepare the item bank for the next version of the Exam.

The BOE accepted the [Content Committee approved] "Roles and Responsibilities of the Content Committee," a guideline document intended to help the Content Committee members better understand their roles and responsibilities.

The Content Committee and its Subcommittees continue to work under the new IDPI (Item Development Process Improvement) process and the Committees will receive their first metrics from the new process in January 2015.

Market Analysis Update

Michael Decker, Vice President of Examinations, provided an update on the Market Analysis, which is a study of the CPA Examination candidate pipeline that was defined as an initiative in the BOE's strategic plan. The Examinations Team has secured a market research vendor and the plan is to complete the Market Analysis in 15Q1. Since the analysis may result in findings that affect the accounting profession as a whole, the Examinations Team will work with the AICPA and NASBA to execute the analysis and implement any findings.

The Next Version of the CPA Exam

Staff led a discussion of the next version of the CPA Exam with plans to announce the next version in 2016 and launch in 2017. There are a number of projects and initiatives underway that will ultimately result in the definition and launch of the updated Exam. All of the major projects are overseen by BOE Sponsor Groups and include the Practice Analysis, Enhanced Skills Assessment and NextGen.

The Exploration Phase of the Practice Analysis, which included interviews, focus groups and surveys, is complete. The Invitation to Comment (ITC), which asks questions regarding *how* the CPA Exam should be administered, has been released to the public. Over 200 individual responses have been received and group responses from firms, State Boards and State Societies are currently being requested. Responses to the ITC will be accepted through December 2, 2014.

The BOE approved the survey statements that have been distributed on November 5 to over 60,000 randomly selected newly licensed CPAs and supervisors of newly licensed CPAs. The survey statements were developed by staff and the subcommittees, and submitted to the Content Committee and BOE for review and approval. Each randomly selected newly licensed CPA or supervisor of newly licensed CPAs received 100 random questions regarding specific content areas of the Exam: the *what* of the CPA Exam. The list of CPAs was drawn from both the AICPA membership and NASBA's ALD (Accountancy Licensing Database) lists.

The Exposure Draft is still on target for release in September 2015.

Staff and the BOE discussed preliminary feedback received from the ITC and input received from meetings with firms. Testing integrated content, manually scoring content for accuracy, larger case studies and other topics were discussed with the BOE to gain their perspective and insight. No decisions or recommendations were necessary at this time.

NextGen: The Examinations Team is incrementally moving the technological infrastructure of the Exam to web-based technology over the next few years. This shift will enable the Exam to create new types of questions that can assess candidates' ability to apply knowledge and test more higher-order skills. Software driver releases

in 2016 and 2017 will slightly change the candidates' interface, with a completely new user interface launching in 2018. Risk assessment and risk mitigation efforts are also underway in the launch planning for this new technology.

It is important to note that:

- Ongoing, error-free administration of the CPA Exam remains a priority.
- The Examinations Team is considering the "enterprise" (NASBA, State Boards, candidates, Prometric, AICPA) and potential changes to operating policies and procedures (eligibility processes, cost, score release timelines, etc.) in all of its decisions and will work to both minimize change where possible and abundantly communicate any changes where change is required.
- The Examinations Team has made the necessary financial, operational and human resource commitments necessary for a successful launch of the next version of the Exam.

BOE Sponsor and BOE Oversight Group Reports
The BOE received updates from the Financial Oversight Group (FOG) and Volunteer Recruiting.

Leslie Mostow, Chair of FOG, presented an overview of the budget in the FOG Report. The Group reviewed budgeting for the technology and Practice Analysis projects, all of which fall within the scope of the domestic contract.

Lengthy discussions focused on the potential costs to the candidates for the next version of the Exam, which may result from the potential increased cost for development and maintenance of the Exam, and any potential software development investments. Staff continues to work towards the break-even and no formal decisions have been made.

Volunteer Recruiting: Volunteer recruiting in 2014 was successful and the Examinations Team continues to focus on regional, professional, age, ethnic and gender diversity in 2015.

Staffing Update
There has been some turnover in the psychometrics' staff which is currently being addressed. Many suggestions on recruiting and retention were provided by the POC and are being actively implemented or seriously considered.

A Director of Content has been hired and is scheduled to start on December 1st.

Kris McMasters, CPA, consultant to the Examinations Team and retired CEO of CliftonLarsonAllen, has helped considerably with the Practice Analysis and will stay on in 2015 to assist in the transition of the new Director of Content.

ERB Report
Onita Porter of the Examination Review Board (ERB), the auditor of the Exam on behalf of the boards of accountancy, reported that the ERB had a very successful year in 2014 with the AICPA and has already reviewed a preliminary 2015 plan with staff.

EXPOSURE DRAFT

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

Preparation of Financial Statements Performed under SSARS and the Impact on Enrollment in and the Scope of Peer Review

November 18, 2014

Comments are requested by January 2, 2015

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

Comments should be received by January 2, 2015 and addressed to
Tim Kindem, Technical Manager
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road, Durham, NC 27707-8110
or PR_expdraft@aicpa.org

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AICPA® Peer Review Program

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

November 18, 2014

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

Written comments or suggestions on any aspect of this exposure draft will be appreciated. To facilitate the Board's consideration, comments or suggestions should refer to the specific paragraphs and include supporting reasons for each comment or suggestion. Please limit your comments to those items presented in the exposure draft. Comments and responses should be sent to Tim Kindem, Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by January 2, 2015. Electronic submissions of comments or suggestions should be sent to PR_expdraft@aicpa.org by January 2, 2015.

Written comments on the exposure draft will become part of the public record of the AICPA Peer Review Program, and will be available on the AICPA website after January 3, 2015 for a period of one year.

The exposure draft includes an explanatory memorandum of the proposed revisions to the current *Standards* and Interpretations, explanations, background and other pertinent information, as well as marked excerpts from the current *Standards* and Interpretations to allow the reader to see all changes (i.e. items that are being deleted from the *Standards* and Interpretations are struck through, and new items are underlined). The Board is not required to expose changes to the Peer Review *Standards* Interpretations, but elected to do so to assist respondents with understanding the underlying intent of the proposed revisions to the *Standards*.

A copy of this exposure draft and the current *Standards* (effective for peer reviews commencing on or after January 1, 2009) are also available on the AICPA Peer Review website at http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx.

Sincerely,

Anita Ford

Anita M. Ford
Chair
AICPA Peer Review Board

AICPA Peer Review Board
2014 – 2015

Anita M. Ford, Chair*
James Clausell*
Michael Fawley
Lawrence Gray
Richard Hill
Richard Jones
Karen Kerber*
Michael LeBlanc
Toni Lee-Andrews
G. Alan Long*
Michael McNichols
Thomas Parry*
Andrew Pope*
Thad Porch
Robert Rohweder*
Keith Rowden
Todd Shapiro
Debra Seefeld
Thomas W. Whittle

**Member—Standards Task Force*

Non-Board Standards Task Force Members
2013 – 2014

Jerry Cross
Heather Reimann

AICPA Staff

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

James Brackens, Jr.
Vice President
Ethics and Practice Quality

Gary Freundlich
Technical Director
AICPA Peer Review Program

Susan Lieberum
Senior Technical Manager
AICPA Peer Review Program

Frances McClintock
Senior Technical Manager
AICPA Peer Review Program

Tim Kindem
Technical Manager
AICPA Peer Review Program

Explanatory Memorandum

Introduction

This memorandum provides background to the proposed changes to the AICPA *Standards for Performing and Reporting on Peer Reviews* (Standards) issued by the AICPA Peer Review Board (Board). The proposed changes state a firm is not required to enroll in the AICPA peer review program (Program) if it only performs engagements under SSARS *Preparation of Financial Statements* (preparation engagements). This memorandum also proposes when to include preparation engagements in the scope of a peer review when a firm either elects to enroll in the program (e.g. to comply with licensing or other requirements) or is already enrolled due to other engagements it performs. Finally, the memorandum solicits input on the proposal from all interested parties.

Background

Inclusion of Preparation Engagements in the Scope of Peer Review

The Board recently issued an exposure draft on August 18th that proposed to exclude preparation engagements from the scope of the Program. The Board has received feedback that many state boards of accountancy (SBOA) require peer reviews of professional services performed in accordance with SSARS without specifically excluding preparation engagements. Regardless of the actual intent behind these laws, these states could require peer reviews of preparation engagements. While the Board is concerned that users of these financial statements could place undue reliance on them, the Board wants to facilitate AICPA members' and others' compliance with SBOA licensing requirements and mitigate any mobility challenges that may arise if these engagements are excluded entirely.

Additionally, upon further consideration, the Board has concluded that a peer reviewer could perform procedures on a preparation engagement to determine whether the financial statements and their related footnote disclosures conform with the applicable financial reporting framework in all material respects. To clarify the exposure draft issued August 18th, preparation engagements require the accountant to disclose the use of a reporting framework (basis of accounting) other than GAAP and a reader could assume the financial statements were prepared in accordance in GAAP absent a disclosure stating otherwise. Additionally, as part of a review of a preparation engagement, a peer reviewer could 1) determine whether a "no assurance" legend was included on each page of the financial statements, 2) determine whether a disclaimer report, if applicable, was issued, and 3) review for a properly signed engagement letter, which contains certain information required by SSARS.

The Board has considered the previously mentioned SBOA implications, how a preparation engagement could be reviewed, and comments from its initial exposure draft in concluding that preparation engagements should not be excluded from the scope of the Program.

AICPA bylaws state that firms (or individuals in certain situations) are only required to enroll in the Program if they perform services that are within the scope of the Standards and issue reports purporting to be in accordance with AICPA Professional Standards. The proposed changes to the Standards indicate that firms only performing preparation engagements under SSARS and no other engagements included in the scope of the Standards are NOT REQUIRED to enroll in the Program to meet the bylaw requirements.

This current proposal does not require any modifications to the definition of an accounting and auditing practice for purposes of the Standards as all engagements performed under SSARS (including preparation engagements) are in the scope of both System and Engagement Reviews for enrolled firms, even if a firm elects to enroll in the Program or is required to be enrolled to comply with licensing or other requirements.

This proposal does not affect the process for selecting engagements in a System Review as selection is based on risk assessment. For Engagement Reviews, the proposal states that a preparation engagement is ONLY selected when certain requirements of paragraph .104 of the Standards cannot be met otherwise. Specifically, a preparation engagement is only selected if one of the individuals within the firm responsible for performing engagements/issuing reports only performs preparation engagements (and no other engagements within the scope of peer review) or if a firm performs no other engagements with disclosures except for preparation engagements or if a firm performs no other engagements that omit disclosures except for preparation engagements. Additionally, the requirement that ordinarily at least two engagements should be selected for review in an Engagement Review is unchanged. Therefore, if a firm only performs two engagements, one or both being a preparation engagement(s), one or both would be selected respectively.

Summary – ARSC's *Statement on Standards for Accounting and Review Services - Preparation of Financial Statements*

The preparation of financial statements is a non-attest service and does not require the accountant to determine whether the accountant is independent of the entity. Additionally, the accountant is not required to verify the accuracy or completeness of the information provided by management, gather evidence to express an opinion or a conclusion on the financial statements, or otherwise report on the financial statements.

This standard would apply when the accountant is engaged to prepare financial statements but is not engaged to perform an audit, review or a compilation on those financial statements. The standard can be applied to financial statements with or without disclosures. The standard would require that the accountant obtain an engagement letter signed by both the accountant and the client's management.

A report would not be required – even when financial statements are expected to be used by or presented to a third party. Instead, the accountant would be required to include a legend on each page of the financial statements stating that no assurance is being provided. However, in

the rare circumstance the accountant is unable to include an adequate statement on each page of the financial statements, the accountant is required to issue a disclaimer (report) on the financial statements.

The accountant should prepare documentation in connection with each preparation engagement in sufficient detail to provide a clear understanding of the work performed which, at a minimum, includes the following:

a. The engagement letter or other suitable form of written documentation with management

b. A copy of the financial statements that the accountant prepared

Additionally, when preparing financial statements in accordance with a special purpose framework, the accountant should include a description of the financial reporting framework on the face of the financial statements or in a note to the financial statements. A description of the special purpose framework is usually placed next to or under the title of the financial statements (for example "statement of assets and liabilities – modified cash basis"). However, the description may be placed elsewhere in the financial statements. Also, certain other disclosures are required in a preparation engagement. They include disclosure of any material misstatement(s) from any known departure(s) from the relevant framework as well as a disclosure of the omission of substantially all disclosures, if applicable.

The SSARS *Preparation of Financial Statements* were issued October 23, 2014 and are effective for the preparation of financial statements for periods ending on or after December 15, 2015 with early implementation permitted.

Explanation of Proposed Changes

Revisions to *Standards*

The proposed changes include revisions to:

- Paragraph .07 which states that firms that only perform preparation engagements (with or without disclaimer reports) under SSARS are NOT required to enroll in the Program.
- Paragraphs .104 and .108 to include preparation engagements as a type of engagement eligible to be selected under certain circumstances in an engagement review.

Revisions to Interpretations

The proposal also includes new:

- Interpretations 7-3 and 7-4 which indicate how preparation engagements should be addressed when a firm elects to enroll in the Program or is otherwise already enrolled.
- Interpretations 104-1 through 104-4 which indicate how preparation engagements should be selected in an Engagement Review for an enrolled firm undergoing a peer review.

The proposed changes include revisions to:

- Interpretation 6-3 to clarify that a firm that only performs management use only compilations with no report and is not required to enroll in the AICPA peer review program, would be required to undergo a peer review if it elects to enroll in the Peer Review Program.

Comment Period

The comment period for this exposure draft ends on January 2, 2015.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available on the AICPA's website after January 3, 2015, for a period of one year.

Guide for Respondents

The Board welcomes feedback from all interested parties on this proposal which would Not Require a firm that only performs preparation engagements to enroll in the Program. The proposal also outlines how preparation engagements should be addressed in System and Engagement Reviews for enrolled firms.

1) Do you agree with this position? Please explain why you agree or disagree.

2) The Board is interested in receiving feedback as to whether any SBOAs plan to require peer review for firms performing "services under SSARS", "issuing reports under SSARS" or any peer review requirements for engagements under SSARS that are not reviews or compilations. The Board would appreciate the applicable statute/regulation citations for any such requirements.

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording.

Comments and responses should be sent to Tim Kindem, Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by January 2, 2015. Respondents can also direct comments and responses to PR_expdraft@aicpa.org by January 2, 2015.

Effective Date

Final revisions to the *Standards* will be effective upon issuance by the Board.

Proposed Revisions

Peer Review Standards

Overview

.07 The objectives of the program are achieved through the performance of peer reviews involving procedures tailored to the size of the firm and the nature of its practice. Firms that perform engagements under the SASs or Government Auditing Standards, examinations under the SSAEs, or engagements under PCAOB standards, as their highest level of service have peer reviews called System Reviews. A System Review includes determining whether the firm's system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including SQCS No. 8, in all material respects. Firms that only perform services under SSARS or services under the SSAEs not included in System Reviews are eligible to have peer reviews called Engagement Reviews[5], however firms that only perform preparation engagements (with or without disclaimer reports) under SSARS are not required to enroll in the program (see interpretations). These standards are not intended for and exclude the review of the firm's accounting and auditing practice applicable to engagements subject to PCAOB permanent inspection (see interpretations). Firms that do not provide any of the services listed in paragraph 6 are not peer reviewed (see interpretations).

Performing Engagement Reviews

.104 The criteria for selecting the peer review year-end and the period to be covered by an Engagement Review are the same as those for a System Review (see paragraphs 13–19). Engagements subject to review ordinarily should be those with periods ending during the year under review, except for financial forecasts or projections and agreed upon procedures. Financial forecasts or projections and agreed upon procedures with report dates during the year under review would be subject to selection. The reviewed firm should provide summarized information showing the number of its compilation, review, and preparation engagements performed under SSARS and engagements performed under the SSAEs, classified into industry categories. That information should be provided for each partner, or individual if not a partner, of the firm who is responsible for the issuance of reports on such engagements or the issuance of prepared financial statements with or without disclaimer reports. On the basis of that information, the review captain or the administering entity ordinarily should select the types of engagements to be submitted for review, in accordance with the following guidelines (See Interpretations):

a. One engagement should be selected from each of the following areas of service performed by the firm:

1. Review of historical financial statements (performed under SSARS)
2. Compilation of historical financial statements, with disclosures (performed under SSARS)
3. Compilation of historical financial statements that omits substantially all disclosures (performed under SSARS)
4. Engagement performed under the SSAEs other than examinations

b. One engagement should be selected from each partner, or individual of the firm if not a partner, responsible for the issuance of reports listed in item (a).

c. Selection of preparation engagements should only be made in the following instances:

1. One preparation engagement with disclosures (performed under SSARS) should be selected when performed by an individual in the firm who does not perform any engagements included in item (a) or when the firm's only engagements with disclosures are preparation engagements.

2. One preparation engagement that omits substantially all disclosures (performed under SSARS) should be selected when performed by an individual in the firm who does not perform any engagements included in item (a) or when the firm's only omit disclosure engagements are preparation engagements.

3. One preparation engagement should be selected if needed to meet the requirement in item (d).

~~c~~d. Ordinarily, at least two engagements should be selected for review.

.108 The evaluation of each engagement submitted for review includes:

a. Consideration of the financial statements or information and the related accountant's report on the compilation, ~~and~~ review, and preparation engagements performed under SSARS and engagements performed under SSAEs (see interpretations).

b. Consideration of the documentation on the engagements performed via reviewing background and engagement profile information, representations made by the firm, and inquiries.

c. Review of all other documentation required by applicable professional standards on the engagements.

Peer Review Interpretations

Compilations Performed When the Compiled Financial Statements Are Not Expected to Be Used by a Third Party (Management Use Only), Where No Compilation Report Is Issued

6-3 Question— A firm is not required to enroll in the AICPA peer review program if ~~If a firm elects to enroll in the peer review program and~~ its only level of service is performing compilations when the financial statements are not expected to be used by a third party (management use only) and when no report is issued~~,~~. However, if the firm elects to enroll in the peer review program, is the firm required to have a peer review?

Interpretation— ~~No~~Yes. If a~~A~~ firm ~~that~~ elects to enroll in the peer review program, and its only level of service is performing management use only compilation engagements, it is ~~not~~ required to have a peer review~~, but may elect to do so~~. ~~If a firm elects to undergo a peer review,t~~The peer review is required to be performed under these standards.

Preparation of Financial Statements Engagements

7-3 *Question*— A firm is not required to enroll in the AICPA peer review program if its only level of service is performing preparation engagements (with or without disclaimer reports) under SSARS. However, if the firm elects to enroll in the peer review program is the firm required to have a peer review?

Interpretation— Yes. If a firm elects to enroll in the peer review program, and its only level of service is performing preparation engagements (with or without disclaimer reports) under SSARS, it is required to have a peer review. The peer review is required to be performed under these standards.

7-4 *Question* – Would preparation engagements (with and without disclaimer reports) be subject to peer review when the firm is already enrolled in the program because, for example, it performs services and issues reports on other engagements that are within the scope of the standards?

Interpretation – Yes. For firms enrolled in the program, preparation engagements (with and without disclaimer reports) fall within the scope of peer review. The standards define an accounting and auditing practice as all engagements covered by SSARS except where SSARS provide and exemption from those standards.

Selecting a Preparation Engagement in an Engagement Review

104-1 *Question* – Must a peer reviewer select a preparation engagement in an Engagement Review?

Interpretation – No, a reviewer is not necessarily required to select a preparation engagement in an Engagement Review. If a reviewer is able to meet the requirements of paragraph .104 of the standards without selecting a preparation engagement, then a preparation engagement is not selected. However, if selecting a preparation engagement is the only way a reviewer can meet any of the following requirements (as outlined in paragraph .104 of the standards), then a preparation engagement (either with or without a disclaimer report) should be selected. These requirements are as follows:

- Ordinarily, at least two engagements should be selected for review.
- One engagement should be selected from each partner, or individual of the firm if not a partner, responsible for the issuance of reports or performance of engagements.
- An engagement with disclosures (performed under SSARS or the SSAEs) should be selected.
- An engagement that omits substantially all disclosures (performed under SSARS) should be selected.

104-2 *Question*—What should the peer reviewer be reviewing on such an engagement on an Engagement Review?

Interpretation—The reviewer would review the engagement letter as well as the legend on each page of the financial statements to determine that they comply with SSARS. If the firm issues a disclaimer report, the reviewer would also assess whether it complied with SSARS. In addition, the reviewer should also perform procedures to determine whether the presentation of the financial statements is appropriate and that the disclosures are adequate based on the

applicable financial reporting framework. If substantially all disclosures are omitted, the reviewer would need to determine whether the appropriate label is present for any disclosures that are made.

104-3 *Question*—Should the standard language in the peer review report be tailored on an Engagement Review, if preparation engagement(s) are selected for review.

Interpretation—No.

104-4 *Question*—What are some examples of when a preparation engagement should be selected during an Engagement Review?

Interpretation—

Example 1 - If a sole practitioner performs compilation engagements with disclosures (or SSAEs, or reviews) and compilation engagements that omit substantially all disclosures, then one of each of these levels of service should be selected as part of the peer review. None of the firm's preparation engagements should be selected.

Example 2 - If a sole practitioner only performs compilation engagements with disclosures and preparation engagements that omit substantially all disclosures (and no other engagements under the SSAES or SSARS), then one of each type of engagement should be selected as part of the peer review since an engagement that omits substantially all disclosures should be selected.

Example 3 - If a sole practitioner only performs compilation engagements that omit substantially all disclosures and preparation engagements with disclosures (and no other engagements under the SSAES or SSARS), then one of each type of engagement should be selected as part of the peer review since a full disclosure engagement should be selected.

Example 4 - If a sole practitioner only performs compilation engagements with disclosures and preparation engagements with disclosures, then two compilation engagements should be selected as the selection of a preparation engagement is not required to be and should not be selected to meet any of the criteria outlined in paragraph .104 of the standards. However, if the firm only performs one compilation engagement with disclosures (as well as preparation engagements with disclosures and no other engagements under the SSAES or SSARS), the compilation engagement and a preparation engagement should be selected as part of the peer review. In this case, a preparation engagement is selected in order to meet the requirement of selecting a minimum of two engagements.

Example 5 - Firm ABCDE is a 5 partner firm and Partner A performs agreed–upon procedure engagements, Partner B performs review engagements, Partner C performs full disclosure compilation engagements, Partner D performs compilation engagements that omit substantially all disclosures and Partner E performs preparation engagements. In this scenario one engagement is selected from each Partner ABCD which fulfills the requirement to select an engagement in each level of service outlined in paragraph .104a of the standards. However, since every person in the firm responsible for the issuance of financial statements must have an engagement selected, one of Partner E's preparation engagements should be selected. Since the requirement to select an engagement with disclosures and an engagement that omits substantially all disclosures has been met (through the selection of engagements performed by the other partners) any preparation engagement performed by Partner E may be selected.

Example 6 – Using the same facts described in Example 5, if Partner E also performed a review engagement and a compilation engagement that omits substantially all disclosures, either the review engagement or the compilation engagement should be selected. The reviewer should not select any of Partner E's preparation engagements unless one of the requirements listed in paragraph .104 of the Standards cannot otherwise be met.

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

EXPOSURE DRAFT

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

Peer Reviewer Performance, Disagreements and Qualifications

November 18, 2014

Comments are requested by January 2, 2015

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

Comments should be received by January 2, 2015 and addressed to
Carl Mayes, Senior Technical Manager
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road, Durham, NC 27707-8110
or PR_expdraft@aicpa.org

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Exhibit A

Peer Reviewer Performance, Disagreements and Qualifications: Additional Background ... 14

AICPA® Peer Review Program

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

November 18, 2014

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

Written comments or suggestions on any aspect of this exposure draft will be appreciated. To facilitate the Board's consideration, comments or suggestions should refer to the specific paragraphs and include supporting reasons for each comment or suggestion. Please limit your comments to those items presented in the exposure draft. Comments and responses should be sent to Carl Mayes, Senior Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by January 2, 2015. Electronic submissions of comments or suggestions should be sent to PR_expdraft@aicpa.org by January 2, 2015.

Written comments on the exposure draft will become part of the public record of the AICPA Peer Review Program, and will be available on the AICPA website after February 2, 2015 for a period of one year.

The exposure draft includes an explanatory memorandum of the proposed revisions to the current *Standards*, explanations, background and other pertinent information, as well as marked excerpts from the current *Standards* to allow the reader to see all changes (i.e. items that are being deleted from the *Standards* and Interpretations are struck through). The Board is not required to expose changes to the Peer Review *Standards* Interpretations, but elected to do so to assist respondents with understanding the underlying intent of the proposed revisions to the *Standards*.

A copy of this exposure draft and the current *Standards* (effective for peer reviews commencing on or after January 1, 2009) are also available on the AICPA Peer Review website at http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx.

Sincerely,

Anita Ford

Anita Ford
Chair
AICPA Peer Review Board

AICPA Peer Review Board
2014 – 2015

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Senior Technical Manager
AICPA Peer Review Program

Carl Mayes
Senior Technical Manager
Public Practice and Global Alliances

Explanatory Memorandum

Introduction

This memorandum provides background to the proposed changes to the *AICPA Standards for Performing and Reporting on Peer Reviews (Standards)* issued by the AICPA Peer Review Board (Board). The proposed changes would create enhanced qualifications and training requirements for reviewers of must-select engagements, expedite the process of remediation and removal for reviewers with performance issues, and improve consistency in the application of peer reviewer performance guidance.

Background

Enhanced Reviewer Qualifications

The Board has considered concerns raised by various stakeholders regarding the qualifications which reviewers are required to meet in order to review engagements that must be selected in a System Review under paragraph .63 of the Standards (must-select engagements).

The Board is proposing revisions to the Standards and related interpretations which would create enhanced qualifications and training requirements for reviewers of must-select engagements. The new guidance requires reviewers of must-select engagements to have taken current, high-quality training in the must-select industry they review; currently perform or review engagements in the must-select industry; and be practicing in an AICPA Audit Quality Center (AQC) member firm, if an Audit Quality Center serves the must-select industry[1].

Expediting Remediation and Removal of Reviewers

The Board has considered concerns raised by the peer review community and stakeholders that the current process for remediating and removing reviewers is too cumbersome and should be expedited.

The Board is recommending revisions to the Standards that would significantly reduce the amount of time a poorly performing reviewer could go before being required to complete remediation or being removed from the list of qualified reviewers. The Board is also recommending revisions to the Standards that would expedite the disagreement process. A comparison of the current and proposed processes are detailed in Exhibit A.

Improving Consistency

Through oversights and feedback from the peer review community, the Board has noted an opportunity to improve consistency in the handling of reviewer performance matters.

To promote consistency, the Board is recommending revisions that would:

[1] The requirement to be practicing in an AICPA AQC member firm is supported by historical peer review data which indicates that, when compared to AQC member firms, non-AQC member firms are at least two times more likely to have performed a materially non-conforming engagement in the areas supported by the AQC.

- Create the terms "reviewer performance deficiencies" and "significant reviewer performance deficiencies" to be applied when determining what actions should be taken when certain reviewer performance issues arise. See Exhibit A for more information about these terms.
- Make reviewer remediation and referral to the Board for removal presumptively mandatory in certain circumstances.
- Require remedial actions to be ratified nationally whenever they are imposed on a reviewer.
- Require any reviewer appeals when a deficiency letter is issued to come directly to a hearing panel formed by the Board (rather than to a panel formed by the AE peer review committee).

Other Potential Changes

The Board will explore other potential changes to Chapter 8 of the Report Acceptance Body (RAB) Handbook to promote consistency and reduce the time between the occurrence of a reviewer's performance issue and the performance of remediation or the removal of the reviewer. Examples of changes being explored appear in Exhibit A.

Comment Period

The comment period for this exposure draft ends on January 2, 2015.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available on the AICPA's website after February 2, 2015, for a period of one year.

Explanation of Proposed Changes

Revisions to *Standards*

The proposal includes the creation of the following *Standards*:

- Paragraph .153 to incorporate the hearing process for reviewer removal into the Standards, to provide the board with the authority to hold a reviewer performance hearing with or without committee recommendation, and to describe the process for reviewers to follow when they seek to appeal

The proposed changes would revise:

- Paragraph .31 to create a requirement that reviewers of must-select engagements possess specific additional qualifications and to clarify the meaning of paragraph .31(e)
- Paragraphs .93 and .116 to expedite the disagreement process
- Paragraph .148 to introduce the terms "reviewer performance deficiency" and "significant reviewer performance deficiency", to make reviewer remediation presumptively mandatory[2] in certain circumstances and to make consideration of removal presumptively mandatory when significant reviewer performance deficiencies are noted
- Paragraph .149 to require ratification of all corrective actions nationwide

[2] For a definition of presumptively mandatory, refer to QC sec. 10 paragraph .08.

- Paragraph .150 to clarify that conditions imposed on a reviewer will apply (not will "generally" apply) to the individual's service as a team captain, review captain, team member or QCM reviewer
- Paragraph .151 to change it to paragraph .152 and to make referral to the Board for removal presumptively mandatory when the reviewer fails to correct reviewer performance deficiencies after undergoing corrective action or commits egregious acts. Egregious acts are defined in RAB Handbook Chapter 8.
- Paragraph .152 to change it to paragraph .151 and to eliminate the concept that corrective actions can only initially be appealed to the committee that imposed the action, as such appeals would now go directly to the Board

Revisions to Interpretations

The proposal also includes the creation of the following interpretations:

- Interpretation 31(g)-1 and 31(g)-2 to require reviewers of must-select engagements to
  - Complete additional training meeting the requirements of the Board;
  - Be presently involved in supervising or performing engagements in the must-select industry; and
  - Be associated with a firm that is a member of an Audit Quality Center, if an Audit Quality Center serves the must-select industry

The proposed changes would revise:

- Interpretation 149-1, which will be eliminated in light of the guidance revisions being proposed in paragraph .149
- Interpretation 151-1 to conform to the changes proposed in paragraph .151

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

Guide for Respondents

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording.

Comments and responses should be sent to Carl Mayes, Senior Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by January 2, 2015. Respondents can also direct comments and responses to PR_expdraft@aicpa.org by January 2, 2015.

Effective Date

Revisions to the *Standards* and *Interpretations* adopted as final by the Peer Review Board will be effective for reviews commencing on or after May 1, 2016.

Proposed Revisions

Peer Review Standards

Qualifying for Service as a Peer Reviewer

System and Engagement Reviewers

.31 Performing and reporting on a peer review requires the exercise of professional judgment by peers (see paragraphs 147–153 for a discussion of a reviewer's responsibilities when performing a peer review). Accordingly, an individual serving as a reviewer on a System or Engagement Review should at a minimum:

a. Be a member of the AICPA in good standing (that is, AICPA membership in active, non-suspended status) licensed to practice as a CPA.

b. Be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program (see interpretations), as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.[3, 4] To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising one or more of the firm's accounting or auditing engagements or carrying out a quality control function on the firm's accounting or auditing engagements (see interpretations).

c. Be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of *pass*[5]-_for its most recent System or Engagement Review that was accepted timely, ordinarily within the last three years and six months.[6]

d. Possess current knowledge of professional standards applicable to the kind of practice to be reviewed, including quality control and peer review standards. This includes recent

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[3] ~~The board recognizes that practitioners often perform a number of functions, including tax and consulting work, and cannot restrict themselves to accounting and auditing work. These standards are not intended to require that reviewers be individuals who spend all their time on accounting and auditing engagements. However,~~ CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise. For instance, in a System Review, a reviewer of auditing engagements should be currently ~~reviewing~~ supervising or performing auditing engagements. In an Engagement Review, a reviewer of engagements performed under the Statements on Standards for Attestation Engagements should also be currently ~~reviewing~~ supervising or performing the same type of engagements in their firm. A reviewer of engagements with disclosures should also be currently ~~reviewing~~ supervising or performing engagements with disclosures in their firm. A reviewer that only currently ~~reviews~~ supervises or performs compilations may not perform an engagement review of a firm with reviews or SSAE engagments

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

[5] ~~A peer review report with a rating of *pass* was previously referred to as an unmodified report (with or without a letter of comments). If a firm's most recent peer review rating was a *pass with deficiencies* or *fail*, the firm's members are not eligible to perform peer reviews.~~

[6] ~~If a firm's most recent review was a report review, then the firm's members are not eligible to perform peer reviews.~~

experience in and knowledge about current rules and regulations appropriate to the level of service applicable to the industries of the engagements that the individual will be reviewing (see interpretations).

e. Have spent the last five years ~~at least five years of recent experience~~ in the practice of public accounting in the accounting or auditing function.[7]

f. Have provided the administering entity with information that accurately reflects the qualifications of the reviewer including recent industry experience, which is updated on a timely basis (see interpretations).

g. If the reviewer will review engagements that must be selected in a System Review under paragraph .63, possess specific additional qualifications (see interpretations).

h~~g~~. If the reviewer is from a firm that is a provider of quality control materials (QCM) or is affiliated with a provider of quality control materials and is required to have a QCM review under these standards, be associated with a provider firm or affiliated entity that has received a QCM report with a review rating of pass for its most recent QCM review that was submitted timely, ordinarily within six months of the provider's year-end.

Team Captain or Review Captain

.32 In addition to adhering to the ~~general~~ requirements in paragraph .31(a) – (f) to be a peer reviewer, a System Review team captain must be a partner.[8] For an Engagement Review, the review captain is not required to be a partner. The team captain, or the review captain in limited circumstances, is required to ensure that all team members possess the necessary capabilities and competencies to perform assigned responsibilities and that team members are adequately supervised. The team captain or review captain has the ultimate responsibility for the review, including the work performed by team members (see interpretations).

.33 Also, team captains and review captains should have completed peer review training that meets the requirements established by the board (see interpretations). For additional team captain qualification requirements, see the interpretations.

Other Peer Reviewer or Reviewing Firm Qualification Considerations

.34 Communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm's accounting and auditing practice, and notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice, may impact the peer reviewer or reviewing firm's ability to perform the peer review. The peer reviewer or reviewing firm has a responsibility to inform the administering entity of such communications or notifications (see interpretations).

.35 If required by the nature of the reviewed firm's practice, individuals with expertise in specialized areas may assist the review team in a consulting capacity (see interpretations). For example, computer specialists, statistical sampling specialists, actuaries, or experts in continuing professional education (CPE) may participate in certain segments of the review.

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[7] ~~For this purpose, *recent* means having experience within the last five years in the industries and related levels of service for which engagements are reviewed. However, a~~A reviewer should be cautious of those high-risk engagements or industries in which new standards have been issued. For example, in those cases in which new industry standards or practices have occurred in the most recent year, it may be necessary to have *current* practice experience in that industry ~~in order to have *recent* experience~~.

[8] If the peer reviewer's firm's (see paragraph 31c) most recent peer review was an Engagement ~~or Report~~ Review, then the peer reviewer is not eligible to be a System Review team captain.

Performing System Reviews

Addressing Disagreements Between the Reviewer and the Reviewed Firm

.93 Disagreements may arise during attempts to resolve ~~on the resolution of~~ various issues, for instance, related to the review of particular engagements, the systemic cause of ~~for~~ a deficiency, or issues related to a design deficiency. In addition, there could be a disagreement on the appropriate approach to be taken in performing and/or reporting in conformity with applicable professional standards, or the review team might not believe that the actions planned or taken by the firm, if any, are appropriate (for example, if the reviewed firm believes that it can continue to support a previously issued report and the review team continues to believe that there may be a failure to reach appropriate conclusions in the application of professional standards). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and that each party has the right to challenge each other on an issue. Nevertheless, a disagreement during~~on~~ the resolution of an issue may persist in some circumstances. The reviewed firm or reviewer should ~~be aware that they may~~ consult with their administering entity and, if necessary, request that a panel of the administering entity's peer review committee members resolve the disagreement. The panel must reach a decision to resolve the disagreement. Any of the disagreeing parties may request an appeal by writing the board and explaining why he or she believes a review of the hearing panel's decision is warranted. A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.~~If the administering entity's full peer review committee is unable to resolve the disagreement, the administering entity may refer unresolved issues to the board for a final determination. Only the administering entity's peer review committee will be responsible for determining whether a disagreement still exists, or whether the reviewed firm or review team is not cooperating, in order for the administering entity to refer the issue to the board.~~

Performing Engagement Reviews

Addressing Disagreements Between the Reviewer and the Reviewed Firm

.116 Disagreements may arise during attempts to resolve ~~on the resolution of~~ various issues. For instance, there could be a disagreement on the appropriate approach to performing and/or reporting in conformity with applicable professional standards, or the review team might not believe that the actions planned or taken by the firm, if any, are appropriate (for example, if the reviewed firm believes that it can continue to support a previously issued report and the review team continues to believe that there may be a failure to reach appropriate conclusions in the application of professional standards). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and that each party has the right to challenge each other on an issue. Nevertheless, a disagreement during~~on~~ the resolution of an issue may persist in some circumstances. The reviewed firm and reviewer should ~~be aware that they may~~ consult with their administering entity and, if necessary, request that a panel of the administering entity's peer review committee members resolve the disagreement. The panel must reach a decision to resolve the disagreement. Any of the disagreeing parties may request an appeal by writing the board and explaining why he or she believes a review of the hearing panel's decision is warranted. A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.~~If the administering entity's full peer review committee is unable to resolve the disagreement, the administering entity may refer unresolved issues to the board for a final determination. Only the administering entity's peer review committee will be responsible for determining whether a disagreement still exists or whether the reviewed firm or review team is not cooperating in order to refer the issue to the board.~~

Peer Reviewers' Performance and Cooperation

.147 A team captain, review captain, or reviewer (hereinafter, reviewer) has a responsibility to perform a review in a timely, professional manner. This relates not only to the initial submission of the report and materials on the review, but also to the timely completion of any additional actions necessary to complete the review, such as completing any omitted documentation of the work performed on the review and resolving questions raised by the committee or technical reviewer accepting the review as well as the board and AICPA staff.

.148 In considering peer review documents for acceptance, the committee evaluates the reviewer's performance on the peer review. In addition to the committee's evaluation, the board and AICPA staff also evaluate and track reviewers' performance on peer reviews. If a pattern of reviewer performance deficiencies by a particular reviewer is noted, then the board or committee should require the reviewer to complete one or more corrective actions. If significant reviewer performance deficiencies are noted, then the board or committee should either require the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future. ~~serious weaknesses in the reviewer's performance are noted on a particular review, or if a pattern of poor performance by a particular reviewer is noted, then the board or committee, depending on the particular circumstances, will consider the need to impose corrective actions on the service of the reviewer.~~

.149 In situations in which one or more of such actions are required~~is imposed~~, the administering entity must inform AICPA staff and such actions will ~~will inform the board and may request that the board ratify the action(s) to~~ be recognized by all other administering entities.

.150 Any condition imposed on or action required of a reviewer will ~~generally~~ apply to the individual's participation in the performance of any peer review~~service as a team captain, review captain, team member, or QCM reviewer~~ unless the condition is specific to the individual's service as only a team captain, review captain, team member, or QCM reviewer, respectively.

.151 If the reviewer disagrees with the corrective action(s) required by the committee or board, he or she may appeal the decision by writing the board and explaining why he or she believes that the action(s) are unwarranted. A hearing panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.

~~.151~~152 If a reviewer fails to correct reviewer performance deficiencies after a corrective action has been required or has committed egregious acts in the performance of a peer review, the committee should recommend to the board that the reviewer be prohibited from performing peer reviews in the future.~~If a reviewer refuses to cooperate with the committee or board, fails to revise peer review documents as requested by the committee or board, fails to correct the poor performance, or is found to be deficient in his or her performance, and education or other corrective or monitoring actions are not considered adequate to correct the poor performance, the committee may recommend to the board that the reviewer be prohibited from performing peer reviews in the future. In such situations imposed by a committee, the board shall appoint a hearing panel to consider ratifying the action(s) taken by the committee for the reviewer's name to be removed from the list of qualified reviewers or if some other action should be taken. The board may decide, with or without committee recommendation pursuant to fair procedures that it has established, to consider whether the reviewer should be prohibited from performing peer reviews or whether some other action should be taken.~~

.153 When a committee recommends that a reviewer should be prohibited from performing peer reviews in the future, the board shall appoint a hearing panel to consider, pursuant to fair procedures that it has established, whether the reviewer should be removed from the list of

qualified reviewers or whether some other action should be taken. The board may appoint such a hearing panel without a committee recommendation. If the reviewer disagrees with the decision of the panel, he or she may appeal the decision by writing the board and explaining why he or she believes removal from the list of qualified reviewers is unwarranted. The board will take further action pursuant to fair procedures that it has established.

~~.152 Corrective or other action(s) can only initially be appealed to the committee that imposed the action(s). For actions previously appealed to the committee or imposed or ratified by the board, if the reviewer disagrees with the corrective action(s), he or she may appeal the decision by writing the board and explaining why he or she believes that the action(s) are unwarranted. The board will review and consider the request upon its receipt.~~

~~.153~~.154 If a reviewer has a corrective or other action(s) imposed on him or her by the committee or board, and the reviewer had previously been approved to perform a peer review that has either begun or has yet to begin, then the committee or board will need to consider whether the review should be performed by another reviewer, or if the review should be overseen by a member of the committee at the reviewer's expense, or other actions, if any (whether or not the reviewer has filed an appeal with the committee or board). If the reviewer has completed the fieldwork on one or more peer reviews prior to the imposition of the corrective action, then the committee or board will consider what action, if any, to take regarding those peer reviews based on the facts and circumstances.

Peer Review Standards Interpretations

Qualifying for Service as a Peer Reviewer

31g-1 *Question*—Paragraph .31(g) of the standards states that reviewers must possess specific additional qualifications to review engagements that must be selected in a System Review under paragraph .63. What additional qualifications must the reviewer possess?

Interpretation—The additional qualifications that reviewers must possess in order to review must-select engagements are

a. The reviewer should have completed additional training focused on must-select engagements that meets the requirements of the board. Peer review training and criteria for demonstrating proficiency in the standards, interpretations and guidance of the program is established by the board. Those criteria are located on the Peer Review page of the AICPA website.

b. The reviewer must be currently (presently involved in) supervising or performing engagements, in his or her own firm, in the must-select industry or area; or carrying out reviews of engagements in the must-select industry or area in his or her own firm as part of the firm's monitoring or inspection process and currently meeting relevant, industry specific educational requirements, as applicable.

c. Where AICPA Audit Quality Centers exist (such as, but not limited to, the Employee Benefit Plan and Government Audit Quality Centers), reviewers of must-select engagements must be associated with firms that are members of the respective Audit Quality Center.

31g-2 *Question*—Are there any exceptions to the additional training requirements described in 31g-1?

Interpretation—Ordinarily, the must-select training courses developed and issued by the board are to be used to meet the requirements to review must-select engagements. However, reviewers may undergo training which includes the same elements as, and is as comprehensive as, the must-select training required by the board.

Peer Reviewers' Performance and Cooperation

~~**149-1** *Question*—When one or more corrective actions are imposed on a reviewer, the administering entity will inform the board and may request that the board ratify the action(s) to be recognized by other administering entities. When can these actions be imposed by other administering entities without board ratification?~~

~~*Interpretation*—When the reviewer is notified of performance issues through deficiency letters, corrective actions or restrictions placed upon the reviewer. For reviewers who perform reviews in multiple administering entities, any corrective action or restriction included in a deficiency letter should be considered by other administering entities regarding whether they want to enforce the action or restriction on all or some reviews performed by the reviewer in their jurisdiction.~~

151-1 *Question*—When the board or committee requires the reviewer to comply with ~~such~~ corrective actions and the reviewer fails to correct the reviewer performance

deficiencies, ~~poor performance or refuses to cooperate,~~ what procedures should be followed?

Interpretation— After being provided an opportunity to improve performance, if the prescribed actions do not result in the required performance improvements, the committee or board should refer the reviewer to a hearing panel to determine whether the reviewer should be removed from the list of qualified reviewers or whether some other action should be taken.~~The committee or board must assess if the reviewer is making a reasonable effort to improve performance. After being provided reasonable time to improve performance, if the prescribed actions are not resulting in the necessary performance improvements, the committee or board may determine that the reviewer's action warrant board consideration. If a reviewer is referred to the board, the board will consider whether the reviewer should be prohibited from performing reviews or whether some other action should be taken.~~

Exhibit A

Peer Reviewer Performance, Disagreements and Qualifications: Additional Background

Expediting Remediation and Removal of Reviewers

To illustrate the differences between the current and proposed processes for remediation and removal, assume:

- A reviewer performs one review per month
- Significant performance issues, such as failures to identify engagements which were not performed in conformity with applicable professional standards in all material respects, occur on each review and are identified by the administering entity
- There are no delays in processing the reviewer's remediation or removal

Current Process

The following process is reflective of the guidance appearing in Chapter 8 of the Report Acceptance Body Handbook.

STEP	DESCRIPTION	DAYS SINCE LAST STEP
1	Feedback form	-
2	Monitoring letter	30
3	Deficiency letter	120
	Time until remediation	150
4	Removal letter	120
5	Hearing panel decision	60
	Time until removal	330

Step 1 – The RAB issues a feedback form citing significant reviewer performance deficiencies.

Step 2 – The RAB considers the reviewer's next review 30 days later and a second significant reviewer performance deficiency is noted. The RAB issues a monitoring letter, which does not require remedial action but notifies the reviewer that improvements in their performance are required.

Step 3 – The RAB cannot issue a deficiency letter until they are presented with a review that the reviewer submitted to the administering entity after the date of the monitoring letter. Because the administering entity has 120 days to present a review to the RAB after it is submitted, this means 120 days may pass before the RAB can issue a deficiency letter, even if the RAB notes additional significant reviewer performance deficiencies in the interim period.

Step 4 – Consistent with Step 3, a removal letter cannot be issued until they are presented with a review that the reviewer submitted to the administering entity after the date of the monitoring letter. Because the administering entity has 120 days to present a review to the RAB after it is

submitted, this means 120 days may pass before the RAB can issue a deficiency letter, even if the RAB notes additional significant performance deficiencies in the interim period.

Step 5 – After the removal letter is sent to the Board, the Board will convene a hearing panel within 60 days. The decision of the hearing panel is effective immediately. If the panel concludes that a reviewer should be removed from the list of qualified reviewers, the reviewer may not schedule or perform reviews from that date forward. While the reviewer may appeal, the panel's decision remains in effect during the appeal process.

Proposed Process

STEP	DESCRIPTION	DAYS SINCE LAST STEP
1a	Feedback form	-
2a	Deficiency letter	30
	Time until remediation	30
1b	Feedback form	-
2b	Removal letter	30
3	Hearing panel decision	60
	Time until removal	90

Step 1a and 1b – The RAB issues a feedback form citing significant performance deficiencies.

Step 2a and 2b – The RAB considers the reviewer's next review 30 days later. If two significant reviewer performance deficiencies are noted, the RAB should take action to either remediate or remove the reviewer. If the RAB determines remediation is most appropriate, a deficiency letter will be issued requiring the reviewer to undergo certain corrective actions. If the RAB determines removal is most appropriate, a removal letter will be issued to the Board.

Step 3 – If a removal letter is sent to the Board, the Board will convene a hearing panel within 60 days. The decision of the hearing panel is effective immediately. If the panel concludes that a reviewer should be removed from the list of qualified reviewers, the reviewer may not schedule or perform reviews from that date forward. Administering entities should refer to paragraph .153 of the Standards along with the associated supplemental guidance in the Report Acceptance Body Handbook to address reviews that have commenced. While the reviewer may appeal, the panel's decision remains in effect during the appeal process.

Current and Proposed Processes for Disagreements

The current disagreement process appearing in Chapter 7 of the Report Acceptance Body Handbook includes four primary steps:

1. Administering entity attempts to resolve the disagreement through technical reviewer involvement and/or oversight
2. If the disagreement cannot be resolved, a panel of the AE's Peer Review Committee (PRC) considers the disagreement
3. If the panel cannot come to a decision, the AE's full PRC considers the disagreement
4. If the PRC is unable to resolve the disagreement, a panel of the Board considers the matter and reaches a final decision

The proposed guidance would require the panel of the PRC to come to a decision; eliminate step 3; and, in lieu of step 4, allow the disagreeing parties to appeal to a national ad hoc committee. The ad hoc committee's principal focus would be on the whether the Program's fair procedures were followed and applied appropriately by the AE panel.

Improving Consistency

The Board will propose revisions to the RAB Handbook whereby virtually all reviewer performance issues will be classified as either "reviewer performance deficiencies" or "significant reviewer performance deficiencies" on a reviewer feedback form. This includes suspensions for failure to submit materials timely or to maintain eligibility to perform peer reviews. The examples which will appear in the RAB Handbook will define the terms. The examples the Board expects to include are as follows:

Significant Reviewer Performance Deficiencies

- Engagement Selection and Review: The reviewer did not
  - — appropriately conclude on whether an engagement was performed or reported on in conformity with applicable professional standards in all material respects. (standards sec. 1000 System Reviews par. .66–.67; Engagement Reviews par. .109)
- Assessment and Disposition of Matters: The reviewer did not
  - — appropriately aggregate or evaluate matters noted on the review (standards sec. 1000 System Reviews par. .75–.86; Engagement Reviews par. .111–.115), such that the committee determined a deficiency was present when the reviewer had not previously elevated the matter to a finding, or the committee determined a significant deficiency was present when the reviewer had not previously elevated the matter to a deficiency.

Reviewer Performance Deficiencies

- Reviewer Cooperation and Qualifications: The reviewer did not
  - — perform in a timely, professional manner resulting in suspension of the reviewer's ability to schedule and/or perform reviews. (standards sec. 1000 par. .147)
  - — maintain the required reviewer qualifications resulting in restriction of the reviewer's ability to schedule and perform reviews. (standards sec. 1000 par. .31 and .34)
- Planning: The reviewer did not
  - — obtain approval of the review team prior to the planning and commencement of the peer review (standards sec. 1000 par. .30)
  - — obtain an understanding of the firm's accounting and auditing practice or system of quality control when performing a peer review resulting in the need to perform additional work after the review working papers were submitted to the administering entity. This would also include failure to address significant differences between the background information provided to the administering entity during scheduling and the information that the firm provides to the reviewer, with a significant difference defined as one that would have affected peer review planning or procedures. (standards sec. 1000. par. .41–.45)
  - — adequately document a comprehensive risk assessment for the system review, and additional clarification was necessary after the review working papers were submitted to the administering entity. (standards sec. 1000 par. .49–.50)

- Engagement Selection and Review: The reviewer did not
  - select a sufficient or appropriate scope of engagements for review in accordance with guidance. This includes selecting too many engagements on an engagement review. (standards sec. 1000 System Reviews par. .53–.63; Engagement Reviews par. .104–.109)
  - properly select the "surprise" engagement and did not provide sufficient documentation of reasoning for selection. (standards sec. 1000 par. .61)
- Assessment and Disposition of Matters: The reviewer did not
  - identify matters, findings, deficiencies, or significant deficiencies appropriately but responded timely to requested revisions. (standards sec. 1000 System Reviews par. .70; Engagement Reviews par. .110)
  - appropriately dispose of matters noted on the review or properly complete the DMFC form. (standards sec. 1000 System Reviews par. .72–.74; Engagement Reviews par. .112–.114)
  - properly consider or document the need to expand scope to other engagements or functional areas. (standards sec. 1000 par. .68 and Interpretation 84-1)
  - appropriately aggregate or evaluate matters noted on the review. (standards sec. 1000 System Reviews par. .75–.86; Engagement Reviews par. .111–.115)
- Completion of FFC Forms: The reviewer did not
  - systemically write findings in a System Review. (standards sec. 1000 par. .83)
  - sufficiently complete or write FFC forms. (System Reviews sec. 4960; Engagement Reviews sec. 6600)
  - properly identify a repeat finding. (Interpretation 83-2)
  - provide proper recommendations to the firm to sufficiently address the findings. (System Reviews sec. 4960; Engagement Reviews sec. 6600)
- Reporting: The reviewer did not
  - properly identify a repeat deficiency. (standards sec. 1000 System Reviews par. .96; Engagement Reviews par. .122n)
  - provide sufficient peer review working papers or documentation to support the report rating. (standards sec. 1000 System Reviews par. .87–.90; Engagement Reviews par. .117–.119)
  - systemically write deficiencies in a system review report, and a revision was required. (standards sec. 1000 par. .96m)
  - "close the loop" when reporting on deficiencies in a system review. (standards sec. 4200.54g)
  - provide proper recommendations to the firm to sufficiently address the deficiencies noted in the peer review report. (standards sec. 1000 System Reviews par. .96m; Engagement Reviews par. 122m)
  - represent the report in standard form in accordance with peer review guidance, or significant revisions to the report were needed. (standards sec. 1000 System Reviews par. .96; Engagement Reviews par. 122)
- Completion and Submission of Workpapers: The reviewer did not
  - comprehensively complete peer review documentation, or the documentation required revisions. (standards sec. 1000 par. .24)
  - properly report engagement statistics or did not properly discuss in other peer review practice aids when it was determined that the engagement was not performed or reported on in conformity with professional standards in all material respects. This also includes consideration of the reviewed firm's response to such an engagement in accordance with professional standards. (Interpretation 66-1)

- Other departures from *Standards for Performing and Reporting on Peer Reviews* or other authoritative program guidance.

Other Potential Changes

In addition to the changes to *Standards* and Interpretations appearing in these materials, the Board will explore other potential changes to Chapter 8 of the RAB Handbook to promote consistency and reduce the time between when a reviewer's performance issues occur and when remediation or removal is required. These are expected to include:

- Requiring a feedback form to be issued when one of the reviewer performance deficiencies on the form is noted during an oversight, technical review or the RAB acceptance process
- Define the period over which reviewer performance deficiencies will be considered
- Requiring administering entities to upload all feedback forms to a web-based platform
- Developing a clear process whereby a designee of the Board (for example, the Oversight Task Force), after discussing the matter with administering entities, could issue a deficiency letter or removal letter
- Defining "a pattern of reviewer performance deficiencies" (described in the proposed paragraph .148)
- Developing a process for reviewer reinstatement such that three years after a reviewer has been removed from the list of qualified reviewers, they may petition for reinstatement
- When a reviewer self-identifies performance issues evident on reviews that have been submitted to an administering entity but not yet been subject to technical review, allowing for that reviewer to address the issues without receiving feedback.
- When a reviewer appeals a corrective or other action, requiring the reviewer to comply with the decision of the appeal panel within a certain period of time or be removed from the list of qualified reviewers

NASBA

National Association of State Boards of Accountancy

♦ 150 Fourth Avenue, North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615.880-4201 ♦ Fax 615.880.4291 ♦ www.nasba.org ♦

November 26, 2014

Board of Examiners
American Institute of CPAs
100 Princeton South, Suite 200
Ewing, NY 08628

Via Email: jmaslott@aicpa.org

Re: Invitation to Comment: Maintaining Relevance of the Uniform CPA Examination

We are pleased to respond to the request for comments from the American Institute of CPAs' (the "AICPA") Board of Examiners (the "BOE") on its *Maintaining the Relevance of the Uniform CPA Examination Invitation to Comment* (the "ITC"). The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy in the United States and its territories (the "Boards"). Our comments are made in consideration of the Boards' mandate to protect the public interest.

We support the AICPA and BOE in this important endeavor of conducting a comprehensive practice analysis to ensure that the Uniform CPA Examination (the "Examination") continues to test the minimum competencies needed to become a licensed certified public accountant. The Boards of Accountancy rely on this Examination, along with the education and experience requirements, as stated in their Accountancy Acts, as they make the important determination of qualification for licensure as a CPA. Given the significance of the Examination to all Boards of Accountancy, they have relied upon NASBA to monitor this practice analysis process closely on their behalf.

OVERALL COMMENTS

In our discussions regarding the ITC, we did have several comments and questions that did not specifically relate to one of the questions posed. These include:

1. The phases of the practice analysis are laid out in Section 3 of the ITC. The timeline provided seems very aggressive with multiple overlapping phases. We find it curious that the ITC response period (September 2014 - December 2014) and the Survey period (November 2014 - December 2014) overlap. If the ITC brings entirely new feedback to the BOE's attention, such as additional content areas, skills or other matters, how will that feedback be evaluated, since the survey will have already been completed?

2. The title of Section 4.A. of the ITC refers to "adaptability" along with other skills, but that does not appear to be addressed further in the section. Is "adaptability" meant to be included as a consideration for comment?

3. In soliciting input for this ITC response, we have had several questions regarding the level at which the Examination tests candidates. Some have asked how the Examination can test at a level that determines what a newly licensed CPA needs to know, when the candidate could be taking the Examination immediately following his or her education and still needs to meet the experience requirement before being licensed. We would ask that the BOE provide greater insight into this topic to the Boards of Accountancy.

4. Several Boards of Accountancy have approached NASBA with a request for year round testing and, more specifically, with a request for opening the month of June for Examination testing as an accommodation to those candidates who are either still in school or have just graduated in May. We encourage the AICPA to continue exploring avenues to alleviate or diminish the need for dark months, and also work with NASBA to consider what improvements could be made to the testing schedule.

RESPONSE TO ITC QUESTIONS

Section A – Length, Sections, Content Added and Removed

1. Are the current Examination sections (AUD, FAR, REG and BEC) the correct structure? Should the number of sections change? Should they be organized differently? Is each section's time allotment appropriate?

   - These are broad questions that are difficult to answer. Though we have no significant concerns about the current structure of the Examination, it would be helpful to better understand its background, including why there are multiple sections and how were those sections chosen initially. Also, why have the sections changed over the years? This insight could help us to provide a more thoughtful response.

   - We do have some concerns about the BEC section. Is it really testing the content it was originally envisioned to cover? Escalating pass rates on this section raise concerns regarding the robustness of the questions and content matter tested.

   - Given the speed at which new accounting / auditing standards are introduced or changed and the tax code is revised, as well as the introduction of multiple international standards to the Examination in recent years, we would not be comfortable with reducing the overall length of the Examination. We would ask the BOE to consider if the current length is adequate after the survey is completed and a better understanding of the depth and breadth of content and skills needing to be tested is determined.

2. Are there additional content areas that should be included in the Examination?

   - While we note that professional ethics and independence standards are currently tested on the Examination, primarily in REG, we feel that these topics should be given greater emphasis and tested either pervasively through all sections, or possibly as a separate section. We also believe it would be beneficial to test professional ethics in the simulations. A case study approach in

which a candidate must consider multiple data points and apply the standards could measure the application of skills and knowledge instead of just rote memorization of standards.

- Consideration should be given to more specific testing on the use of valuation services in auditing. From a review of PCAOB inspection reports and SEC enforcement cases, major audit deficiencies focused on fair value, estimates and impairments.

3. Are there content areas that should be removed because they are no longer applicable?

   - None are noted. We do encourage the AICPA to conduct a regularly scheduled and comprehensive obsolescence review of all questions on the Examination to ensure they are up-to-date, accurate and relevant.

Section B - Essays

1. Should writing skills be tested in additional sections of the CPA examination? If so, in which sections and in what proportion?

   - It is our understanding that written communications were moved from the other three sections of the Examination to BEC in order to facilitate speed of scoring for all sections. BEC was previously only multiple choice. We would not be in favor of adding it back to the other sections unless AICPA derives a way to test content along with written communication skills. Without the content connection, there is no reason to test these skills in all sections. Neither do we believe additional weight should be assigned to them.

   - We do, however, strongly encourage AICPA to continue to research ways in which content could be tested in conjunction with writing skills.

2. What types of writing tasks should be added (management letter comments or other communications, memo on accounting research, a written tax position, or other types of communications?

   - Without being aware of what writing tasks are already being tested, it is difficult to provide additional suggestions. Other applicable written tasks not mentioned in the question include financial statement footnotes or procedures for attestation engagements. However, the form of the writing task has less significance when it isn't scored for content.

Section C - Simulations

1. Should the weighting of simulations be adjusted in AUD, FAR, and REG? If so, in what proportion?

   - Without knowing what changes could ultimately be made to content and skills tested, it is impossible to answer this question. Basing the answer on the current content and skills, we find

a 40 percent weighting in AUD, FAR and REG to be reasonable. However, we submit the following questions: Is there empirical data comparing candidates' performance on multiple choice questions (MCQs) versus simulations? Can skills such as critical thinking, problem solving, analytical ability, professional skepticism and adaptability be tested in MCQs, and has AICPA considered doing so?

2. What types of tasks should be tested in AUD, FAR, and REG?

   - We understand that many of the answers in simulations throughout these sections of the examination are provided via drop down boxes and selection of responses (choosing a standard section or code section, selecting from a choice of prepared answers, etc.). Is this format really testing the ability to apply knowledge, or is it simply a more robust type of MCQ? It would be our hope that AICPA could move toward "real world" simulations where the answers are not one of a selection of choices, but must be derived holistically by the candidate.

3. Should simulations other than essay questions be considered for BEC? If so, in what proportion

   - We are generally supportive of the integrative approach outlined in the ITC of creating case studies or task-based simulations that would test knowledge and skills related to BEC concepts as they pertain to AUD, FAR, REG and BEC. We do however have a concern that new content and skills testing would be intermingled with content and skills already tested in other sections. Would this cause some content to be tested twice and give greater weight to the content and skills than warranted or expected? Would this dilute the importance of the BEC-specific content?

4. What types of tasks should be tested in BEC?

   - No response provided.

<u>Section D – Simulation Enhancements</u>

1. What other candidate resources should be enhanced or added?

   - No response provided.

2. Should the basic spreadsheet be converted to Microsoft Excel even if the cost to take the examination increases as a result?

   - In a discussion with NASBA's Executive Directors Committee, it was noted that Boards are getting few, if any, complaints about the spreadsheet deployed in the existing Examination. We do agree, however, that providing tools on the Examination that are reflective of those used in practice is optimal, so we would be amenable to converting to Microsoft Excel if cost increases related to this conversion were not prohibitive.

Section E – Simulation Enhancements

1. What types of enhancements could make the simulations more realistic?

   - Audio/video enhancements could be employed to test the candidates' comprehension. The functionality of these enhancements should be implemented in such a way that they are intuitive to utilize by the candidates. Directions should be clear and easily understandable.

2. Should these enhancements be implemented even if the cost to take the exam increases as a result?

   - The answer to this question is relative to the amount of cost increase contemplated by the AICPA to implement and sustain the enhancements. We do believe an increase to the Examination's cost is warranted, if it ensures the Examination remains robust and relevant.

Section F- Integrative Section

1. Should the CPA Examination consider an integrative case study section?

   - The concept of an integrative case study section is appealing, as it may more robustly test the candidates' ability to apply their knowledge of content and skills in a realistic situation. It would be important that both content knowledge and skills be measured in the same case studies.

2. Should an integrative section be a capstone? Candidates would be required to pass AUD, FAR and REG prior to sitting for the capstone.

   - We are intrigued by the concept of an integrative capstone section, but would like more information. Is there data available on how capstones have been integrated into other high stakes professional examinations in the United States as well as how they are used by the accounting profession in other countries? What impact would adding a capstone have on the candidates' ability to complete the examination within the 18 month time frame?

   - Some of the Boards of Accountancy could require statute or rule changes to accommodate a new section name, or more importantly, a requirement that a capstone section be taken last. This would require significant lead time, which should be seriously considered as the BOE ultimately makes its determination regarding number of sections, ordering of sections, and so on.

   - There is concern that, based on other comments in the ITC, that an integrative section might be more difficult and time consuming to grade. Given this, if it is truly a capstone, and must be taken last, communication to candidates regarding the change would be crucial, as they would need to plan their testing schedule to allow additional time for grading when considering when to take the section. If it ultimately would be an integrative section, but not a capstone, it could then be a very real possibility that candidates would choose to take this section first to allow the extra

time for grading in their first section in states where the 18 month period commences with the publishing of scores.

Section G – Cost Increases

1. Should the CPA Examination consider improvements that may provide greater testing of higher-order skills even if they would require increasing the cost of the examination?

   - Without specific details, this question is difficult to answer. Which improvements? Which higher order skills? How much of an increase?

   - We are concerned that, in the zeal to test higher order skills, the AICPA could consider investing in expensive and complex technology beyond what might be warranted. Though we want the Examination to be of the highest quality, we don't want to overly burden candidates with unneeded complexity and significantly higher examination costs. Finding the right balance will be key.

2. What amount of cost increase (for example, $10, $15, $20, or $25 per section) do you think would be acceptable given the proposed changes?

   - We are concerned that this question is being asked in a vacuum, as there have been no cost/benefit discussions or information provided regarding specific changes. We also realize that the overall Examination fee to candidates is not solely based on the AICPA's fee. As an example, if additional Examination sections are added or additional time is allotted to completing the existing four sections, there is an inherent increase because the Prometric portion of the fee is hour-based. Also, to the extent significant changes are made by AICPA, it could impact interfaces and costs of NASBA and Prometric, accordingly. Therefore, we believe that cost/benefit analysis should be considered across the entire examination process, not just measured against the AICPA's Examination development and scoring.

   - Given this caveat, we do feel that a moderate <u>overall</u> increase in price would be tolerable but would suggest that it be considered from a percentage base such as 5-10 percent, rather than from a dollar amount.

   - In polling our Executive Directors Committee, we learned that there are few complaints regarding current Examination fees, even from international candidates. All acknowledge that the cost of the Examination itself, is minimal compared to the cost of their post-secondary education, and Examination review course fees, when utilized. We remain concerned, however, that excessive cost increases could drive candidates away from the Examination and the profession. It is in the public's best interest that the pipeline of newly licensed CPAs remains robust, given the impending retirement of large numbers of CPAs from the baby boomer generation.

Section H – Score Reporting Timeline

1. Should the CPA Examination consider improvements that may provide greater testing of higher-order skills even if they would require increasing the time to report scores?

   - We agree that newly licensed CPAs are being asked to perform tasks and analyze data at more sophisticated levels than ever before. As such, it is imperative that the Examination constantly evolve and test at appropriate levels. The surveys of newly licensed CPAs and those who supervise them being conducted by the AICPA, should help determine the levels at which candidates should be tested.

   - We are concerned, however, about extending the length of time for score reporting by any significant amount. We believe that the candidates are much more concerned about this than the cost of the examination. Our biggest concern is that candidates have adequate time after receipt of their scores to be able to schedule and test in the next window.

2. In the current exam, candidates typically receive their scores for a particular section within 10-20 business days. What range of lengthened score reporting timeline (for example, 5, 10, 15, 20 business days, and so on) do you think is acceptable given the potential need for additional time to effectively score an examination (for example, if human scoring were required for a section)?

   - As noted in the immediately preceding question, we are concerned about extending score reporting timelines significantly. We feel that, in the event an integrative or capstone section is added, an addition of five business days to score that section of the Examination would be acceptable.

Final Question:

1. What other changes should be made to the CPA Examination?

   - We would not support the BOE changing its policies regarding double jeopardy on the Examination. Each scoring opportunity should be considered separately and candidates should be given credit for incrementally correct answers.

* * *

NASBA appreciates the opportunity to provide our perspectives on these important topics. Our comments are intended to assist the AICPA in analyzing the relevant issues and potential impacts. Our Boards would be interested in seeing the responses received to this ITC to better understand the perspectives of other stakeholders, importantly including candidates. This information would provide greater perspective to Boards as they are asked to provide additional input.

We look forward to the opportunity to follow the deliberations of the BOE and provide additional opportunities for the Boards of Accountancy to provide input as the revisions to the Examination begin to take shape. As NASBA and AICPA have discussed, though we know the next formal opportunity outlined in the ITC to provide input is to the exposure draft expected to be released in August 2015, we hope to share preliminary thoughts of the BOE with the Boards of Accountancy at the June 2015 NASBA Regional Meetings or possibly other agreed-upon venues as information becomes available.

Very truly yours,

Walter C. Davenport, CPA
NASBA Chair

Ken L. Bishop
NASBA President and CEO

NASBA

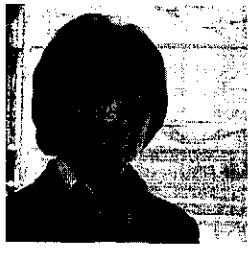
NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

CANDIDATE CONCERNS 1403

CANDIDATE CARE DEPARTMENT

JULY 1 – AUGUST 31, 2014

PENNY VERNON, MANAGER



150 Fourth Avenue North, Suite 700 Nashville, TN 37219-2417 Tel 615/880-4200 fax 615/880-4290
Web www.nasba.org

CANDIDATE CARE CONCERNS 14Q3

JULY 1–AUGUST 31, 2014

This report provides a synopsis of concerns and issues reported to NASBA's Candidate Care Department by CPA candidates during the 14Q3 testing window.

CANDIDATE ERRORS

There has been an uptick in the number of errors candidates have been making in the past two testing windows. These are simple mistakes that could cause candidates to be turned away from a test center or to have to forfeit their fees. While we have provided information to candidates in the past as to how to avoid such slip-ups, NASBA decided that it was necessary to remind them again. Email blasts and social media campaigns are underway to assist candidates.

The following is a list of the most common errors candidates are making:

Late Arrival: If you arrive at the test center after your scheduled appointment time, Prometric is not obligated to test you. Know where you are going before setting out.

NTS: Do not forget to take your NTS (Notice to Schedule), which has the launch code printed on it, to the test center. This is not the confirmation received from Prometric after scheduling an examination.

Wrong NTS: Check the date on your NTS to make sure it is the current one and not one you have previously used.

Introductory Screens: Once the launch code has been entered, proceed directly through the introductory screens, or else the exam will time out and cannot be restarted.

Cell Phones: Once you enter the testing center, you may not access your cell phone. This includes using your cell phone during a scheduled break.

Reporting Issues: Candidates need to immediately report any difficulties during testing to the staff at the test center and not wait until the exam has ended.

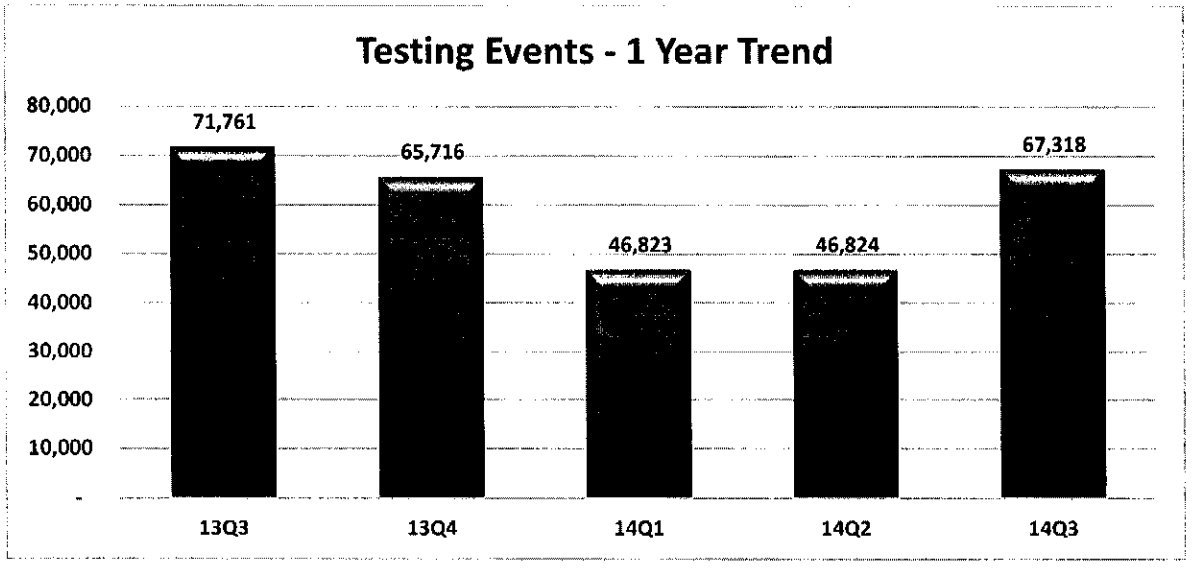
Notifying NASBA: If any difficulties related to the test experience are encountered, a formal complaint needs to be sent to NASBA at candidatecare@nasba.org within five days of taking the exam. Do not wait until the score has been released.

Rescheduling: If you reschedule an appointment with Prometric, you must go the "Reschedule Appointment: Appointment Complete" screen. This follows the "Appointment Verification"

screen. You also need to make sure that you have received a confirmation email from Prometric verifying the new appointment time and place.

Finding a Seat: Candidates are advised to schedule an appointment 45 days before they plan to take the exam to ensure that they will get the date and time that they wish.

Navigation: To navigate from question to question, use the controls at the bottom of the screen. Click the **Next** button (not the exit button) to advance to the next question, or the **Previous** button to go to the previous question. To go directly to any question, click on its number.



Summary of Candidate Concerns:

Category	13Q3	13Q4	14Q1	14Q2	14Q3
AICPA & Test Content	28	13	16	6	15
Candidate Error	74	77	57	71	92
Confirmation of Acceptance	147	133	124	110	161
Environment	0	40	160	0	0
International Exam	127	100	83	65	67
Prometric Scheduling Issues	18	16	21	15	24
Prometric Site Issues	53	47	49	38	47
Technical	115	119	118	95	116
Subtotal	562	545	628	400	522
*Coordinator follow-up	174	178	281	318	383
*CPAES & NCD	151	156	139	145	172
Total	887	879	1048	863	1077

THE HUB

NASBA took its application systems down from June 26-29 in order to conduct maintenance and install system upgrades. This coincided with the AICPA system's service period that prevented the processing of new ATT's. Application services were restored the morning of June 30 with the official launch of "The Hub." This is a web-based software platform serving CPA Examination Services (CPAES). Faster and more secure than the previous system, The Hub also features vast improvements in graphics and functionality. It provides a more user-friendly and efficient experience for CPAES employees working with Uniform CPA Examination data.

In addition to the new back office application, NASBA has also completed improvements to "CPA Central," the CPAES online application system. Upgrades include enhancements to the look and performance of the application, as well as stronger requirements regarding passwords, which will further enhance our commitment to the protection of candidate data.

The revitalized CPA Central also features a new landing page that contains a listing of links to important Exam-related information and functions—anything from reprinting a Notice to Schedule, to retrieving online scores. This page enables candidates to get what they need in one place, alleviating the need to search NASBA.org for specific pieces of Exam-related information. To take a look at the new landing page and other updates to CPA Central, please visit https://cpacentral.nasba.org.

TESTING ACCOMMODATIONS

During the July/August testing window, we had 382 ADA candidates sit for 532 sections of the exam. Out of these, seven were tested at international locations and seven were tested over multiple days.

END OF EXAM INTERRUPTION/FREEZE

Some candidates began reporting to NASBA's Candidate Care Department that after they had finished the entire examination, when the staff tried to print out the Confirmation of Attendance, the computer would freeze. In most instances, the exam had to be restarted in order to print the Confirmation of Attendance to give to the candidates upon leaving the testing center. Candidates became concerned that this may have caused their exams to fail to be submitted to the AICPA for scoring. NASBA's Candidate Care Department was able to reassure candidates by checking their examination files and informing them that, in fact, their exams had been received by the AICPA.

This is a known issue and Prometric and the AICPA are working toward a successful resolution.

HOLIDAY WEEKEND VOLUME

The July/August window ended on Sunday of Labor Day weekend. In an attempt to accommodate as many candidates as possible, Prometric extended hours at many of their testing centers the last week of August. They also remained open on Sunday, August 24th and August 31st. Candidates were sent multiple communications alerting them to the availability of additional testing appointments.

NASBA's Candidate Care Department values the opportunity to work as advocate for your candidates. If you have any questions, concerns, or suggestions, please contact Penny Vernon, Manager, at 615-880-4209.

National Association of State Boards of Accountancy, Inc.
Meeting of the Board of Directors
July 18, 2014 - Coeur d'Alene Resort, Coeur d'Alene, ID

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 Carlos E. Johnson at 8:38 a.m. on Friday, July 18, 2014 at the Coeur d'Alene Resort in Coeur d'Alene, ID.

2. Report of Attendance

President Ken L. Bishop reported the following were present:

Officers
Carlos E. Johnson, CPA (OK), Chair
Walter C. Davenport, CPA (NC), Vice Chair
Gaylen R. Hansen, CPA (CO), Past Chair
E. Kent Smoll, CPA (KS), Treasurer, Director-at-Large
Kenneth R. Odom, CPA (AL), Secretary, Director-at-Large – Via Phone

Directors-at-Large
Donald H. Burkett, CPA (SC)
Janice L. Gray, CPA (OK)
Richard Isserman, CPA (NY)
Raymond N. Johnson, CPA (OR)
Telford A. Lodden, CPA (IA)
Harry O. Parsons, CPA (NV)
Laurie J. Tish, CPA (WA)

Regional Directors
Donald F. Aubrey, CPA (WA), Pacific
A. Carlos Barrera, CPA (TX), Southwest
Jimmy E. Burkes, CPA (MS), Southeast
John F. Dailey, Jr., CPA (NJ), Northeast
Tyrone E. Dickerson, CPA (VA), Middle Atlantic
W. Michael Fritz, CPA (OH), Great Lakes
Richard N. Reisig, CPA (MT), Mountain
Douglas W. Skiles, CPA (NE), Central

Executive Directors' Liaison
Mark H. Crocker, CPA (TN)

Staff
Ken L. Bishop, President and Chief Executive Officer

Colleen K. Conrad, CPA, Executive Vice President and Chief Operating Officer
Michael R. Bryant, CPA, Senior Vice President and Chief Financial Officer
Louise Dratler Haberman, Vice President - Information and Research
Thomas G. Kenny, Director – Communications
Troy Walker, CPA, Director of Finance/Controller
Noel L. Allen, Esq., Legal Counsel
Cheryl Farrar, Chief Information Officer

3. Approval of Minutes

Secretary Odom made a motion that the minutes of the April 25, 2014 Board meeting be approved as amended. The motion was seconded by Ray Johnson and all approved the acceptance of the minutes as amended.

4. Report of the Chair

Chair Carlos E. Johnson reported NASBA leadership had attended many meetings, in part due to the association's enhanced branding and relevance effort. He and Executive Vice President Colleen Conrad had attended the annual meeting of the Financial Accounting Foundation in Washington, D.C. Leadership's annual meeting with the Public Company Accounting Oversight Board is scheduled for August 12. NASBA leaders will also be meeting with leaders of the Instituto Mexicano de Contadores Publicos, American Institute of CPAs and CPA Canada in Mexico on July 22. On July 30 the Leadership Development Group will meet in New York City, to assist NASBA in identifying leaders 2-3 years in advance.

A task force looking at NASBA's nominating process has also been appointed by Chair Johnson and will meet on August 14.

NASBA will be at the American Accounting Association's Annual Meeting, August 2-6 in Atlanta. Chair Johnson, Vice Chair Walter C. Davenport, President Ken L. Bishop and Middle Atlantic Regional Director Tyrone E. Dickerson will be attending a NASBA sponsored dinner for the Ph.D. Project, which is a catalyst for African Americans, Hispanic Americans and Native Americans to return to school and earn their doctorates. It was established in 1994 by the KPMG Foundation, and Chair Johnson said working with this organization has been added to the Diversity Group's charge.

NASBA leaders will also be at the National Society of Accountants' Annual Meeting, August 20-23 in Baltimore. Chair Johnson noted that NSA Executive Vice President John G. Ams had helped improve the relationships between the state chapters of the NSA and the State Boards.

Chair Johnson said that he, President Bishop and Executive Vice President Conrad were in the midst of making appointments and recommendations to outside groups, and there were no announcements to be made about those at this meeting.

The members of the Board had received two reports from NASBA Vice President Ed Barnicott summarizing staff activity. Chair Johnson said he had asked Mr. Barnicott to prepare these monthly reports, and additional reports would be sent to the Board members regularly, to keep them informed on what is happening between the Board's quarterly meetings.

5. Report of the Vice Chair

Vice Chair Davenport reported he had held his initial committee planning meeting in May, with original committee assignments being made at that time. Additional committee request forms were submitted at the Regional Meetings. He will finalize the committee rosters September 4-5 and anticipates having the new assignments sent out by mid- September.

6. Report from Committee on Relations with Member Boards

Committee on Relations with Member Boards Chair Skiles reported the June 2014 Regional Meetings and orientation meetings had received good evaluations from attendees. A new addition to the Regional Meeting events, the reception for new Board members scheduled the night before the orientation program, had been very successful, he noted. The Regional Directors are recommending that the orientation program be planned for 8:00 a.m. – 2:30 p.m. next year, to allow for an additional half hour to cover the topics. To allow for speakers' going beyond their allotted time, it was suggested that a 30-minute break be scheduled, which could be shortened if needed. Having a single "super raffle," rather than multiple raffles, was seen to be a positive change to be continued at future meetings.

The Focus Questions discussed for this quarter are meant to highlight how State Boards see their states' Act and Rules differ from neighbor states' and the Uniform Accountancy Act. Mr. Skiles said the Regional Directors had also suggested it may be time to look at NASBA's Regional map to reconsider how the states are grouped. Looking forward to the Annual Meeting, the Regional Directors identified potential topics for their Regional Breakfast Meetings: peer review and the report from the DOL; advanced placement courses and how to get students interested in accounting at the high school level; and international mobility. The starting time for some of the Committee's Thursday meetings may be set later, as the agenda in some quarters is not as full as in others.

7. Report of the Awards Committee

Chair Johnson reported NASBA Awards Committee Chair Mark Harris had asked that he present the Awards Committee's recommendations for the 2014 NASBA awards:
David A. Vaudt (IA) – William H. Van Rensselaer Award;
Richard Isserman (NY) – NASBA Distinguished Service Award;
Viki A. Windfeldt (NV) – Lorraine P. Sachs Standard of Excellence Award.

The awards will be presented at the Annual Business Meeting.

8. Report of the President

President Bishop reported NASBA leaders had attended the Prometric summit, and Prometric President and Chief Executive Officer Michael Brannick will be coming to NASBA's headquarters in Nashville and will address NASBA staff directors about the importance of the NASBA/Prometric relationship at all levels.

NASBA held a health fair for the staff and celebrated a "sunshine day" in recognition of achieving the "Best in Business in Nashville" award. The Community Investment Committee has been doing fundraising for different causes, with contributions going to the Down Syndrome

Association and the Jason Foundation. NASBA is also participating in the Inroads Summer Interns Program, which this year has provided interns in IT and HR.

NIES (NASBA International Evaluations Service) is now two years old, President Bishop noted, and while it was anticipated that it would have a slow organic growth, it now has 48 states signed up and holds 50 percent of the marketplace.

On July 15, 2014, NASBA signed a new lease on the Nashville office, President Bishop reported. As of late 2015, NASBA will take possession of the 6th floor in the headquarters building and in March 2016 staff will begin moving into the floor. President Bishop credited Senior Vice President and CFO Michael Bryant with negotiating terms with the building's landlord that made this change possible. The new space and design will facilitate greater efficiency and interaction among departments.

Executive Vice President Conrad reported Ms. Farrar had done a great job in pulling together the IT team, including Chief Information Security Officer Roy Hall and NASBA's Infrastructure Services Director Jeff Oliver. They have done major renovation of the internal Hub as well as CPA Central, which is what the candidates use.

A one-day meeting with representatives from review course providers and representatives from six universities was held in July, Ms. Conrad said. The goal was to determine how to get them to improve their operations through information NASBA can provide.

NASBA is increasingly becoming a trusted resource as more states reach out for assistance. President Bishop said this is occurring thanks to the work of Vice President – State Relations Dan Dustin and Director of Governmental Affairs John Johnson.

Leaders are needed for NASBA and for nominations to committees for outside bodies such as the FASB, GASB and PCAOB. Mr. Bishop said NASBA is looking to find appropriate people to recommend. Ms. Conrad observed that as NASBA is becoming more relevant, it is going to be asked to participate in more meetings and groups. She said NASBA is continuing to work on developing relationships with federal government agencies. The Executive Directors Committee has asked to be represented in NASBA's meetings with officials in D.C.

Of all the mutual recognition agreements now in place, the Canadian MRA is the closest, President Bishop observed. Steps have been taken to make the Canadian and U.S. examinations very similar in content and there are constant conversations about Canadian and U.S. GAAP. Designated pilot projects on Canadian/U.S. mobility are being looked at, President Bishop said. There is talk of Washington and British Columbia running a pilot test. Ms. Conrad said articles run in Canada and the U.S. are reminding people about taking care in how they use their titles.

The IESBA roundtable on Non-Compliance with Laws and Regulations (NOCLA) was held in Washington, D.C., with Ms. Conrad and Mr. Hansen participating as NASBA representatives. Ms. Conrad said there is still a lot of controversy over the need for confidentiality of client records vs. the need to report if an auditor feels public protection is at stake. President Bishop said this topic is likely to be discussed with the AICPA at the summit.

President Bishop congratulated the Regional Directors for creating great Regional Meetings.

The State Boards are starting to act on lists they received of firms conducting Employee Benefit Plan audits. Ms. Conrad said Mr. Dustin is working on questions and answers the Boards can use in addressing firms that were not properly peer reviewed, and articles on the topic will be appearing in the publications of the AICPA and the State Societies.

The pass rate and international recognition may also come up at the August summit with the AICPA. NASBA will continue to monitor the pass rates of the Uniform CPA Examination as, Ms. Conrad said, the percentages may impact the optics of the profession. A white paper on unilateral recognition of international professionals may also be discussed at the summit.

ALD and CPAVerify information are available for limited use, Ms. Conrad said. NASBA is receiving many requests from the IRS and other federal agencies as well as LinkedIn to be able to quickly have their database interface with NASBA's. However, NASBA would not proceed without checking with the State Boards. President Bishop said NASBA is not going to violate any agreements with State Boards as to how to use the information.

President Bishop said the Board would today be asked to consider a resolution that would enable NASBA to set up a new for-profit entity. This would allow for international evaluations for groups outside the accounting profession. Ms. Conrad said NASBA would come to evaluations with the point of view as a regulator, and the value proposition is compellingfor this new venture.

President Bishop explained that NASBA is hiring great people and wants to retain them. NASBA's revenue is static and improvements have been made through efficiencies, but the only way for more revenue to come in, is for NASBA to go outside its fixed pie. Mr. Bishop said NASBA is doing a seven-year look and, consequently, is making investments in the NASBA International Evaluation Services (NIES) to keep ahead of the growth that is expected in that area.

The NASBA communications group is making a great effort to help states with branding, Ms. Conrad said. New newsletters are being composed for the Connecticut, Georgia and Mississippi Boards by the NASBA communications group.

More and more schools across the country are working with the Center for the Public Trust, as are the big accounting firms, President Bishop said. He believes the money NASBA has donated to the CPT was money well spent. The students who attend the Student Leadership Conferences will understand NASBA, the State Board regulatory process and ethics, he said.

2014 NASBA Annual Meeting speakers will include: Frank Keating, Dan Montgomery, Cokie Roberts, James Doty and Paul Stebbins, Mr. Bishop told the Board, and he encouraged them to attend the meeting.

President Bishop said the member Boards will be asked to vote to waive associate membership dues for sitting members of the NASBA Board of Directors and NASBA past chairs. This would require a Bylaws change.

9. Report of the Nominating Committee

Nominating Committee Chair Hansen presented the report of the Nominating Committee to the Board. All of the Nominating Committee members were at both NASBA Regional Meetings. Mr. Hansen said he had spoken to all the candidates within two days of the Nominating Committee's selection of their slate. The following were selected by the Committee:

Directors-at-Large (three-year terms) :
A. Carlos Barrera (Associate - TX)
Richard N. Reisig (Associate – MT)
Laurie J. Tish (Associate – WA)
Regional Directors (one-year terms):
Middle Atlantic – Robert J. Cochran (Delegate – VA)
Great Lakes – Wayne Michael Fritz (Delegate – OH)
Southwest – J. Coalter Baker (Delegate – TX)
Southeast – Maria E. Caldwell (Delegate - FL)
Mountain – Benjamin C. Steele (Delegate – NV)
Central – ***To be determined***
Pacific –Ed G. Jolicoeur (Delegate –WA)
Northeast – John F. Dailey, Jr. (Delegate – NJ)

As previously announced, Donald H. Burkett (Delegate - SC), is the Nominating Committee's choice for Vice Chair 2014-2015, to accede to Chair 2015-2016 if elected Vice Chair by the member Boards at the November 4, 2014 Annual Business Meeting.

Mr. Hansen reported a glitch occurred when the Committee's selected candidate for Central Regional Director felt he did not have the time to commit to serve on the NASBA Board. The Nominating Committee, pursuant to the Bylaws, will have to meet again to select a new candidate.

Chair Johnson explained that since the Middle Atlantic Region did not select a Nominating Committee member at the June Regional Meeting, the Board of Directors, according to the Bylaws, have the authority to make the selection. Middle Atlantic Regional Director Dickerson reported the Middle Atlantic Region had held a conference call with all seven states represented on June 26, 2014, and at that time decided to recommend Barton Baldwin (NC) as its member on the 2014-2016 Nominating Committee and Stephanie Saunders (VA) as its alternate. Mr. Dickerson made a motion that the Board appoint Mr. Baldwin and Ms. Saunders as recommended by the Region. Mr. Burkett seconded the motion and all approved.

10. Report from Chief Information Officer

Ms. Farrar reported a governance model for IT has been established to ensure the business units determine what IT works on and includes that into the fiscal policy. "We have made substantial process improvements, acquired software tools to monitor our IT environment, went so far as to used tools to make sure our systems are safeguarded against hackers gaining access to our technology assets, established security governance, designed new mobile device

controls, set new standards for developing systems, and reviewed all of NASBA's applications from a security perspective," Ms. Farrar stated. She explained that IT security professionals detect 160,000 new viruses daily.

Besides increasing security, Ms. Farrar reported the NASBA IT department this year has: rolled out the interface for CPAES, CPA Central and the internal Hub's launch; made improvements to the Accountancy Licensee Database; launched the CPE Audit Tool sites; and made operating system upgrades to the Gateway system.

Among the projects set for the coming year, Ms. Farrar said the IT department will: begin the Gateway rewrite; improve data management and reporting; enhance the software development life cycle; deploy to the cloud on Amazon web services; consider developing mobile capabilities for candidates working with cell phones and tablets; and make service desk improvements.

11. Resolution to Form For-Profit Entity

Chair Johnson presented the following resolution as recommended by the Executive Committee:

"The NASBA Board of Directors RESOLVE:

"1. NASBA authorizes the formation of a for-profit entity ("NewCo");

"2. NewCo may be formed to provide any or all foreign credential evaluation services and other evaluation or education measurement services not within the scope of the current NASBA Articles of Incorporation, and any other services that are determined to be advantageous to be provided by NewCo rather than NASBA;

"3. NewCo will be governed by a board of directors which will include the NASBA CFO as an ex officio non-voting member and other members who will be nominated by the NASBA Executive Committee and confirmed by the NASBA Board of Directors, and serve at its will;

"4. The NASBA President and CEO will be responsible for staffing of NewCo and, in consultation with the NASBA Executive Committee, will establish NewCo in a manner to assure:
(a) Adequate precautions are taken to preserve NASBA's tax exempt status and protect NASBA from claims of legal liability;
(b) An appropriate separation of operations, administration and support services is established between NewCo and NASBA at the same time care is given to avoid unnecessary duplications;
(c) An adequate initial capital funding level will be established;
(d) All other details of formation are handled.

"5. NASBA's President is authorized and directed to take all reasonable and necessary actions in consultation with NASBA's Executive Committee to implement this resolution including, but not limited to, the execution of necessary legal instruments and

filing the same (if necessary)."

Mr. Smoll moved to adopt the resolution and Mr. Burkett seconded. Mr. Isserman asked if this would be a wholly-owned subsidiary of NASBA and could NASBA fire the board of directors. Mr. Allen said it would be a Delaware corporation of which NASBA would be the sole shareholder with the ability to fire the board. President Bishop said that, at the beginning, the corporation would be completely staffed by shared NASBA staff. It will be an organic startup with a small board of perhaps five people, Mr. Bishop explained. Chair Johnson called for a vote in favor of forming the for-profit entity and all approved.

12. Report of the Administration and Finance Committee

Treasurer Smoll directed the Board's attention to the financial statements. NASBA has $3 million projected operating income for the year that is ending July 31. Projected investment income of $1.8 million brings a total projected net excess of $4.8 million. Senior Vice President and CFO Bryant said, if all goes as projected, Fiscal 2014 will be the best financial year in NASBA's history.

Treasurer Smoll suggested that the Board approve an additional year-end contribution to the Center for the Public Trust (CPT), as it had in the prior year, to eliminate the due to NASBA intercompany payable. Mr. Bryant reported that the CPT Board had approved the CPT Fiscal 2015 budget subject to the vote of the NASBA Board to approve an annual contribution of $150,000 to the CPT in the NASBA budget. Mr. Isserman suggested more should be budgeted for Fiscal 2015 if it is expected CPT will need more, but President Bishop said CPT President Alfonzo Alexander has indicated the CPT expects to be able to make their budget with that amount from NASBA.

The following motions were made by Mr. Smoll as recommended by the A&F Committee, with no need for a second:

1- That at the end of Fiscal Year 2014, NASBA make an additional contribution to the NASBA Center for the Public Trust in the amount equal to the Due to NASBA balance as of the last day of the year not to exceed $200,000. All approved.
2- Approval of the NASBA financial statements with the amended projection reflecting the additional estimated contribution of $177,000 to CPT from NASBA from the elimination of the intercompany receivable/payable. All approved to accept the financial statements with the amended projection.
3- Approval of NASBA's Fiscal 2015 budget for approximately $2.5 million comprised of an operating excess of $1.2 million and investment income of $1.3 million. All approved.
4- Approval of the capital expenditures budget, included in the material distributed to the Board. All approved.

Mr. Smoll reported the investment committee had considered risk and return objectives related to the long-term fund in response to questions from the Board. He proposed a course of action that would place $12.5 million, or approximately one-half of the long-term fund, in lower-risk investments as allowed by the investment policy for short-term fund investments. After much discussion, the Board asked the investment committee to proceed with moving $12.5 million from long-term fund to short-term fund investments.

Treasurer Smoll reported the investment committee meets monthly via telephone and quarterly in person. Prior to the April meeting, Mr. Bryant had interviewed and received proposals from four prospective investment advisers and proposed David Neely of Regions Wealth Management be chosen by the investment committee. After considering all four proposals, the investment committee recommended that Mr. Neely be added as an additional investment adviser to manage a portion of additional long-term fund investments to be made under the existing investment policy. All approved the request.

The next motion recommended by the A&F Committee was to invest $16 million of escrowed funds in laddered T-Notes with an internal pledge of NASBA assets for any market value declines which may exist at month-end. All approved.

13. Executive Session

The Board went into a closed executive session to discuss executive compensation.

The Board of Directors in executive session ratified certain Executive Committee recommendations related to confidential (personnel) matters.

14. Report of the Audit Committee

Audit Committee Chair Isserman reported Ms. Farrar had addressed the Audit Committee on risk. A new charter for the Audit Committee has been recommended. The revised charter encompasses the previously adopted charter and additionally provides a channel for direct communication with the Audit Committee for all NASBA staff. All approved the new charter as approved by the Audit Committee on May 15, 2014.

The CPT has appointed the NASBA Audit Committee as their audit committee, Mr. Isserman stated.

15. Report of the Standard Setting Group

Mr. Hansen reported the original value proposition of the Standard Setting Group was put forward at the 2014 NASBA Regional Meetings. After the Regional Meetings, the SSG met on a conference call and discussed the name, charge and constitution of a committee to be developed from the SSG, which would wind down its operations. Mr. Hansen said the SSG recommends to the NASBA Chairs 2013-2014 and 2014-2015 that a "Standard-Setting Advisory Committee" be created that would only advise NASBA leadership and the Boards. He read the proposed charge:

"To monitor and objectively evaluate processes of standard setters on behalf of the Boards of Accountancy, recommending improvements when warranted. Proactively advise Boards and NASBA Leadership regarding these activities."

Once people understood the SSG was focused on process, they came away with an understanding what it was all about, Mr. Hansen said. He observed strong general support for the effort from the NASBA member boards. The SSG is recommending a 5-7 member committee that is primarily looking at new standards being rolled out by third party standard setters, such as the Sustainability Standards Board, though some attention would be paid to the ASB and PEEC. The members should be people who have worked with standards, possibly former ASB members or NASBA chairs. The new committee would be doing some in-depth studies with the heavy lifting being done with staff support, Mr. Hansen said. A technical writing person would be the ideal liaison for this new committee, he recommended.

16. Report from Executive Directors Committee

ED Committee Chair Crocker reported they had held a conference call on May 16 to discuss the topics to be covered at the Regional Breakfast Meetings. Rus Friedewald will be the Chair of 2014-2015 ED Committee. A Quick Poll was conducted to determine what topics are to be covered during the 2015 ED Conference, and on June 14 the Committee met to review the input from the poll.

The conference will be held March 24-26, 2015 in Tampa, FL. Topics to be covered will include: the practice analysis, Federal agency referrals and outreach update; peer review panel discussion, accounting education, mobility, enforcement, international education/U.S. accreditation, NASBA technology update, NASBA RFP assistance, Uniform CPA Examination, legislative issues, standard setters, legal counsel and non-CPE learning. Mr. Crocker said the State Society Relations Committee has requested to have a joint session with the ED Conference to foster better relationships between boards and societies. They want to be on the same page with ethics education.

Mr. Crocker said the Committee appreciated the Board's support in making the Executive Directors Committee a standing committee.

17. Report on Peer Review and ARSC

Ms. Gray, chair of the Compliance Assurance Committee and a member of ARSC, reported letters from the State Societies are starting to go out to the Boards about firms not having the required peer review when performing ERISA audits. Vice President Dustin is going to be answering the Boards' questions about employee benefits plan audit failures.

ARSC will have a face-to-face meeting August 19-21 and will probably vote on the final compilation standard, Ms. Gray said.

The Compliance Assurance Committee will be meeting with the AICPA Peer Review Board Oversight Task Force in August. The Task Force will present a report on peer review of the future and will update the CAC on where they are on the Department of Labor project. Ms. Gray said she believes the CAC will want to respond to the concepts paper on the future of peer review when it is issued in the fall. She believes some peer reviewers do not know how to look up firm registration. Best practices for State Boards when they receive second failed peer review reports will be discussed, as well as the Facilitated State Board Access Program. The task force will give the CAC an overview of the Peer Review Board's annual report.

18. Report on Ethics Committee

Dr. Ray Johnson said the Ethics Committee had some great conversations on adoption of the Code of Conduct at the June Regional Meetings' breakout sessions. He reported that the AICPA's Lisa Snyder has said the PEEC may be interested in opening conversations on commissions and contingent fees requiring written disclosures. There are a lot of discussions about aligning the Boards with the AICPA's Code.

19. Report of the Bylaws Committee

Bylaws Committee Chair Burkes said they will be recommending several changes and are finalizing recommendations to clarify language and amend provisions in the Bylaws. Once the recommended language is agreed upon, the Bylaws Committee will send its proposed changes to the Board of Directors for their approval for distribution to the member Boards for their vote at the Annual Business Meeting, Mr. Burkes said.

Under consideration is whether there needs to be clarification of the Regional Directors' responsibilities. Also to be considered is whether there should be a change in the length of terms or requirement of delegate status for Regional Directors and At-Large Directors. Mr. Burkes doubted the Bylaws Committee would get to those issues this year.

20. CPE Committee

CPE Committee Chair Dailey reported that the Statement on Standards for Continuing Professional Education Programs, which was last reviewed in 2011, is under review again. There are 13 members on the CPE Standards Working Group and 14 on the CPE Model Rules Task Force. They are considering three issues: innovations in delivery methods, blended delivery methods and "nano learning." Mr. Dailey said the biggest area of controversy is "nano learning", which is basically CPE delivered in 10 minutes. This has already been approved in Ohio. The Committee hopes to have its work approved at the October Board of Directors' meeting. It was noted that the Committee's recommended Model Rules would need to go to the

NASBA/AICPA Uniform Accountancy Act Committee for consideration and the standard procedure for exposure of Model Rules would be followed.

President Bishop cautioned that the State Boards need to be exposed to the ideas being presented before the NASBA Board approves standards. The NASBA staff is helping to do this. He stressed the need to get the states' buy-in before moving too far ahead.

Mr. Lodden pointed out that in the existing Statement on Standards provision is made for accumulating credit in intervals. When he was chair of the NASBA CPE Committee, the AICPA did not support the concept of competency learning. Mr. Dailey said the maximum number of credits that could be obtained through nano learning might be capped. He was unsure if the new standards would include competency learning.

Mr. Barrera reported Louisiana is also thinking of accepting nano learning.

AICPA published a report on the future of learning in May 2014, Mr. Bishop stated. It discusses badges being earned, blended learning, nano learning, etc. "The conversations are out there," he stated.

Ray Johnson advised that the Boards need to focus on assessment and competencies obtained. There needs to be evaluation downstream to revisit what someone has retained. If progress can be made in assessment, that will push CPE forward.

Ms. Conrad said she believes the AICPA wants one set of competencies, and the CPA will then decide what he needs to do based on those competencies.

21. Other New Business

Chair Johnson reported President Bishop wants to step down as the trustee of the NASBA employee 401 K plan, and Vice President Dustin has agreed to become the plan's trustee. Mr. Burkett made a motion to ratify the assignment of Mr. Dustin as trustee and Ray Johnson seconded. All approved.

Chair Johnson said he would entertain a motion that Ronald E. Nielsen (IA) continue to serve as Chair of the Examination Review Board for a second year. Mr. Reisig so moved, Mr. Burkes seconded and all approved. Mr. Johnson then said the chair would entertain a motion that Douglas E. Warren (TN) be named Vice Chair of the Examination Review Board, to accede to Chair the next year. Mr. Reisig moved, Mr. Burkes seconded and all approved.

A chart comparing the educational requirements in the states had been distributed to the Board. Chair Johnson asked the Regional Directors to promote to their states adoption of the UAA's Model Rules' language. More uniformity in education requirements is needed, he said. Ray Johnson said he too encouraged homogeneity in requirements and encouraged the group to look at the International Accounting Education Standards Board's recent directives as well as the work of the Pathways Commission. Chair Carlos Johnson said this would be a task given to the NASBA Education Committee.

President Bishop suggested that at the next meeting of the Board of Directors they consider the recent pass rates for the Uniform CPA Examination.

Chair Johnson said NASBA will continue to get more information out to the State Boards on firms performing employee benefits plan audits.

Because he will be attending the annual meeting of the Instituto Mexicano de Contadores Públicos, Mr. Hansen will not be in attendance at the October NASBA Board meeting, which would have been his final meeting as a member of the Board. He told the Board that his 10 years of service on the NASBA Board had been a great experience, and he encouraged the Board members to continue the good work they do despite the lack of recognition they get from the profession and society.

22. Adjournment

On a motion by Mr. Parsons, the meeting was adjourned at 4:43 p.m.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Highlights of the Board of Directors Meeting
October 31, 2014 – Washington, DC

At a duly called meeting of the Board of Directors of the National Association of State Boards of Accountancy, Inc., held on Friday, October 31, 2014 at the J.W. Marriott in Washington, D.C., the Board took the following actions:

▫ Heard from NASBA Chair Carlos E. Johnson (OK) that NASBA representation on the AICPA Professional Ethics Executive Committee has been increased to four members. These include A. Carlos Barrera (TX), Richard G. David (MI), Raymond N. Johnson (OR) and Laurie J. Tish (WA), who will join State Board Member Michael Schmitz (ND) on the 20-member committee which develops the AICPA Code of Conduct.

▫ Were briefed by NASBA President and CEO Ken L. Bishop about the facilities update proceeding at NASBA's Nashville office. In November the visioning process for the three floors (6, 7 and 8) will begin, to be finalized in January 2015. The new space will be an up-to-date, well-lighted, collaborative environment, he explained.

▫ Received a report from Treasurer E. Kent Smoll (KS) and NASBA Senior Vice President and CFO Michael R. Bryant that the fiscal 2014 increase in net assets of $5.1 million is the highest in NASBA's history. Treasurer Smoll updated the Board on the transfer of one-half of the long-term fund investments to more conservative investments, which the Board had decided upon at their July meeting.

▫ Ratified the Executive Committee's acceptance of the NASBA and CPT FYE July 31, 2014 audited financial statements and reports thereon, and the Executive Committee's approval of the firm of Lattimore Black Morgan & Cain, LLC, as NASBA's independent auditors for the year ending July 31, 2015, on a motion presented by Audit Committee Chair Richard Isserman (NY).

▫ Were advised by NASBA Executive Vice President and COO Colleen K. Conrad that the American Institute of CPAs is conducting a market study to determine why more accounting graduates are not attempting to become CPAs. As part of this research, the AICPA would like to send a survey to candidates who started the CPA Examination process but did not complete all four parts to better understand their reasons. NASBA will be reaching out to the State Boards regarding this survey in November.

▫ Heard from Vice Chair Walter C. Davenport (NC) that all assignments to NASBA's 2014-15 committees had been made. In addition, Mr. Davenport has designated the Standards Study Group, which completed its original charge, to become the Standard-Setting Advisory Committee chaired by NASBA Past Chair Gaylen R. Hansen (CO).

▫ Learned from Uniform Accountancy Act Committee Chair Kenneth R. Odom (AL) that the UAA Committee's CPA-Inactive Task Force had concluded that a strict interpretation

of the UAA Section 6(d) would not permit a CPA-inactive to do any accounting related work that might benefit the public. Consequently, changes to Section 6(d) are expected to be considered by the NASBA/AICPA UAA Committee during the coming year.

▫ Heard from AEQUO President James Suh about the growth of NASBA's new for-profit subsidiary for international evaluation of non- accounting qualifications, built on the success of the NASBA International Evaluation Service (NIES), now used by 50 Accountancy Boards.

▫ Reviewed with Regulatory Response Committee Chair W. Michael Fritz (OH) the elements of the letter NASBA would send in response to Phase 1 of the AICPA's "Enhancing Audit Quality" concept paper. He asked the Board members to provide him with any suggestions.

▫ Received a summary from Bylaws Committee Chair Jimmy E. Burkes (MS) of the changes to be proposed at the 2014 Annual Business Meeting.

▫ Learned from CPT Administration Committee Chair Richard N. Reisig (MT) that an invitation to comment on the Uniform CPA Examination has been sent out by the AICPA Board of Examiners, with responses due by December 2, 2014. The CPT Administration Committee is developing a draft NASBA response with input from the Executive Directors Committee and the Education Committee, to be vetted by the Regulatory Response Committee, and ultimately approved by 2014-15 NASBA Chair Walter Davenport and President Ken Bishop before submission to the AICPA.

▫ Heard from Director-at-Large Janice L. Gray (OK) that SSARS 21 was finally issued on October 23, 2014. Some states have already said they would require a peer review on a firm's preparation services, she reported.

▫ Received a report from Pacific Regional Director Donald F. Aubrey (WA) on a meeting of representatives of the Washington State Board of Accountancy and CPA-British Columbia that will result in the development of answers to "frequently asked questions" for licensees who want to practice across the U.S./Canada border.

▫ Thanked Chair Carlos E. Johnson (OK), retiring Directors-at-Large Kenneth R. Odom (AL) and Richard Isserman (NY), Past Chair Gaylen R. Hansen (CO), Regional Directors Donald F. Aubrey (WA), Jimmy E. Burkes (MS), Tyrone E. Dickerson (VA), Douglas W. Skiles (NE), and Executive Directors' Liaison Mark H. Crocker (TN) for their service to NASBA.

▫ At the first meeting of the NASBA 2014-2015 Board of Directors, held on November 4, 2014, Jimmy E. Burkes was elected by the Board to fill the remaining two-year term of Director-at-Large, now Vice Chair, Donald H. Burkett (SC). Laurie J. Tish (WA) was elected Board Secretary and E. Kent Smoll was re-elected Board Treasurer.

The next meeting of the NASBA Board will be on January 23, 2015 in Marco Island, FL.
Distribution: State Board Members and Executive Directors, NASBA Committee Chairs, NASBA Board of Directors, NASBA Staff Directors

Executive Summary
July 14, 2014 – October 14, 2014
Regional Directors' Focus Question Responses

27 State Boards Responding

(Alaska, Arizona, California, Guam, Hawaii, Oregon, Washington, Illinois DPR & BOE, Indiana, Michigan, Ohio, Pennsylvania, Wisconsin, Mississippi, Tennessee, Arkansas, Louisiana, New Mexico, Oklahoma, Texas, North Carolina, South Carolina, Virginia, West Virginia, New Jersey, Vermont)

1. At the Regional Meetings, Melanie Thompson reported the Pathways Commission is working to have the College Board accept an Advanced Placement Accounting Course, to have students become interested in accounting while still in high school. Would your Board accept college credit awarded for an AP accounting course?

Yes: 20 No: 1 Not Sure: 6

Among responses: Yes, but credit has to be posted on college transcript as credit and/or cannot count towards required business or accounting coursework – AK, AZ, CA, GU, HI, IL, MI, NC, NM, OH, OK, PA, SC, TN, TX, VA, VT.

2. Is your State Board, Society or Government doing anything to encourage people to enter the accounting profession?

Yes: 19 No: 7 Not Sure: 1

3. Are there significant differences between your state's Accountancy Act and Rules and those of neighboring states? Are there any significant differences between your state's Act and Rules and the Uniform Accountancy Act and Model Rules? Please specify major divergences.

Yes, differences with neighboring states' Act and Rules: CA, GU, HI, ILBOE, LA, MS, NC, SC, TN, VA, VT, WA, WI, WVA
Yes, differences with UAA and Model Rules: AR, HI, LA, OR, SC, TX, VT, WA, WI
No differences with neighboring states' Act and Rules: AZ, NM, OK, PA
No differences with UAA and Model Rules: AZ, IL BOE, NM, OH, OK, PA, VA, WVA
Not sure if differences with neighboring states' Act and Rules: AK, IN, MI, OH, OR
Not sure if differences with UAA and Model Rules: ILDPR, MI

See responses for specifics.

4. Having learned that several firms performing employee benefit plan audits are not being properly peer reviewed, is your state considering any changes to the way it monitors peer review?

Yes: 19 No: 8

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

Among responses: CA - Sponsoring Legislation to Amend California Accountancy Act to allow experience earned in academia to qualify for general accounting experience; VA – Implementation of new status for active licensees that are exempt from CPE requirements (Active-CPE Exempt).

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

Among responses: ILBOE will ask NASBA to produce a few videos for an updated website and help implement newsletter; PA – Input on adoption of AICPA Code of Professional Conduct; VA – would like to discuss with NASBA leadership use of North American Industry Classification System (NAICS) Codes and its potential impact on unlicensed activity on national level.

For details, see Regional Directors' Focus Question Report.

NASBA REGIONAL DIRECTORS' REPORT

The following is a summary of the written responses to focus questions gathered from the member boards by NASBA's Regional Directors between July 29, 2014 and October 14, 2014. Responses which indicated nothing to report have not been included in this summary.

Respectfully submitted,

Douglas W. Skiles (NE) – Chair, Committee on Relations with Member Boards
Central Regional Director
Jimmy E. Burkes (MS) – Southeast Regional Director
Donald F. Aubrey (WA) – Pacific Regional Director
Tyrone E. Dickerson (VA) – Middle Atlantic Regional Director
A. *Carlos Barrera (TX) – Southwest Regional Director*
John F. Dailey (NJ) – Northeast Regional Director
W. Michael Fritz (OH) – Great Lakes Regional Director
Richard N. Reisig (MT) – Mountain Regional Director

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1. At the Regional Meetings, Melanie Thompson reported the Pathways Commission is working to have the College Board accept an Advanced Placement Accounting Course, to have students become interested in accounting while still in high school. Would your Board accept college credit awarded for an AP accounting course?

Alaska – If the course was listed on a university transcript for credit, the hours would be accepted.

Arizona - The Board already accepts Advanced Placement (AP) and College Level Exam Prep (CLEP) courses.

Arkansas – While our Board has not discussed this specific issue, my belief is the Board would accept the credit towards graduation and the 150 hour requirement for licensure but not for the 30 hours of upper level accounting hours we require.

California – The California Board of Accountancy already accepts Advanced Placement (AP) courses provided the college/university awards units and notes the units on the student's transcripts. Additionally, in those instances where the college/university provides a courses-area breakdown of the AP courses, the California Board of Accountancy will accept the units towards its required core accounting and business-related subjects' requirements. Therefore, if the College Board began accepting AP accounting courses and colleges/universities began awarding college/university credit, the California Board of Accountancy would accept the units, both toward the 150 semester unit requirement and possibly for the core accounting subject requirement.

Guam – We would only accept such credit as part of a candidate's total educational credits if recognized by the candidate's degree granting educational institution of choice. It could not count toward our required business or accounting course work.

Hawaii – Yes, as long as the credit is reflected on the official transcript from an acceptable regionally or nationally accredited U.S. college or university, as an earned credit.

Illinois BOE – Yes, as long as it is posted to the college transcript and listed as "earned credit."

Illinois DPR – The Illinois Department of Financial and Professional Regulation follows the ACT and Rules regarding the educational requirements.

Indiana – I believe our Board would certainly consider accepting credit for such a course. The State of Indiana has been an advocate encouraging participation in the accounting profession and for change in the area of education and continuing education requirements.

Louisiana – Louisiana already recognizes credit received from courses granted on the basis of advanced placement examinations (Board Rule section 503.E).

Michigan – Yes, the Board would accept college credit awarded for an AP accounting course.

Mississippi – The Mississippi Board will only accept such credit for an AP accounting course if the exam candidate provides a college transcript from a regionally accredited four-year college or university which shows hours earned credit given for the AP course by that college or university.

New Jersey – Our current regulations do not provide for the realization of AP credits. Certainly, the Board would consider if in the future such credits are accepted by other jurisdictions.

New Mexico – Yes.

North Carolina – The Board would consider allowing credit for an advanced placement accounting course for high school students as long as the college/university accepted the course and gives the student credit on the college/university transcript. This course would probably be counted by the Board as a principle level accounting course.

Ohio – Yes. If the course is reported on their college transcript when applying for our 5th year accounting scholarship we will accept the AP accounting course for college credit.

Oklahoma – Oklahoma would accept these courses only if accepted by an accredited university or college.

Oregon – The Oregon Board has not taken a policy position on this issue.

Pennsylvania – In order for the Pennsylvania State Board of Accountancy to be able to accept the AP credits, they must be listed on the official transcript and must list the semester credits awarded for that course.

South Carolina – If they follow all of the standards and are introductory courses.

Tennessee – Yes, if it was included on the college transcript and given college credit, it would be accepted.

Texas – An advanced placement accounting course could assist in identifying students with an aptitude and interest in accounting and our Board accepts Advanced Placement (AP) courses toward the 150 hours needed to qualify to take the CPA Exam. The AP does not apply to the required 30 hours of advanced accounting courses because the APs are entry level courses. The acceptance of AP likely encourages and helps to direct qualified students to consider accounting as a profession.

Vermont – Under our current act and rules the Board would accept an AP accounting course as long as it is included in a transcript from an accredited university or college. The course however would be considered an introductory accounting course and would not satisfy the Board's requirement for six semester hours in financial accounting.

Virginia – If an accredited college or university accepts the AP accounting course and shows credit on the transcript, we would accept it under our current regulations, provided all other requirements were met.

Washington – Yes, provided the course is recognized for credit by an accredited college or university.

West Virginia – It would need to be considered by the Board. I'm unsure at this point.

Wisconsin – This has not been discussed by the Wisconsin Accounting Examining Board.

2. Is your State Board, Society or Government doing anything to encourage people to enter the accounting profession?

Alaska – At this time, the Board does not do much in the way of outreach. The Board would be interested in information regarding what other states do to encourage people to enter the accounting profession.

Arizona – The Board and the Arizona Society of CPAs (ASCPA) collaborate on outreach events entitled "Road to the CPA" and "Certification Workshop". They are both organized by the ASCPA but the Board staff participate in the presentations. The Road to the CPA is held at various college campuses to discuss with accounting students the process of sitting for the Uniform CPA Exam. The Certification Workshop program discusses the process of getting

certified. The ASCPA attends "Meet the Firm" days at the universities and the ASCPA Foundation offers scholarships to high school through Master level students.

Arkansas – Nothing that I know of currently. I believe there have been discussions by the Society to begin outreach efforts to high school students. Our Board would certainly be supportive of that effort and would be more than willing to help out.

California – The California Board of Accountancy holds outreach events geared toward college students both on campus and via social media to encourage and assist those considering the accounting profession. The California Board of Accountancy has also temporarily reduced examination and licensing application fees to ease the financial impact of those planning to enter the profession.

Guam – Our Guam Society of CPAs and local Association of Governmental Accountants chapter conducts information sessions with local high school classes. Our Board subsidizes the cost of educational materials for local residents that take and pass CPA review courses through the University of Guam. We also present "Why be a CPA" sessions for the University of Guam School of Business.

Hawaii – No action at the Board level; but, the accounting society(ies) in the State and some CPA firms may have made efforts to reach out to students at local high schools.

Illinois BOE – As Executive Director, I speak at several colleges, universities and other functions and discuss the advantages of becoming a CPA. The state society is very pro-active in the profession encouraging young people to enter accounting.

Illinois DPR – The Illinois Department of Financial and Professional Regulation cannot speak for the society or other outside agencies. The Illinois DPR is not currently participating in any programs to promote the profession.

Indiana – Yes. The Indiana CPA Society has been an open advocate for encouraging participation and making requirements for continued involvement more in line with the world we live in today. In particular, the Society has been advocating new competency based education standards, and the Board has adopted a pilot program for this. In addition, the State of Indiana is re-examining the State Board's efficiency and effectiveness with the hope of making participation in the profession more attainable.

Louisiana – Together, the Board and the Society have held two receptions in as many years on a selected college campus with presentations that give college students insights into accounting careers and the value of the CPA designation, and it is anticipated we will continue that annually at a minimum. The Executive Directors of both the Board and the Society have also made a presentation together at the Society's Educator Workshop to address questions by professors (and by their students). Additionally, the Society provides presentations to Beta Alpha Psi chapters throughout the state, and its Emerging CPA Council's mission is to promote the CPA brand and the profession in order to increase membership among CPAs and future CPAs, as well

as non-accounting majors. Lastly, the Society's scholarship program provides financial support to those pursuing an accounting degree.

Michigan – Not at this time.

Mississippi – The MSCPA Education Foundation funds scholarships each year to students. Mississippi Colleges and Universities promote their professional accountancy schools and hold accountancy career fairs on campuses.

New Jersey – Currently, our Board has no programs promoting the profession. The NJCPA has dedicated resources that provide many successful programs that encourage students to enter the profession. Unfortunately, such resources are not available to our Board.

New Mexico – We have been actively involved with the Universities and attending the Career Fairs and informing accounting majors and job seekers about the benefits of licensure as a Certified Public Accountant.

North Carolina – Board members and the Executive staff have made many presentations to encourage individuals to become a CPA. The Board offers 38 Uniform CPA Examination (Exam) coupons for students to sit for the exam at no charge. We also offer ten scholarships to students to assist with the costs of pursuit of a Masters of Accountancy. The North Carolina Association of CPAs also makes numerous presentations to individuals about becoming a CPA and they also have an extensive scholarship program for students pursuing the CPA certificate. I do not know of any programs being provided by the State of North Carolina in this regard.

Ohio – The Accountancy Board of Ohio funds a program administered through our society agent, The Ohio Society of CPAs (OSCPA), free of charge, for students still in high school that plan on going to college towards an accounting degree. Accounting Careers Awareness Program (**ACAP**-Ohio, Careers Awareness Program (**ACAP**-Ohio). http://www.ohiocpa.com/quick-links/the-ohio-cpa-foundation/diversity-efforts/acap. The Accounting Careers Awareness Program (**ACAP**-Ohio) is an innovative career development program designed specifically for high school students who plan to attend and is completely free of charge.

Oklahoma – The Oklahoma Board has two Board meetings each year on various University/College campuses. During the meeting a presentation is made about the profession, taking the Exam and the benefits of becoming a CPA. Additionally, the Executive Director makes presentations to various college groups encouraging students to become CPAs.

Oregon – There are no specific initiatives of the State of Oregon or the Oregon Board of Accountancy in this arena. The Oregon Society of CPAs does have this issue very much on its radar, but I cannot speak to specific initiatives undertaken by or in planning by the Oregon Society of CPAs.

Pennsylvania – The Pennsylvania State Board of Accountancy has recently begun to take their Board meeting on the road, traveling to Duquesne University for their Board meeting. Several students were able to view the Board in action, helping them to gain a better understanding of what the Board does and

how they operate. The Board would like to continue this practice next year as well, holding at least one of their meetings at another college or university in a location outside of Harrisburg. Additionally, the Board Chairman has been a guest speaker for accounting societies at various state colleges and universities. Board members have been encouraged to pursue speaking opportunities at local colleges and universities.

South Carolina – The South Carolina Association of CPAs has an outreach program to students.

Tennessee – The Tennessee State Society of CPAs hosts an Accounting Academy for high school students each summer that is a four-day camp designed to provide students a firsthand experience of the diverse fields in accounting and to learn more about what it takes to become a CPA. The camp is free of charge for the students, sponsored by TSCPA members and their accounting firms.

Texas – The Board administers a program called the Fifth Year Accounting Students Scholarship Program to financially assist students intending to sit for the CPA Exam in their fifth year of college studies to obtain the required courses. The program is paid for through the Texas CPA's annual license renewal fee collected by the Board.

Vermont – The Vermont Society of CPAs has a Student Recruitment Task Force that reaches out to Vermont colleges and high schools. Volunteers through this task force often speak at area colleges, speak to high school accounting classes and participate in career fairs. Annual student members of the VT Society are invited to a break out session at the Annual Meeting. The Board of Accountancy is also invited to present at the session on obtaining licensure and the CPA Exam, which has been well received. VT Board of Accountancy members are also invited to speak periodically to college accounting classes on a variety of topics.

Virginia – We recommend that you contact the State Societies directly for their response to this question, as I believe there are programs in place toward this end. However, we do not have the specifics on their efforts. The Commonwealth of Virginia (Government) is not doing anything directly to our knowledge. As far as the Board goes, we do one Board meeting per year on a college campus and encourage all students to attend (although we are dependent upon the schools to advertise on our behalf) so that we can talk about the accounting profession/CPAs. We also visit college campuses as requested to speak, although that is usually in front of an "accounting audience." At this time, we have not ventured into the high school arena to talk about the accounting profession.

Washington – The Washington State Board has regular outreach speaking engagements to high schools, colleges and universities by Executive Director and Board members.

West Virginia – The West Virginia Society of CPAs as well as the Board members visit various universities to speak with the students about the many job possibilities available once one becomes a CPA.

Wisconsin – Not at present.

3. Are there significant differences between your state's Accountancy Act and Rules and those of neighboring states? Are there any significant differences between your state's Act and Rules and the Uniform Accountancy Act and Model Rules? Please specify major divergences.

Alaska – The Board has not compared its complete rules side by side with neighboring states; we will look up topic specific information as necessary when we are evaluating possible changes to our rules.

Arizona - There are no significant differences between Arizona's laws/rules and that of AZ's bordering states. There are no major differences between the Board's law/rules and those of Uniform Accountancy Act (UAA).

Arkansas – This is a difficult question to answer because we have not thoroughly reviewed the Rules and Regulations of our neighboring states or compared our Rules to the UAA. Based on what I do know I think we are fairly close to the UAA / surrounding states. One difference is the 150 hour Rule, we now allow students to test after completion of a bachelor's degree. Most of our surrounding states require 150 hours to sit for the exam.

California – The only significant difference is that California requires 500 hours of experience performing attest work if the applicant wishes to be licensed with the authority to sign attest reports. Nevada requires 1000 hours, 700 of which must be in audit. Alaska requires 500 hours of attest experience, not including compilations. Arizona, Hawaii, Idaho, Oregon, Utah, and Washington do not have an attest experience requirement.

California does not have plans to incorporate the recent changes to the UAA regarding firm mobility and the definition of "attest."

Guam – Our Guam Statute and Rules are more up-to-date than our neighboring islands in the CNMI and Palua, but we expect that to be rectified soon as both are working to update their laws in accordance with the UAA. Our only real divergence will continue to be no firm mobility in the foreseeable future.

Hawaii – Yes, the following are two significant differences between Hawaii's laws and rules and those of other states as well as those of the UAA and Model Rules: (1) Hawaii's laws/rules have no CPA mobility provisions; and (2) Our experience requirements for CPA licensure remains at two years of professional experience.

Illinois BOE – Illinois still requires 150 hours to sit for the CPA Examination. Many states and most around us have reverted back to 120 hours to sit and 150 hours for licensure. Illinois Rules are very close to those of the UAA.

Indiana – Not that I am aware of; however, I have not studied the rules of the surrounding states.

Louisiana – There are differences in our Statutes and Rules compared to other states and the UAA but nothing we consider to be major divergences.

Michigan – Michigan's accountancy statute and rules are typically in line with the UAA. One difference that may exist is that in Michigan we do not require the person with administrative responsibility for the firm to be licensed in Michigan. Also pending changes to the UAA pertaining to the definition of attest and firm mobility have not yet been incorporated into the Michigan statue/rules. We are currently evaluating these recent changes.

We cannot comment if there are significant differences between our rules and the rules of neighboring states as we do not track the rules of other states.

Mississippi – Tennessee does not require 150 hours to sit for the CPA exam. Mississippi requires firm permits for out-of-state firms performing audits (of Mississippi based entities) under either SAS or PCAOB standards, and for examination of prospective financial statements (of Mississippi based entities) performed in accordance with SSAEs.

New Mexico – We have similar Acts and Rules as our surrounding states.

North Carolina – Some of the differences between our statutes and rules and those of other Boards are:

- We have always allowed a student to sit for the Uniform CPA Examination with a Bachelor's degree.
- We allow individuals to receive a reciprocal certificate with only the following requirements – having passed all four sections of the CPA Examination and having a current certificate in another jurisdiction to practice public accounting.
- We register CPA firms and do not allow generic names in CPA firms.
- We require an annual two-hour ethics course as part of annual renewal.
- We require our licensees to complete 40 hours of CPE annually to renew their certificate.
- We have a Notification of Intent to Practice Form (half page and no fee) for out-of-state CPA firms wanting to provide audit services in North Carolina.
- CPA firms are required to provide certain peer review information in order to renew the CPA firm registration.

Ohio – The Ohio Board uses the Uniform Accountancy Act (UAA) and Model Rules as a reference point when updating our own Boards Rules. While we try to stay compliant with the UAA some rules do not fit the current structure of the Accountancy Board of Ohio. An example is, the UAA requires four hours of Professional Standards and Responsibilities (PSR) each reporting period, Ohio only requires three.

Oklahoma – Generally speaking Oklahoma's Rules and Act are similar to our surrounding states' with the exception of peer review. Arkansas does not have peer review but does have a quality review. Texas places compilations under peer review and Oklahoma does not. There are several differences regarding qualifications and reciprocity between the states.

Oklahoma is 90 percent plus aligned with the UAA. There are several unique provisions in Oklahoma with the major divergence related to Oklahoma's Public Accountant (PA) designation.

Oregon – The Oregon Board on October 19 and 20, 2014, will consider significant proposals that would effectively move the Board closer to the UAA, including:

a) A legislative concept for the 2015 session that includes adoption of the new UAA definition of attest, as well as broad Board authority improvements much closer to the UAA model in the arena of rulemaking authority and practice privilege enforcement.
b) A rule making proposal for introduction in the rulemaking process that includes a proposal to lift educational standards for licensure closer to the UAA and practice in other states by explicitly eliminating consideration of introductory and principles-based courses from the accounting-course requirement.

The legislative concept and rule-making proposal are the product of work started in Spring 2013 and was then carried on by a Laws and Rules Task Force involving the major Board stakeholders.

Note the legislative initiative does not include moving toward the UAA language in the arena of firm mobility.

Pennsylvania – In conjunction with our recent effort to draft Regulations in response to changes in the Pennsylvania Accountancy Act, we looked at neighboring states to adopt language with regard to the competency to provide attest activities. We found similarities in the New York requirements and used this as our baseline.

Pennsylvania has not fully incorporated the AICPA Code of Professional Ethics into its Regulations. A good portion of the UAA has been adopted, however. In the past we have adopted specific provisions within the UAA rather than a wholesale adoption of the entire UAA.

South Carolina – Yes, but do not know specifics at this time except for requiring 36 semester hours in accounting courses and 36 semester hours in business courses to obtain a South Carolina CPA license.

Tennessee – The main difference that keeps surfacing is allowing candidates to sit for the Examination before completing the 150 hour requirement.

Texas – The Texas Public Accountancy Act defines compilations as an attest service that requires Peer Review. There are a number of states that do not consider compilations to be an attest service. The Texas Public Accountancy Act does not recognize the recently enacted provision for firm mobility. Although the Texas Public Accountancy Act may provide the Board with the authority to recognize the recently proposed "preparation services," its Rules would need to be revised to be consistent with the proposed Exposure Draft circulated by the AICPA Standards for Performing and Reporting on Peer Reviews.

Vermont – Currently the Vermont Statute and rules are not consistent with the UAA and model rules with regards to the definition of attest and provisions for firm mobility incorporated into the UAA last year. The Vermont Board has scheduled a strategic planning meeting on September 23rd to discuss potential changes to our statute and rules to address these items and consider the need for mandatory Facilitated State Board Access for Peer Reviews.

Massachusetts and Rhode Island have adopted firm mobility which is a significant difference with Vermont. Massachusetts issued an advisory ruling in July 2010 (link included below).

http://www.mass.gov/ocabr/licensee/dpl-boards/pa/regulations/board-policies/advisory-ruling-regarding-the-practice.html

Initially the MA advisory ruling raised questions about individual mobility for Vermont CPAs, and many appeared to interpret this as saying that for VT CPA's both the firm and

individual would need to obtain a MA license. It appears that the MA Board has clarified this in their current FAQ's on their web page: If the out-of-state CPA is licensed in a state which permits an out-of-state individual CPA (specifically a Massachusetts CPA) to perform attest or any other public accounting service via mobility, but requires the attest to be provided by or through a CPA firm licensed in their state, then the out-of-state individual CPA may perform attest or any other restricted public accounting service via mobility in Massachusetts, but only if their CPA firm is licensed in Massachusetts.

We believe this is a fair interpretation and adequately clarifies for Vermont CPAs looking to operate in MA. However, it is still discussed periodically and it highlights the interaction that firm and individual mobility will have going forward.

We also understand that New York has adopted individual mobility legislation. However, we have heard that the New York Board has requested New York licenses for both individuals and firms located out of state, that provide attest services to companies with home offices located in New York. This also highlights the interaction between individual and firm mobility and how state boards and administrative staff interpret how mobility "should work."

Virginia – Due to the timing of receiving these questions, there is not sufficient time to analyze our statutes and regulations versus those of neighboring states. In dealing with other Boards in the Middle Atlantic Region, in general many of our processes closely align with the other states. However, there are some distinct differences whether significant or not.

In general, our statutes and regulations closely follow the Uniform Accountancy Act and Model Rules, although there has not been a crosswalk performed between the two. Our statutes and regulations were written to be evergreen, and do not specifically reference the UAA.

Washington –

(a) The Washington State Public Accountancy Act, Chapter 18.04 RCW requires a firm license for a licensed individual to utilize the title CPA if the individual holds out and offers or performs public accounting services to the public. This is inconsistent with many states.
(b) The Washington State Board, by statute, has the power to require restitution to injured parties resulting from violation of the Public Accountancy Act and/or Board Rules.
(c) The Executive Director of the Board has been delegated authority to issue a Notice of Non-Compliance and Offer of Settlement (*Non-Reportable Traffic Ticket)* for 1st time violations by a licensee or CPA-Inactive certificate holder of the administrative prohibition against unlicensed use of title and/or other administrative requirements.

West Virginia – As a general rule, West Virginia's statutes and regulations follow the UAA. I believe that several surrounding states are less restrictive with their academic requirement than West Virginia. West Virginia requires specific hours in accounting and business, while other states require a certain number of hours in accounting and business hours.

Wisconsin – Wisconsin is in the process of updating our Rules and integrating the UAA Rules. A complete listing of differences currently exists with our staff.

4. Having learned that several firms performing employee benefit plan audits are not being properly peer reviewed, is your state considering any changes to the way it monitors peer review?

Alaska – The Board continues to monitor this issue, but has no proposed changes to our peer review rules at this time.

Arizona - No, the Board's peer review rule R4-1-454 states that each **firm** that performs **attest services** or full disclosure compilation services shall have a peer review performed and reported on within three years immediately preceding the firm's registration date. R4-1-455.03(D) requires that a CPA **may practice public accounting**, whether as an owner or employee, **only in a firm**. A.R.S. §32-701(21) defines "practice of public accounting" as providing **accounting services for a client** but does not include providing accounting services, other than attest services or compilation services, for a nonprofit entity or a family member without an expectation of and without receiving compensation. A.R.S. §32-701 (1) defines "accounting services" as services that are commonly and historically performed by accountants, including recording or summarizing financial transactions, bookkeeping, analyzing or verifying financial information, **auditing**, reviewing or compiling financial statements, reporting financial results, financial planning, providing attestation or tax or consulting services. A.R.S. §32-701(7) defines **"client" as a person or entity, other than one's employer, for whom accounting services are provided.** A.R.S. §32-701(3)(a) defines "attest services" as **audits** or other engagements to be performed in accordance with the statements on auditing standards adopted by the American Institute of Certified Public Accountants.

Arkansas – We are currently drafting new peer review language for our laws and Rules. This issue will certainly effect how we draft these in the coming weeks/months.

California – The California Board of Accountancy is presently not considering changing its oversight of the peer review process. However, the California Board will monitor the changes implemented by the AICPA Peer Review Board to address systemic issues in the peer review process prior to making a final decision on the topic. It should be noted that the California Board is actively working with its Peer Review Oversight Committee (PROC) and the AICPA peer review administering entity (AE) in California. The AE provides updates at the PROC meetings on its activities to monitor, recall, and issue new peer reviews. Additionally, the California Board enforcement division is reviewing the Employee Benefit Plan spreadsheet provided by the Department of Labor to the AICPA and NASBA for enforcement and compliance issues.

Guam – No, this issue has not affected any of our firms, and we believe our process is effective.

Hawaii – Not at this time, and not until Hawaii's peer review program is implemented effective December 13, 2017.

Illinois BOE – This question should be addressed by the Illinois Department of Financial and Professional Regulation.

Illinois DPR – Not at this time. Illinois coordinates with the Peer Review administrator and AICPA.

Indiana – We have discussed this briefly but have not moved to make any substantive change at this time.

Louisiana – We will be adding questions to our annual firm renewal forms and comparing responses with the Society's Peer Review Program's responses. Additional changes and reviews may be made as we get further through this.

Michigan – At this time, we are not considering any changes. However, the Department has taken a more proactive approach in validating the accuracy of peer review information available.

Mississippi – The Mississippi Board will continue to use its Peer Review Oversight Board to monitor the MSCPA/AICPA peer review program. The Board will continue to strictly monitor compliance with its requirements: for out of state firms that perform certain attest work (described in #3 above) to obtain a firm permit; and for firms to comply with peer review standards when required.

New Jersey – No, not at the current time. However, we have been reviewing such cases as our Peer Review Oversight Committee becomes aware of them.

New Mexico – Yes, and New Mexico is already in the process of tighter reviewing policies governing Peer Reviews and Firms' Registration.

North Carolina – The Board hopes that the AICPA Peer Review Board is going to make the necessary changes to the peer review system to prevent CPA firms from not reporting the correct engagements they perform during the peer review cycle. We also hope that government agencies that have current oversight of CPA audits will make sure they refer these to the Boards and that the referrals are made in a timely manner.

Ohio – The Accountancy Board of Ohio has filed a rule change regarding peer reviews and how they're submitted. (*4701-13-11 Required submission of peer review reports.*) The ABO has also created a new form; Ohio Peer Review Compliance form that monitors what type of review was performed and what services the firm is performing. Please see: http://acc.ohio.gov/Portals/0/PDF/PRcomp.pdf on our website for a copy of the form.

Oklahoma – After reviewing the information regarding employee benefit plan audits, we are making a few internal cross-check procedures, but the major review process will remain the same.

Oregon – This issue remains under investigation and the Oregon Board has not yet addressed any policy making repercussions.

Pennsylvania – No. Currently the Pennsylvania State Board of Accountancy performs a 100% audit of all firms and sole practitioners with a peer review requirement after the renewal cycle. The Board does

not monitor the peer review process. The Board only audits for compliance with the peer review requirement.

South Carolina – Yes, but nothing definite yet.

Tennessee – The Board is discussing and reviewing our confidentiality requirements for peer review.

Texas – This is a standard that the Texas Society, which is the administering arm of this agency's peer review program, began implementing in January of this year to assure compliance with employee benefit plan audit standards.

Vermont – We are following the discussion at NASBA and the AICPA. Additionally, we are meeting with New England Peer Review at our September 23rd meeting and are considering mandatory Facilitated State Board Access for peer review.

Virginia - The Virginia Board of Accountancy will soon be reviewing data provided by NASBA and the DOL to determine the extent of problems/issues as it relates to employee benefit plan audits relative to Virginia-based firms. To address any potential issues with firm mobility (already in place in Virginia), changes have been proposed to our statutes to close any loopholes that may exist as it relates to out of state firms performing audits.

In addition, the Board is considering adopting new procedures for looking at firms with consecutive pass with deficiency or failed peer reviews.

Washington – Not at this time. Our process is well established and has been modified to include tracking peer review by those identified on DOL Reports.

West Virginia – The Board will be discussing this at the October Board meeting.

Wisconsin – We will seek statutory authority to rewrite the peer review rules in Wisconsin to assist with this.

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

Alaska – The Board continues to experience issues with obtaining travel approval at the desired level; this hinders Board/staff participation. The Board is also currently starting a review of its regulations for routine updates and has opened discussion with the State society on a variety of other topics that will be reviewed throughout the fiscal year.

Arizona – The Board has gone through a major statutory update the last two legislative sessions with the passage of Laws 2013, Chapter 136 (HB 2260) and Laws 2014, Chapter 136 (HB 2263). The Board also did a major rulemaking update and the new rules became effective February 4, 2014. A few notable changes include statutory language that would allow the Board of Accountancy to adopt Mutual Recognition Agreements which they did with Australia, Canada, Mexico, Ireland, New Zealand and Hong Kong. The Board also recreated a retirement status.

The Board reduced its biennially registration fee from $300 to $150 and $50 respectively for inactive and retired status. The Board improved its statutes relating to reinstatement from a cancelled, expired, relinquished or revoked license and reactivation from an inactive or retired status. Finally, the Board better defined and distinguished the "practice of accounting" and the "practice of public accounting."

Arkansas – We plan to go to the Legislature in early 2015 to require Peer Review for issuers of Reviews and audits. We also will try to change our statutes to give us authority/jurisdiction over non-licensees.

California – Mandatory Fingerprinting. As of January 1, 2014, licensees renewing in an active license status who either have not been previously fingerprinted, or for whom no electronic fingerprint records exist in the Department of Justice's criminal offender record identification database, are, under the new requirements, required to undergo the fingerprint process as condition of license renewal.

Retired License Status. On July 1, 2014, the California Board of Accountancy's regulations for a new "retired" status license took effect. The new license is available to a California licensee that meets certain minimum qualifications, which include: (1) the licensee must have held a license as a CPA in the United States or its territories for a minimum of 20 years, and (2) the individual must have held a license in an active status as a California CPA for a minimum of five years.

Temporary Fee Reductions. On July 1, 2014, the California Board of Accountancy's temporary fee reduction took effect. The fee reduction applies to all application and license fees. The reduction is for a two-year period and is set to expire June 30, 2016. The California Board of Accountancy will be reexamining its fee structure later this year to determine what modifications, if any, need to be made to ensure the fiscal solvency of the California Board of Accountancy.

Sunset Review Report. The California Board of Accountancy will be issuing its Sunset Review report to the California Legislature on November 1, 2014. Sunset Review is the process by which the Legislature determines if various boards and commissions, including the California Board of Accountancy, are performing as they were intended. The Sunset Review Report is a comprehensive review of the California Board of Accountancy's activities since its last Sunset Review in 2010, and includes financials, licensing and enforcement statistics, legislation, and important issues for the past four years. The California Board of Accountancy will be testifying before the legislature regarding its sunset review during 2015.

Peer Review Report. The California Board of Accountancy will be presenting a report to the Legislature on January 1, 2015, regarding California's Peer Review program. The report is required pursuant to Business and Professions Code (BPC) section 5076. BPC section 5076(m)(1)(A-J) outlines the minimum contents of the Peer Review Report which includes various statistical information obtained during the phase-in period and conclusions drawn by the CBA.

Study on Attest Experience Requirement. At the beginning of the year, the California Board of Accountancy began work on developing a study to examine its attest experience requirement. The study will examine a broad range of groups throughout California and also seek input from other State Boards of Accountancy and NASBA. To aid in the study that the California Board will conduct in California, it has secured an outside vendor to help in designing

the study. The vendor, working with staff, has assisted the California Board in determining targeted audiences and initial concepts for targeted survey response rates and draft questions. The California Board of Accountancy will continue to complete the development of the survey through the remainder of 2014 and early part of 2015. It is anticipated that the new regulations will take effect sometime in late 2015 or early 2016.

Legislation Regarding Academia Experience. As part of the recent legislative cycle, the California Board of Accountancy supported a bill that authorizes the California Board to establish regulations to allow experience in academia to satisfy the one-year general accounting experience requirement for a CPA license. The California Board of Accountancy has already reviewed draft regulatory language to effectuate the new provision and will be holding a public hearing on the proposed regulatory text in January 2015. It is anticipated that the new regulations will take effect sometime in late 2015 or early 2016.

Senate Bill 1159 – Individual Tax Identification Number. The Governor of California recently signed Senate Bill 1159. Current law requires that an applicant provide a Social Security number when applying for a CPA license. This new law mandates that the California Board of Accountancy, and other licensing boards in California, require an applicant for licensure to provide either a Social Security number or an individual taxpayer identification number beginning January 1, 2016. In addition, it prohibits licensing boards, including the California Board of Accountancy, from denying a license to an applicant based on citizenship or immigration status.

Guam – We expect our "agency advised endowment fund" bill to pass the legislature this month, which will enable our Board's creation of a $1 million endowment fund at the University of Guam, specifically to benefit the accounting program of the University of Guam by sponsoring visiting professors, lecture series, etc. We expect our mobility legislation to be introduced and passed in the 2015-16 legislative session.

Hawaii – The lack of mobility results in the requirement that all CPAs who engage in the practice of public accountancy in the State hold Hawaii CPA licenses and permits to practice and work through or be affiliated with a CPA firm that holds a Hawaii firm permit to practice; this is true for all out-of-State CPAs who engage in peer review services and all other accountancy services.

Illinois BOE – The Board of Examiners is currently undergoing a complete re-write (update) of the Administrative Rules.

Indiana – The pilot we have launched with the CPA Society for competency based CPE is one of the more exciting things happening in Indiana.

Louisiana – We are upgrading our CAVU software, updating our CPE rules to annual reporting, and working on strategic planning and goal setting.

New Mexico – Rules Hearing (changes) on October 21, 2014. Changing peer review procedures to enable the Board to obtain peer review information from the Report Acceptance Body.

North Carolina – The occupational licensing boards in North Carolina are still being studied by a Legislative Oversight Committee in regard to consolidation, elimination and reorganization. The report with recommendations is being prepared and will be given to this Committee in January 2015 at the start of the 2015 Legislative Session.

Mississippi – The Board continues to work with the Mississippi Department of Information Technology Services to develop a replacement licensing and regulation database. The State project manager estimates that the system will go live in mid-November, 2014.

The Mississippi State Board of Public Accountancy will meet at 10:00 a.m., Friday, November 14, 2014, to adopt proposed modifications to the Rules and Regulations, to be effective January 1, 2015. These proposed modifications are posted on the MSBPA website.

Ohio – The ABO has implemented a revision to 4701-15-04 (Measurement of continuing education credit; types of programs) allowing a minimum of ten-minute increments for self-study, as well as a ten minute allowance in a live group study after the first credit (50-minute) is earned. Our Board has also begun administering the NASBA CPE audit verification program.

Oklahoma – After attending the AICPA workshop on attestation and firm mobility, Oklahoma will be pursuing actively this next legislative session a change to the definition of "attest."

Oregon – The legislative and rules initiatives in item 3 are issues to share with other Boards and NASBA; beyond that the Board is starting to work with stakeholder on negotiations for a fee increase. The fee increase issue has become more complex as in Oregon there is an initiative under way that all client agencies (such as the Oregon Board) purchasing services and receiving cost assessments from the central Department of Administrative Services – DAS - (for fiscal services, HR, IT, etc.) are being asked to accept a far greater share of DAS overhead costs, which is generating significant upward pressure to raise fees on the professions regulated by those client agencies.

Pennsylvania – A current regulatory package is pending (16A-5513-proposed) that would make changes to the CPA Regulations to implement the amendments made to the CPA Law previously incorporating changes from both 2013 and 2008.

South Carolina – Legislation was passed on 6/9/2014 requiring:

- The Administrator of the Board of Accountancy to be a licensed CPA.
- Authorized an inspector/investigator that has been licensed as a CPA in South Carolina for at least five years to be assigned to the Board.
- Authorized periodic inspections of licensees or firms.
- Exempting CPAs, while in the performance of their duties from the need to license in accordance with Title 40, Chapter 18, Private Security and Investigation Agency.

Tennessee – The Board has been asked to rule on fictitious firm names, and is determining that some of the names requested are misleading to the public.

Texas – In addition to the Texas Society's implementation of the peer review of employee benefit plan audits, in the last several months the Board has implemented a program to identify

and notify firms that have performed ERISA audits that were not compliant with Texas law. Over 120 firms have been notified and the Board is in the process of adopting Agreed Consent Orders to require compliance.

Vermont – The Vermont Secretary of State, Office of Professional Regulation (OPR) is currently working to propose new legislation to streamline how the state processes late renewals and continuing professional education deficiencies. Currently, such items result in a disciplinary case and require involvement of a prosecuting attorney. The Board of Accountancy has found that many such cases are settled with a stipulation with penalties or fines substantially less than the cost of the investigation. Additionally, currently the cost of the investigation is born by the applicable board's budget, while such penalties go to a separate educational fund. As such, those costs are now in effect born by all licensees rather than the firm or individual subject to discipline.

OPR is proposing a revision that would allow such minor deficiencies to be handled through an administrative penalty process overseen by OPR. Administrative penalties would be set by statute and licensees would be able to appeal any such administrative penalty to the applicable Board. The Board of Accountancy supports OPR in this project and believes it will result in much more timely, efficient and transparent enforcement of minor infractions. We believe this also allows prosecuting attorney, case manager and Board to focus on more severe cases.

The Board of Accountancy believes that this legislative change should be a top priority for OPR. Accordingly, the Board may need to prioritize this over the other changes to law or rules to address changes in the UAA, being considered by the Board as previously noted in question 3.

Virginia – A. The implementation of a new status (July 1, 2014) for active licensees that are exempt from CPE requirements called: Active – CPE Exempt. Individuals approved for this status can still use the CPA title, provided they annually renew their license and are not performing services subject to CPE requirements. The new status appears on our licensee lookup (and ALD and CPAverify) – a way of announcing to the public that this CPA is not required to obtain CPE. Approximately 3.5% of our total licensees have applied for this status, with 1.8% approved thus far.

B. The implementation of NASBA's CPEtracking System (October 2014). Virginia licensees may use the system for their benefit if they so choose; however, if selected for audit, the licensee is required to use the system to communicate CPE compliance to the Board.

C. The selection of the Virginia Society of CPAs as the sole provider of the content/material for the annual Virginia-Specific Ethics Course beginning in 2015. In addition, all instructors of the Virginia-Specific Ethics Course must be an active Virginia CPA in good standing, and must be pre-approved by the Board.

Washington -

(a) Legislative Action to "sweep all or some" of the agency's fund balance appears highly likely in the 201 session beginning in January, 2015; and
(b) It is highly likely that private investigators and CFEs will attempt to require CPAs providing forensic services for testimony in court proceedings to obtain a PI license and be employed by a licensed PI firm.

(c) Revisiting the Board's basic education requirements for examination and licensure, including the additional 30 hour requirement given the changing educational landscape, e.g. online education, advanced placement, workplace experience, including military training, foreign qualifying education, etc.

West Virginia – The West Virginia Board has gone through considerable change this past year. We have hired a new employee. The exam coordinator and the previous executive director have retired. We have gone from four employees to two within the last few months. We are currently looking at services that NASBA already offers to help lighten our load.

The Board is looking at legislative changes to our academic requirement during the 2016 legislative session to more closely align our requirements with AICPA's exam content and specifications.

Wisconsin – NASBA representatives were at the September 4, 2014, meeting and have a complete understanding based upon this visit.

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

Alaska – Ms. Hartman and Ms. Brentni-King will be attending our August Board meeting to discuss foreign education with the Board. The Board really appreciates NASBA's willingness to send its staff to discuss important issues and share information.

We also reached out to NASBA for assistance with reviewing our statutes and regulations compared to UAA (7th Edition) and the current AICPA Code of Conduct for our ongoing statute/regulation review and update project. Any assistance on this project is greatly appreciated.

California – The California Board of Accountancy finds great value in the many events held by NASBA. Unfortunately, due to budgetary considerations, the California Board of Accountancy has been unable to attend NASBA events held outside of California. The California Board would welcome the opportunity to attend NASBA events held at a California location.

Hawaii – Continuing to assist the Hawaii Board with its participation in the ALD and other services, and to support us with scholarships and other assistance to attend NASBA meetings and conferences.

Illinois BOE – We will be asking NASBA in the near future to produce a couple of videos for an updated website and we plan to implement a newsletter with NASBA's assistance.

Mississippi – The Mississippi Board appreciates the communication and support given by NASBA during the past year during the design and implementation of the new MSBPA Licensing and Reporting System (LARS).

North Carolina – The Board would like for NASBA to provide us with any reports or studies made by any state governments trying to consolidate, eliminate or reorganize occupational boards.

Ohio – NASBA has been of great assistance and we will continue to use NASBA services.

Oregon – NASBA's assistance will be much appreciated in the 2015 session when the issue of definition of attest comes before the Legislature as part of the Board's legislative initiative.

Pennsylvania – We continue to look to NASBA for guidance while drafting regulations and will continue to entertain any recommended changes to our existing Regulations to more closely align our state with other jurisdictions to preserve our substantial equivalency. We welcome any input on the adoption of the AICPA Code of Professional Ethics.

Vermont – Not at this time, although we certainly appreciate the support and updates we get at the Annual Meeting, Regional Meetings and through communications during the year.

Virginia – The Board would like to discuss with NASBA leadership the issue of the use of the North American Industry Classification System (NAICS) Codes and its potential impact on unlicensed activity at the national level.

Washington – None other than continued legislative tracking by John Johnson.

West Virginia – I am sure NASBA can be of assistance, but I am not sure exactly in what capacity at this time.

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: IN
__ Input only from Executive Director: AR, AZ, CA, OK, IL BOE, IL DPR, OH, PA, SC, TX
__ Input only from Board Chair and Executive Director: AK, LA, MI, NC, NJ, NM, SC, VA, WA, WI
_ Input from all Board Members and Executive Director: GU, HI, VT
__ Input from some Board Members and Executive Director: MS
__ Input from all Board Members: TN
__ Input from some Board Members
Other (please explain):
__ Input from Board Chair, Executive Director and Vice Chair: OR

10.28.14

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 December 22, 2014.*** *Use additional sheets for your responses if needed.*

JURISDICTION_____**DATE**_____
NAME OF PERSON SUBMITTING FORM_____

1. We understand that some estate attorneys on the west coast are advising partners of CPA firms to move their partnership equity account into a living trust. Does your accountancy act allow for partner's interest to be held in a trust capacity?

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2. At the NASBA Annual Meeting and October Board of Directors' meeting, there were concerns voiced regarding changes in accounting education, specifically allowing college credit for life experience, testing out of college courses, and other accelerated accounting degree programs. NASBA is considering ways of tracking disparities in accounting education. Has your Board discussed or raised concerns about the disparity in qualifying courses and methodologies in accounting education? If so, can you describe the concerns raised?

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3. Should there be reconsideration of developing a "CPA - retired" status besides the "CPA-inactive" status (currently in the Uniform Accountancy Act) that would apply to people who have been in public practice for at least 20 years with no disciplinary charges against them? Explain.

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_____

4. What is happening in your jurisdiction that other Boards and NASBA should know about?

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_____

5. Are there any ways in which NASBA can assist your Board at the present time?

_____

_____

6. 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):