



**SOUTH DAKOTA  
BOARD OF ACCOUNTANCY**  
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Agenda  
 South Dakota Board of Accountancy Meeting  
 Conference Call  
 9:00 a.m. (CT)  
 September 27, 2016

A=Action  
 D=Discussion  
 I=Information

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A-Approval of Minutes of Meeting August 16, 2016.....	2-3
A-Approval of Certificates & Firm Permits.....	4-5
A-Approval of Financial Statements through August 2016.....	6-15
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**AICPA**

D-Proposed Evolution of Peer Review Administration for State Boards.....	17-25
Kansas Response.....	26-27

**NASBA**

D-Candidate Concerns 2 <sup>nd</sup> Quarter 2016.....	28-32
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**EXECUTIVE SESSION**

Equivalent Reviews, South Dakota Reviews and follow-ups for Board Approval.....	Spt. Pkt.
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**FUTURE MEETING DATES (all times CT)**

October 27 – 9:00 Conference Call



**SOUTH DAKOTA  
BOARD OF ACCOUNTANCY**

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South Dakota Board of Accountancy Meeting  
Minutes of Meeting  
Holiday Inn Downtown – Cascade Room  
August 16, 2016

The Board of Accountancy held a meeting at the Holiday Inn Downtown – Cascade Room in Sioux Falls, SD on Tuesday, August 16, 2016. Chair David Pummel called the meeting to order at 8:30 a.m.

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

Also present were Nicole Kasin, Executive Director; Julie Iverson, Senior Secretary; Aaron Arnold, Legal Counsel and Department of Labor & Regulation; and Amber Mulder, Legal Counsel and Department of Labor & Regulation.

A motion was made by Holly Brunick and seconded by John Mitchell to approve the agenda. The motion unanimously carried.

A motion was made by Marty Guindon and seconded by John Mitchell to approve the election of Board officers as follows: David Pummel -Chair, Holly Brunick -Vice Chair, and Jeff Smith-Secretary/Treasurer. The motion unanimously carried.

A motion was made by John Linn, Jr. and seconded by Marty Guindon to approve July 11, 2016, meeting minutes. The motion unanimously carried.

A motion was made by Jeff Smith and seconded by Holly Brunick to approve the issuance of individual certificates and firm permits through August 10, 2016. The motion unanimously carried.

The Board discussed the financials. A motion was made by Marty Guindon and seconded by John Linn, Jr. to approve the financial statements through July 2016. The motion unanimously carried.

The Board discussed the annual meeting for NASBA which will be held October 30-November 2, 2016. The location of the meeting will be in Austin, TX.

A motion was made by John Linn, Jr. and seconded by John Mitchell to approve travel for three board members and the executive director. The motion unanimously carried. The Executive Director will submit the necessary documents for travel.

The Board reviewed and discussed the FY18 proposed budget.

A motion was made by John Mitchell and seconded by John Linn, Jr. to approve the FY18 budget. The motion unanimously carried.

Executive Director Kasin discussed her report on online renewal statistics and rules review discussions. Marty Guindon wanted to make the board and board staff aware of the new BHR code of conduct/conflict of interest.

A motion was made by John Linn, Jr. and seconded by Marty Guindon to enter into executive session for the deliberative process for peer reviews, peer review follow-up, consent agreement, and audit proposal for Board approval. The motion unanimously carried.

The Board came out of executive session.

A motion was made by Holly Brunick and seconded by Marty Guindon to accept the peer reviews and peer review follow-up for Board approval as discussed in executive session. The motion unanimously carried.

A motion was made by Marty Guindon and seconded by John Linn, Jr. to accept the consent agreement regarding peer review as discussed in executive session. The motion unanimously carried.

The Board discussed the AICPA Exposure Draft – Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews; and Proposed Evolution of Peer Review Administration for State Boards.

The Board took a break for lunch.

The Board resumed the regular Board Meeting at 1:00 p.m. The following people with the South Dakota CPA Society joined the meeting at 1:04 p.m.: Laura Coome, Amy Bourne, and Kevin Doyle.

The Board and representatives from the SD CPA Society discussed peer review, use of the CGMA designation, UAA updates, and recommendations for board member positions opening in October.

At 2:49 p.m. the following people left the meeting: Laura Coome, Amy Bourne, and Kevin Doyle.

The Board discussed NASBA's Board of Directors meeting minutes from April 29, 2016 and meeting highlights from July 22, 2016; and responses to Regional Directors' Focus questions.

**FUTURE MEETING DATES** (all times CT)

September 27, 2016 – 9:00 a.m. conference call

October 27, 2016 – 9:00 a.m. conference call

A motion was made by John Linn, Jr. and seconded by Jeff Smith to adjourn the meeting. The motion carried.

All business having come before the board was concluded and Chair Pummel adjourned the meeting at 3:18 p.m.

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David Pummel, CPA, Chair

Attest: \_\_\_\_\_  
Nicole Kasin, Executive Director

\_\_\_\_\_  
Jeff Smith, CPA, Sec/Treas

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES  
BOARD COPY**

**Issued Through September 20, 2016**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Location</b>
3271	Wayne Marvin Hitt	8/19/16	Sioux Falls, SD
3272	Melinda M. Barrett	8/23/16	Rapid City, SD
3273	Sarah Jean Davis	8/23/16	Rapid City, SD
3274	Justin Lee Werkmeister	8/25/16	Brookings, SD
3275	Andrea Renee Quick	8/30/16	Burnsville, MN
3276	Rebecca Marie Vien	8/30/16	Tracy, MN
3277	Amy Jo Roberts	8/30/16	Minneapolis, MN
3278	Daniel Christian Foster	9/01/16	Sioux Falls, SD
3279	Kirk Russell Overaas	9/16/16	Sioux Falls, SD
3280	Timothy Lee Tordoff	9/16/16	Minneapolis, MN

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

**Issued Through  
September 20, 2016**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Basis/Comments</b>
1675	Schellman & Company, LLC Tampa, FL	08/15/16	Name Change
1676	Insero & Co. CPAs, LLP Rochester, NY	08/18/16	Name Change
1677	Jerry Rieck, CPA Sioux Falls, SD	09/06/16	New Firm

BAL409R1

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STATE OF SOUTH DAKOTA  
CASH CENTER BALANCES  
AS OF: 08/31/2016

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

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	504,492.41	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			504,492.41	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			504,492.41	DR **	
BUDGET UNIT TOTAL 1031			504,492.41	DR ***	

AGENCY BUDGET CENTER-5	UNIT 10310	LABOR & REGULATION BOARD OF ACCOUNTANCY BOARD OF ACCOUNTANCY	COMP CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/CR
COMPANY NO 6503												
COMPANY NAME PROFESSIONAL & LICENSING BOARDS												
6503	103100061802	51010100			CGEX160727	08/03/2016					2,150.43	DR
6503	103100061802	51010100			CGEX160811	08/17/2016					2,456.80	DR
OBJSUB: 5101010 F-T EMP SAL & WAGES												
6503	103100061802	51010200			CGEX160727	08/03/2016					4,607.23	DR *
6503	103100061802	51010200			CGEX160811	08/17/2016					886.66	DR
OBJSUB: 5101020 P-T/TEMP EMP SAL & WAGES												
6503	103100061802	51010300			CGEX160727	08/03/2016					1,886.58	DR *
OBJSUB: 5101030 BOARD & COMM MBRS FEES												
OBJECT: 5101 EMPLOYEE SALARIES												
6503	103100061802	51020100			CGEX160727	08/03/2016					300.00	DR *
6503	103100061802	51020100			CGEX160811	08/17/2016					6,793.81	DR **
6503	103100061802	51020100			CGEX160829	08/31/2016					221.88	DR
OBJSUB: 5102010 OAST-EMPLOYER'S SHARE												
6503	103100061802	51020200			CGEX160727	08/03/2016					453.50	DR *
6503	103100061802	51020200			CGEX160811	08/17/2016					182.22	DR
OBJSUB: 5102020 RETIREMENT-ER SHARE												
6503	103100061802	51020600			CGEX160727	08/03/2016					389.61	DR *
6503	103100061802	51020600			CGEX160811	08/17/2016					712.03	DR
OBJSUB: 5102060 HEALTH/LIFE INS.-ER SHARE												
6503	103100061802	51020800			CGEX160727	08/03/2016					1,435.90	DR *
6503	103100061802	51020800			CGEX160811	08/17/2016					3.64	DR
OBJSUB: 5102080 WORKER'S COMPENSATION												
6503	103100061802	51020900			CGEX160727	08/03/2016					7.77	DR *
6503	103100061802	51020900			CGEX160811	08/17/2016					1.18	DR
OBJSUB: 5102090 UNEMPLOYMENT COMPENSATION												
OBJECT: 5102 EMPLOYEE BENEFITS												
GROUP: 51 PERSONAL SERVICES												
6503	103100061802	52030200			CGEX160815	08/17/2016					2,289.30	DR **
6503	103100061802	52030200			CGEX160829	08/31/2016					9,083.11	DR ***
6503	103100061802	52030200			CGEX160829	08/31/2016					156.86	DR
6503	103100061802	52030200			CGEX160829	08/31/2016					103.96	DR
OBJSUB: 5203020 AUTO PRIV (IN-ST.) L/RTE												
6503	103100061802	52030300			CGEX160829	08/31/2016					364.78	DR *
6503	103100061802	52030300			CGEX160829	08/31/2016					286.44	DR
OBJSUB: 5203030 AUTO-PRIV (IN-ST.) H/RTE												
6503	103100061802	52031000			CGEX160815	08/17/2016					341.88	DR *
6503	103100061802	52031000			CGEX160829	08/31/2016					156.60	DR
6503	103100061802	52031000			CGEX160829	08/31/2016					81.50	DR

BA0205A5 09/03/2016 STATE OF SOUTH DAKOTA  
 MONTHLY EXPENDITURE REPORT  
 FOR PERIOD ENDING: 08/31/2016

AGENCY BUDGET CENTER-5	UNIT 10310	LABOR & REGULATION BOARD OF ACCOUNTANCY	DOCUMENT NUMBER	POSTING DATE	JY APPL. #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/CR
6503	103100061802	52031000	CGEX160829	08/31/2016	045043				81.50	DR
6503	103100061802	52031000	CGEX160829	08/31/2016	045042				81.50	DR
6503	103100061802	52031000	CGEX160829	08/31/2016	046376				81.50	DR
OBJSUB: 5203100 LODGING/IN-STATE										
6503	103100061802	52031200	CGEX160829	08/31/2016	045043				482.60	DR *
6503	103100061802	52031200	CGEX160829	08/31/2016	046376				5.00	DR
6503	103100061802	52031200	CGEX160829	08/31/2016	045042				5.00	DR
6503	103100061802	52031200	CGEX160829	08/31/2016	046371				5.00	DR
OBJSUB: 5203120 INCIDENTALS-TRAVEL-IN ST.										
6503	103100061802	52031400	CGEX160829	08/31/2016	046375				20.00	DR *
OBJSUB: 5203140 TAXABLE MEALS/IN-STATE										
6503	103100061802	52031500	CGEX160815	08/17/2016	027601				11.00	DR *
6503	103100061802	52031500	CGEX160829	08/31/2016	045042				28.00	DR
6503	103100061802	52031500	CGEX160829	08/31/2016	046376				58.00	DR
6503	103100061802	52031500	CGEX160829	08/31/2016	046376				32.00	DR
6503	103100061802	52031500	CGEX160829	08/31/2016	045043				32.00	DR
6503	103100061802	52031500	CGEX160829	08/31/2016	046371				32.00	DR
OBJSUB: 5203150 NON-TAXABLE MEALS/IN-ST										
6503	103100061802	52032600	CGEX160803	08/03/2016	017991				182.00	DR *
OBJSUB: 5203260 AIR-COMM-OUT-OF-STATE										
6503	103100061802	52033000	CGEX160803	08/03/2016	017991				717.70	DR *
OBJSUB: 5203300 LODGING/OUT-OF-STATE										
6503	103100061802	52033500	CGEX160803	08/03/2016	017991				456.70	DR *
OBJSUB: 5203350 NON-TAXABLE MEALS/OUT-ST										
OBJECT: 5203 TRAVEL ORDER-06086										
6503	103100061802	52040200	DP707102	08/12/2016	00331488	NATLASNST	12005047		63.00	DR *
OBJSUB: 5204020 DUES & MEMBERSHIP FEES										
6503	103100061802	52041800	DP707102	08/26/2016					2,639.66	DR **
OBJSUB: 5204180 COMPUTER SERVICES-STATE										
6503	103100061802	52042000	PL707056	09/02/2016					3,200.00	DR **
OBJSUB: 5204200 CENTRAL SERVICES										
6503	103100061802	52042200	IN310208	08/10/2016	00330606	ABBUSINESS	12036980		3,200.00	DR *
OBJSUB: 5204220 EQUIPMENT SERV & MAINT										
6503	103100061802	52042300	17-018 JUL-JUN17	08/03/2016	00328649	SUNSETOFFI	12043890		74.39	DR *
6503	103100061802	52042300	17-018 JUL-JUN17	08/26/2016	00335980	SUNSETOFFI	12043890		130.34	DR
OBJSUB: 5204230 JANITORIAL & MAINT SERV										
6503	103100061802	52044900	ACCOUNTRENT2017	08/31/2016	02173613	MGINNISKRO	12074040		260.68	DR *
OBJSUB: 5204490 ACCOUNTRENT2017										

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 08/31/2016

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
6503	1031000061802	52045300	08/17/2016	00336651	MIDCONTLINE	12023782		1,269.45	DR *
6503	103100061802	52045300	08/31/2016	00332362	ATTMOBILIT	12279233		116.34	DR
6503	103100061802	52045300	08/31/2016	00337553	ATTMOBILIT	12279233		95.00	DR
6503	103100061802	52045300	08/31/2016	00337553	ATTMOBILIT	12279233		56.29	DR
6503	103100061802	5204530	08/10/2016	02170996	XCELENERGY	12023853		323.92	DR *
6503	103100061802	52045400	08/10/2016	271203	ELLECTRICITY			43.97	DR *
6503	103100061802	52047400	08/17/2016	00334530	NATLASSNST	12005047		2,651.98	DR *
6503	103100061802	52049600	08/17/2016	00334530	NATLASSNST	12005047		72.00	DR
6503	103100061802	52049600	08/17/2016	00334530	NATLASSNST	12005047		24.00	DR
6503	103100061802	52049600	08/26/2016	00334530	NATLASSNST	12005047		264.00	DR
6503	103100061802	52049600	08/24/2016	00334530	NATLASSNST	12005047		8,092.01	DR
6503	103100061802	52050200	08/31/2016	02173767	BROWNSAENG	12028533		8,452.01	DR *
6503	103100061802	52050200	08/31/2016	02173767	BROWNSAENG	12028533		16,584.55	DR **
6503	103100061802	52050200	08/31/2016	02173767	BROWNSAENG	12028533		41.98	DR
6503	103100061802	52053200	08/26/2016	00335697	BUSINESSPR	12003048		41.98	DR *
6503	103100061802	5228000	08/03/2016					17.25	DR
6503	103100061802	5228000	08/03/2016					59.23	DR **
6503	103100061802	5228000	08/03/2016					528.42	DR
6503	103100061802	5228000	08/03/2016					19,811.86	DR ***
6503	103100061802	5228000	08/03/2016					28,894.97	DR ****
6503	103100061802	5228000	08/03/2016					28,894.97	DR ****
6503	103100061802	5228000	08/03/2016					28,894.97	DR ****
6503	103100061802	5228000	08/03/2016					28,894.97	DR ****

**South Dakota Board of Accountancy**  
**Balance Sheet**  
As of August 31, 2016

	Aug 31, 16
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1130000 · Local Checking - Great Western	7,446.28
1140000 · Pool Cash State of SD	504,492.41
<b>Total Checking/Savings</b>	511,938.69
<b>Other Current Assets</b>	
1131000 · Interest Income Receivable	4,392.05
1213000 · Investment Income Receivable	981.51
<b>Total Other Current Assets</b>	5,373.56
<b>Total Current Assets</b>	517,312.25
<b>Fixed Assets</b>	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-140,063.23
<b>Total 1670000 · Computer Software</b>	0.00
<b>Total Fixed Assets</b>	0.00
<b>TOTAL ASSETS</b>	<b>517,312.25</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2110000 · Accounts Payable	8,390.99
<b>Total Accounts Payable</b>	8,390.99
<b>Other Current Liabilities</b>	
2430000 · Accrued Wages Payable	6,729.32
2810000 · Amounts Held for Others	22,454.15
<b>Total Other Current Liabilities</b>	29,183.47
<b>Total Current Liabilities</b>	37,574.46
<b>Long Term Liabilities</b>	
2960000 · Compensated Absences Payable	18,468.75
<b>Total Long Term Liabilities</b>	18,468.75
<b>Total Liabilities</b>	56,043.21
<b>Equity</b>	
3220000 · Unrestricted Net Assets	263,695.39
3900 · Retained Earnings	74,812.83
Net Income	122,760.82
<b>Total Equity</b>	461,269.04
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>517,312.25</b>

**South Dakota Board of Accountancy**  
**Profit & Loss Budget vs. Actual**  
 July through August 2016

	Jul - Aug 16	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	650.00	2,800.00	-2,150.00	23.2%
4293551 · Certificate Renewals-Active	47,900.00	58,000.00	-10,100.00	82.6%
4293552 · Certificate Renewals-Inactive	14,100.00	21,000.00	-6,900.00	67.1%
4293553 · Certificate Renewals-Retired	770.00	1,000.00	-230.00	77.0%
4293554 · Initial Firm Permits	250.00	700.00	-450.00	35.7%
4293555 · Firm Permit Renewals	10,650.00	15,500.00	-4,850.00	68.7%
4293557 · Initial Audit	120.00	900.00	-780.00	13.3%
4293558 · Re-Exam Audit	240.00	2,460.00	-2,220.00	9.8%
4293560 · Late Fees-Initial Certificate	100.00	0.00	100.00	100.0%
4293561 · Late Fees-Certificate Renewals	1,700.00	3,000.00	-1,300.00	56.7%
4293562 · Late Fees-Firm Permits	0.00	0.00	0.00	0.0%
4293563 · Late Fees-Firm Permit Renewals	350.00	600.00	-250.00	58.3%
4293564 · Late Fees-Peer Review	300.00	1,300.00	-1,000.00	23.1%
4293566 · Firm Permit Owners				
5208003 · REFUNDS	-20.00			
4293566 · Firm Permit Owners - Other	79,000.00	105,000.00	-26,000.00	75.2%
<b>Total 4293566 · Firm Permit Owners</b>	<b>78,980.00</b>	<b>105,000.00</b>	<b>-26,020.00</b>	<b>75.2%</b>
4293567 · Peer Review Admin Fee	225.00	5,650.00	-5,425.00	4.0%
4293568 · Firm Permit Name Change	100.00	100.00	0.00	100.0%
4293569 · Initial FAR	120.00	1,140.00	-1,020.00	10.5%
4293570 · Initial REG	150.00	660.00	-510.00	22.7%
4293571 · Inital BEC	150.00	930.00	-780.00	16.1%
4293572 · Re-Exam FAR	420.00	1,860.00	-1,440.00	22.6%
4293573 · Re-Exam REG	360.00	2,310.00	-1,950.00	15.6%
4293574 · Re-Exam BEC	330.00	2,310.00	-1,980.00	14.3%
4491000 · Interest and Dividend Revenue	5,466.12	4,000.00	1,466.12	136.7%
4896021 · Legal Recovery Cost	0.00	1,000.00	-1,000.00	0.0%
<b>Total Income</b>	<b>163,431.12</b>	<b>232,220.00</b>	<b>-68,788.88</b>	<b>70.4%</b>
<b>Gross Profit</b>	<b>163,431.12</b>	<b>232,220.00</b>	<b>-68,788.88</b>	<b>70.4%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	9,560.21	76,588.00	-67,027.79	12.5%
5101020 · P-T/Temp Emp Sal & Wages	3,760.22	31,035.00	-27,274.78	12.1%
5101030 · Board & Comm Mbrs Fees	1,200.00	4,683.00	-3,483.00	25.6%
5102010 · OASI-Employer's Share	977.21	8,281.00	-7,303.79	11.8%
5102020 · Retirement-ER Share	799.20	6,495.00	-5,695.80	12.3%
5102060 · Health /Life Ins.-ER Share	2,888.18	20,968.00	-18,079.82	13.8%
5102080 · Worker's Compensation	15.95	43.00	-27.05	37.1%
5102090 · Unemployment Insurance	5.16	108.00	-102.84	4.8%
5203010 · Auto--State Owned	0.00	800.00	-800.00	0.0%
5203020 · Auto-Private-Ownes Low Mileage	364.78	400.00	-35.22	91.2%
5203030 · In State-Auto- Priv. High Miles	779.52	1,500.00	-720.48	52.0%
5203100 · In State-Lodging	564.10	1,000.00	-435.90	56.4%
5203120 · In State-Incidentals to Travel	25.00	100.00	-75.00	25.0%
5203140 · InState-Tax Meals Not Overnigt	11.00	100.00	-89.00	11.0%
5203150 · InState-Non-Tax Meals OverNight	240.00	400.00	-160.00	60.0%
5203230 · OS-Auto Private High Mileage	335.16	100.00	235.16	335.2%
5203260 · OS-Air Commercial Carrier	2,165.60	6,000.00	-3,834.40	36.1%
5203280 · OS-Other Public Carrier	257.35	500.00	-242.65	51.5%
5203300 · OS-Lodging	2,055.15	7,800.00	-5,744.85	26.3%
5203320 · OS-Incidentals to Travel	230.00	450.00	-220.00	51.1%
5203350 · OS-Non-Taxable Meals Overnight	297.00	1,300.00	-1,003.00	22.8%
5204010 · Subscriptions	0.00	1,000.00	-1,000.00	0.0%
5204020 · Dues and Membership Fees	3,200.00	3,900.00	-700.00	82.1%
5204030 · Legal Document Fees	0.00	300.00	-300.00	0.0%
5204040 · Consultant Fees-Accounting	0.00	7,100.00	-7,100.00	0.0%
5204050 · Consultant Fees - Computer	0.00	15,000.00	-15,000.00	0.0%
5204080 · Consultant Fees--Legal	0.00	0.00	0.00	0.0%
5204160 · Workshop Registration Fees	0.00	6,000.00	-6,000.00	0.0%
5204180 · Computer Services-State	106.05	6,000.00	-5,893.95	1.8%
5204181 · Computer Development Serv-State	0.00	5,000.00	-5,000.00	0.0%

**South Dakota Board of Accountancy**  
**Profit & Loss Budget vs. Actual**  
**July through August 2016**

	Jul - Aug 16	Budget	\$ Over Budget	% of Budget
5204200 · Central Services	1,500.80	9,000.00	-7,499.20	16.7%
5204220 · Equipment Service & Maintenance	6.77	300.00	-293.23	2.3%
5204230 · Janitorial/Maintenance Services	260.68	1,600.00	-1,339.32	16.3%
5204340 · Computer Software Maintenance	0.00	2,000.00	-2,000.00	0.0%
5204360 · Advertising-Newspapers	0.00	1,000.00	-1,000.00	0.0%
5204440 · Newsletter Publishing	0.00	100.00	-100.00	0.0%
5204460 · Equipment Rental	745.00	4,000.00	-3,255.00	18.6%
5204480 · Microfilm and Photography	0.00	0.00	0.00	0.0%
5204490 · Rents Privately Owned Property	2,538.90	15,234.00	-12,695.10	16.7%
5204510 · Rent-Other	0.00	500.00	-500.00	0.0%
5204530 · Telecommunications Services	528.76	3,500.00	-2,971.24	15.1%
5204540 · Electricity	87.96	865.00	-777.04	10.2%
5204560 · Water	22.35	240.00	-217.65	9.3%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	3,715.48	6,000.00	-2,284.52	61.9%
5204960 · Other Contractual Services	360.00	0.00	360.00	100.0%
5205020 · Office Supplies	187.62	2,000.00	-1,812.38	9.4%
5205028 · OFFICE SUPPLIES-2	0.00	0.00	0.00	0.0%
5205310 · Printing State	0.00	500.00	-500.00	0.0%
5205320 · Printing/Duplicating/Binding Co	31.05	1,000.00	-968.95	3.1%
5205330 · Supplemental Publications	0.00	700.00	-700.00	0.0%
5205340 · Microfilm Supplies/Materials	0.00	0.00	0.00	0.0%
5205350 · Postage	0.00	2,500.00	-2,500.00	0.0%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	0.00	4,800.00	-4,800.00	0.0%
5207950 · System Development	0.00	1,000.00	-1,000.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	848.09	7,400.00	-6,551.91	11.5%
<b>Total Expense</b>	<b>40,670.30</b>	<b>280,000.00</b>	<b>-239,329.70</b>	<b>14.5%</b>
<b>Net Ordinary Income</b>	<b>122,760.82</b>	<b>-47,780.00</b>	<b>170,540.82</b>	<b>-256.9%</b>
<b>Net Income</b>	<b>122,760.82</b>	<b>-47,780.00</b>	<b>170,540.82</b>	<b>-256.9%</b>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR MONTHLY COMPARISON**  
**August 2016**

	Aug 16	Aug 15	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	500.00	225.00	275.00	122.2%
4293551 · Certificate Renewals-Active	11,800.00	6,150.00	5,650.00	91.9%
4293552 · Certificate Renewals-Inactive	3,600.00	1,700.00	1,900.00	111.8%
4293553 · Certificate Renewals-Retired	240.00	110.00	130.00	118.2%
4293554 · Initial Firm Permits	100.00	0.00	100.00	100.0%
4293555 · Firm Permit Renewals	2,550.00	1,000.00	1,550.00	155.0%
4293557 · Initial Audit	30.00	30.00	0.00	0.0%
4293558 · Re-Exam Audit	150.00	150.00	0.00	0.0%
4293560 · Late Fees-Initial Certificate	100.00	0.00	100.00	100.0%
4293561 · Late Fees-Certificate Renewals	1,700.00	2,300.00	-600.00	-26.1%
4293563 · Late Fees-Firm Permit Renewals	300.00	350.00	-50.00	-14.3%
4293564 · Late Fees-Peer Review	250.00	100.00	150.00	150.0%
4293566 · Firm Permit Owners	9,810.00	4,710.00	5,100.00	108.3%
4293567 · Peer Review Admin Fee	150.00	75.00	75.00	100.0%
4293568 · Firm Permit Name Change	50.00	0.00	50.00	100.0%
4293569 · Initial FAR	30.00	30.00	0.00	0.0%
4293570 · Initial REG	120.00	0.00	120.00	100.0%
4293571 · Initial BEC	90.00	0.00	90.00	100.0%
4293572 · Re-Exam FAR	300.00	60.00	240.00	400.0%
4293573 · Re-Exam REG	90.00	0.00	90.00	100.0%
4293574 · Re-Exam BEC	180.00	60.00	120.00	200.0%
4491000 · Interest and Dividend Revenue	5,466.12	0.00	5,466.12	100.0%
<b>Total Income</b>	<b>37,606.12</b>	<b>17,050.00</b>	<b>20,556.12</b>	<b>120.6%</b>
<b>Gross Profit</b>	<b>37,606.12</b>	<b>17,050.00</b>	<b>20,556.12</b>	<b>120.6%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	4,607.23	2,452.54	2,154.69	87.9%
5101020 · P-T/Temp Emp Sal & Wages	1,886.58	979.32	907.26	92.6%
5101030 · Board & Comm Mbrs Fees	300.00	0.00	300.00	100.0%
5102010 · OASI-Employer's Share	453.50	250.11	203.39	81.3%
5102020 · Retirement-ER Share	389.61	205.25	184.36	89.8%
5102060 · Health /Life Ins.-ER Share	1,435.90	702.42	733.48	104.4%
5102080 · Worker's Compensation	7.77	2.74	5.03	183.6%
5102090 · Unemployment Insurance	2.52	1.34	1.18	88.1%
5203010 · Auto--State Owned	0.00	78.65	-78.65	-100.0%
5203020 · Auto-Private-Owne Low Mileage	207.92	0.00	207.92	100.0%
5203030 · In State-Auto- Priv. High Miles	729.12	1,058.40	-329.28	-31.1%
5203100 · In State-Lodging	407.50	235.95	171.55	72.7%
5203120 · In State-Incidentals to Travel	25.00	20.00	5.00	25.0%
5203140 · InState-Tax Meals Not OverNigt	11.00	0.00	11.00	100.0%
5203150 · InState-Non-Tax Meals OverNight	212.00	221.00	-9.00	-4.1%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204160 · Workshop Registration Fees	0.00	695.00	-695.00	-100.0%
5204180 · Computer Services-State	0.00	87.00	-87.00	-100.0%
5204181 · Computer Development Serv-State	0.00	343.45	-343.45	-100.0%
5204200 · Central Services	202.10	228.00	-25.90	-11.4%
5204220 · Equipment Service & Maintenance	3.39	1.32	2.07	156.8%
5204230 · Janitorial/Maintenance Services	130.34	126.55	3.79	3.0%
5204460 · Equipment Rental	674.00	674.00	0.00	0.0%
5204490 · Rents Privately Owned Property	1,269.45	1,269.45	0.00	0.0%
5204530 · Telecommunications Services	317.42	150.99	166.43	110.2%
5204540 · Electricity	43.99	24.10	19.89	82.5%
5204740 · Bank Fees and Charges	2,651.98	3,209.44	-557.46	-17.4%
5204960 · Other Contractual Services	360.00	0.00	360.00	100.0%
5205020 · Office Supplies	187.62	411.17	-223.55	-54.4%
5205320 · Printing/Duplicating/Binding Co	17.25	31.05	-13.80	-44.4%
5228000 · Operating Transfers Out-NonBudg	528.42	536.09	-7.67	-1.4%
<b>Total Expense</b>	<b>20,261.61</b>	<b>17,195.33</b>	<b>3,066.28</b>	<b>17.8%</b>
<b>Net Ordinary Income</b>	<b>17,344.51</b>	<b>-145.33</b>	<b>17,489.84</b>	<b>12,034.6%</b>
<b>Net Income</b>	<b>17,344.51</b>	<b>-145.33</b>	<b>17,489.84</b>	<b>12,034.6%</b>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
 July through August 2016

	Jul - Aug 16	Jul - Aug 15	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	650.00	375.00	275.00	73.3%
4293551 · Certificate Renewals-Active	47,900.00	59,850.00	-11,950.00	-20.0%
4293552 · Certificate Renewals-Inactive	14,100.00	19,850.00	-5,750.00	-29.0%
4293553 · Certificate Renewals-Retired	770.00	1,010.00	-240.00	-23.8%
4293554 · Initial Firm Permits	250.00	0.00	250.00	100.0%
4293555 · Firm Permit Renewals	10,650.00	13,600.00	-2,950.00	-21.7%
4293557 · Initial Audit	120.00	120.00	0.00	0.0%
4293558 · Re-Exam Audit	240.00	270.00	-30.00	-11.1%
4293560 · Late Fees-Initial Certificate	100.00	0.00	100.00	100.0%
4293561 · Late Fees-Certificate Renewals	1,700.00	2,350.00	-650.00	-27.7%
4293563 · Late Fees-Firm Permit Renewals	350.00	350.00	0.00	0.0%
4293564 · Late Fees-Peer Review	300.00	200.00	100.00	50.0%
4293566 · Firm Permit Owners	78,980.00	90,435.00	-11,455.00	-12.7%
4293567 · Peer Review Admin Fee	225.00	150.00	75.00	50.0%
4293568 · Firm Permit Name Change	100.00	50.00	50.00	100.0%
4293569 · Initial FAR	120.00	90.00	30.00	33.3%
4293570 · Initial REG	150.00	30.00	120.00	400.0%
4293571 · Initial BEC	150.00	30.00	120.00	400.0%
4293572 · Re-Exam FAR	420.00	150.00	270.00	180.0%
4293573 · Re-Exam REG	360.00	240.00	120.00	50.0%
4293574 · Re-Exam BEC	330.00	300.00	30.00	10.0%
4491000 · Interest and Dividend Revenue	5,466.12	0.00	5,466.12	100.0%
4896021 · Legal Recovery Cost	0.00	1,000.00	-1,000.00	-100.0%
<b>Total Income</b>	<b>163,431.12</b>	<b>190,450.00</b>	<b>-27,018.88</b>	<b>-14.2%</b>
<b>Gross Profit</b>	<b>163,431.12</b>	<b>190,450.00</b>	<b>-27,018.88</b>	<b>-14.2%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	9,560.21	8,838.71	721.50	8.2%
5101020 · P-T/Temp Emp Sal & Wages	3,760.22	3,684.50	75.72	2.1%
5101030 · Board & Comm Mbrs Fees	1,200.00	960.00	240.00	25.0%
5102010 · OASI-Employer's Share	977.21	983.07	-5.86	-0.6%
5102020 · Retirement-ER Share	799.20	750.72	48.48	6.5%
5102060 · Health /Life Ins.-ER Share	2,888.18	2,697.42	190.76	7.1%
5102080 · Worker's Compensation	15.95	10.00	5.95	59.5%
5102090 · Unemployment Insurance	5.16	4.89	0.27	5.5%
5203010 · Auto--State Owned	0.00	78.65	-78.65	-100.0%
5203020 · Auto-Private-Ownes Low Mileage	364.78	0.00	364.78	100.0%
5203030 · In State-Auto- Priv. High Miles	779.52	1,058.40	-278.88	-26.4%
5203100 · In State-Lodging	564.10	235.95	328.15	139.1%
5203120 · In State-Incidentals to Travel	25.00	20.00	5.00	25.0%
5203140 · InState-Tax Meals Not OverNigt	11.00	0.00	11.00	100.0%
5203150 · InState-Non-Tax Meals OverNight	240.00	221.00	19.00	8.6%
5203230 · OS-Auto Private High Mileage	335.16	0.00	335.16	100.0%
5203260 · OS-Air Commercial Carrier	2,165.60	0.00	2,165.60	100.0%
5203280 · OS-Other Public Carrier	257.35	0.00	257.35	100.0%
5203300 · OS-Lodging	2,055.15	0.00	2,055.15	100.0%
5203320 · OS-Incidentals to Travel	230.00	0.00	230.00	100.0%
5203350 · OS-Non-Taxable Meals Overnight	297.00	0.00	297.00	100.0%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204160 · Workshop Registration Fees	0.00	695.00	-695.00	-100.0%
5204180 · Computer Services-State	106.05	183.75	-77.70	-42.3%
5204181 · Computer Development Serv-State	0.00	1,039.25	-1,039.25	-100.0%
5204200 · Central Services	1,500.80	1,611.01	-110.21	-6.8%
5204220 · Equipment Service & Maintenance	6.77	3.75	3.02	80.5%
5204230 · Janitorial/Maintenance Services	260.68	253.10	7.58	3.0%
5204340 · Computer Software Maintenance	0.00	614.50	-614.50	-100.0%
5204460 · Equipment Rental	745.00	745.00	0.00	0.0%
5204490 · Rents Privately Owned Property	2,538.90	2,538.90	0.00	0.0%
5204530 · Telecommunications Services	528.76	392.77	135.99	34.6%
5204540 · Electricity	87.96	67.30	20.66	30.7%
5204560 · Water	22.35	22.35	0.00	0.0%
5204740 · Bank Fees and Charges	3,715.48	3,415.73	299.75	8.8%
5204960 · Other Contractual Services	360.00	0.00	360.00	100.0%

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR TO DATE MONTHLY COMPARISON**  
**July through August 2016**

	<u>Jul - Aug 16</u>	<u>Jul - Aug 15</u>	<u>\$ Change</u>	<u>% Change</u>
5205020 · Office Supplies	187.62	411.17	-223.55	-54.4%
5205320 · Printing/Duplicating/Binding Co	31.05	48.30	-17.25	-35.7%
5207900 · Computer Hardware	0.00	85.00	-85.00	-100.0%
5228000 · Operating Transfers Out-NonBudg	848.09	834.11	13.98	1.7%
<b>Total Expense</b>	<u>40,670.30</u>	<u>35,704.30</u>	<u>4,966.00</u>	<u>13.9%</u>
<b>Net Ordinary Income</b>	<u>122,760.82</u>	<u>154,745.70</u>	<u>-31,984.88</u>	<u>-20.7%</u>
<b>Net Income</b>	<u><u>122,760.82</u></u>	<u><u>154,745.70</u></u>	<u><u>-31,984.88</u></u>	<u><u>-20.7%</u></u>

## EXECUTIVE DIRECTOR'S REPORT

Nicole Kasin

### **Review – Statutes/Rules**

From our discussion in regards to South Dakota peer review, all changes would be rules updates and no changes to statutes. Therefore we will not have any legislation this year during session.

We can work to make revisions of the rules and do the reach out to firms for feedback prior to a rules hearing being scheduled.

### **Database update**

The board staff has resumed work with GL Solutions to create the database. Calls began at the beginning of September and future calls are scheduled for bi-weekly meetings in regards to the outputs and design process.

### **Board Newsletter**

We teamed up with NASBA to create the September 2016 newsletter. The newsletter was distributed electronically to 2265 email addresses on September 15, 2016.

A summary of the RFP for the Audit was provided in the newsletter.

### **CPE Audits**

The list of licensees has been selected for CPE audits and letters were sent out to those selected on September 16, 2016. The documentation is due in our office no later than October 31, 2016. The following chart shows the status of the audits as of September 20, 2016.

	<b>Selected</b>	<b>Complied</b>	<b>Not Complied</b>	<b>Granted Extension</b>	<b>Approved CPE Audit</b>	<b>Failed CPE Audit</b>
<b>CPA (Active)</b>	51	4	47	0	1	0
<b>CPA (Active in Firm)</b>	53	5	48	0	1	0

### **Board Discussion**

- Any New Business/topics?

# Proposed Evolution of Peer Review Administration

*A supplemental discussion paper seeking input from  
State Boards of Accountancy.*

Released for comment: July 18, 2016  
Feedback requested: Oct. 31, 2016

## Background

During a strategic planning session held in October 2010, the AICPA Peer Review Board (PRB) focused on enhancements and improvements in five key areas of the AICPA Peer Review Program (Program). One key area was improving the peer review administrative process. The PRB observed that the existing processes remained largely the same since the inception of the Program in 1985, despite dramatic changes in the environment and in technology. Historically administering entities (AEs) have administered the Program on behalf of the AICPA. Through annual Plans of Administration (POAs), AEs agree to:

- Administer the Program in compliance with the *AICPA Standards for Performing and Reporting on Peer Reviews* (Standards) and other guidance established by the PRB
- Ensure staff and all others involved in the Program comply with the Standards and other guidance established by the PRB
- Appoint a peer review committee to oversee the administration, acceptance and completion of peer reviews to ensure the Program is performed in accordance with the Standards and other guidance established by the PRB
- Employ staff who meet the requirements defined in the Standards to perform technical reviews on all peer reviews administered

Based on surveys and focus groups conducted in 2011 and 2012 with enrolled firms, peer reviewers and AEs, stakeholder feedback indicated various opportunities to improve the administration of the Program, including consistency and quality of the:

- Report Acceptance Body (RAB) process,
- Resume verification process,
- Reviewer qualification on must-select engagements,
- Firm reenrollment/reinstatement,
- Firm change of venue,
- Administrative fee structures, and
- Managerial skills needed to run a complex technology driven process.

Consideration of this feedback led the PRB to conclude that fewer entities administering the program would result in greater consistency in peer reviews, and hence, greater quality. Further, the PRB noted the importance of consistent peer review administration and acceptance processes across AEs as states move to adopt firm mobility, as the public is best served when peer reviews are consistently administered in accordance with the Standards, regardless of where the peer review takes place.

The PRB's work was temporarily suspended, pending the work of the AICPA Board of Directors authorized Practice Monitoring of the Future (PMoF) initiative. The initiative conceptualizes a future technology-driven system, much different from today's peer review process. Upon the realization that PMoF will take several years – and the input of many stakeholders – to achieve actualization, the PRB resumed its focus on improvements to the current Program.

In 2015, a group of state CPA society (society) staff leaders was engaged to advise and assist in designing a potential new administration model (referred to as the Evolution of Peer Review

Administration). The group offered a variety of suggestions that shaped the model developed by AICPA staff, and though they did not offer consensus on proposed criteria for AEs they all agreed a reduction in the number of AEs was needed to ensure consistency.

The proposed model was presented to the society CEOs (the Program administrators) in a discussion paper on February 22, 2016, as a first step in gathering feedback from the Program's key stakeholders. The paper primarily focused on issues directly impacting the societies that administer the Program, including staffing, Peer Review Committees and RABs. The objective was to first gather feedback on the proposal from societies, then solicit input from state boards of accountancy (boards) after consideration of initial feedback.

The proposed model was next introduced to board executive directors at the National Association of State Boards of Accountancy (NASBA) Executive Directors conference in March 2016, with the Evolution paper distributed more broadly to boards shortly thereafter. Further discussions were held at the June 2016 NASBA Regional Meetings.

This follow-up discussion paper is being provided for further consideration and feedback by boards. It includes responses to initial comments as well as thoughts on additional issues of importance to boards, including oversight of the Program and access to peer review information.

### **Process Improvement**

The goal of the proposed model is to enhance quality by reducing inconsistencies in peer review administration and acceptance, enhance objectivity and professional skepticism in the report acceptance process and improve timeliness of review acceptance.

All AEs are required to administer the Program in accordance with the Standards and other guidance established by the PRB. Any issues identified during the AICPA's annual administrative oversight process are noted in the [AE oversight report](#) and are required to be rectified for the state to remain an AE. However, many inconsistencies exist with the way the Program guidance is applied. Improving consistency is important for quality and supports the profession's overall efforts to increase mobility in the profession.

### **Achieving Greater Consistency**

History has demonstrated that it is difficult to achieve consistency among 40 or more AEs, and consistency is critical. Firms and their regulators should expect the same peer review results regardless of where the peer review is conducted and administered. While some lower volume AEs excel at Program administration, AEs that administer a larger volume of reviews generally have more effective and consistent administrative processes. Such AEs have important attributes, including full-time staff dedicated to peer review. Although staffing specifics vary, each has *at least* one full-time administrator, manager and technical reviewer with appropriate qualifications. Further, these AEs have dedicated management focusing exclusively on peer review. As the profession and the assurance services it performs continues to evolve and become more complex, the Program continues to evolve with it, becoming increasingly complex and making it more challenging for staff to remain fully versed on the Program if they are also focused on non-peer review related responsibilities. Throughout the rapid changes in the Program, dependency on technology for all steps of the process, including administration, has

increased (and will continue to increase). The ability to adapt and work effectively with changing technology has been considered critical in determining the qualifications of staff necessary to perform these roles.

A high-level summary of the duties AE staff perform is outlined below.

#### Administrator

- Confirm all enrolled firms schedule reviews in accordance with Standards and board requirements and assist firms to resolve scheduling errors or issues
- Work with peer reviewers to coordinate the submission and processing of peer review documents to the AE to ensure that all required documentation is received and work papers are accessible for Technical Reviewers
- Maintain Facilitated State Board Access (FSBA) records in a timely manner

#### Manager

- Develop processes and procedures for the scheduling and processing of reviews, maintain information on the status of reviews and monitor compliance with deadlines
- Coordinate the review of working papers with Technical Reviewers, and coordinate and document activities of the RAB

#### Technical Reviewer

- Perform full work paper reviews before the presentation of a peer review to the RAB
- Work closely with peer reviewers and public accounting firms to identify and resolve questions and issues prior to RAB presentation
- Assist the RAB member responsible for presenting the review by providing additional detailed information as necessary

AEs that administer a larger volume of reviews also have a greater pool of available volunteer committee and RAB members with the expertise needed to accurately assess high risk reviews. Coupled with a proportionately lower number of technical reviewers (since full-time technical reviewers are employed), these AEs are able to have more frequent RAB meetings, resulting in a more efficient and consistent process, and are more easily able to minimize the threat of being overly familiar with the reviewers whose reports they consider.

#### Noted Inconsistencies

The nature of some of the inconsistencies across the current structure include how the following are identified and addressed.

- Peer review report ratings – inconsistency in identifying and/or requiring a modification to a report (e.g., from pass to pass with deficiency or fail)
- Corrective actions and implementation plans – inconsistently imposing appropriate corrective action or implementation plans on the reviewed firm

- Reviewer performance matters (including feedback) – inconsistency in appropriately addressing reviewer performance issues and reluctance to eliminate reviewer from the pool when warranted
- Firms with consecutive non-pass reports – inconsistencies among AEs referring such firms to the PRB for non-cooperation
- Determination of pervasiveness (and impact on the firms as a whole) – inconsistencies in requiring expansion of scope or study when problems encountered in a review
- Determination of systemic cause – inconsistencies in requiring peer reviewer to determine (and opine on) systemic cause
- Inconsistencies in implementation of and compliance with new and existing Standards
- Inconsistent treatment of documentation issues – verbal acceptance that audit work was completed where no or little documentation exists
- Engagement selection – scope and reasonable cross-section – inconsistency in challenging the reviewer on the number or scope of engagements selected
- Inconsistent timeliness of presentation to RABs, following-up with overdue reviews and firms with corrective action – general timeliness due to staffing priorities
- Matter for Further Consideration (MFC) and Finding for Further Consideration (FFC) – inconsistency in properly elevating a matter to a finding where remediation should be monitored and implementation plans required
- Accuracy of information input into peer review database (PRISM)

### **Initial Proposed Criteria for AEs of the Future**

To help improve audit quality, a peer review process is needed that appropriately and consistently detects and corrects issues by providing feedback in a timely manner. This means that peer review staff must be thoroughly versed on the rapidly changing Standards and processes, and the pool of volunteer participants must be large enough to support frequent RAB meetings and provide the expertise needed for appropriate review and acceptance of reviews.

Accordingly, the following criteria were initially proposed for AEs to be most effective and to continue to administer the Program. The criteria are based upon discussions with society leaders, meetings with AEs and the results of AE and RAB oversights. The criteria have been proposed as a “straw-man” to begin the discussion and are expected to change based on stakeholder feedback received.

- Consistent AE peer review management, employee and consultant structure, qualifications and responsibilities
- Effective performance of Peer Review Committee and RABs
- Administration of at least 1,000 peer reviews annually to improve efficiencies

### **Oversight**

The PRB has always recognized and supported the value of oversight to boards and is an active partner with NASBA in promoting the board Peer Review Oversight Committee (PROC) process.

By way of this paper and other means, the AICPA expresses its understanding that proposed changes in peer review administration will have an impact on the current model for board oversight of the program and may necessitate changes by boards of the current PROC process. The AICPA, and members of the PRB and its Oversight Task Force, are cooperating with NASBA's Compliance Assurance Committee and NASBA leadership to assist boards in considering and vetting new potential models for board oversight based on the proposed new administration model and will continue to work with boards to ensure an effective board oversight process is implemented.

#### **Initial Feedback on Discussion Paper:**

Provided below is clarification for questions and commentary received on a number of issues.

#### **Continuing as AEs**

*Many states currently and successfully have their states' peer reviews administered by an AE outside of their state. Additionally, prior to the release of the discussion paper, some societies had already been considering transitioning out of Program administration due to the exit of an employee or other factors, and had begun conversations with other states independent of the discussion paper proposed model. As a result of the discussion paper, societies have advised us that they are considering continuing to be an AE, transitioning administration to another state (or AICPA) or are unsure. A process for states to transition to another state (or AICPA) will be developed once final criteria and structure are determined. Societies have been advised to engage in discussions with their respective boards regarding their future vision for peer review administration.*

#### **Cost of Peer Review**

*The reduction in the number of AEs should not, in and of itself, cause a rise in administrative fees. However, the cost of peer review for firms will increase moderately with or without the Evolution of Administration, as a result of enhancements to the program designed to better detect and correct deficiencies. Peer Review administrative fees have always been expected to be based on cost recovery, and this will continue to be the expectation.*

#### **Peer Reviewer Pool**

*The current active reviewer pool is larger than ever before. In addition, many reviewers already perform reviews for firms administered in multiple states. Some reviewers may choose to discontinue reviewing due to changes in the Program, but many qualified reviewers are available and ready to handle reviews if some leave the pool. The AICPA remains committed to monitoring and taking action to ensure an appropriate pool of reviewers remains available.*

#### **Performance by a Peer**

*The Evolution of Administration does not change the review process as articulated in the Standards, including having peers performing the peer review, considering and accepting the review and determining the appropriate remedial action, when necessary. Some states have statutes and other state-specific considerations, and future guidelines will address this concern.*

## **Proposed Number of AEs (8-10) and Administering 1,000 Annual Reviews**

*The straw-man suggested in the initial discussion paper is a proposal, as are the other criteria and timeline. None of the proposed criteria including the total number of AEs or annual reviews are fixed. It is possible the final number of AEs and the number of annual reviews administered will be different, if stated at all. In addition, though the discussion paper indicates the AICPA will develop a new national AE to provide an additional option for societies that choose not to administer the program in their state, the AICPA is encouraging societies to look first to other societies to share administration.*

## **RABs and RAB Members**

### **Inconsistencies among RABs**

*Achieving consistency among 40+ AEs has been difficult and costly. PRB oversights have noted inconsistencies in the RAB process from state to state and peer reviewers who perform reviews in multiple states have voiced concerns about this as well. Firms and regulators should be able to expect the same review results regardless of the state in which they are based.*

### **Commitment required of RAB Members**

*The commitment effort for individual volunteers is not expected to change from the current program. The 50 hours per year estimate was developed by AICPA staff based on the time anticipated volunteers would need to prepare for and participate in RAB meetings. Though the proposed model articulates more frequent RAB meetings than are currently held by lower-volume AEs to better assist firms in meeting state licensing requirements, the increased frequency will be possible due to the larger number of volunteers participating in the consolidated AE.*

### **Pool of RAB Members**

*The majority of the current volunteers will continue to play a significant role in the new RAB structure. Society CEOs are already having discussions with existing peer review committees, indicating their value and need for their continued service. In addition, as they do now, states that administer peer review and those that do not will be involved in the active recruitment of both peer reviewers and volunteers.*

### **Timeline**

*The original proposed model suggested a timeline for implementation of the new model. However, initial feedback has clearly indicated that more time will be needed for the proposed changes, and it is now assumed the previously proposed implementation dates will be pushed back.*

## **Board Involvement**

### **Choosing Future AEs**

*Virtually all of the laws or regulations of states that mandate peer review provide the board the ability to withdraw its recognition of a program or AE if it is shown to be ineffective. The AICPA fully supports such provisions and are confident that all AEs formed from the evolution initiative will be as or more effective than existing AEs.*

## Oversight

*The AICPA and the PRB recognize and support the value of oversight to boards. The AICPA is an active partner with NASBA in promoting the board PROC process. The PRB and members of the PRB Oversight Task Force are cooperating with NASBA's Compliance Assurance Committee to assist boards in developing an effective board oversight model under Evolution.*

## Resources, Support and Transparency

*All AEs under a new model will continue to have designated personnel charged with responding to board questions. In addition, recognizing the need of boards to have such information, the AICPA has requested the assistance of several board executive directors to join a working group to develop a standardized information reporting form. Representatives from 10 boards have agreed to participate. Also, a representative of NASBA staff will participate to facilitate communication with all boards. This group will have its initial meeting in July 2016.*

## Working with State Societies

*Just as happens today with states that currently do not administer peer review, societies will continue to be the first point of contact with boards for their members, including issues and concerns regarding the Program. The AICPA has encouraged societies to engage in a dialogue with the board in their states.*

## Board Feedback Requested by October 31, 2016

With the distribution of this paper, the AICPA is asking boards to consider the proposed criteria and structure for Program administration in the future. All input will be considered and will inform and shape how the AICPA and societies move forward with this initiative.

Please consider the following questions when formulating your response.

- Considering the information presented in the proposed model, what changes do you believe will best increase consistency in peer review acceptance results?
- Considering the information presented in the proposed model, what changes do you believe will best promote proper and timely application of Standards and guidance?
- How do you believe the familiarity threat in the peer review acceptance process can best be minimized?

Comments and responses should be sent to Beth Thoresen, Director – Peer Review Operations, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 or [prsupport@aicpa.org](mailto:prsupport@aicpa.org) and are requested by October 31, 2016.

Thank you in advance for your thoughtful consideration of the issues facing Peer Review administration, and your commitment to enhancing audit quality throughout the CPA profession.



Peer Review Program



Susan L. Somers, Executive Director

Board of Accountancy

Sam Brownback, Governor

September 14, 2016

Beth Thoresen, Director  
Peer Review Operations  
AICPA Peer Review Program  
220 Leigh Farm Road  
Durham, NC 27707-8110

Re: Proposed Evolution of Peer Review Administration

Dear Ms. Thoresen:

The Kansas Board of Accountancy appreciates the opportunity to respond to the AICPA's Proposed Evolution of the Administration of Peer Review. We are deeply committed to maintaining an effective high quality Peer Review program, and as such, we offer our comments and pose our questions as follows:

Kansas is primarily served by small CPA firms, many of whom are sole practitioners. They serve a great need in performing attest services for small businesses, governmental units, and nonprofit organizations throughout the state. Many of these entities are located in rural areas with already limited access to CPA services. This proposal is just the latest in a stream of developments (including the constantly growing complexity of financial reporting and auditing standards, along with increasingly more restrictive independence standards) that cause us to have a real concern many rural areas will eventually have no access to needed CPA services, or will only be able to obtain them at exorbitant cost. This proposal will greatly increase the overall cost of peer review for all CPA firms, and has the potential to make the process even more difficult to navigate and comply with for small firms. We believe implementation of this proposal will make it more likely fewer CPA firms will offer attest services in Kansas.

In Kansas, all municipal audits must be issued in accordance with the Kansas Municipal Audit and Accounting Guide. We are concerned as to how an administering entity, and the accompanying Report Acceptance Body, located outside of Kansas would be aware of this unique requirement and how it would or could be considered by the remote administering entity and its Report Acceptance Body. Having representatives of our current Report Acceptance Body participate in the new environment would help to allay our concerns, but we see no guarantee of that in the proposal.

The cost of Peer Review is already burdensome. It is our assessment that implementation of the recommendations contained in the discussion paper will lead to a significant increase in the overall cost of peer review for CPA firms. Fees imposed by the administering entity will be much higher than at present, peer reviewers will likely charge greater fees to perform peer reviews, and, as was just recently learned, the AICPA is now imposing a new yearly fee on its member firms that undergo a system review. An increase in costs doesn't necessarily correlate with an increase in quality or consistency in the administration of peer reviews.

Kansas has mandated Peer Review since 1993. It was one of the first states, if not the first, to mandate Peer Review, so we have been involved in this process for a very long time. At no time have we ever encountered a problem with the administration of Peer Review, or the performance by the Report Acceptance Body of the Kansas Society of CPAS. The implementation, administration and performance by all those involved has been consistent, in accordance with the Peer Review Standards, and has never risen to a level of there being any kind of concern for the results or quality of the Program.

We agree that Peer Review administration and the functions of the Report Acceptance Body should be consistent; however, we believe that if there is a problem with an administering entity, that the focus should be on improving that entity, not changing the entire process. One major aspect of Peer Review was, and still is, education, guidance and improvement of the quality of a firm's attest services. This, we believe, is better achieved with local resources.

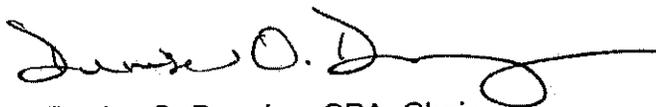
We are also deeply concerned about the end result of these proposed changes. Peer Review is required by most State Boards of Accountancy in their Laws and Regulations for firms performing attest services in each of their jurisdictions. Only the Boards of Accountancy can regulate firms and individuals and only the Boards of Accountancy can sanction a firm or an individual based upon the outcome of Peer Review, yet their input was not sought regarding this proposal until after it was presented. It seems the AICPA is seeking total control of the peer review process, ultimately leading to inability of Boards of Accountancy to properly fulfill their mandated missions.

Last, we are concerned about oversight by the Boards of Accountancy. Currently most jurisdictions have their own PROC, who monitor the administration of the Peer Review program by the administering entity and Report Acceptance Body, and report back to the Boards of Accountancy. Who will have this role in the future? Will the State Boards of Accountancy be able to have a representative on the PROC under the proposed model?

We believe that there should be considerable discussion had on this proposal before anything changes, and that the Boards of Accountancy should be allowed at the table to join in the conversation, rather than having the information disseminated to us after the fact.

Thank you for the opportunity to respond. If you have any questions, please feel free to contact us.

Sincerely,



Denise O. Denning, CPA, Chair  
On Behalf of the Kansas Board of Accountancy

DOD:sls



# NASBA

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

## CANDIDATE CONCERNS 16Q2

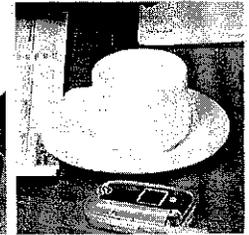
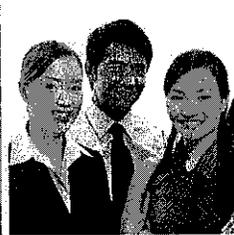
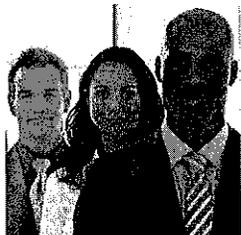
CANDIDATE CARE DEPARTMENT

APRIL 1-JUNE 10, 2016



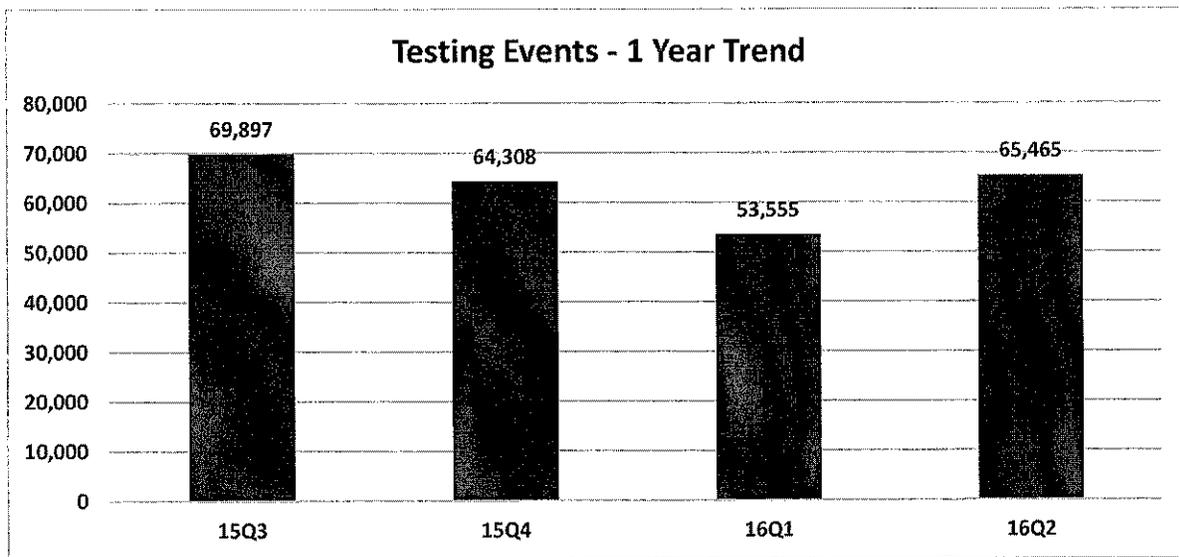
PENNY VERNON, MANAGER

150 Fourth Avenue North, Suite 700 Nashville, TN 37219-2417 Tel 615/880-4200 Fax 615/880-4290  
Web [www.nasba.org](http://www.nasba.org)



**CANDIDATE CARE CONCERNS**  
**16Q2 April 1- June 10, 2016**

This report is a synopsis of issues presented to NASBA's Candidate Care Department from CPA candidates during the second testing window of 2016.



**Summary of Candidate Concerns**

Category	15Q3	15Q4	16Q1	16Q2
<b>Summary of Candidate Care Concerns</b>				
AICPA Test Content	8	10	21	27
Candidate Error	85	111	84	170
Confirmation of Attendance	61	57	184	199
Environment	12	8	44	48
International Exam	58	52	70	68
Prometric Scheduling issues	31	85	41	64
Prometric Site Issues	79	71	34	91
Technical	62	66	112	147
<b>Subtotal</b>	<b>396</b>	<b>460</b>	<b>590</b>	<b>814</b>
*Coordinator Follow-Up	401	405	398	556
*CPAES & NCD	156	245	241	223
<b>Total</b>	<b>953</b>	<b>1110</b>	<b>1229</b>	<b>1593</b>

## **Extended Testing Window:**

This April began the first in a series of extended testing windows prior to the launching of the Next Version of the CPA Examination. Due to the anticipated volume of candidates wishing to test prior to the new version's launch, the testing window was extended by 10 days to June 10<sup>th</sup>.

Many took advantage of the extra 10 days and moved their scheduled appointments so that they could keep preparing until June. However, the demand created a shortage of available seats during that time frame. NASBA updated the Candidate Bulletin and their website to encourage candidates to attempt to schedule 65 days before their desired test date rather than the usual 45 days out. NASBA also worked with Prometric to identify test centers where additional hours of testing could be provided.

This 10-day extended window will continue during the months of September and December in 2016 as well as March of 2017. Once the anticipated launch window has arrived, the 10-day extension will be suspended. Suspending the extension for the launch window will be necessary to allow time for the AICPA to properly calibrate the Exam for scoring purposes. The 10-day extension will be reinstated for Q3 and Q4 of 2017.

## **Free Retests:**

When candidates experience difficulties prior to or during testing which causes them, through no fault of their own, to be unable to complete an examination they are given a FAIR (free) and immediate Retest. This would include issues such as power outages, system crashes, unexpected site closures, and weather related situations.

In these circumstances, candidates are contacted by Prometric after the eligibility has been cleared to schedule new appointments. If the candidate's NTS is about to expire they are referred to NASBA's Candidate Care Department for an extension so that they can retake the exam.

When a candidate completes the entire examination they receive a "Confirmation of Attendance" from Prometric before leaving the test center. This document instructs candidates to contact NASBA's Candidate Care Department if they had any difficulties during their exams. They would need to reach out to Candidate Care within 5 days of taking their exam and not to wait until the score has been received. This information is available in the Candidate Bulletin and also as a note to candidates when they leave a comment in the survey at the end of the exam.

NASBA's Candidate Care Department responds to every email sent by candidates. If the situation appears to justify a free retest, it is listed on the NAP Site for discussion by managers of NASBA, the AICPA and Prometric who meet weekly to determine if a free retest is warranted.

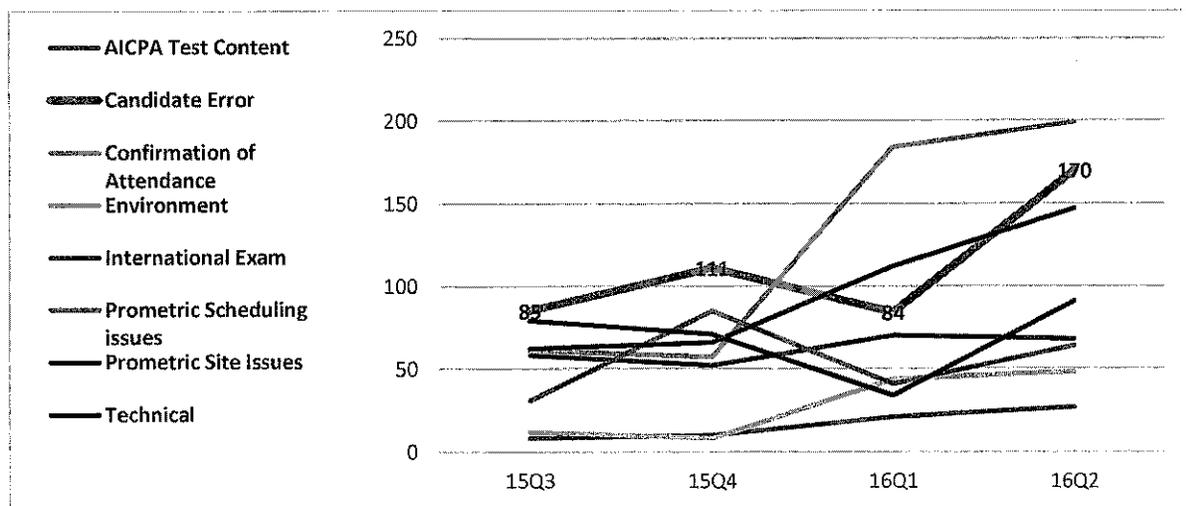
This is a joint effort by the three entities to thoroughly explore all aspects of the situation presented by the candidate.

If it is determined that a candidate did in fact have an unfair testing experience, NASBA's Candidate Care Department contacts the candidate with the options available.

The candidate may choose to retake the section in the current testing window. However, in doing so they will not receive the score from the original examination. Or, they have the option of receiving their score and if they do not pass, contacting NASBA within 30 days to request a new NTS at no cost to retake the exam in the next testing window. Candidates who opt to receive their scores from the first attempt are not permitted to retake the exam in the same testing window.

### Candidate Errors:

There continues to be a rise in the number of errors candidates make related to the exam process. These are simple mistakes that could cause a candidate to be turned away from a test center and/or to have to forfeit their fees.



The following is a partial list of the most common errors made by candidates:

- Late Arrival: If a candidate arrives at the test center 30 minutes after the scheduled appointment time, Prometric is not obligated to allow them to test.
- NTS: If a candidate does not take the NTS to the test center they will be turned away.
- Wrong NTS: Candidates sometimes take the wrong NTS to the test center and are therefore not permitted to test.

- **Introductory Screens:** Candidates enter their launch code and then write notes and lose track of the 10-minute time limit to finish the introductory screens causing the exam to time out. The exam cannot be restarted.
- **Cell phones:** Use of cell phones is prohibited in the test centers.
- **Rescheduling:** Candidates do not always complete the rescheduling process correctly by not going to the ‘Reschedule Appointment: Complete Screen.’”

Despite the fact these and other candidate errors have been addressed by NASBA’s Candidate Care Department over the past several years through email blasts, blogs and updates on NASBA’s website they still continue to be on the rise.

Recently the Candidate Care Department teamed up with the Communications Department in an effort to reach more CPA candidates through social media.

Here are some of the innovative ways being used to attempt to assist candidates in their search for answers related to taking the exam and hopefully avoid making these common errors.

1. Post consistently on Tuesdays via social media about the most common errors using the hashtag: #TestTipTuesday.
2. Host monthly Facebook Chats where candidates can receive correct Exam-related answers.
3. A “Next Version” video has been created and posted on NASBA’s website that breaks down the changes that are to be expected.
4. Blogs are being posted about the CPA examination information and disseminated through social media channels (Facebook, Instagram, Twitter and LinkedIn).
5. Provide additional customer service to candidates who message our social media accounts with questions directing them to the correct person for a response.

There are many forums currently using social media competing to spread rumors, misinformation, and misleading facts regarding the CPA Examination.

It is NASBA’s hope to remain the consistent, reliable resource available to all CPA Candidates.

NASBA’s Candidate Care Department is dedicated to assisting your candidates in their quest for professional development.

Sincerely,

Penny Vernon  
 Manager, Candidate Care, NASBA