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

Agenda
South Dakota Board of Accountancy Meeting
Conference Call
9:00 a.m. (CT)
December 9, 2013

A=Action
D=Discussion
I=Information

FUTURE MEETING DATES (all times CT)
January 6 – 9:00 –Tentatively Americ Inn, Chamberlain, SD or conference call
March 24 – 9:00 – Conference Call
May 5 – 8:30 – Department of Legislative Audit Conference Room, Pierre, SD

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South Dakota Board of Accountancy
Minutes of Meeting-Conference Call
November 6, 2013 - 9:00 a.m.

The Board of Accountancy held a meeting by conference call on Wednesday, November 6, 2013. Chair John Mitchell called the meeting to order at 9:05 a.m.

Roll call was taken to confirm that 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, Sr. Secretary; Aaron Arnold, Legal Counsel; and Todd Kolden, Department of Labor & Regulation.

Chair John Mitchell asked if there were any additions to the agenda. There were no additions.

A motion was made by Marty Guindon and seconded by David Pummel to approve the September 11, 2013, meeting minutes. A roll call vote was taken. The motion unanimously carried.

A motion was made by John Peterson and seconded by John Linn, Jr. to approve the issuance of individual certificates and firm permits through October 31, 2013. A roll call vote was taken. The motion unanimously carried.

A motion was made by Holly Brunick and seconded by Marty Guindon to approve the financial statements through September 2013. A roll call vote was taken. The motion unanimously carried.

The Board discussed two requests from licensees for a second extension for CPE.

A motion was made by John Peterson and seconded by John Linn, Jr. to approve the second request for a CPE extension until December 31, 2013 for the first licensee. A roll call was taken. The motion unanimously carried.

A motion was made by Holly Brunick and seconded by John Peterson to approve the second request for a CPE extension until December 31, 2013 for the second licensee. A roll call was taken. The motion unanimously carried.

Executive Director Kasin discussed her report on NASBA's exposure draft on firm mobility, CPE audits being conducted, current status of filling the open secretary position, and misleading firm names.

Todd Kolden asked to be added to the December 9 agenda to update the Board on Senate Bill 3 that was approved during the 2013 legislative session.

The Board discussed the Board of Examiners October 3-4 meeting highlights, the exposure draft on Firm Mobility for the UAA, and Candidate Care Concerns 3Q13. The discussion on firm mobility was tabled until the December 9, 2013 board meeting.

A motion was made by John Peterson and seconded by Marty Guindon to enter into executive session for the deliberative process for peer reviews and complaints. A roll call vote was taken. The motion unanimously carried.

The Board came out of executive session.

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

FUTURE MEETING DATES (all times CT)
December 9 – 9:00 – Conference call
January 6 – 9:00 – Tentatively set at AmericInn in Chamberlain
Conference call if in-person meeting is not needed
March 24th – 9:00 – Conference call
May 5th – Pierre, SD – Dept. of Legislative Audit Conference Room

A motion was made by John Linn, Jr. and seconded by Marty Guindon to adjourn the meeting. A roll call vote was taken. The motion unanimously carried.

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

John Mitchell, CPA, Chair

Attest:
Nicole Kasin, Executive Director

David Pummel, Sec/Treasurer

CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES
BOARD COPY

Issued Through December 3, 2013

Number	Name	Date Issued	Location
3108	Tyler John Wolff	11/19/13	Bismarck, ND
3109	Joseph John Italiano III	11/27/13	Sioux Falls, SD
3110	Sandra Diane Dieleman	12/03/13	Sioux Falls, SD
3111	Joseph Paul Hogue	12/03/13	Sioux Falls, SD

STATE OF SOUTH DAKOTA
CASH CENTER BALANCES
AS OF: 10/31/2013

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

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	400,391.44	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			400,391.44	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			400,391.44	DR **	
BUDGET UNIT TOTAL 1031			400,391.44	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
COMPANY NO 6503										
COMPANY NAME PROFESSIONAL & LICENSING BOARDS										
6503	103100061802	51010100	CGEX130926	10/02/2013					1,986.16	DR
6503	103100061802	51010100	CGEX131011	10/16/2013					1,986.16	DR
OBJSUB: 5101010 F-T EMP SAL & WAGES									3,972.32	DR *
6503	103100061802	51010200	CGEX130926	10/02/2013					795.87	DR
6503	103100061802	51010200	CGEX131011	10/16/2013					782.96	DR
OBJSUB: 5101020 P-T/TEMP EMP SAL & WAGES									1,578.83	DR *
6503	103100061802	51010300	CGEX130926	10/02/2013					180.00	DR
OBJSUB: 5101030 BOARD & COMM MBRS FEES									180.00	DR *
OBJECT: 5101 EMPLOYEE SALARIES									5,731.15	DR **
6503	103100061802	51020100	CGEX130926	10/02/2013					219.89	DR
6503	103100061802	51020100	CGEX131011	10/16/2013					205.13	DR
OBJSUB: 5102010 OASI-EMPLOYER'S SHARE									425.02	DR *
6503	103100061802	51020200	CGEX130926	10/02/2013					166.92	DR
6503	103100061802	51020200	CGEX131011	10/16/2013					166.15	DR
OBJSUB: 5102020 RETIREMENT-ER SHARE									333.07	DR *
6503	103100061802	51020600	CGEX130926	10/02/2013					605.76	DR
6503	103100061802	51020600	CGEX131011	10/16/2013					605.76	DR
OBJSUB: 5102060 HEALTH/LIFE INS.-ER SHARE									1,211.52	DR *
6503	103100061802	51020800	CGEX130926	10/02/2013					3.61	DR
6503	103100061802	51020800	CGEX131011	10/16/2013					3.60	DR
OBJSUB: 5102080 WORKER'S COMPENSATION									7.21	DR *
6503	103100061802	51020900	CGEX130926	10/02/2013					.89	DR
6503	103100061802	51020900	CGEX131011	10/16/2013					.89	DR
OBJSUB: 5102090 UNEMPLOYMENT COMPENSATION									1.78	DR *
OBJECT: 5102 EMPLOYEE BENEFITS									1,978.60	DR **
GROUP: 51 PERSONAL SERVICES									7,709.75	DR ***
6503	103100061802	52041800	DP408099	10/16/2013					560.55	DR
6503	103100061802	52041800	DP409097	10/23/2013					72.00	DR
OBJSUB: 5204180 COMPUTER SERVICES-STATE									632.55	DR *
6503	103100061802	52042000	PL409055	10/16/2013					36.26	DR
6503	103100061802	52042000	RM409052	10/30/2013					83.05	DR
OBJSUB: 5204200 CENTRAL SERVICES									119.31	DR *
6503	103100061802	52042300	14SC100002 OCT13	10/30/2013	00026212	SUNSETOFFI	12043890		122.86	DR
OBJSUB: 5204230 JANITORIAL & MAINT SERV									122.86	DR *
6503	103100061802	52044900	ACCOUNTRENT2013	10/23/2013	02053274	MCGINNISRO	12074040		1,269.45	DR

MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 10/31/2013

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: 5204490	RENTS-PRIVATE OWNED PROP.							1,269.45	DR *
6503	103100061802	52045300	TL409153	11/01/2013					113.98	DR
6503	103100061802	52045300	111109001 SEP13	10/30/2013	00026022	MIDCONTINE	12023782		95.00	DR
6503	103100061802	52045300	2872359210870913	10/02/2013	00017992	ATTMOBILIT	12279233		66.58	DR
	OBJSUB: 5204530	TELECOMMUNICATIONS SRVCS							275.56	DR *
6503	103100061802	52045400	5159417006 0913	10/09/2013	02051263	XCELENERGY	12023853		49.67	DR
	OBJSUB: 5204540	ELECTRICITY							49.67	DR *
6503	103100061802	52045600	125356	11/01/2013	00026829	ECOWATER	12035896		22.35	DR
	OBJSUB: 5204560	WATER							22.35	DR *
6503	103100061802	52047400	CI104A-033	10/09/2013	188237				91.64	DR
	OBJSUB: 5204740	BANK FEES AND CHARGES							91.64	DR *
6503	103100061802	52049600	13515953	10/09/2013	00019503	NATLASSNST	12005047		10,063.65	DR
6503	103100061802	52049600	996-IN	11/01/2013	00026679	NATLASSNST	12005047		283.50	DR
	OBJSUB: 5204960	OTHER CONTRACTUAL SERVICE							10,347.15	DR *
	OBJECT: 5204	CONTRACTUAL SERVICES							12,930.54	DR **
6503	103100061802	52079010	E104-045	10/02/2013					238.63	DR
	OBJSUB: 5207901	COMPUTER HARDWARE							238.63	DR *
	OBJECT: 5207	CAPITAL OUTLAY							238.63	DR **
6503	103100061802	5228000	T104-028	10/02/2013					140.63	DR
	OBJSUB: 5228000	OPER TRANS OUT -NON BUDGT							140.63	DR *
	OBJECT: 5228	NONOP EXP/NONBGTD OP TR							140.63	DR **
	GROUP: 52	OPERATING EXPENSES							13,309.80	DR ***
	COMP: 6503								21,019.55	DR ****
	CNTR: 103100061802								21,019.55	DR *****
	B. UNIT: 1031								21,019.55	DR ******

South Dakota Board of Accountancy
Balance Sheet
As of October 31, 2013

		Oct 31, 13
ASSETS		
Current Assets		
Checking/Savings		
1130000 · Local Checking - US Bank		3,881.81
1140000 · Pool Cash State of SD		400,391.44
Total Checking/Savings		404,273.25
Other Current Assets		
1131000 · Interest Income Receivable		5,207.41
1213000 · Investment Income Receivable		970.07
Total Other Current Assets		6,177.48
Total Current Assets		410,450.73
Fixed Assets		
1670000 · Computer Software		
Original Cost	140,063.23	
1770000 · Depreciation	-120,951.73	
Total 1670000 · Computer Software		19,111.50
Total Fixed Assets		19,111.50
TOTAL ASSETS		**429,562.23**
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2110000 · Accounts Payable		9,958.42
Total Accounts Payable		9,958.42
Other Current Liabilities		
2430000 · Accrued Wages Payable		6,461.56
2810000 · Amounts Held for Others		24,267.90
Total Other Current Liabilities		30,729.46
Total Current Liabilities		40,687.88
Long Term Liabilities		
2960000 · Compensated Absences Payable		14,119.90
Total Long Term Liabilities		14,119.90
Total Liabilities		54,807.78
Equity		
3220000 · Unrestricted Net Assets		225,899.22
3300100 · Invested In Capital Assets		19,111.50
Net Income		129,743.73
Total Equity		374,754.45
TOTAL LIABILITIES & EQUITY		**429,562.23**

South Dakota Board of Accountancy
Profit & Loss Budget vs. Actual
July through October 2013

	Jul - Oct 13	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	1,150.00	2,200.00	-1,050.00	52.3%
4293551 · Certificate Renewals-Active	56,450.00	53,000.00	3,450.00	106.5%
4293552 · Certificate Renewals-Inactive	19,650.00	19,000.00	650.00	103.4%
4293553 · Certificate Renewals-Retired				
5208005 · REFUNDS	-40.00			
4293553 · Certificate Renewals-Retired - Other	860.00	700.00	160.00	122.9%
Total 4293553 · Certificate Renewals-Retired	820.00	700.00	120.00	117.1%
4293554 · Initial Firm Permits	200.00	1,250.00	-1,050.00	16.0%
4293555 · Firm Permit Renewals				
5208004 · REFUNDS	-300.00			
4293555 · Firm Permit Renewals - Other	14,000.00	18,000.00	-4,000.00	77.8%
Total 4293555 · Firm Permit Renewals	13,700.00	18,000.00	-4,300.00	76.1%
4293557 · Initial Audit	180.00	900.00	-720.00	20.0%
4293558 · Re-Exam Audit	840.00	2,460.00	-1,620.00	34.1%
4293560 · Late Fees-Initial Certificate	150.00	0.00	150.00	100.0%
4293561 · Late Fees-Certificate Renewals				
5208006 · REFUNDS	-100.00			
4293561 · Late Fees-Certificate Renewals - Other	2,050.00	4,000.00	-1,950.00	51.3%
Total 4293561 · Late Fees-Certificate Renewals	1,950.00	4,000.00	-2,050.00	48.8%
4293562 · Late Fees-Firm Permits	0.00	0.00	0.00	0.0%
4293563 · Late Fees-Firm Permit Renewals	700.00	800.00	-100.00	87.5%
4293564 · Late Fees-Peer Review	650.00	1,300.00	-650.00	50.0%
4293566 · Firm Permit Owners				
5208003 · REFUNDS	-520.00			
4293566 · Firm Permit Owners - Other	87,755.00	70,000.00	17,755.00	125.4%
Total 4293566 · Firm Permit Owners	87,235.00	70,000.00	17,235.00	124.6%
4293567 · Peer Review Admin Fee	675.00	5,650.00	-4,975.00	11.9%
4293568 · Firm Permit Name Change	100.00	100.00	0.00	100.0%
4293569 · Initial FAR	360.00	1,140.00	-780.00	31.6%
4293570 · Initial REG	60.00	660.00	-600.00	9.1%
4293571 · Inital BEC	180.00	930.00	-750.00	19.4%
4293572 · Re-Exam FAR	690.00	1,860.00	-1,170.00	37.1%
4293573 · Re-Exam REG	900.00	2,310.00	-1,410.00	39.0%
4293574 · Re-Exam BEC	780.00	2,310.00	-1,530.00	33.8%
4491000 · Interest and Dividend Revenue	5,207.41	9,000.00	-3,792.59	57.9%
4896021 · Legal Recovery Cost	0.00	1,000.00	-1,000.00	0.0%
Total Income	192,627.41	198,570.00	-5,942.59	97.0%
Gross Profit	192,627.41	198,570.00	-5,942.59	97.0%
Expense				
5101010 · F-T Emp Sal & Wages	16,103.16	72,759.00	-56,655.84	22.1%
5101020 · P-T/Temp Emp Sal & Wages	6,940.16	18,779.00	-11,838.84	37.0%
5101030 · Board & Comm Mbrs Fees	1,140.00	4,372.00	-3,232.00	26.1%
5102010 · OASI-Employer's Share	1,796.36	7,362.00	-5,565.64	24.4%
5102020 · Retirement-ER Share	1,382.59	5,492.00	-4,109.41	25.2%
5102060 · Health /Life Ins.-ER Share	5,451.84	22,007.00	-16,555.16	24.8%
5102080 · Worker's Compensation	29.94	254.00	-224.06	11.8%
5102090 · Unemployment Insurance	7.40	91.00	-83.60	8.1%
5203010 · Auto--State Owned	296.96	600.00	-303.04	49.5%
5203020 · Auto-Private-Ownes Low Mileage	180.80	400.00	-219.20	45.2%
5203030 · In State-Auto- Priv. High Miles	694.86	1,500.00	-805.14	46.3%
5203100 · In State-Lodging	350.00	1,000.00	-650.00	35.0%
5203120 · In State-Incidentals to Travel	0.00	100.00	-100.00	0.0%
5203140 · InState-Tax Meals Not Overnigt	0.00	100.00	-100.00	0.0%
5203150 · InState-Non-Tax Meals OverNight	215.00	400.00	-185.00	53.8%
5203220 · OS-Auto Private Low Mileage	0.00	0.00	0.00	0.0%
5203230 · OS-Auto Private High Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	0.00	5,700.00	-5,700.00	0.0%

South Dakota Board of Accountancy
Profit & Loss Budget vs. Actual
July through October 2013

	Jul - Oct 13	Budget	$ Over Budget	% of Budget
5203280 · OS-Other Public Carrier	0.00	500.00	-500.00	0.0%
5203300 · OS-Lodging	0.00	7,800.00	-7,800.00	0.0%
5203320 · OS-Incidentals to Travel	0.00	350.00	-350.00	0.0%
5203350 · OS-Non-Taxable Meals Overnight	0.00	1,200.00	-1,200.00	0.0%
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	500.00	-500.00	0.0%
5204040 · Consultant Fees-Accounting	0.00	6,700.00	-6,700.00	0.0%
5204130 · Consultant Fees-Other	0.00	0.00	0.00	0.0%
5204160 · Workshop Registration Fees	1,090.00	6,000.00	-4,910.00	18.2%
5204180 · Computer Services-State	297.00	600.00	-303.00	49.5%
5204181 · Computer Development Serv-State	4,902.30	10,400.00	-5,497.70	47.1%
5204200 · Central Services	1,764.68	7,000.00	-5,235.32	25.2%
5204220 · Equipment Service & Maintenance	29.31	300.00	-270.69	9.8%
5204230 · Janitorial/Maintenance Services	491.44	1,560.00	-1,068.56	31.5%
5204340 · Computer Software Maintenance	0.00	1,000.00	-1,000.00	0.0%
5204360 · Advertising-Newspapers	0.00	1,000.00	-1,000.00	0.0%
5204440 · Newsletter Publishing	0.00	1,100.00	-1,100.00	0.0%
5204460 · Equipment Rental	825.00	4,500.00	-3,675.00	18.3%
5204480 · Microfilm and Photography	0.00	700.00	-700.00	0.0%
5204490 · Rents Privately Owned Property	5,077.80	15,531.00	-10,453.20	32.7%
5204510 · Rent-Other	200.00	200.00	0.00	100.0%
5204530 · Telecommunications Services	1,013.72	2,500.00	-1,486.28	40.5%
5204540 · Electricity	205.35	865.00	-659.65	23.7%
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	3,340.90	5,000.00	-1,659.10	66.8%
5204960 · Other Contractual Services	283.50	0.00	283.50	100.0%
5205020 · Office Supplies	107.72	2,000.00	-1,892.28	5.4%
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	45.15	1,000.00	-954.85	4.5%
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	0.00	2,000.00	-2,000.00	0.0%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	-238.63	4,800.00	-5,038.63	-5.0%
5207950 · System Development	0.00	500.00	-500.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	1,226.08	7,400.00	-6,173.92	16.6%
5228030 · Depreciation Expense	4,023.44	12,070.40	-8,046.96	33.3%
Total Expense	62,883.68	255,542.40	-192,658.72	24.6%
Net Ordinary Income	129,743.73	-56,972.40	186,716.13	-227.7%
Net Income	**129,743.73**	**-56,972.40**	**186,716.13**	**-227.7%**

South Dakota Board of Accountancy
PREVIOUS YEAR MONTHLY COMPARISON
July through October 2013

	Jul - Oct 13	Jul - Oct 12	$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	1,150.00	875.00	275.00	31.4%
4293551 · Certificate Renewals-Active	56,450.00	54,900.00	1,550.00	2.8%
4293552 · Certificate Renewals-Inactive	19,650.00	19,950.00	-300.00	-1.5%
4293553 · Certificate Renewals-Retired	820.00	710.00	110.00	15.5%
4293554 · Initial Firm Permits	200.00	550.00	-350.00	-63.6%
4293555 · Firm Permit Renewals	13,700.00	19,800.00	-6,100.00	-30.8%
4293557 · Initial Audit	180.00	150.00	30.00	20.0%
4293558 · Re-Exam Audit	840.00	690.00	150.00	21.7%
4293560 · Late Fees-Initial Certificate	150.00	0.00	150.00	100.0%
4293561 · Late Fees-Certificate Renewals	1,950.00	2,000.00	-50.00	-2.5%
4293563 · Late Fees-Firm Permit Renewals	700.00	500.00	200.00	40.0%
4293564 · Late Fees-Peer Review	650.00	100.00	550.00	550.0%
4293566 · Firm Permit Owners	87,235.00	70,590.00	16,645.00	23.6%
4293567 · Peer Review Admin Fee	675.00	75.00	600.00	800.0%
4293568 · Firm Permit Name Change	100.00	0.00	100.00	100.0%
4293569 · Initial FAR	360.00	360.00	0.00	0.0%
4293570 · Initial REG	60.00	120.00	-60.00	-50.0%
4293571 · Inital BEC	180.00	150.00	30.00	20.0%
4293572 · Re-Exam FAR	690.00	1,050.00	-360.00	-34.3%
4293573 · Re-Exam REG	900.00	780.00	120.00	15.4%
4293574 · Re-Exam BEC	780.00	810.00	-30.00	-3.7%
4491000 · Interest and Dividend Revenue	5,207.41	8,344.35	-3,136.94	-37.6%
4896021 · Legal Recovery Cost	0.00	550.00	-550.00	-100.0%
Total Income	192,627.41	183,054.35	9,573.06	5.2%
Gross Profit	192,627.41	183,054.35	9,573.06	5.2%
Expense				
5101010 · F-T Emp Sal & Wages	16,103.16	22,532.02	-6,428.86	-28.5%
5101020 · P-T/Temp Emp Sal & Wages	6,940.16	5,982.84	957.32	16.0%
5101030 · Board & Comm Mbrs Fees	1,140.00	1,020.00	120.00	11.8%
5102010 · OASI-Employer's Share	1,796.36	2,154.40	-358.04	-16.6%
5102020 · Retirement-ER Share	1,382.59	1,710.88	-328.29	-19.2%
5102060 · Health /Life Ins.-ER Share	5,451.84	6,335.04	-883.20	-13.9%
5102080 · Worker's Compensation	29.94	45.61	-15.67	-34.4%
5102090 · Unemployment Insurance	7.40	21.39	-13.99	-65.4%
5203010 · Auto--State Owned	296.96	381.42	-84.46	-22.1%
5203020 · Auto-Private-Ownes Low Mileage	180.80	0.00	180.80	100.0%
5203030 · In State-Auto- Priv. High Miles	694.86	446.96	247.90	55.5%
5203100 · In State-Lodging	350.00	286.00	64.00	22.4%
5203140 · InState-Tax Meals Not Overnigt	0.00	23.00	-23.00	-100.0%
5203150 · InState-Non-Tax Meals OverNight	215.00	168.00	47.00	28.0%
5203220 · OS-Auto Private Low Mileage	0.00	90.40	-90.40	-100.0%
5203260 · OS-Air Commercial Carrier	0.00	2,163.63	-2,163.63	-100.0%
5203280 · OS-Other Public Carrier	0.00	110.00	-110.00	-100.0%
5203300 · OS-Lodging	0.00	3,299.98	-3,299.98	-100.0%
5203320 · OS-Incidentals to Travel	0.00	241.00	-241.00	-100.0%
5203350 · OS-Non-Taxable Meals Overnight	0.00	452.00	-452.00	-100.0%
5204010 · Subscriptions	0.00	109.00	-109.00	-100.0%
5204020 · Dues and Membership Fees	3,200.00	3,200.00	0.00	0.0%
5204160 · Workshop Registration Fees	1,090.00	872.00	218.00	25.0%
5204180 · Computer Services-State	297.00	294.00	3.00	1.0%
5204181 · Computer Development Serv-State	4,902.30	252.35	4,649.95	1,842.7%
5204200 · Central Services	1,764.68	1,685.39	79.29	4.7%
5204220 · Equipment Service & Maintenance	29.31	35.16	-5.85	-16.6%
5204230 · Janitorial/Maintenance Services	491.44	491.44	0.00	0.0%
5204340 · Computer Software Maintenance	0.00	1,076.25	-1,076.25	-100.0%
5204360 · Advertising-Newspapers	0.00	195.00	-195.00	-100.0%
5204460 · Equipment Rental	825.00	971.40	-146.40	-15.1%
5204490 · Rents Privately Owned Property	5,077.80	5,077.80	0.00	0.0%
5204510 · Rent-Other	200.00	255.17	-55.17	-21.6%
5204530 · Telecommunications Services	1,013.72	684.80	328.92	48.0%
5204540 · Electricity	205.35	183.31	22.04	12.0%
5204560 · Water	22.35	44.70	-22.35	-50.0%

South Dakota Board of Accountancy
PREVIOUS YEAR MONTHLY COMPARISON
July through October 2013

	Jul - Oct 13	Jul - Oct 12	$ Change	% Change
5204740 · Bank Fees and Charges	3,340.90	2,658.46	682.44	25.7%
5204960 · Other Contractual Services	283.50	0.00	283.50	100.0%
5205020 · Office Supplies	107.72	1,098.86	-991.14	-90.2%
5205310 · Printing State	0.00	295.88	-295.88	-100.0%
5205320 · Printing/Duplicating/Binding Co	45.15	75.30	-30.15	-40.0%
5205330 · Supplemental Publications	387.50	0.00	387.50	100.0%
5205350 · Postage	0.00	1,046.65	-1,046.65	-100.0%
5207900 · Computer Hardware	-238.63	1,225.00	-1,463.63	-119.5%
5228000 · Operating Transfers Out-NonBudg	1,226.08	1,823.62	-597.54	-32.8%
5228030 · Depreciation Expense	4,023.44	4,023.44	0.00	0.0%
Total Expense	62,883.68	75,139.55	-12,255.87	-16.3%
Net Ordinary Income	129,743.73	107,914.80	21,828.93	20.2%
Net Income	**129,743.73**	**107,914.80**	**21,828.93**	**20.2%**

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
July through October 2013

	Jul - Oct 13	Jul - Oct 12	$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	1,150.00	875.00	275.00	31.4%
4293551 · Certificate Renewals-Active	56,450.00	54,900.00	1,550.00	2.8%
4293552 · Certificate Renewals-Inactive	19,650.00	19,950.00	-300.00	-1.5%
4293553 · Certificate Renewals-Retired	820.00	710.00	110.00	15.5%
4293554 · Initial Firm Permits	200.00	550.00	-350.00	-63.6%
4293555 · Firm Permit Renewals	13,700.00	19,800.00	-6,100.00	-30.8%
4293557 · Initial Audit	180.00	150.00	30.00	20.0%
4293558 · Re-Exam Audit	840.00	690.00	150.00	21.7%
4293560 · Late Fees-Initial Certificate	150.00	0.00	150.00	100.0%
4293561 · Late Fees-Certificate Renewals	1,950.00	2,000.00	-50.00	-2.5%
4293563 · Late Fees-Firm Permit Renewals	700.00	500.00	200.00	40.0%
4293564 · Late Fees-Peer Review	650.00	100.00	550.00	550.0%
4293566 · Firm Permit Owners	87,235.00	70,590.00	16,645.00	23.6%
4293567 · Peer Review Admin Fee	675.00	75.00	600.00	800.0%
4293568 · Firm Permit Name Change	100.00	0.00	100.00	100.0%
4293569 · Initial FAR	360.00	360.00	0.00	0.0%
4293570 · Initial REG	60.00	120.00	-60.00	-50.0%
4293571 · Inital BEC	180.00	150.00	30.00	20.0%
4293572 · Re-Exam FAR	690.00	1,050.00	-360.00	-34.3%
4293573 · Re-Exam REG	900.00	780.00	120.00	15.4%
4293574 · Re-Exam BEC	780.00	810.00	-30.00	-3.7%
4491000 · Interest and Dividend Revenue	5,207.41	8,344.35	-3,136.94	-37.6%
4896021 · Legal Recovery Cost	0.00	550.00	-550.00	-100.0%
Total Income	192,627.41	183,054.35	9,573.06	5.2%
Gross Profit	192,627.41	183,054.35	9,573.06	5.2%
Expense				
5101010 · F-T Emp Sal & Wages	16,103.16	22,532.02	-6,428.86	-28.5%
5101020 · P-T/Temp Emp Sal & Wages	6,940.16	5,982.84	957.32	16.0%
5101030 · Board & Comm Mbrs Fees	1,140.00	1,020.00	120.00	11.8%
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REPORT TO BOARD ON GRADES

Nicole Kasin

The grades were posted for review for the 38th window. These grades are through September 2013. I have included the average scores per school since CBT started along with the number of students that have sat for their school respectively. The last chart shows the averages for the past 8 windows.

Overall Average Window 1-38

Window	(All)

Average of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	75	72	72	73	73
BHSU	69	70	70	71	70
COTech	65	70	69	75	69
DSU	72	69	62	70	68
DWU	68	64	64	75	68
Mt. Marty	68	69	74	68	69
NAU	64	56	59	65	61
NSU	72	69	72	70	71
OS	73	72	70	72	72
SDSU	74	74	75	76	75
USD	77	75	74	75	75
USF	73	73	73	78	74
Grand Total	73	72	72	73	72

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

Window	(All)

Count of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	63	69	57	69	258
BHSU	72	80	62	65	279
COTech	20	11	9	12	52
DSU	12	14	14	11	51
DWU	9	9	7	9	34
Mt. Marty	19	22	8	17	66
NAU	6	9	11	12	38
NSU	75	91	56	72	294
OS	193	200	186	176	755
SDSU	26	30	20	22	98
USD	178	194	187	178	737
USF	53	55	59	40	207
Grand Total	726	784	676	683	2869

Average for past 8 windows (3 or more parts)

Window	(Multiple Items)

Average of Score	Section				
School	AUD	BEC	FAR	REG	Grand Total
Augie	79	71	66	75	73
BHSU	68	74	69	71	71
COTech	64	66	74	76	68
DWU				78	78
Mt. Marty	70	73	71	71	71
NAU	72		67	67	68
NSU	73	74	75	72	74
OS	74	72	68	70	71
SDSU	72	75	71	76	74
USD	75	76	76	74	75
USF	74	70	71	80	73
Grand Total	73	73	71	73	73

The Board needs to Approve the 2013-3 (38th Window) grades.

EXECUTIVE DIRECTOR'S REPORT

Nicole Kasin

Staff Update

On November 25, Brenda Page joined the Board as Secretary.

NASBA Issues

- Response letter to UAA Committee on exposure draft for firm mobility.

CPE Audits

The list of licensees has been selected for CPE audits and letters were sent out to those selected on September 13. The documentation was due in our office no later than October 31, 2013. The following chart shows the status of the audits as of December 2, 2013.

	Selected	Complied	Not Complied	Granted Extension	Approved CPE Audit	Failed CPE Audit
CPA (Active)	54	54	0	0	34	0
CPA (Active in Firm)	63	63	0	0	28	0

Recap from Annual Meeting

- GAPP: The future of financial reporting – technical update from FASB Chair Russell Golden
- Report from NASBA Chair – Update from Gaylen on what has occurred over the past year and what NASBA has learned from the processes.
- Future plans from the AICPA – Implementing firm mobility and promoting the changes
- Audit Quality (PCAOB) – How audits are conducted and the selection including risk based approach including 50-60 audits a year in the process. 1/3 of firms are deficient in audits.
- Education Initiatives – The future of online courses and standard campus courses. The wave of offering online courses for thousands of participants in the one class.
- State boards and Standard setters – A commentary with the AICPA, Private Company Council (PCC) and the International Federation of Accountants (IFAC)
- Regional Breakout – Discussion on CPE Audits, Peer Review, Disciplinary/Enforcement cases, Firm Mobility, and in March the nomination for a regional director will be needed in our region.
- Annual business meeting – Changes to the bylaws were approved.
- CPA Canada and MRAs – CPA Canada and cross border issues with the credential in the USA, does an MRA need to be created. The first case has occurred in Colorado and they are informing the CPA Canada that the credential can't be used in CO.
- Threats and Safeguards with new proposed standards – The issue of independence was an example and the issues when a matter is not specifically addressed in the code and how a board may treat a few examples. How to identify the threat, how to evaluate the significance of a threat and how to identify and apply safeguards.

- Chair Breakfast –
- ED Breakfast – mainly discussion on firm mobility and how to identify potential threatening individuals and keeping the office safe.
- New Committee Reports
    - Standard Setting Study Group – discuss and provide recommendations to NASBA BOD in regards to standard setting for private entities.
    - State Society Relations Group – providing a mutual platform to inform BOA and NASBA about issues important to the regulation of the profession and enhancing the working relationship with BOA and Societies.
    - Legislative Support Projects – monitoring legislative bills and also bringing all bills to the attention of the ED in each state. Boards also have the ability to view the tracking online.
- Changes to UAA – discussion on the definition of attest and firm mobility
- Examination Update – beginning discussions of the practice analysis group and the roll out of the new exam occurring in 2017

Board Discussion

- Any New Business/topics?

AICPA State Regulation and Legislation Team Legislative Summary
2013 Year in Review

Across the country and throughout 2013, state legislatures have considered a variety of issues that will have a profound impact on the CPA profession. These issues include protecting cross-border practice privileges for CPAs, creating independent state boards of accountancy, and levying sales taxes on professional services. To date, the American Institute of CPAs' (AICPA) State Regulation and Legislation Team tracked 378 bills and 322 regulations impacting the CPA profession. The summary below provides an overview of the key issues tracked in 2013. For a more detailed list of state legislation and regulations considered this year, please contact James Cox, Manager – State Legislation, at jacox@aicpa.org.

Sales Taxes on Services

One of the greatest legislative threats impacting the profession in 2013 was the taxation of professional services. Many state policymakers undertook efforts this year to broaden their tax bases as a means of generating new revenue. These efforts included legislation to tax professional services, as well as tax Internet sales. Currently, Hawaii, New Mexico and South Dakota are the only states that levy a sales tax on professional services. This year, fifteen state legislatures considered bills related to service taxes.

For example, as part of his budget, Ohio Governor John Kasich (R) proposed an overhaul of the state's tax structure that included an expansion of the sales tax to offset a reduction in the income tax. The legislation, House Bill 59, included a tax on accounting, legal, and consulting services. The Ohio Society of CPAs launched a successful opposition campaign against the proposed expansion, which resulted in the Ohio House of Representatives removing the proposal from the bill. Similarly, Minnesota Governor Mark Dayton (D) proposed an expansion of the state's sales tax to a variety of services including accounting services. The proposal was defeated due in large part to the grassroots efforts of the Minnesota Society of CPAs.

In Massachusetts, the Legislature overrode Governor Deval Patrick's (D) veto of a bill funding transportation projects through an increased levy on several taxes including a 6.25 percent tax on software and computer services. Thanks in part to the combined efforts of the Massachusetts Society of CPAs, a number of CPA firms active in the state, individual Massachusetts CPAs, and the state's business community, Governor Patrick agreed to sign legislation to repeal the tax. Maine's Legislature debated a bill that would have expanded the state's sales and use tax to include services, and defined services as an activity engaged in for another person for a fee, retainer, or commission. While the legislation did not pass, Governor Paul LaPage (R) signed the state's budget bill, which included a provision establishing the Maine Tax Expenditure Review Task Force. The Task Force is charged with finding $40 million in savings from the state's $1 billion in tax breaks, exemptions, and credits; and, it is expected that taxes on professional services will be on the Task Force's list of discussion topics. In addition to lawmakers and state budget experts, the Maine Society of CPAs was successful in having a CPA appointed to the Task Force. These bills were part of a larger effort to replace the state's personal income tax with other forms of taxation in order to compete with neighboring New Hampshire, which does not have such a tax.

North Carolina Governor Pat McCrory (R) signed a comprehensive tax overhaul package that includes reductions in the state's personal and corporate income taxes. Lawmakers considered adding a tax on professional services to the package; however, the language was not included in the final proposal. In Louisiana, legislation was introduced that would have levied a four percent sales tax on many services provided by CPAs and CPA firms. However, the legislation failed to advance, and the Legislature adjourned for the year.

Interstate CPA Mobility

In 2007, the AICPA, state CPA societies, the National Association of State Boards of Accountancy, state boards of accountancy, AICPA members, and CPA firms began a national effort to promote a uniform system of state licensing laws to allow licensed CPAs to provide services across jurisdictional lines without having to obtain a reciprocal license in states where they are providing temporary services. Currently, 49 states and the District of Columbia have passed mobility laws, with the remaining U.S. jurisdictions working towards this goal.

New legislation can sometimes be drafted in a way that has unintended consequences on CPA mobility, and it is important that the profession monitors these bills in order to safeguard the public interest. Three areas in which the profession saw efforts this year that could have harmed CPA mobility included: the easing of occupational licensing requirements for members of the military and their spouses; the creation of film tax incentives; and, the establishment of state tax tribunals.

Military Licensing

State legislatures continued to embrace a key component of the White House's Joining Forces campaign, streamlining the occupational licensure process for members of the military and their spouses who move across state lines. Legislative efforts to lessen these barriers could potentially impact CPA mobility requirements, such as substantial equivalency, if they do not consider existing laws and licensing requirements. In 2013, 15 states enacted legislation allowing service members to apply substantially equivalent experience gained in the military to the requirements for licensure, while 11 states passed bills that expedite the licensing process for military spouses. The Wyoming Society of CPAs successfully worked with the Wyoming Board of Certified Public Accountants and the office of the Wyoming Adjutant General on legislation requiring state professional licensing boards to consider substantially equivalent experience or training in determining whether a military service member meets that board's respective requirements. Hawaii's Legislature considered a bill that would have allowed the state's professional licensing bodies to exempt military veterans from taking a national or regional exam as a requirement for licensure. This bill was different from the majority of bills designed to facilitate cross-jurisdictional practice for military service members seen across the country in 2013. The bill could have potentially eliminated the requirement that CPAs pass the Uniform CPA Examination in order to become licensed in Hawaii, thus potentially harming the public and turning some Hawaiian CPA licenses into a lower, second tier credential with fewer rights nationally. Working with other stakeholders, the Hawaii Society of CPAs was able to defeat the measure.

Film Production Tax Incentives

Film production tax incentives are often used as a way to attract the entertainment industry to states looking to boost their economies. According to the National Conference of State Legislatures, 45 states and Puerto Rico offer these incentives in the form of tax credits, rebates, and exemptions. In order to receive such incentives, many states require film companies to have an audit performed by a CPA licensed in that state, as opposed to one authorized to practice in the state, but licensed in another. State laws and legislation establishing such requirements are road blocks to the spirit of cross-border practice, and those states with such restrictions should consider modifying their statutes. This year, the Society of Louisiana CPAs successfully worked with lawmakers to remove such a restriction from a bill that was signed into law by Governor Bobby Jindal (R).

State Tax Tribunals

Many states have created or are proposing independent state tax tribunals to resolve tax appeal disputes, prior to litigation, between taxpayers and state departments of revenue. Thirty-two states currently have tax tribunals located in either the executive or judicial branches of government. In 2013, Alabama, Colorado, Louisiana, Tennessee, and Texas considered proposals to create tax tribunals and to allow CPAs to represent clients before these entities. However, legislation failed to pass in these states. The AICPA believes that laws creating or modifying state tax tribunals should ensure that all CPAs authorized to practice in the state are able to represent taxpayers before these bodies. The AICPA State Regulation and Legislation Team, along with the AICPA Tax Executive Committee, has developed a White Paper that explains how proposed state tax tribunals can account for mobility and also includes model legislative language, based on model language from the American Bar Association, to use as a guide in the states.

Peer Review

A peer review is a periodic outside review of a CPA firm's accounting and auditing practice aimed at helping the firm maintain and improve the quality of its services. Firms (and individuals) enrolled in programs following AICPA Standards are required to have a peer review, conducted by an independent reviewer, once every three years. With its emphasis on remediating deficiencies found in firms' processes for performing accounting and auditing engagements, peer review serves the public interest.

The Florida Institute of CPAs scored a major victory in 2013 when Governor Rick Scott (R) signed legislation requiring licensed firms, except those providing compilations and reviews, to be enrolled in a peer review program as a condition of license renewal. With the enactment of the Florida legislation, Delaware is now the only state that has not passed such legislation. However, conversations are beginning among stakeholders in the state, and the Delaware Society of CPAs is likely to pursue legislation in 2014. Peer review also emerged as an issue in Texas this year when the Legislature considered a measure to eliminate peer review requirements for those CPAs who prepare compilation reports for micro or small businesses. The Texas Society of CPAs worked to defeat the bill, which failed to pass out of committee.

State Boards of Accountancy

The Georgia General Assembly considered a bill that would transfer the Georgia State Board of Accountancy from the Secretary of State's office to the State Accounting Office, granting the board more independence. Independent state boards of accountancy have access and control of their own funds thus strengthening their ability to support certification, licensing, and enforcement functions. The Georgia Society of CPAs supported the bill; however, it did not make it out of the House Judiciary Committee. The bill is likely to be heard during the 2014 regular legislative session.

Oregon and South Carolina also saw legislation pertaining to board effectiveness in 2013. Additionally, several states passed legislation to extend the sunset date of their boards of accountancy.

Marijuana and the Profession

A new issue with implications for the CPA profession centers on the legalization of marijuana for both recreational and medicinal use. While marijuana is illegal at the federal level, state governments and voters are showing a willingness to decriminalize the drug. In November 2012, voters in Colorado and Washington approved ballot measures legalizing the recreational use of marijuana. In addition to Colorado and Washington, 18 states and the District of Columbia have laws permitting the use of marijuana for medical use. Twelve states considered legislation in 2013 to decriminalize certain amounts of marijuana, while seven states saw legislation to legalize the drug for medicinal use. Even though none of these measures passed, this issue is expected to be considered next year. The AICPA, in conjunction with the Colorado Society of CPAs and the Washington Society of CPAs, has developed a White Paper on the issue which describes state-level marijuana laws and how they affect CPAs who are considering providing services for marijuana-related businesses.

Document Finalized: October 28, 2013

EXPOSURE DRAFT

PROPOSED STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES

PREPARATION OF FINANCIAL STATEMENTS

COMPILATION ENGAGEMENTS

ASSOCIATION WITH FINANCIAL STATEMENTS

(*To supersede paragraphs .05–.06 of AR section 60,* Framework for Performing and Reporting on Compilation and Review Engagements; *AR section 80,* Compilation of Financial Statements*; AR section 110,* Compilation of Specified Elements, Accounts, or Items of a Financial Statement*; AR section 300,* Compilation Reports on Financial Statements Included in Certain Prescribed Forms*; and AR section 600,* Reporting on Personal Financial Statements Included in Written Personal Financial Plans *[AICPA,* Professional Standards*].)*

October 23, 2013

Comments are requested by May 2, 2014

Prepared by the AICPA Accounting and Review Services Committee for comment from persons interested in compilation and reporting issues.

Comments should be addressed to Mike Glynn at mglynn@aicpa.org.

CONTENTS

EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background on the proposed Statements on Standards for Accounting and Review Services (SSARSs) *Preparation of Financial Statements*; *Compilation Engagements*; and *Association With Financial Statements.*

The proposed SSARS *Compilation Engagements* would supersede the following sections in *Professional Standards*:

- paragraphs .05–.06 of AR section 60, *Framework for Performing and Reporting on Compilation and Review Engagements*
- AR section 80, *Compilation of Financial Statements*
- AR section 110, *Compilation of Specified Elements, Accounts, or Items of a Financial Statement*
- AR section 300, *Compilation Reports on Financial Statements Included in Certain Prescribed Forms*
- AR section 600, *Reporting on Personal Financial Statements Included in Written Personal Financial Plans*

The accompanying proposed standards apply the Accounting and Review Services Committee's (ARSC's) clarity drafting conventions. However, the proposed standards should not be considered simply a clarity redraft of the extant SSARSs because they represent a significant revision in requirements when an accountant is engaged to prepare financial statements, as well as a repositioning of the compilation service that differs from extant standards in several important aspects. The expected significant effects on practice with respect to these proposed revisions are discussed within this document.

The proposed SSARSs would result in the following sections in the codified SSARSs:

- AR section 50, *Association With Financial Statements*
- AR section 70, *Preparation of Financial Statements*
- AR section 80, *Compilation Engagements*

Background

Clarity

ARSC has concluded that it would be in the public interest to have all the professional literature for engagements performed in accordance with Statements on Auditing Standards and SSARSs drafted using the same conventions and, therefore, has substantially utilized the clarity drafting conventions used by the Auditing Standards Board (ASB) in its clarity project. The resulting clarified SSARSs will be easier to read, understand, and apply.

The proposed SSARSs have been drafted in accordance with ARSC's clarity drafting conventions, which include the following:

- Establishing objectives for each clarified AR section
- Including a "Definitions" section, when relevant, in each clarified AR section
- Separating requirements from application and other explanatory material
- Numbering application and other explanatory material paragraphs using an A- prefix and presenting them in a separate section that follows the "Requirements" section
- Using formatting techniques, such as bullet lists, to enhance readability

Convergence

Although ARSC has considered International Standard on Related Services (ISRS) 4410, *Engagements to Compile Financial Statements*, and has adopted certain of the requirements, the proposed SSARS *Compilation Engagements* has not been fully harmonized with ISRS 4410 because some of the underlying premises (for example, the requirement to determine independence) are different in the United States of America.

Effective Date

The proposed SSARS *Preparation of Financial Statements* would be effective for the preparation of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

The proposed SSARS *Compilation Engagements* would be effective for compilation reports on financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

The proposed SSARS *Association With Financial Statements* would be effective for financial statements with which the accountant is associated on or after December 15, 2015. Early implementation is permitted.

Changes From Existing Standards

The following represents what ARSC believes would be the most significant changes to extant SSARSs if the proposed SSARSs are issued as final standards.

Three New SSARSs

ARSC proposes to issue three new SSARSs as follows:

- The proposed SSARS *Preparation of Financial Statements* would provide requirements and guidance when an accountant is engaged to prepare financial statements for an entity but has not been engaged to perform a compilation, review, or audit with respect to those financial statements.

- The proposed SSARS *Compilation Engagements* would provide requirements and guidance that would apply only when an accountant is engaged to perform a compilation of historical financial statements.

- The proposed SSARS *Association With Financial Statements* would provide requirements and guidance when an accountant agrees to permit the use of the accountant's name in a report, document, or written communication that includes financial statements with respect to which the accountant did not issue a compilation, review, or audit report.

The following table compares and contrasts attributes of the proposed SSARSs *Preparation of Financial Statements* and *Compilation of Financial Statements*:

	Compilation	**Preparation**
When does the standard apply?	When an accountant is engaged to perform a compilation	When an accountant is engaged to prepare financial statements
Is an engagement letter required?	Yes	Yes
Is the accountant required to determine if he or she is independent of the client?	Yes	No
If the accountant is not independent, is that fact required to be disclosed?	Yes	N/A
Does the engagement require a report?	Yes	No[1]
May the financial statements go to users outside of management?	Yes	Yes
May the financial statements omit notes?	Yes	Yes

[1] When an accountant is engaged to prepare financial statements, the accountant is required to include an adequate statement on each page of the financial statements indicating that no CPA provides any assurance on the financial statements. If the accountant is unable to include an adequate statement on each page of the financial statements, the accountant is required to issue a disclaimer on the financial statements.

Submission of Financial Statements

In accordance with the extant SSARSs, an accountant is required to comply with the provisions of AR section 80, *Compilation of Financial Statements*, whenever the accountant is engaged to report on compiled financial statements or *submits* (defined in paragraph .04 of AR section 60 as "presenting to management financial statements that the accountant has prepared") financial statements to a client or third parties.

The applicability of the compilation standards when the accountant submitted financial statements worked satisfactorily when SSARS No. 1, *Compilation and Review of Financial Statements*, was issued in December 1978, and for many years thereafter, because it was fairly easy to determine whether the accountant had prepared financial statements. However, in the current practice environment, including cloud computing and other applications, it has become increasingly difficult to determine whether the accountant, management, or both prepared the financial statements. This difficulty has created inconsistency in practice, which is not in the public interest. In order to address this issue, ARSC has determined to revise the applicability of the compilation standards, so the standards apply only when the accountant is engaged to perform a compilation engagement.

Additionally, the AICPA Professional Ethics Executive Committee has revised Interpretation No. 101-3, "Nonattest Services," under Rule 101, *Independence* (AICPA, *Professional Standards*, ET sec. 101 par. .05). Among the revisions is a clarification that financial statement preparation is considered outside the scope of the attest engagement and, therefore, constitutes a nonattest service. ARSC is supportive of this clarification because it is in harmony with how the 2011 edition of *Government Auditing Standards* (the Yellow Book) treats the preparation of financial statements. The clarification is also consistent with the views of practitioners who believe that the preparation of financial statements is a responsibility of management and an essential part of an entity's system of internal control. The clarification is effective for engagements covering periods beginning on or after December 15, 2014.

ARSC is aware that many entities will determine that they would like to engage the accountant to perform the preparation service as they would any other accounting service or bookkeeping engagement. ARSC believes that it is not appropriate to require the accountant to perform, or the entity to accept, a compilation service when the desired service is a preparation service. Given this, ARSC is also aware that many state laws and regulations, loan documents, and other contracts and agreements require a compilation engagement. To address this issue, ARSC is proposing that when the accountant is engaged to perform the preparation service, the accountant would follow the requirements and guidance in the proposed SSARS *Preparation of Financial Statements*. When the accountant is *engaged* to perform the compilation service, the accountant would follow the requirements and guidance in the proposed SSARS *Compilation Engagements*.

The result is that the accountant need not be concerned with issues such as who prepared the financial statements because the standards would only apply when the accountant is *engaged* to perform either the preparation or the compilation service. The accountant also would not need to be concerned with whether the financial statements are intended to be used by third parties because the accountant would issue a compilation report only when engaged to do so.

Specific requests of respondents

1. ARSC asks for specific feedback about whether respondents are supportive of the revised applicability for the compilation engagement so that the standard applies only when the accountant is engaged to perform a compilation engagement.

2. ARSC asks for specific feedback about whether respondents are supportive of the issuance of standards and guidance for an engagement to prepare financial statements.

Requirement to Obtain a Signed Engagement Letter or Other Suitable Form of Written Agreement

Although extant AR section 80 requires that the accountant document the understanding with management regarding the services to be performed for compilation engagements through a written agreement with management, extant AR section 80 does not require that the written understanding be signed by either the accountant or management.

Paragraph 9 of the proposed SSARS *Preparation of Financial Statements* and paragraph 7 of the proposed SSARS *Compilation Engagements* require that the engagement letter or other suitable form of written agreement be signed by (*a*) the accountant or the accountant's firm and (*b*) management.

Specific request of respondents
3. ARSC asks for specific feedback about whether respondents are supportive of the requirement that the engagement letter or other suitable form of written agreement be signed by (*a*) the accountant or the accountant's firm and (*b*) management.

__Proposed SSARS, *Preparation of Financial Statements*__

Statement or Legend on Each Page of Financial Statements That the Accountant Has Prepared

The proposed SSARS would not require a report when an accountant is engaged to prepare financial statements—even if the financial statements are expected to be used by, or provided to, a third party. In order to be transparent to users of financial statements that no accountant has issued an audit or review report on the financial statements, ARSC proposes that each page of the financial statements include a statement or legend stating that no CPA provides any assurance on the financial statements.

The appropriate statement or legend communicates substantially the same lack of assurance as a compilation report in accordance with extant AR section 80. Examples of an adequate statement or legend on each page of the financial statements include the following:

- No CPA provides any assurance on these financial statements.
- These financial statements have not been audited or reviewed, and no CPA provides any assurance on them.

In a rare situation in which the accountant is not able to include an appropriate statement or legend on each page of the financial statements, the accountant would be required to issue a disclaimer report.

The accountant's name is not required to be included in the financial statements that the accountant has prepared or any document that contains the financial statements.

Specific request of respondents
4. ARSC asks for specific feedback about whether respondents are supportive of the proposed requirement that each page of the financial statements that the accountant has prepared include a statement or legend stating that no CPA provides any assurance on the financial statements or else the accountant would be required to issue a disclaimer.

__Proposed SSARS, *Compilation Engagements*__

Accountant's Compilation Reports

Because ARSC is proposing that the proposed SSARS would be applicable when the accountant is engaged to perform a compilation engagement, a report would always be required. Because a report would be required, a significant change in the proposed compilation standard would be that any differentiation between financial statements for general use and financial statements that are not expected to be used by a third party (commonly referred to as *management use only financial statements* or *SSARS 8 financial statements*) has been eliminated.

ARSC proposes that the compilation report be reconfigured to look significantly different from an audit or review report. ARSC believes that if the report looks significantly different, it would help users understand that the accountant has not obtained any assurance and does not express an opinion, conclusion, nor provide any assurance on the financial statements.

The proposed accountant's compilation report would retain the requirement from extant paragraph .21 of AR section 80 that the accountant modify the compilation report when the accountant's independence is impaired. The accountant would not be required to disclose the reasons the accountant's independence is impaired. However, if the accountant elects to disclose a description about the reasons the accountant's independence is impaired, the accountant would be required to ensure that all reasons are included in the description.

Specific request of respondents
5. ARSC asks for specific feedback about whether respondents are supportive of the proposed compilation reporting requirements.

Proposed SSARS, *Association With Financial Statements*

The proposed SSARS moves the requirements and guidance of AU section 504, *Association With Financial Statements* (AICPA, *Professional Standards*), to the SSARSs literature. ARSC and the ASB believe that the requirements and guidance should reside in the SSARSs because the standard relates to unaudited financial statements.

The proposed SSARS addresses the circumstance in which the accountant permits the use of the accountant's name in a report, document, or written communication that contains financial statements on which the accountant has not issued a compilation, review, or audit report. In those cases, the accountant would be required to read the financial statements in the report, document, or written communication containing the financial statements in order to identify obvious material misstatements in light of the accountant's understanding of the applicable financial reporting framework and the significant accounting policies adopted by management.

The proposed SSARS would apply regardless of whether the accountant prepared the financial statements.

Specific request of respondents
6. ARSC asks for specific feedback about whether respondents are supportive of the proposed standard that would provide requirements and guidance when an accountant permits the use of

the accountant's name in a report, document, or written communication containing financial statements on which the accountant did not issue a compilation, review, or audit report.

Effective Date

The proposed SSARSs would be effective as follows:

- The proposed SSARS *Preparation of Financial Statements* would be effective for the preparation of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

- The proposed SSARS *Compilation Engagements* would be effective for compilation reports on financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

- The proposed SSARS *Association With Financial Statements* would be effective for financial statements with which the accountant is associated on or after December 15, 2015. Early implementation is permitted.

Specific request of respondents

7. ARSC asks for specific feedback about whether respondents are supportive of the proposed effective dates, specifically the permitting of early implementation.

Guide for Respondents

ARSC is seeking comments on the seven specific requests (1–7) posed in the "Changes From Existing Standards" section of this document. Please clearly indicate in your comment letter the request to which you are responding.

Additionally, ARSC requests comments on specific paragraphs in the proposed SSARSs. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific recommendations for any suggested changes to wording. When a respondent agrees with proposals in the exposure draft, it will be helpful for ARSC to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available for public inspection at the offices of the AICPA after May 2, 2014, for a period of one year. Responses should be sent to Mike Glynn at mglynn@aicpa.org and received by May 2, 2014.

Comment Period

The comment period for this exposure draft ends on May 2, 2014.

Accounting and Review Services Committee (ARSC)

(2012–2013)

Michael L. Brand, *Chair*
Joseph S. Beck
Mike Fleming
Jay H. Goldberg
Janice L. Gray
Angie J. Moss
Carl G. Peterson
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Senior Technical Manager
Audit and Attest Standards
Staff Liaison—Accounting and Review Services Committee

Richard I. Miller
Special Counsel

Proposed Statement on Standards for Accounting and Review Services
Preparation of Financial Statements

Introduction

Scope

1. This proposed Statement on Standards for Accounting and Review Services (SSARS) would apply when an accountant in public practice is engaged by management to prepare financial statements. (Ref: par. A1)

   This proposed SSARS may also be applied, adapted as necessary in the circumstances, to other historical or prospective financial information.[1] (Ref: par. A2)

2. This proposed SSARS does not apply to

   - the preparation of financial statements when the accountant is engaged to perform an audit, review, or compilation with respect to those financial statements.
   - the preparation of tax returns or other data prepared solely for submission to taxing authorities.
   - personal financial statements that are prepared for inclusion in written personal financial plans prepared by the accountant.
   - financial statements prepared in conjunction with litigation services that involve pending or potential legal or regulatory proceedings. (Ref: par. A3)

The Preparation Engagement

3. The preparation of financial statements is a nonattest service and does not require the accountant to determine whether the accountant is independent of the entity. (Ref: par. A4)

4. In addition, in the preparation of financial statements, the accountant is not required to verify the accuracy or completeness of the information provided by management or otherwise gather evidence to express an opinion or a conclusion on the financial statements or otherwise report on the financial statements.

Effective Date

5. This proposed SSARS is effective for the preparation of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

Objective

[1] The Accounting and Review Services Committee plans to expose for public comment separate proposed Statements on Standards for Accounting and Review Services that would provide requirements and guidance to accountants engaged to perform a compilation engagement with respect to pro forma or prospective financial information.

6. The accountant's objective is to prepare financial statements pursuant to the financial reporting framework adopted by management.

Definitions

7. For purposes of SSARSs, the following terms have the meanings attributed as follows:

Financial reporting framework. A set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial statements (for example, U.S. GAAP, International Financial Reporting Standards promulgated by the International Accounting Standards Board, or a special purpose framework).

Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance (for example, executive members of a governance board or an owner-manager). Also see **those charged with governance**.

Special purpose framework. A financial reporting framework other than generally accepted accounting principles (GAAP) that is one of the following bases of accounting:

a. **Cash basis.** A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets).

b. **Tax basis.** A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements.

c. **Regulatory basis.** A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission).

d. **Contractual basis.** A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.

e. **Other basis.** A basis of accounting that utilizes a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.

The cash basis, tax basis, regulatory basis, and other basis of accounting are commonly referred to as *other comprehensive bases of accounting* (OCBOA).

Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of an entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager). Also see **management**.

Requirements

Engagement Acceptance

8. The accountant should not accept an engagement to prepare financial statements unless the accountant has agreed to the terms of the engagement with management and recorded those terms in an engagement letter or other suitable form of written agreement. The engagement letter or other suitable form of written agreement should include the following: (Ref: par. A5–A6 and A11)

a. Identification of the financial reporting framework adopted by management, including whether the financial statements will omit substantially all disclosures required by the applicable financial reporting framework (Ref: par. A7)

b. The objective, scope, and limitations of the engagement

c. The responsibilities of the accountant, including the requirement to perform the engagement in accordance with SSARSs and comply with relevant ethical requirements

d. The responsibilities of management for (Ref: par. A8–A9)

i. preventing and detecting fraud

ii. ensuring that the entity complies with laws and regulations applicable to its activities

iii. the accuracy and completeness of the records, documents, explanations, and other information, including significant judgments provided by management for the preparation of financial statements

iv. providing the accountant with

(1) access to all information of which management is aware that is relevant to the preparation and presentation of the financial statements, such as records, documentation, and other matters

(2) additional information that the accountant may request from management for the purpose of the preparation of financial statements

(3) unrestricted access to persons within the entity of whom the accountant determines it necessary to make inquiries

e. The understanding that an adequate statement will be included on each page of the financial statements indicating that no CPA provides any assurance on the financial statements (Ref: par. A17–A18)

9. The engagement letter or other suitable form of written agreement should be signed by

a. the accountant or the accountant's firm and

b. management. (Ref: par. A10)

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework

10. The accountant should obtain an understanding of the financial reporting framework adopted by management intended to be used in the preparation of the financial statements and the significant accounting policies adopted by management. (Ref: par. A12)

Preparing the Financial Statements

11. The accountant should prepare the financial statements using the records, documents, explanations, and other information provided by management.

12. The accountant should include an adequate statement on each page of the financial statements indicating that no CPA provides any assurance on the financial statements. If the accountant is unable to include an adequate statement on each page of the financial statements, the accountant should issue a disclaimer on the financial statements (Ref: par. A13–A14)

13. 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. (Ref: par. A15)

14. If, during the preparation of financial statements, the accountant assists management with significant judgments regarding amounts or disclosures to be reflected in the financial statements, the accountant should discuss those judgments with management so management understands the significant judgments reflected in financial statements and accepts responsibility for those judgments. (Ref: par. A16)

15. If the accountant becomes aware that the records, documents, explanations, or other information, including significant judgments, used in the preparation of the financial statement are incomplete, inaccurate, or otherwise unsatisfactory, the accountant should bring that to the attention of management and request additional or corrected information.

16. The accountant should withdraw from the engagement and inform management of the reasons for withdrawing if the accountant is unable to complete the engagement because management has failed to provide corrected records, documents, explanations, or other information, including significant judgments, as requested. (Ref: par. A17–A18)

Financial Statements That Omit Substantially All the Disclosures Required by the Financial Reporting Framework Adopted by Management

17. The accountant should not prepare financial statements that omit substantially all disclosures required by the financial reporting framework adopted by management unless the omission of substantially all disclosures is not, to the accountant's knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements. (Ref: par. A19)

Documentation in a Preparation Engagement

18. 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, as described in paragraphs 8–9

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

19. If, in rare circumstances, the accountant judges it necessary to depart from a relevant presumptively mandatory requirement, the accountant must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement.

Application and Other Explanatory Material

Scope (Ref: par. 1–2 and 8)

A1. The determination about whether the accountant has been engaged to prepare financial statements or merely assist in preparing financial statements (which is a bookkeeping service that is not subject to this proposed SSARS) requires the accountant to apply professional judgment. Examples of accounting services to assist management in the preparation of financial statements include engagements to

- maintain depreciation schedules or prepare bank reconciliations.
- prepare or propose certain adjustments, such as those applicable to deferred income taxes, depreciation, or leases.
- draft financial statement notes.

A2. Although this proposed SSARS does not apply to other historical or prospective financial statements, this proposed SSARS may be applied, adapted as necessary in the circumstances, to certain financial information or presentations, such as the following:

- Specified elements, accounts, or items of a financial statement, such as schedules of rentals, royalties, profit participation, or provision for income taxes
- Supplementary information
- Required supplementary information
- Pro forma financial information
- Prospective financial information, including budgets, forecasts, or projections

A3. Financial statements are prepared in conjunction with litigation services that involve pending or potential legal or regulatory proceedings when the *a.* service consists of being an expert witness.

b. service consists of being a "trier of fact" or acting on behalf of one.

c. accountant's work under the rules of the proceedings is subject to analysis and challenge.

d. accountant is engaged by an attorney to do work that will be protected by the attorney's work product privilege, and such work is not intended to be used for other purposes.

The Preparation Engagement (Ref: par. 3)

A4. Interpretation No. 101-3, "Nonattest Services," of Rule 101, *Independence* (AICPA, *Professional Standards*), addresses the accountant's considerations with respect to independence when performing nonattest services for attest clients. For example, the accountant may prepare monthly or other interim financial statements and be engaged to perform an audit, review, or compilation engagement with respect to the annual financial statements. The accountant needs to be aware that the performance of the preparation services may impair independence unless the safeguards described in Interpretation No. 101-3 are met.

Engagement Acceptance (Ref: par. 8–9)

A5. The understanding with management regarding the services to be performed for engagements to prepare financial statements is required by paragraph 8 to be recorded in an engagement letter or other suitable form of written agreement and, accordingly, a verbal understanding is insufficient. An engagement letter is the most common, and usually the most convenient, method for documenting the understanding with management regarding the services to be performed for engagements to prepare financial statements. A formal contract is another suitable form of written agreement.

A6. Both management and the accountant have an interest in documenting the agreed-upon terms of the engagement to prepare financial statements before the commencement of the engagement to help avoid misunderstandings with respect to the engagement. For example, it reduces the risk that management may inappropriately rely on or may expect the accountant to protect management against certain risks or to perform certain functions, including those that are management's responsibility.

A7. Management's decision about the financial reporting framework that it adopts for the financial statements is made in the context of the intended use of the financial statements and the requirements of any applicable law or regulation.

A8. In accordance with this proposed SSARS, the accountant is required to obtain the agreement of management on management's responsibilities in relation to the financial statements as a condition precedent to accepting the engagement. In smaller entities, management may not be well-informed about what those responsibilities are, including those arising in applicable law or regulation. In order to obtain management's agreement on an informed basis, the accountant may find it necessary to discuss those responsibilities with management in advance of seeking management's agreement on its responsibilities.

A9. The accountant is entitled to rely on management to provide all relevant information for the engagement. The form of the information provided by management for the purpose of the engagement will vary in different engagement circumstances. In broad terms, it will comprise records, documents, explanations, and other information relevant to the preparation of the financial statements in accordance with the financial reporting framework adopted by management. The information provided may include, for example, information about management's assumptions, intentions, or plans underlying development of accounting estimates needed to prepare the financial statements in accordance with the applicable financial reporting framework.

A10. In some entities, other parties, such as those charged with governance, may be the appropriate or authorized parties to sign the engagement letter or other suitable form of written agreement.

A11. An illustrative example of an engagement letter for an engagement to prepare financial statements is presented in exhibit A, "Illustrative Engagement Letter."

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework (Ref: par. 10)

A12. The requirement that the accountant obtain an understanding of the financial reporting framework adopted by management intended to be used in the preparation of the financial statements and the significant accounting policies adopted by management does not prevent the accountant from accepting an engagement to prepare financial statements for an entity in an industry in which the accountant has no previous experience. The accountant may obtain such understanding, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals who are knowledgeable about the industry.

Preparing the Financial Statements (Ref: par. 8, 12–14, and 16)

A13. The adequate statement on each page of the financial statements, including related notes, is intended to avoid misunderstanding on the part of users with respect to the accountant's involvement with the financial statements. The statement is made at management's discretion, and the accountant or the accountant's firm name is not required to be included. The accountant is concerned that the indication is not misleading. Examples of an adequate statement on each page of the financial statements include the following:

- No CPA provides any assurance on these financial statements.
- These financial statements have not been audited or reviewed, and no CPA expresses an opinion or a conclusion nor provides any assurance on them.

A14. An example of a disclaimer that the accountant may issue is as follows:

The accompanying financial statements of XYZ Company as of and for the year ended December 31, 20XX, were not reviewed or audited by me (us) and, accordingly, I (we) do not express an opinion, a conclusion, nor provide any assurance on them.

A15. 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.

A16. In the preparation of financial statements, the accountant may provide assistance to management with significant judgments (for example, the accountant may advise management on alternative accounting policies that are significant to the financial statements or help management with significant judgments regarding material accounting estimates).

A17. In circumstances addressed by the requirements of this proposed SSARS in which withdrawal from the engagement is necessary, the responsibility to inform management and those charged with governance of the reasons for withdrawing provides an opportunity to explain the accountant's ethical obligations.

A18. When making a determination about whether and how to withdraw from an engagement, the accountant may wish to consult with legal counsel.

Financial Statements That Omit Substantially All the Disclosures Required by the Financial Reporting Framework Adopted by Management (Ref: par. 17)

A19. When management elects to include disclosures about only a few matters in the notes to the financial statements, such disclosures may be labeled "Selected Information—Substantially All Disclosures Required by [*the applicable financial reporting framework*] Are Not Included."

A20.

Exhibit A—Illustrative Engagement Letter (Ref: par. A11)

The following is an example of an engagement letter for an engagement to prepare financial statements prepared in accordance with accounting principles generally accepted in the United States of America. This engagement letter is not authoritative but is intended as an illustration that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances and is drafted to refer to the preparation of financial statements for a single reporting period. The accountant may seek legal advice about whether a proposed letter is suitable.

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income, and changes in stockholders' equity, and cash flows for the year then ended and the related notes to the financial statements.[3,4] We are pleased to confirm our acceptance and our understanding of this engagement to prepare the financial statements of ABC Company by means of this letter.

Our Responsibilities

The objective of our engagement is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion or provide any assurance on the financial statements.

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[1] The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the engagement to prepare financial statements, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph A10.

[2] Throughout this engagement letter, references to *you, we, us, management,* and *accountant* would be used or amended as appropriate in the circumstances.

[3] If the accountant is to be engaged to prepare financial statements that omit the statement of cash flows and the related notes, the sentence may be revised to read "You have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income and changes in stockholders' equity." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows and related notes to the financial statements."

[4] The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking, in accordance with SSARSs, the engagement to prepare your financial statements:

a. The prevention and detection of fraud
b. To ensure that the entity complies with the laws and regulations applicable to its activities
c. To make all financial records and related information available to us
d. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements

You agree that the financial statements will clearly indicate that no CPA provides any assurance on them.

Other relevant information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

> *You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.*]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein, and our respective responsibilities.

Sincerely yours,

____

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

____

[*Signed*]

[*Name and title*]

____
[*Date*]

Proposed Statement on Standards for Accounting and Review Services ***Compilation Engagements***

Introduction

Scope

1. This proposed Statement on Standards for Accounting and Review Services (SSARS) applies when the accountant is engaged to perform a compilation engagement. This proposed SSARS may also be applied, adapted as necessary in the circumstances, to other historical or prospective financial information. (Ref: par. A1)

The Compilation Engagement

2. Because a compilation engagement is not an assurance engagement, a compilation engagement does not require the accountant to verify the accuracy or completeness of the information provided by management or otherwise gather evidence to express an opinion or a conclusion on the financial statements.

Effective Date

3. This proposed SSARS is effective for compilation reports on financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

Objective

4. The accountant's objective in a compilation engagement is to apply accounting and financial reporting expertise to assist management in the presentation of financial statements and report in accordance with this standard without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.

Definitions

5. For purposes of SSARSs, the following terms have the meanings attributed as follows:

Applicable financial reporting framework. The financial reporting framework adopted by management and, when appropriate, those charged with governance, in the preparation and fair presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements or that is required by law or regulation.

Basic financial statements. Financial statements excluding supplementary information and required supplementary information.

Financial reporting framework. A set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial statements (for example, U.S. GAAP, International Financial Reporting Standards promulgated by the International Accounting Standards Board, or a special purpose framework).

Generally accepted accounting principles (GAAP). Reference to *generally accepted accounting principles* in SSARSs means generally accepted accounting principles promulgated by bodies designated by the Council of the AICPA pursuant to Rules 202, *Compliance With Standards* and 203, *Accounting Principles* (AICPA, *Professional Standards*).

Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance (for example, executive members of a governance board or an owner-manager). Also see **those charged with governance**.

Misstatement. A difference between the amount, classification, presentation, or disclosure of a reported financial item in the financial statements and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from fraud or error.

Required supplementary information. Information that a designated accounting standard-setter requires to accompany an entity's basic financial statements. Required supplementary information is not part of the basic financial statements; however, a designated accounting standard-setter considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, authoritative guidelines for the methods of measurement and presentation of that information have been established.

Special purpose framework. A financial reporting framework other than GAAP that is one of the following bases of accounting:

a. **Cash basis.** A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets).

b. **Tax basis.** A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements.

c. **Regulatory basis.** A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission).

d. **Contractual basis.** A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.

e. **Other basis.** A basis of accounting that utilizes a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.

The cash basis, tax basis, regulatory basis, and other basis of accounting are commonly referred to as *other comprehensive bases of accounting* (OCBOA).

Supplementary information. Financial information presented outside the financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework.

Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager). Also see **management**.

Requirements

Engagement Acceptance

6. The accountant should not accept a compilation engagement unless the accountant has agreed to the terms of the engagement with management and recorded those terms in an engagement letter or other suitable form of written agreement. The engagement letter or other suitable form of written agreement should include the following: (Ref: par. A2–A3 and A8)

a. Identification of the applicable financial reporting framework, including whether the financial statements will omit substantially all disclosures required by the applicable financial reporting framework (Ref: par. A4)

b. The objective, scope, and limitations of the engagement

c. The responsibilities of the accountant, including the requirement to perform the engagement in accordance with SSARSs and comply with relevant ethical requirements

d. The responsibilities of management for (Ref: par. A5–A6)

i. the preparation and fair presentation of the financial statements in accordance with a financial reporting framework that is acceptable in view of the intended use of the financial statements and the intended users;

ii. unless the financial statements omit substantially all disclosures, the inclusion of all informative disclosures that are appropriate for the financial reporting framework used to prepare the entity's financial statements. If the financial statements are prepared in accordance with a special purpose framework, this includes

(1) a description of the special purpose framework, including a summary of significant accounting policies, and how the framework differs from GAAP, the effects of which need not be quantified, and informative disclosures similar to those required by GAAP, in the case of special purpose financial statements that contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP, (Ref: par. A21–A22)

(2) a description of any significant interpretations of the contract on which the special purpose financial statements are prepared, in the case of financial statements prepared in accordance with a contractual basis of accounting, and

(3) additional disclosures beyond those specifically required by the framework that may be necessary for the special purpose framework to achieve fair presentation.

iii. the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error;

iv. preventing and detecting fraud;

v. ensuring that the entity complies with laws and regulations applicable to its activities;

vi. the accuracy and completeness of the records, documents, explanations, and other information, including significant judgments provided by management for the compilation engagement; and

vii. providing the accountant with

(1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;

(2) additional information that the accountant may request from management for the purpose of the compilation; and

(3) unrestricted access to persons within the entity of whom the accountant determines it necessary to make inquiries.

e. The expected form and content of the accountant's report

7. The engagement letter or other suitable form of written agreement should be signed by

a. the accountant or the accountant's firm and

b. management. (Ref: par. A7)

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework

8. The accountant should obtain an understanding of the applicable financial reporting framework intended to be used in the preparation of the financial statements and the significant accounting policies adopted by management. (Ref: par. A9)

Compilation Procedures

9. The accountant should read the financial statements in light of the accountant's understanding of the applicable financial reporting framework and the significant accounting policies adopted by management and consider whether such financial statements appear to be appropriate in form and free from obvious material misstatements.

10. If, in the course of the engagement, the accountant becomes aware that the records, documents, explanations, or other information, including significant judgments, provided by management are incomplete, inaccurate, or otherwise unsatisfactory, the accountant should bring that to the attention of management and request additional or corrected information. (Ref: par. A10)

11. If the accountant becomes aware during the course of the engagement that

a. the financial statements do not adequately refer to or describe the applicable financial reporting framework (Ref: par. A11);

b. revisions to the financial statements are required for the financial statements to be in accordance with the applicable financial reporting framework; or

c. the financial statements are otherwise misleading (Ref: par. A12–A13)

the accountant should propose the appropriate revisions to management.

12. The accountant should withdraw from the engagement and inform management of the reasons for withdrawing if (Ref: par. A14–A15)

- the accountant is unable to complete the engagement because management has failed to provide records, documents, explanations, or other information, including significant judgments, as requested, or

- management does not make appropriate revisions that are proposed by the accountant or does not disclose such departures in the financial statements, and the accountant determines to not disclose such departures in the accountant's compilation report. (Ref: par. A14)

The Accountant's Compilation Report

13. The accountant's compilation report should be in writing and should (Ref: par. A17 and A20)

a. identify the entity whose financial statements have been subjected to the compilation engagement.

b. specify the date or period covered by the financial statements.

c. include a statement that management (owners) is (are) responsible for the financial statements.

d. include a statement that the accountant performed the compilation engagement in accordance with SSARSs promulgated by the Accounting and Review Services Committee of the AICPA.

e. include a statement that the accountant did not audit or review the financial statements nor was the accountant required to perform any procedures to verify the accuracy or completeness of the information provided by management and, accordingly, does not express an opinion, a conclusion, nor provide any assurance on the financial statements.

f. include the signature of the accountant or the accountant's firm. (Ref: par. A18)

g. include the city and state where the accountant practices. (Ref: par. A19)

h. include the date of the report, which should be the date that the accountant has completed the procedures required by this proposed SSARS.

Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Special Purpose Framework

14. Unless the entity elects to omit substantially all disclosures, the accountant should modify the compilation report when that accountant becomes aware that the financial statements do not include

a. a description of the special purpose framework. (Ref: par. A21)

b. a summary of significant accounting policies. (Ref: par. A22)

c. an adequate description about how the special purpose framework differs from GAAP. The effects of these differences need not be quantified. (Ref: par. A23)

d. informative disclosures similar to those required by GAAP when the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP. (Ref: par. A24)

15. In the case of financial statements prepared in accordance with a contractual basis of accounting, the accountant should modify the compilation report if the financial statements do not adequately describe any significant interpretations of the contract on which the financial statements are based.

16. The accountant's compilation report on financial statements prepared in accordance with a special purpose framework should

- when management has a choice of financial reporting frameworks in the preparation of such financial statements, make reference to management's responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.
- when the financial statements are prepared in accordance with a regulatory or contractual basis of accounting, describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information. (Ref: par. A25)

17. The accountant's compilation report on financial statements prepared in accordance with a special purpose framework should include a separate paragraph that

- indicates that the financial statements are prepared in accordance with the applicable special purpose framework,
- refers to the note to the financial statements that describes the framework, if applicable, and
- states that the special purpose framework is a basis of accounting other than GAAP.

Reporting When the Accountant Is Not Independent

18. When the accountant is not independent with respect to the entity, the accountant should indicate the accountant's lack of independence in a final paragraph of the accountant's compilation report. (Ref: par. A26–A28)

19. If the accountant elects to disclose a description about the reasons the accountant's independence is impaired, the accountant should include all such reasons in the description.

Reporting on Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework

20. The accountant should not issue an accountant's compilation report on financial statements that omit substantially all disclosures required by the applicable financial reporting framework unless the omission of substantially all disclosures is not, to the accountant's knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements.

21. When reporting on financial statements that omit substantially all disclosures required by the applicable financial reporting framework, the accountant should include a separate paragraph in the accountant's compilation report that includes the following elements: (Ref: par. A29–A30)

   a. A statement that management has elected to omit substantially all the disclosures (and the statement of cash flows, if applicable) required by the applicable financial reporting framework (or ordinarily included in the financial statements if the financial statements are prepared in accordance with a special purpose framework)

   b. A statement that if the omitted disclosures (and the statement of cash flows, if applicable) were included in the financial statements, they might influence the user's conclusions about the entity's financial position, results of operations, and cash flows (or the equivalent for presentations other than GAAP)

   c. A statement that, accordingly, the financial statements are not designed for those who are not informed about such matters

22. The omission of one or more notes, when substantially all other disclosures are presented, should be treated in a compilation report like any other departure from the applicable

financial reporting framework, and the nature of the departure and its effects, if known, should be disclosed in accordance with paragraphs 23–26.

Reporting Known Departures From the Applicable Financial Reporting Framework

23. When the accountant becomes aware of a departure from the applicable financial reporting framework (including inadequate disclosure) that is material to the financial statements and the financial statements are not revised, or the departure is not disclosed in the notes to the financial statements, the accountant should modify the compilation report to disclose the departure.

24. The effects of the departure on the financial statements should be disclosed if such effects have been determined by management or are readily known to the accountant as the result of the accountant's procedures. (Ref: par. A32)

25. If the effects of the departure have not been determined by management or are not readily known to the accountant as a result of the accountant's procedures, the accountant is not required to determine the effects of a departure; however, in such circumstances, the accountant should state in the report that such determination has not been made by management.

26. If the accountant believes that modification of the compilation report is not adequate to indicate the deficiencies in the financial statements as a whole, the accountant should withdraw from the engagement and provide no further services with respect to those financial statements. (Ref: par. A15)

27. The accountant should not modify the compilation report to include a statement that the financial statements are not in conformity with the applicable financial reporting framework. (Ref: par. A31)

Information Presented for Supplementary Analysis Purposes That Accompanies Financial Statements and the Accountant's Compilation Report Thereon

28. When information presented for supplementary analysis accompanies financial statements and the accountant's compilation report thereon, the accountant should include an additional paragraph in the accountant's compilation report on the financial statements to clearly indicate the degree of responsibility, if any, the accountant is taking with respect to such information. (Ref: par. A33)

29. When the accountant has performed a compilation engagement with respect to both the financial statements and the information presented for supplementary analysis purposes, the accountant should report on such information in either (*a*) a separate paragraph in the accountant's compilation report on the financial statements or (*b*) a separate report on the information presented for supplementary analysis purposes. The separate paragraph in the accountant's compilation report on the financial statements or the separate report on the information presented for supplementary analysis purposes should state that (Ref: par. A34–A35) *a.* the information is presented for purposes of additional analysis and is not a required part of the financial statements and

b. the accountant performed a compilation engagement in accordance with SSARSs promulgated by the AICPA on information that is the representation of management, and the accountant has not audited or reviewed the information and, accordingly, does not express an opinion, a conclusion, nor any form of assurance on such information.

Required Supplementary Information

30. In regards to the requirement in paragraph 28, with respect to required supplementary information, the separate paragraph in the accountant's compilation report should include language to explain the following circumstances, as applicable: (Ref: par. A36)

a. The required supplementary information is included, and the accountant performed a compilation engagement on the required supplementary information.

b. The required supplementary information is included, and the accountant did not perform a compilation, review, or audit on the required supplementary information.

c. The required supplementary information is omitted.

d. Some required supplementary information is missing, and some is presented in accordance with the prescribed guidelines. (Ref: par. A37)

e. The accountant has identified departures from the prescribed guidelines.

f. The accountant has unresolved doubts about whether the required supplementary information is presented in accordance with prescribed guidelines.

31. If the entity has presented all or some of the required supplementary information and the accountant did not perform a compilation engagement on the required supplementary information, the separate paragraph in the accountant's compilation report referred to in paragraph 28 should include the following elements: (Ref: par. A38)

a. A statement that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] requires that the [*identify the required supplementary information*] be presented to supplement the basic financial statements

b. A statement that such information, although not a part of the basic financial statements, is required by [*identify designated accounting standard-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

c. A statement that the accountant did not perform a compilation, review, or audit on the required supplementary information and, accordingly, does not express an opinion, a conclusion, or provide any assurance on the information

d. If some of the required supplementary information is omitted

i. a statement that management has omitted [*description of the missing required supplementary information*] that [*identify the applicable financial reporting* *framework (for example, accounting principles generally accepted in the United States of America)*] require to be presented to supplement the basic financial statements

ii. a statement that such missing information, although not a part of the basic financial statements, is required by [*identify designated accounting standard-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

e. If the measurement or presentation of the required supplementary information departs materially from the prescribed guidelines, a statement that material departures from prescribed guidelines exist [*describe the material departures from the applicable financial reporting framework*]

f. If the accountant has unresolved doubts about whether the required supplementary information is measured or presented in accordance with prescribed guidelines, a statement that the accountant has doubts about whether material modifications should be made to the required supplementary information for it to be presented in accordance with guidelines established by [*identify designated accounting standard-setter*]

32. If all the required supplementary information is omitted, the separate paragraph in the accountant's compilation report should include the following elements:

a. A statement that management has omitted [*description of the missing required supplementary information*] that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] require to be presented to supplement the basic financial statements

b. A statement that such missing information, although not a part of the basic financial statements, is required by [*identify designated accounting standard-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

Documentation in a Compilation Engagement

33. The accountant should prepare documentation in connection with each compilation 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, as described in paragraphs 6–7

b. A copy of the financial statements

c. A copy of the accountant's report

34. If, in rare circumstances, the accountant judges it necessary to depart from a relevant presumptively mandatory requirement, the accountant must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement.

Application and Other Explanatory Material

Scope (Ref: par. 1)

A1. Other historical or prospective financial information that may be the subject of a compilation engagement include the following:

- Specified elements, accounts, or items of a financial statement, such as schedules of rentals, royalties, profit participation, or provision for income taxes
- Supplementary information
- Required supplementary information
- Pro forma financial information
- Prospective financial information, including budgets, forecasts, or projections

Engagement Acceptance (Ref: par. 6)

A2. An engagement letter is the most common, and usually the most convenient, method for documenting the understanding with management regarding the services to be performed for compilation engagements. A formal contract is another suitable form of written agreement. A verbal understanding with management is insufficient to meet the requirement in paragraph 6.

A3. Both management and the accountant have an interest in documenting the terms of the compilation engagement before the commencement of the engagement to help avoid misunderstandings with respect to the engagement. For example, it reduces the risk that management may inappropriately rely on or expect the accountant to protect management against certain risks or perform certain functions, including those that are management's responsibility.

A4. Management's decision about the financial reporting framework that it adopts for the financial statements is made in the context of the intended use of the financial statements and the requirements of any applicable law or regulation.

A5. In accordance with this proposed SSARS, the accountant is required to obtain the agreement of management on management's responsibilities in relation to both the financial statements and the compilation engagement as a condition precedent to accepting the engagement. In smaller entities, management may not be well-informed about what those responsibilities are, including those arising in applicable law or regulation. In order to obtain management's agreement on an informed basis, the accountant may find it necessary to discuss those responsibilities with management in advance of seeking management's agreement on its responsibilities.

A6. The accountant is entitled to rely on management to provide all relevant information for the compilation engagement on an accurate, complete, and timely basis. The form of the information provided by management for the purpose of the engagement will vary in different engagement circumstances. In broad terms, it will comprise records, documents, explanations, and other information relevant to the preparation of the financial statements in accordance with the applicable financial reporting framework. The information provided may include, for example, information about management assumptions, intentions, or plans underlying development of accounting estimates needed to prepare the financial statements in accordance with the applicable financial reporting framework.

A7. In some entities, other parties, such as those charged with governance, may be the appropriate parties to sign the engagement letter or other suitable form of written agreement.

A8. An illustrative example of an engagement letter for a compilation engagement is presented in exhibit A, "Illustrative Engagement Letter."

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework (Ref: par. 8)

A9. The requirement that the accountant obtain an understanding of the applicable financial reporting framework intended to be used in the preparation of the financial statements, and the significant accounting policies adopted by management, does not prevent the accountant from accepting a compilation engagement for an entity in an industry in which the accountant has no previous experience. The accountant may obtain such understanding, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals who are knowledgeable about the framework or the industry.

Compilation Procedures (Ref: par. 10–12, 21, and 26)

A10. The accountant is not required to make inquiries or perform other procedures to verify, corroborate, or review information supplied by the entity. However, the accountant may have performed such inquiries or procedures and the results of those inquiries or procedures, knowledge gained from prior engagements, or the financial statements on their face may cause the accountant to become aware that information provided by management is incorrect, incomplete, or otherwise unsatisfactory.

A11. The financial statements may adequately refer to or describe the applicable financial reporting framework via

- the financial statement titles or
- the notes to the financial statements.

A12. Financial statements may be misleading, for example, if the applicable financial reporting framework includes the premise that the financial statements are prepared on the going concern basis, and undisclosed uncertainties exist regarding the entity's ability to continue as a going concern. If the accountant becomes aware that uncertainties exist regarding the entity's ability to continue as a going concern, the accountant may, as appropriate, suggest a more appropriate presentation in accordance with the applicable financial reporting framework or appropriate disclosures concerning the entity's ability to continue as a going concern, in order to be in compliance with that framework and avoid the financial statements being misleading.

A13. Disclosure of items, such as an uncertainty, is not required in financial statements in which substantially all the disclosures required by the applicable financial reporting framework are omitted.

A14. In circumstances addressed by the requirements of this proposed SSARS in which withdrawal from the engagement is necessary, the responsibility to inform management of the reasons for withdrawing provides an opportunity to explain the accountant's ethical obligations.

A15. When making a determination about whether and how to withdraw from an engagement, the accountant may wish to consult with legal counsel.

The Accountant's Compilation Report (Ref: par. 13)

A16. The accountant may issue a compilation report on financial statements that the accountant prepared even if not so engaged. The accountant may determine, for example, that a report would reduce the likelihood that a user of the financial statements may inappropriately infer an unintended level of reliance on the financial information.

A17. The accountant's written report may become unattached from the financial statements. To minimize the possibility that a user of the financial statements may infer an unintended level of reliance on the financial statements, the accountant may request that management include a reference on each page of the financial statements to the accountant's written report. An example of a reference to the accountant's written report included on each page of the financial statements is "See Accountant's Report" or "See Accountant's Compilation Report."

A18. The signature of the accountant or the accountant's firm may be manual, printed, or digital, as appropriate.

A19. The city and state where the accountant practices may be indicated on letterhead that contains the issuing office's city and state.

A20. Illustrative examples of accountant's compilation reports are presented in exhibit B, "Illustrative Examples of the Accountant's Compilation Reports on Financial Statements."

Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Special Purpose Framework (Ref: par. 6, 14, and 16)

A21. The description of the special purpose framework may be included in the financial statement titles, in the notes to the financial statements, or otherwise on the face of the financial statements. Although terms such as *balance sheet*, *statement of financial position*, *statement of income*, *statement of operations*, and *statement of cash flows*, or similar unmodified titles, are generally understood to be applicable only to financial statements that are intended to present financial position, results of operations, or cash flows in accordance with GAAP, such titles, with appropriate modification, may be used in connection with financial statements prepared in accordance with a special purpose framework. Suitable financial statement titles for financial statements prepared in accordance with a special purpose framework include, but are not limited to

- a modified cash basis financial statement that might be titled
  - "Income Statement—Modified Cash Basis."
  - "Statement of Cash Receipts and Disbursements."
- financial statements prepared in accordance with the tax basis of accounting that might be titled
  - "Balance Sheet—Tax Basis,"
  - "Statement of Assets, Liabilities, and Equity—Tax Basis,"
  - "Statement of Operations—Tax Basis," or
  - "Statement of Revenue and Expenses—Tax Basis."
- a financial statement prepared in accordance with a regulatory basis of accounting that might be titled "Statement of Income—Regulatory Basis."

A22. Financial statements prepared in accordance with a special purpose framework need not include a summary of significant accounting policies or a description about how the special purpose framework differs from GAAP if such financial statements omit substantially all disclosures, and the omission of substantially all disclosures is not, to the accountant's knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements.

A23. The description of how the special purpose framework differs from GAAP ordinarily only includes the material differences between GAAP and the special purpose framework. For example, if several items are accounted for differently in accordance with the special purpose framework than they would be in accordance with GAAP, but only the differences in how depreciation is calculated are material, a brief description of the depreciation differences is all that would be necessary, and the remaining differences need not be described or quantified.

A24. Financial statements prepared when applying a special purpose framework are not considered appropriate in form unless the financial statements include informative disclosures similar to those required by GAAP if the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP.

A25. When the financial statements are prepared in accordance with a regulatory or contractual basis of accounting, the accountant is required by paragraph 16 to describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information. This is necessary to avoid misunderstandings when the financial statements are used for purposes other than those for which they were intended. The note to the financial statements may also describe any significant interpretations of the contract on which the financial statements are based.

Reporting When the Accountant Is Not Independent (Ref: par. 18)

A26. An example of a disclosure that an accountant may make to indicate the accountant's lack of independence would be

> I am (We are) not independent with respect to XYZ Company.

A27. The accountant is not precluded from disclosing a description about the reason(s) that the accountant's independence is impaired. The following are examples of descriptions the accountant may use:

a. I am (We are) not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because I (a member of the engagement team) had a direct financial interest in XYZ Company.

b. I am (We are) not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because an individual of my immediate family (an immediate family member of one of the members of the engagement team) was employed by XYZ Company.

c. I am (We are) not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because I (we) performed certain accounting services (the accountant may include a specific description of those services) that impaired my (our) independence.

A28. Illustrative examples of accountant's compilation reports when the accountant's independence has been impaired are presented in exhibit B.

Reporting on Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework (Ref: par. 21)

A29. When management elects to include disclosures about only a few matters in the notes to the financial statements, such disclosures may be labeled "Selected Information—Substantially All Disclosures Required by [*the applicable financial reporting framework*] Are Not Included."

A30. An illustrative example of an accountant's compilation report on financial statements that omit substantially all disclosures required by the applicable financial reporting framework is presented in illustration 3 to exhibit B.

Reporting Known Departures From the Applicable Financial Reporting Framework (Ref: par. 24 and 26)

A31. The accountant is precluded from including a statement that the financial statements are not in conformity with the applicable financial reporting framework because such a statement would be tantamount to expressing an adverse opinion on the financial statements as a whole. Such an opinion can be expressed only in the context of an audit engagement.

A32. An illustrative example of an accountant's compilation report on financial statements that contain known departures from the applicable financial reporting framework that are not disclosed in the notes to the financial statements is presented in illustration 6 to exhibit B.

Information Presented for Supplementary Analysis Purposes That Accompanies Financial Statements and the Accountant's Compilation Report Thereon (Ref: par. 28–31)

A33. Although not required to perform a compilation engagement on information presented for supplementary analysis purposes that accompany financial statements and the accountant's compilation report thereon, nothing precludes the accountant from performing a compilation engagement on such information if engaged to do so.

A34. The following is an example of how an accountant may word a separate paragraph in the accountant's compilation report addressing information presented for supplementary analysis purposes when the accountant has performed a compilation engagement on both the financial statements and the information presented for supplementary analysis:

> ***Other Matter***
>
> The [*identify the information presented for supplementary analysis purposes*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I (We) have performed a compilation engagement on the information. I (We) have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

The following is an example of how an accountant may word a separate paragraph in the accountant's compilation report addressing information presented for supplementary analysis when the accountant has performed a compilation engagement on the financial statements but has not performed a compilation, review, or audit on the information presented for supplementary analysis purposes:

> ***Other Matter***

> The [*identify the information presented for supplementary analysis purposes*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I (We) have not audited or reviewed the information and, accordingly, I (we) do not express an opinion, a conclusion, nor provide any assurance on it.

A35. Information presented for supplementary analysis purposes may become unattached from the accountant's compilation report. To minimize the possibility that a user of the information may infer, through the accountant's association with the information, an unintended level of reliance on the information, the accountant may request that management include a reference to the accountant's compilation report on each page of the information. An example of a reference to the accountant's compilation report included on each page of the information presented for supplementary analysis is "See Accountant's Report" or "See Accountant's Compilation Report."

Required Supplementary Information

A36. Examples of required supplementary information that may accompany financial statements and the accountant's compilation report thereon include the following:

- With respect to common interest realty associations, estimates of current or future costs of major repairs and replacements of common property that will be required in the future as required by Financial Accounting Standards Board *Accounting Standards Codification* 972-235-50-3
- Management's discussion and analysis and budgetary comparison statements as required by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*

A37. Prescribed guidelines are the authoritative guidelines established by the designated accounting standard-setter for the methods of measurement and presentation of the required supplementary information.

A38. Because the required supplementary information accompanies the basic financial statements, the accountant's compilation report on the financial statements includes a discussion of the responsibility taken by the accountant on that information. However, if the required supplementary information is omitted by the entity, the accountant does not have a responsibility to present that information.

A39.

Exhibit A—Illustrative Engagement Letters (Ref: par. A7)

The illustrative engagement letters in this exhibit are not authoritative but are intended as illustrations that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances, and the illustrations are drafted to refer to a compilation engagement and an engagement to prepare financial statements, if applicable, for a single reporting period. The accountant may seek legal advice about whether a proposed letter is suitable.

Illustration 1—An Engagement Letter for an Engagement to Prepare Financial Statements in Accordance With Accounting Principles Generally Accepted in the United States of America and to Perform a Compilation Engagement With Respect to Those Financial Statements

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements,[3] and perform a compilation engagement with respect to those financial statements.[4] We are pleased to confirm our acceptance and our understanding of this compilation engagement by means of this letter.

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[1] The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the compilation engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph A7.

[2] Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3] If the accountant is to be engaged to prepare financial statements that omit the statement of cash flows and the related notes and perform a compilation engagement with respect to those financial statements, the sentence may be revised to read, "You have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income and changes in stockholders' equity, and perform a compilation engagement with respect to those financial statements." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows and related notes to the financial statements."

[4] The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

Our Responsibilities

The objective of our engagement is to

a. prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you and

b. apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to and will not verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion, nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and to assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

a. The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America

b. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements

c. The prevention and detection of fraud

d. To ensure that the entity complies with the laws and regulations applicable to its activities

e. To make all financial records and related information available to us

f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement

Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Other relevant information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

> *You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.*]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a compilation engagement with respect to those same financial statements, and our respective responsibilities.

Sincerely yours,

____

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

____

[*Signed*]

[*Name and title*]

____

[*Date*]

Illustration 2—An Engagement Letter for a Compilation Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we perform a compilation engagement with respect to the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and

[1] The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the compilation engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph A7.

the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.[3, 4] We are pleased to confirm our acceptance and our understanding of this compilation engagement by means of this letter.

Our Responsibilities

The objective of our compilation engagement is to apply accounting and financial reporting expertise to assist management in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the compilation engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Your Responsibilities

The compilation engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the compilation engagement in accordance with SSARSs:

a. The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America

b. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements

c. The prevention and detection of fraud

---

[2] Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3] If the accountant is to be engaged to perform a compilation engagement with respect to financial statements that omit the statement of cash flows and the related notes, the sentence may be revised to read, "You have requested that we perform a compilation engagement with respect to the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income and changes in stockholders' equity." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows and related notes to the financial statements."

[4] The accountant may include nonattest services to be performed as part of the engagement such as income tax preparation and bookkeeping service.

d. To ensure that the entity complies with the laws and regulations applicable to its activities

e. To make all financial records and related information available to us

f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the compilation engagement

Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Other Relevant Information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

> *You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorneys' fees, resulting from management's knowing misrepresentations to us.*]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to perform a compilation engagement with respect to the financial statements described herein and our respective responsibilities.

Sincerely yours,

____

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

____

[*Signed*]

[*Name and title*]

____

[*Date*]

Illustration 3—An Engagement Letter for a Compilation Engagement With Respect to Financial Statements Prepared in Accordance With the Tax Basis of Accounting

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we perform a compilation engagement with respect to the financial statements of ABC Company, which comprise the statement of assets, liabilities, and equity—tax basis as of December 31, 20XX, and the related statements of operations and retained earnings—tax basis, and cash flows—tax basis for the year then ended, and the related notes to the financial statements.[3,4] We are pleased to confirm our acceptance and our understanding of this compilation engagement by means of this letter.

Our Responsibilities

The objective of our compilation engagement is to apply accounting and financial reporting expertise to assist management in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the tax basis of accounting. We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the compilation engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Your Responsibilities

The compilation engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the presentation of the financial statements in accordance with the tax basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the compilation engagement in accordance with SSARSs:

---

[1] The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the compilation engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph A7.

[2] Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3] If the accountant is to be engaged to perform a compilation engagement with respect to financial statements that omit the statement of cash flows—tax basis and the related notes, the sentence may be revised to read, "You have requested that we perform a compilation engagement with respect to the financial statements of ABC Company, which comprise the statement of assets, liabilities, and equity—tax basis as of December 31, 20XX, and the related statement of operations and retained earnings—tax basis." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows—tax basis and related notes to the financial statements."

[4] The accountant may include nonattest services to be performed as part of the engagement such as income tax preparation and bookkeeping services.

a. The preparation and fair presentation of financial statements in accordance with the tax basis of accounting

b. The inclusion of all informative disclosures that is appropriate for the tax basis of accounting. This includes

   i. a description of the tax basis of accounting, including a summary of significant accounting policies, and how the tax basis of accounting differs from accounting principles generally accepted in the United States of America, the effects of which need not be quantified and

   ii. informative disclosures similar to those required by accounting principles generally accepted in the United States of America.[5]

c. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements

d. The prevention and detection of fraud

e. To ensure that the entity complies with the laws and regulations applicable to its activities

f. To make all financial records and related information available to us

g. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the compilation engagement

Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Other Relevant Information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

> *You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorneys' fees, resulting from management's knowing misrepresentations to us.*]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to perform a compilation engagement with respect to the financial statements described herein and our respective responsibilities.

Sincerely yours,

____

[5] The responsibility described in (b)(ii) need not be included if the financial statements omit substantially all disclosures required by the financial reporting framework.

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

____

[*Signed*]

[*Name and title*]

____

[*Date*]

A40.

Exhibit B—Illustrative Examples of the Accountant's Compilation Reports on Financial Statements (Ref: par. A19, A29, and A30)

Illustration 1—An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Management is responsible for the accompanying financial statements of XYZ Company as of, and for the years ended, December 31, 20X2 and 20X1 in accordance with accounting principles generally accepted in the United States of America. I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (we) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's report*]

Illustration 2—An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities

Management is responsible for the accompanying financial statements of XYZ Company as of, and for the years ended, December 31, 20X2 and 20X1 in accordance with the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities. I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (we) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I (we) draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's report*]

Illustration 3—An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the Tax Basis of Accounting, and Management Has Elected to Omit Substantially All Disclosures Ordinarily Included in Financial Statements Prepared in Accordance With the Tax Basis of Accounting

Management is responsible for the accompanying financial statements of XYZ Company as of, and for the years ended, December 31, 20X2 and 20X1 in accordance with the tax basis of accounting. I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (we) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenue, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's report*]

Illustration 4—An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When the Accountant's Independence Has Been Impaired, and the Accountant Determines to Not Disclose the Reasons for the Independence Impairment

Management is responsible for the accompanying financial statements of XYZ Company as of, and for the years ended, December 31, 20X2 and 20X1 in accordance with accounting principles generally accepted in the United States of America. I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (we) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I am (we are) not independent with respect to XYZ Company.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's report*]

Illustration 5—An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities When the Accountant's Independence Has Been Impaired Due to the Accountant Having a Financial Interest in the Entity, and the Accountant Decides to Disclose the Reason for the Independence Impairment

Management is responsible for the accompanying financial statements of XYZ Company as of, and for the years ended, December 31, 20X2 and 20X1 in accordance with the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities. I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (we) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I (we) draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

I am (we are) not independent with respect to XYZ Company as during the year ended December 31, 20X2, I (a member of the engagement team) had a direct financial interest in XYZ Company.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's report*]

Illustration 6—An Accountant's Compilation Report on Comparative Financial Statements, and the Accountant Is Aware of Departures From Accounting Principles Generally Accepted in the United States of America

Management is responsible for the accompanying financial statements of XYZ Company as of, and for the years ended, December 31, 20X2 and 20X1. I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (we) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that land be stated at cost. Management has informed me (us) that XYZ Company has stated its land at appraised value and that if accounting principles generally accepted in the United States of America had been followed, the land account and stockholders' equity would have been decreased by $500,000.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's report*]

Proposed Statement on Standards for Accounting and Review Services
Association With Financial Statements

Introduction

Scope

1. This proposed Statement on Standards for Accounting and Review Services (SSARS) addresses the accountant's responsibility when the accountant is associated with financial statements, and the accountant has not issued an audit, review, or compilation report on those financial statements. (Ref: par. A1)

2. The accountant's association with financial statements on which the accountant has been engaged to perform a compilation, review, or audit engagement is addressed in SSARSs and Statements on Auditing Standards, respectively.

Effective Date

3. This proposed SSARS is effective for financial statements with which the accountant is associated on or after December 15, 2015. Early implementation is permitted.

Objective

4. The accountant's objective is to prevent misinterpretation regarding the degree of responsibility the accountant assumes when an accountant is associated with financial statements, and the accountant has not issued an audit, review, or compilation report on those financial statements.

Definition

5. For purposes of SSARSs, the following term has the meaning attributed as follows:

   Association with financial statements. An accountant is associated with financial statements when the accountant permits the use of the accountant's name in a report, document, or written communication containing financial statements. (Ref: par. A2)

Requirements

Association With Financial Statements

6. Prior to permitting the use of the accountant's name in a report, document, or written communication containing financial statements on which the accountant has not issued an audit, review, or compilation report, the accountant should read the financial statements for obvious material misstatements in light of the accountant's understanding of the applicable financial reporting framework and the significant accounting policies adopted by management.

7. If, in the course of reading the financial statements in accordance with paragraph 6, the accountant becomes aware of obvious material misstatements in the financial statements, the accountant should request that management revise the financial statements, as appropriate.

8. If management does not revise the financial statements, as appropriate, the accountant should not permit the use of the accountant's name. (Ref: par. A3)

9. If the accountant permits the use of the accountant's name in a report, document, or written communication containing financial statements, the accountant should

   a. determine that the financial statements are marked to indicate that no CPA provides any assurance on the financial statements (Ref: par. A4) or

   b. issue a disclaimer on the financial statements. (Ref: par. A5)

Application and Other Explanatory Material

Scope (Ref: par. 1)

A1. This proposed SSARS does not apply to data, such as tax returns, prepared solely for submission to taxing authorities.

Association With Financial Statements (Ref: par. 8–9)

A2. In situations when the accountant's name has been used without the accountant's permission, the accountant may

   a. advise the entity that the use of the accountant's name has not been permitted, and

   b. consult with the accountant's legal counsel.

A3. An example of an adequate notation that may be used is as follows:

> No CPA expresses an opinion, a conclusion, nor provides any assurance on these financial statements.

A4. An example of a disclaimer that the accountant may use is as follows:

> The accompanying financial statements of XYZ Company as of, and for the year ended, December 31, 20XX, were not audited or reviewed by me (us) and, accordingly, I (we) do not express an opinion, a conclusion, nor provide any assurance on them.

ARKANSAS STATE BOARD OF PUBLIC ACCOUNTANCY

November 18, 2013

VIA E-mail

Ken Odom, CPA – Chair
NASBA UAA Committee

Stephen McConnel, CPA – Chair
AICPA UAA Committee

Mr. Odom and Mr. McConnel,

Our board has reviewed the UAA exposure draft relating to firm mobility and has discussed the issue internally as well as with other regulators at the NASBA regional and annual meetings. At this time we do not believe we have sufficient information to support a decision to allow firm mobility and as such do not currently support it.

We also wanted to share relevant compliance cases that contribute to the Board's hesitancy to support firm mobility. In recent months firms have applied for licensure in Arkansas that have had issues with peer reviews. When inquiring with the home state board of those firms, we have encountered problems in getting information regarding the firms in question due to laws in those states concerning the sharing of information involving ongoing investigations or peer review in general.

These cases give us concern about relying on other states to effectively investigate and adjudicate cases that involve firms that have done substandard or fraudulent work within the borders of Arkansas. We believe more study of the issue would be prudent for the profession.

Regards,

Jimmy Corley

101 East Capitol, Suite 450 Little Rock, Arkansas 72201 (501) 682-1520
Fax (501) 682-5538

www.Arkansas.gov/asbpa

National Association of State Boards of Accountancy, Inc.

Meeting of the Board of Directors

July 26, 2013 - Stein Eriksen Lodge, Deer Valley, UT

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 Gaylen Hansen at 9:00 a.m. on Friday, July 26, 2013 at the Stein Eriksen Lodge in Deer Valley, UT.

2. Report of Attendance

President Ken Bishop reported the following were present:

Officers
Gaylen R. Hansen, CPA (CO), Chair
Carlos E. Johnson, CPA (OK), Vice Chair
Mark P. Harris, CPA (LA), Past Chair
E. Kent Smoll, CPA (KS), Treasurer, Director-at-Large
Kenneth R. Odom, CPA (AL), Secretary, Director-at-Large

Directors-at-Large
Donald H. Burkett, CPA (SC)
Richard Isserman, CPA (NY)
Raymond N. Johnson, CPA (OR)
Telford A. Lodden, CPA (IA)
Theodore W. Long, Jr., CPA (OH)
Harry O. Parsons, CPA (NV)
Laurie J. Tish, CPA (WA)

Regional Directors
Donald F. Aubrey, CPA (WA), Pacific
Jimmy E. Burkes, CPA (MS), Southeast
Jefferson Chickering, CPA (NH), Northeast
Bucky Glover, CPA (NC), Middle Atlantic
Janice L. Gray, CPA (OK), Southwest
Douglas W. Skiles, CPA (WA), Central
Karen F. Turner, CPA (CO), Mountain
Kim Tredinnick, CPA (WI), Great Lakes

Executive Directors' Liaison
Nicole Kasin (SD)

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
Noel L. Allen, Esq., Legal Counsel
Cheryl Farrar, Chief Information Officer

3. Approval of Minutes

The minutes of the April Board meeting were approved as submitted by Secretary Odom on a motion by Mr. Burkett, that was seconded by Mr. Skiles. Similarly, the minutes of the special conference call on June 17 were approved as presented by Secretary Odom on a motion by Mr. Burkett, seconded by Mr. Skiles.

4. Report of Chair

Chair Hansen reported he had attended the Peer Review Oversight Committee Summit and the Private Company Council's meeting, had been interviewed by *Accounting Today*, and met with the new State Society Task Force. He briefly reviewed the press releases that had been sent out about the AICPA's Financial Reporting Framework (FRF) for Small- and Medium-Size Entities and said he felt it required NASBA to seriously consider the responsibility of state regulators and ensuring that does not get overrun by the crowd. He thanked Executive Vice President Colleen Conrad and Vice President – State Relations Daniel J. Dustin for making sure this effort stayed on track. Chair Hansen said NASBA has vested trust in the AICPA that they will address NASBA's concerns in the right way, and that in the long-term FRF would fade into the background as another OCBOA, and private companies will be using GAAP.

Chair Hansen congratulated the Regional Directors for developing outstanding, timely Regional Meetings. He praised the Meetings' speakers and their engagement of the participants.

A Summit meeting with AICPA leadership is planned for August 9 in Boston, Chair Hansen reported. Among the issues to be discussed will be how NASBA and AICPA can communicate better in the future so that issues do not boil over into the public, as the FRF comments had.

Chair Hansen read the list of recipients proposed by the Awards Committee for the 2013 NASBA awards: The William H. Van Rensselaer Public Service Award – Diane M. Rubin (CA); the NASBA Distinguished Service Award – Andrew L. DuBoff (NJ); and the Lorraine P. Sachs Standard of Excellence Award – Richard C. Sweeney (WA). The Board unanimously approved the nominations. The awards will be presented at the Annual Business Meeting in Maui, HI.

5. Report of the President

President Bishop said he was pleased that 48 states were represented at the June 2013 Regional Meetings. He said this resulted, in part, from the work being done by Vice President – State Relations Daniel J. Dustin. Mr. Bishop also reported that 41 student members of the Center for the Public Trust's (CPT) Student Chapters attended their meeting held in conjunction with the Eastern Regional Meeting. He said the CPT is now focusing its work on the development of student chapters and it is making a difference in young people's lives. He also briefly reviewed volunteer efforts being undertaken by NASBA staff, including helping to build homes for disabled veterans and donating to the humane society.

Ms. Conrad reported on other recent meetings. The Financial Accounting Foundation's Chairman, Jeff Diermeier, had come to Nashville to speak with NASBA leaders. President Bishop had delivered a keynote address at the California CPA Society's meeting and then handled 45 minutes of questions from attendees. NASBA leaders and staff met with the Public Company Accounting Oversight Board's members in Washington, D.C. Ms. Conrad said they plan to hold similar meetings with the PCAOB annually and to have SEC and NASBA staff making contacts with appropriate staff members. NASBA leaders also held meetings with the Center for Audit Quality and the Accountants Coalition. Ms. Conrad made a presentation to the AICPA's Interchange.

Director of Legislative Affairs John Johnson is monitoring federal and state legislation and currently has 193 board-related bills of high priority that he is following and pushing out to the states for their consideration, Ms. Conrad said. Vice President Dustin has visited 29 State Boards, with four additional Boards having scheduled meetings and six more are under consideration. Ms. Conrad stated that Mr. Dustin is providing the Regional Directors with reports on what he learns at each of these meetings.

The NASBA International Evaluation Service now is offering its service in 37 jurisdictions, Ms. Conrad said, with another seven considering use of the service as well. She also reported that NASBA would be taking a large exhibition booth at the American Accounting Association's Annual Meeting, to be held August 4-6. Some 3,000 attendees are expected at the AAA meeting and NASBA will be sending six representatives to get the word out on what NASBA is doing.

The CPE Sponsor Registry Summit will be held September 9-10 in Houston, Ms. Conrad reported. The National CPE Sponsor Registry now has 1,962 sponsors, a 30 percent increase from July 2011.

Sixteen Boards have requested assistance from NASBA's Communications Department. Currently NASBA is assisting four Boards produce newsletters. President Bishop said that every time NASBA helps a Board with its communications, it is improving that Board's relevance and helping all Boards.

NASBA staff has been reduced, President Bishop reported. Some positions were not replaced and more is being asked of some people. The size of committees was also reduced this year. New people are being hired to work on the Gateway system.

6. Report of the Nominating Committee

Nominating Committee Chair Harris reported the Nominating Committee had met on June 28 in Chicago. He announced the following slate of officers and directors had been selected by the Nominating Committee:

Directors-at-Large (three-year terms):

Donald H. Burkett (Delegate – SC)
Janice L. Gray (Associate – OK)
Harry O. Parsons (Delegate – NV)

Regional Directors (one-year terms):

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

As previously announced, the Committee selected Walter C. Davenport (Associate-NC) as their Vice Chair nominee.

Mr. Harris asked all the Regional Directors who are completing their terms to reach out and talk to the incoming Regional Directors.

7. Report of the Chief Information Officer

Cheryl Farrar, NASBA's newly appointed chief information officer, reported to the Board that there are 29 people in the IT Department, with Jeff Oliver having been named as interim director of information services. An IT steering committee has been appointed to provide the IT Department with project guidance. This includes five leaders of NASBA's business departments and three non-voting IT people.

Ms. Farrar displayed a flow chart mapping out NASBA's current and past IT projects. The IT Department's mission is to build and maintain quality systems and infrastructure, she explained. She outlined her initial focus as: refine organization and roles; establish IT governance; create resource transparency; develop applications and infrastructure landscape; address security improvement opportunities; and develop IT strategy.

8. Report of the Administration and Finance Committee

Treasurer Smoll reported the investment committee had met on July 24 and the Administration and Finance Committee had met on July 25.

Mr. Smoll said the A&F Committee is asking the Board for a resolution clearing the intercompany receivable/payable balance between NASBA and the Center for the Public Trust. Chair Hansen called for a broader discussion of the CPT, and President Bishop responded with an explanation of the proposed CPT Bylaws and the authority that is vested with NASBA as the sole member.

In terms of programs and funding, Mr. Bishop explained the plan is to build the CPT's student chapters as a basic focus, and to go out for donors with this focus. In regards to the intercompany balance elimination, Mr. Bishop stated that corporate sponsors want to see due diligence and giving the CPT a cleaner bill of health will help the CPT's fundraising efforts, Mr. Bishop said.

Mr. Glover, who serves as a NASBA representative on the CPT Board, said the CPT is progressing well with its mission but it struggles with a steady revenue source. The CPT is starting to roll out an ethics examination which will lead to a certification as a step toward a sustainable revenue source.

Dr. Turner said that, based on the NASBA name recognition the CPT Student Center has created at her college, Northern Colorado University, she believes NASBA is getting some payback from its investment. Mr. Bishop pointed out the CPT is in NASBA's strategic plan.

Ms. Gray asked what is NASBA's total contribution to the CPT. Senior Vice President and CFO Michael Bryant responded that for the current year it would include an annual contribution of $150,000, plus approximately $80,000 in-kind contributions from work done by NASBA's support departments, such as finance, human resources and communications. If the intercompany balance elimination were approved, that would be an additional estimated amount in fiscal 2013 of $177,000.

Mr. Smoll made a motion that as the NASBA Board has received a draft version of the proposed Bylaws of the NASBA Center for the Public Trust, in NASBA's capacity as the sole member of the CPT, the NASBA Board of Directors finds the proposed Bylaws acceptable and supports the NASBA Center for the Public Trust's Board of Directors' adoption of the proposed Bylaws in substantially the same form as proposed. Mr. Burkett seconded. The motion was unanimously approved.

Mr. Smoll made a motion that NASBA's receivable balance from the CPT be written off as an additional contribution to the CPT. Mr. Isserman seconded and all approved.

President Bishop pointed out NASBA's operating income, investment income and earnings from equity investment projected for fiscal 2013 were approximately $3.6 million. Chief Financial Officer Bryant said that he had expectations that amount would increase to $4.5 million because of additional investment income earned which, conservatively, was not included in the projection. President Bishop noted that, in response to hearing from State Boards what they need, NASBA would be spending $6 million on its mission activities, while receiving only about $300,000 in membership dues from the Boards.

Mr. Smoll made a motion to approve the NASBA financial statements with the amended projection reflecting the additional estimated contribution to CPT from NASBA from the elimination of the intercompany receivable/payable. Mr. Burkett seconded and all approved.

Mr. Smoll made a motion to approve NASBA's fiscal 2014 budget for $2.3 million comprised of an operating excess of $1.2 million and investment income of $1.1 million. All approved the fiscal 2014 budget.

Mr. Smoll moved that the capital expenditures budget, included in the distributed material, be approved. Mr. Odom seconded and all approved.

Mr. Smoll made a motion to approve and implement the proposed investment policy changes as recommended by the A&F Committee. Mr. Burkett seconded and all approved.

9. Report of the Uniform Accountancy Act Committee

UAA Committee Chair Odom reported an exposure draft proposing changes to the Uniform Accountancy Act's definition of "attest," and other related sections, had been released on July 17. No formal comments have been received yet, he noted. Recalling that at the April Board meeting there had been some comments about the proposed definition of "report," Mr. Odom said no formal comment had been received on that section. Mr. Lodden said he had submitted a comment. Mr. Isserman stressed there is no assurance in a compilation report, though there may be implied assurance.

Vice Chair Johnson encouraged individual Boards to respond to the UAA exposure draft, including any comments they may have on the "report" definition. UAA Committee Chair Odom explained the NASBA/AICPA UAA Committee had accepted the wording in the exposure draft with the understanding that the Committee would continue to work on the document during the exposure period. There is a question whether agreed upon procedures (AUP) give assurance; if they do, the definition covers it, but if they don't it does not. Chair Hansen said there is controversy and NASBA wants to receive comments to weigh in on it. Ms. Gray asked if the Regulatory Response Committee would be submitting a letter and Mr. Hansen replied that they would if there is an issue.

Mr. Odom said language for an exposure draft on UAA changes to accomplish firm mobility is expected to be ready for the Board's consideration in September or October.

Ms. Conrad noted the AICPA's Auditing Standards Board released proposed standards on AUP on July 24. Mr. Odom said they seem to say there is no assurance.

Chair Hansen said he would meet with Mr. Isserman to discuss if the "report" definition presents a critical issue.

10. Report from the International Qualifications Appraisal Board

IQAB Chair Lodden reported IQAB had met on April 5 and spent time discussing how recognition of non-US professionals might be different in the future and, as a result, had constructed a paper summarizing those observations. On May 1 some IQAB members held a conference call with representatives of the Institute of Chartered Accountants in England and Wales and learned that a mutual recognition agreement does not appear to be moving forward because the UK's Financial Reporting Council insists that other bodies besides the chartered accountants' institutes be covered by the agreement. The agreement with the South African Institute of Chartered Accountants is also awaiting information from the South African regulator. AICPA and NASBA staff have prepared a white paper on recognition of international accounting professionals, which Mr. Lodden will be reviewing, for the AICPA/NASBA leadership summit.

As the Institute of Chartered Accountants in New Zealand is revising its qualification program and working to merge with the Institute of Chartered Accountants in Australia, NASBA/AICPA IQAB has recommended that the NASBA Board approve a memorandum of understanding to extend the MRA with New Zealand so that it expires at the same time as the one with Australia does in 2016. Director-at-Large Ray Johnson, who also serves as a member of IQAB for the AICPA, commented that this makes sense as the programs can be considered when they are aligned. The AICPA Board will be asked to approve the MOU as well. Mr. Lodden made a motion that such an MOU be issued. Mr. Parsons seconded and all approved.

11. Report from the Compliance Assurance Committee

CAC Chair Gray reported the Peer Review Oversight Committees' (PROC) Summit was held on July 10 and had 31 states represented by 66 attendees. Conference evaluations were extremely good, including some suggesting the meeting be made longer, Ms. Gray observed. Currently 23 states have an active or planned PROC, and the CAC is eager for all State Boards to have the ability to see peer review reports, Ms. Gray reported. At the PROC Summit it became obvious that the ways in which failed reports are being handled differ among the states. The CAC is developing a checklist and other materials to help Boards, so each Board does not have to re-invent the process.

The CAC needs to review UAA Section 7(h) and Model Rule 7-3 to update them to enable all states to see peer review reports, Ms. Gray said. Another issue that came out of a meeting with AICPA representatives is there are a several states which do not have the resources to check if firms really underwent a peer review, or just checked off the box that they had done it. Ms. Gray said she had spoken to NASBA Compliance Services Director Maria Caldwell who thought there might be something that could be done with the NASBA database to assist with this check and she will get back to the CAC.

Chair Hansen asked that Ms. Gray follow up with their suggestions to the UAA Committee.

12. Executive Session

From 1:00- 1:30 p.m. the Board went into a closed executive session. During that time, the Board of Directors ratified certain Executive Committee recommendations related to confidential (personnel) matters.

13. Report from Committee on Relations with Member Boards

Relations with Member Boards Committee Chair Chickering reported his committee had recommended that NASBA follow up with new State Board members to make sure they are welcomed at the NASBA meetings and informed of NASBA resources. Mr. Burkett said those who attended the June Eastern New Board Member Orientation Session from South Carolina gave the program a good report.

Also the Committee is recommending that quarterly conference calls with the Regions be conducted by the Regional Directors, with the assistance of Vice Presidents Dustin and Haberman and Director Johnson. Past Chair Harris suggested that the Communications Committee focus on more states having dedicated Communications Officers.

14. Report of the Bylaws Committee

Bylaws Committee Chair Burkes outlined for the Board the changes the Bylaws Committee was recommending. These included: renumbering the Bylaws, moving five subsections and bringing together Nominating Committee provisions; identifying additional documents to be added to a compendium to the Bylaws; formalizing the Chair's appointment of the Vice Chair to serve on committees; including the Secretary as a member of the Executive Committee; permitting the appointment of executive directors to other NASBA committees; making the Executives Directors Committee a standing committee; allowing what Delaware law provides for indemnification. Revisions were suggested to Bylaws Section 4.3.1, Section 5.3, Sections 8.1 and 8.2, Section 8.6.2, Sections 8.7 and 8.8, and Section 9.7. The Bylaws Committee considered, but did not recommend at this time, altering terms of the Regional Directors, prohibiting a Past Chair from serving on the Nominating Committee and establishing a governance committee.

Dr. Raymond Johnson moved that the Board approve for a membership vote at the Annual Business Meeting the changes proposed by the Bylaws Committee. Mr. Smoll seconded. Mr. Harris recommended that it be made clear that only current executive directors could serve on committees, not those retired. Mr. Allen said once someone is retired, he or she is no longer an executive director.

The Board unanimously approved moving the Bylaws Committee's recommendations to a vote of the membership at the Annual Business Meeting.

15. Report from the ARSC

Ms. Gray, a member of the AICPA Accounting and Reporting Standards Committee, reported their Clarity Task Force met on July 19, with recommendations on the proposed SSARS compilation engagements coming to the ARSC meeting to be held August 20-23. Under the proposal, there would be audit, review, compilation and a fourth non-attest preparation service that would be separated from the attest compilation service. Based on conversations the ARSC has held, Ms. Gray believes an engagement letter would still be required for preparation. Also for preparation services there would still be the need to agree on what services the CPA is providing. Basically SSARS 8 would go away, she explained.

16. Contract Negotiations

President Bishop stated that he and Mr. Hansen would need to sign contracts on the Uniform CPA Examination and they need to be empowered by the NASBA Board to do so. These include: (1) three-way contract for the international delivery of the Uniform CPA Examination with the AICPA and Prometric; (2) two-way contract for the international delivery of the Uniform CPA Examination with the AICPA; and (3) amendment to the CBT Services Agreement on the domestic delivery of the Uniform CPA Examination. The AICPA contract would extend until 2024 and the contract with Prometric until 2019 with another possible five-year extension.

Executive Vice President Conrad explained the elements of the contracts under consideration. They included items such as: how retired items from the CPA Examination could be used, how fees are to be allocated, other examinations that may be created and basis for terminating the agreements.

Mr. Burkett made a motion that the Board authorize the Chair and President to execute on behalf of NASBA the three contract documents in accordance with the terms described at this meeting. Mr. Parsons seconded and all approved.

17. Report on Standards for Private Company Reporting

Chair Hansen reported he had attended the fourth meeting of the Private Company Council, held in July. All the members of the Financial Accounting Standards Board were also in attendance. He said that he felt the PCC is making good progress and that NASBA will continue to monitor the work of the PCC. The PCC producing four deliverables in six months is an amazing process, President Bishop remarked.

Issues raised by NASBA with the AICPA about their Financial Reporting Framework for Small- and Medium-Size Entities relate to: transparency, disclosures, making sure there is no confusion, defining who is covered by the term SME and the need for parameters around who can use the FRF. Chair Hansen said the AICPA is working on these issues with NASBA Vice President Dan Dustin. NASBA is not collaborating with the AICPA, or endorsing the FRF, but is giving the AICPA input on things that need to be changed, he explained. In the long run, if the PCC is successful in what it is doing, there will be no need for FRF, Mr. Hansen said.

You cannot pass up an opportunity to make things better when something is already out there and potentially doing public harm, President Bishop stated in describing NASBA's and the AICPA's talks. As the PCC develops authoritative GAAP standards, the need for, and use of the FRF, or parts thereof, will likely change. Mr. Bishop said he believes many new documents explaining FRF will be coming from the AICPA including a decision tree to indicate when it is appropriate to use FRF for SMEs instead of GAAP. The CPA would need to disclose the reasons why FRF is being used. The FRF decision tree will have to do with several criteria, including a company's accounting complexity, not just its size, Mr. Bishop stated.

Also coming out of the NASBA Board's April meeting was the idea of developing a Model Rule to limit third parties issuing OCBOAs. Rule promulgation is on the table with the AICPA too, Mr. Bishop said. This will come up at the August leadership Summit.

18. Report on Standard Setting Study Group

Part of the NASBA Board's April resolution was the creation of a Standard Setting Study Group, Chair Hansen said, and that group held its first meeting on July 25. It included: Chair Hansen, Donald H. Burkett (SC), Walter C. Davenport (NC), Raymond N. Johnson (OR), Harry O. Parsons (NV) and Laurie J. Tish (WA), plus President Ken L. Bishop, Executive Vice President Colleen Conrad and Legal Counsel Noel L. Allen and, via phone, Walter C. Davenport (NC). The group set its charge as: "Provide recommendations for setting professional practice standards for all entities other than those that are publicly traded. Also, address various options Boards of Accountancy have as to the breadth and depth of their involvement in establishing standards."

The group's July 25 meeting lasted for three hours, in which time they decided first they need to define what constitutes "authoritative standards," and does that need to be in the UAA. Can a CPA use non-authoritative standards? Is OCBOA authoritative?

In no way does the Study Group want to circumvent the UAA process, Mr. Bishop said. A white paper was created by Mr. Allen which will be worked on and turned into a discussion document for the Annual Meeting, Chair Hansen stated. Another idea is to have an unbiased third party, perhaps an academic, look at this topic and share supporting research. Mr. Hansen questioned it there might need to be a tie-in with the AICPA, to create something like an Examination Review Board for standard-setting.

19. Other Issues

Executive Directors Liaison Kasin asked for additional information about including firm mobility provisions in the Uniform Accountancy Act. President Bishop said proposed language from the UAA Committee has not yet been received. UAA Committee Chair Odom said language from the task force is expected in a week's time and that will be discussed by the NASBA/AICPA UAA Committee before it is brought to the NASBA and AICPA Boards for their approval for release as an exposure draft.

Chair Hansen said NASBA is supportive of firm mobility for those states that will adopt it, but NASBA is not going to push the concept for adoption by all states.

President Bishop explained that NASBA had initiated consideration of this concept because, when individual mobility was promoted years ago, the promise was made to some states that firm mobility would be revisited in the future. NASBA's position is that states wanting to adopt firm mobility need to do so in a uniform and consistent way. AICPA may be more motivated to see the adoption of this concept, but their leadership has agreed not to ask State Societies to push for its adoption unless there is concurrence with the State Board, Mr. Bishop stated.

Ms. Kasin said she was speaking for multiple states that are waiting to see what is proposed. In some states the societies are promoting firm mobility. President Bishop noted that, when the Board chairs and presidents were asked about firm mobility during their Eastern and Western Regional Breakfast Meetings, none said they opposed it. Vice President Johnson noted that 17 states already have some form of firm mobility.

20. Next Meeting

The next meeting of the NASBA Board of Directors will be held on Friday, October 25, 2013 in Maui and the nominees for the Board of Directors will be invited to attend, Chair Hansen said.

21. Adjournment

On a motion by Vice Chair Johnson, seconded by Mr. Odom, all approved adjourning the meeting at 4:16 p.m.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Highlights of the Board of Directors Meeting
October 25, 2013 – Maui, HI

At a duly called meeting of the Board of Directors of the National Association of State Boards of Accountancy, Inc., held on Friday, October 25, 2013 at the Hyatt Regency in Maui, HI, the Board took the following actions:

▫ Ratified action taken by the Executive Committee to authorize the CEO to handle the determination of the reconfiguration of NASBA's headquarters in Nashville, TN, to increase the rental space's efficiency.

▫ Received a report from Chair Gaylen R. Hansen (CO) on his presentation about standard setting to the AICPA's October Council Meeting. He also attended the October 1, 2013 meeting of the Private Company Council and concluded they are making significant progress. Chair Hansen told the Board that the August 9, 2013 AICPA and NASBA leadership summit meeting was cordial and productive.

▫ Heard from Treasurer E. Kent Smoll (KS) and NASBA Senior Vice President and CFO Michael R. Bryant that NASBA had its best year ever in operating income, investment income and net income with a net increase in net assets of $4.8 million versus the prior year's $1.4 million. NASBA also devoted more resources toward mission-related activities and services that directly benefit the Boards than in any prior year.

▫ Were briefed by NASBA President and CEO Ken L. Bishop about the October 3, 2013 meeting of NASBA leaders with representatives of the Instituto Mexicano de Contadores Publicos in Nashville. He also discussed NASBA's increased role into legislative activity this year, under the leadership of Legislative and Governmental Affairs Director John Johnson, who is tracking 206 active bills that have direct impact on Boards of Accountancy. Great progress has also been made by the NASBA International Evaluation Service, which now is being used by 40 states, President Bishop reported.

▫ Approved three motions brought by Audit Committee Chair Kim L. Tredinnick (WI): (1) Accepted the fiscal 2013 consolidated financial statements and auditor's report for NASBA as presented by the Audit Committee; (2) Accepted the fiscal 2013 financial statements and auditor's report for the NASBA Center for the Public Trust as presented by the Audit Committee; and (3) reappointed Lattimore Black Morgan & Cain, LLC, as NASBA's independent auditors for the year ending July 31, 2014.

▫ Were advised by NASBA Executive Vice President and COO Colleen Conrad that the NASBA/AICPA/Prometric contract for the international administration of the Uniform CPA Examination was signed in late July and that two other associated contracts are expected to be completed shortly.

▫ Heard from Vice Chair Carlos Johnson (OK) that all current Board of Accountancy members who had requested appointment to NASBA's 2013-14 committees had been appointed to their selected committees. In addition, Mr. Johnson is creating a Leadership Development Group and a Tax Advisory Group.

▫ Learned from Uniform Accountancy Act Committee Chair Kenneth R. Odom (AL) that the exposure draft on UAA firm mobility language had been released in October and the comment period extended until January 31, 2014. Comments on the redefinition of "attest" have been received and are under consideration by the UAA Committee.

▫ Approved the appointment of the officers, board members and lifetime board members of the NASBA Center for the Public Trust.

▫ Reviewed with Chair Hansen what lessons had been learned from the actions taken by the NASBA Board 2012-2013.

▫ Heard from NASBA President Bishop that the following NASBA nominees had been appointed: Elizabeth Gantnier (MD), Joshua W. Partlow (VT) and Richard N. Reisig (MT) members of the Auditing Standards Board; Miley W. (Bucky) Glover (NC) and Thomas Winkler (IL) members and Alan Cohen consultant of the Board of Examiners; Richard G. David (MI) member of the AICPA Professional Ethics Executive Committee Board; Cynthia Borders-Byrd (FL) member of the AICPA State Board Committee; and NASBA Chair Gaylen R. Hansen (CO) reappointed to the Standing Advisory Committee of the Public Company Accounting Oversight Board and the Consultative Advisory Groups of the IAASB and the IESBA.

▫ Received a report from Global Strategies Committee Chair Theodore W. Long, Jr. (OH) on "Defining a Global Strategy." He summarized the paper's 11 recommendations aimed at clearly communicating the role of the Boards of Accountancy to the international community.

▫ Heard from Past Chair Mark P. Harris (LA) that the Diversity Task Force had given its report to NASBA Chair Hansen with recommendations for inclusion of more minority group members and women in the Association's leadership. The Task Force will continue its work in 2013-2014.

▫ Thanked Chair Gaylen R. Hansen (CO), retiring Director-at-Large Theodore W. Long, Jr. (OH), Past Chair Mark P. Harris (LA), Regional Directors Jefferson Chickering (NH), Miley W. (Bucky) Glover (NC), Kim Tredinnick (WI), Karen Forrest Turner (CO), and executive directors' liaison Nicole Kasin (SD) for their service to NASBA.

The next meeting of the Board will be on January 17, 2014 in Palm Springs, CA.

Distribution: State Board Members and Executive Directors, NASBA Committee Chairs, NASBA Board of Directors, NASBA Staff Directors

Executive Summary
August 7, 2013 – October 10, 2013
Regional Directors' Focus Question Responses

29 State Boards Responding

1. NASBA continues to work to improve its vetting process so that when it takes a position on a controversial matter it represents our best effort to ascertain what State Boards support. What is the most effective way to communicate matters requiring vetting with your Board?

Among responses – Email/mail communication to Board Executive Office and Executive Director will distribute to Board Members. Focus Questions, Regional Directors and the *State Board Report* are also suggested means by which to communicate with Boards of Accountancy.

2. NASBA has taken a position on firm mobility that, if Boards want to adopt it, they should do it in a consistent and uniform fashion. However, NASBA is not advocating that every Board adopt firm mobility, taking into consideration each Board's unique circumstances. Accordingly, the UAA Committee is working on proposed language for a uniform approach to firm mobility. When a UAA exposure draft is ready, is there any additional background information you would like to see that would assist your Board in its consideration of firm mobility?

Among responses – AL, AZ, CO, ID, TN, TX, WY - Already have firm mobility.
GU, OK - Need white paper and research re: compliance.
PA, SD - Concerned about border states and consistency and transparency of peer review in all states.
VA - An opportunity, at some point during the process, to see/know what other Boards are considering or already have in place.
IA, KS, ND, RI, VT- No further information needed.

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

CA - Beginning 1-1-14 licensees renewing their license in an active status for whom no criminal offender record information is on file with the California Department of Justice will need to undergo fingerprinting and a criminal background clearance, impacting approximately 28,000 licensees.
CO - Requires CPAs to create succession plans.
PA - Effective 8-18-13, Pennsylvania has eliminated the requirement that a CPA candidate possess attest experience in order to meet the certification requirements.
WA - Undertaking discussion about "Changing Face of Education," including moving to 3 year Baccalaureate.

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

Among responses – AZ - Interested in incorporating by reference AICPA Code of Conduct and various professional standards published by AICPA.
OK, PA & WV – Provide continued feedback on services NASBA offers so Boards can utilize.

For details, see Regional Directors' Focus Question Report.

11.13.13

NASBA REGIONAL DIRECTORS' REPORT

The following is a summary of the written responses to focus questions gathered from the member boards by NASBA's Regional Directors between August 7, 2013 and October 10, 2013. Responses which indicated nothing to report have not been included in this summary.

Respectfully submitted,

Jefferson M. Chickering (NH) – Chair, Committee on Relations with Member Boards
Northeast Regional Director
Jimmy E. Burkes (MS) – Southeast Regional Director
Donald Aubrey (WA) – Pacific Director
Bucky Glover (NC) – Middle Atlantic Regional Director
Janice L. Gray (OK) – Southwest Regional Director
Douglas W. Skiles (NE) – Central Regional Director
Kim Tredinnick (WI) – Great Lakes Regional Director
Karen Forrest Turner (CO) – Mountain Regional Director

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1. NASBA continues to work to improve its vetting process so that when it takes a position on a controversial matter it represents our best effort to ascertain what State Boards support. What is the most effective way to communicate matters requiring vetting with your Board?

Alabama – Email.

Arizona – Send information to the Executive Director and it will get put on a subsequent Board agenda for discussion.

Arkansas – Email messages to the Board members and Executive Director.

California – The most effective and timely way to communicate matters requiring vetting with the California Board of Accountancy is through Focus Questions or via request to the California Board of Accountancy's Executive Officer. Ideally, allowing a minimum of 60 days to respond would ensure the California Board of Accountancy has sufficient time to deliberate any matters during its six regularly scheduled Board meetings.

Colorado – The most effective way to communicate is simply to request the information directly from the Executive Director and Board members. It will be important to solicit input with a specific deadline in an attempt to collect common themes and feedback within a short period of time. Depending on the issues and the information needed, there may not be enough time for each board to consider the matter and provide a formal response and there may be some Boards that choose to remain silent.

Guam – Request for comment via email to the Executive Director and Board members, stating response deadline. Any failure to respond timely shall be considered acquiescence with NASBA's stated position.

Hawaii – Email transmission to the Board's Executive Officer at Laureen.M.Kai@dcc.hawaii.gov. Ms. Kai will then disseminate the information to the Board.

Idaho - The most effective way to communicate matters requiring vetting with the Idaho Board would be to send information to the Executive Director who would oversee the information being sent to the Board members.

Illinois – The best way to communicate with the Board of Examiners is by email to the Executive Director as well as the Board Chair.

Iowa – Email.

Kansas – Email; conference call with Regional Directors.

Michigan – To send a communication to both our Executive Director and Board Chairperson would be sufficient. We meet on a regular basis and can evaluate if further discussion amongst others in the department or others on the Board is necessary.

Montana – Through the Executive Officer with adequate time allowed to get a response from the full Board. When issues arise, NASBA should immediately get the information to the Board via the Executive Officer. The vetting process should not be after the fact so Boards have an opportunity to comment.

Nevada – The best way to communicate matters to the Board is to email or send the information directly to the Executive Director. The Board can also receive information directly, however coming from the Executive Director is the most efficient method.

New Jersey – Email/mail to Executive Director.

North Carolina – The Board requests that all Board members, Executive Director and Deputy Director receive any communication regarding matters that require vetting by the Boards. This communication should be given ample opportunity to be vetted by the Boards. Not all Boards meet monthly or during tax season, and need to be able to reply to the matter.

North Dakota – Email is fine.

Ohio – Email – continue sending focus questions for a collective response.

Oklahoma – Direct communication via email with the individual Board members as well as copying Executive Director of the Board.

Pennsylvania – Our Board does not have an Executive Director and relies upon the full Board to comment on all positions that NASBA may deem controversial. Since our Board members only meet once per month, it would be best to communicate with our Board electronically to facilitate the dissemination of the matter to each of our members. Based on the feedback deadline, the matter can either be deliberated by the full Board at the next regularly scheduled meeting or we could seek electronic feedback from our members.

Rhode Island – E-mail to dawne.broadfield@dbr.ri.gov.

South Dakota – Email to the Executive Director and the Board Chair. NASBA could also consider asking the Boards' opinions on matters before publicly stating NASBA's opinion on issues.

Tennessee – Send the information to the Executive Director who will then disseminate to the individual Board members. The response can then be summarized and sent back to NASBA as reflective of the entire Board as opposed to one individual Board member's opinion.

Texas – Communications should be addressed to the Executive Director, preferably by email followed up by mail, in order to allow the additional time that that electronic communications provide. The Executive Director is the person most able to coordinate a timely Board response.

Vermont – We feel the *State Board Report* and quarterly communications bundle is working effectively. We also feel like we can contact our Regional Director or Dan Dustin as specific needs come up.

Virginia – An email or letter to the Executive Director and Board Chair.

Washington – Vetting requests should be sent to the Executive Director of the agency (AKA *Board of Accountancy*). The Board relies on the Executive Director to communicate the Focus Questions to the Board members.

West Virginia – The best way is to send out e-mails to the Board Presidents and Board Staff so they can look at what the issues are and then weigh in with their comments and/or separately communicate with the rest of their State Board members before getting back to NASBA. Realizing some of this needs to happen quickly – like in the case of the AICPA FR Framework issuance – it still needs some opportunity for vetting by the Boards before NASBA comes out with a position, if we are truly a Mission Driven – Member Focused organization. We also realize the regional Board Members –liaisons – are to be part of this reach out. Another avenue can be group conference calls or webinars where the issues are presented and feedback can be obtained from the participants at the time of the meeting or shortly thereafter with polls or the use of other feedback tools.

Wyoming – The vetting process should be appropriate to the issue. Each issue may deserve different types of communication to facilitate the vetting process.

2. NASBA has taken a position on firm mobility that, if Boards want to adopt it, they should do it in a consistent and uniform fashion. However, NASBA is not advocating that

every Board adopt firm mobility, taking into consideration each Board's unique circumstances. Accordingly, the UAA Committee is working on proposed language for a uniform approach to firm mobility. When a UAA exposure draft is ready, is there any additional background information you would like to see that would assist your Board in its consideration of firm mobility?

Alabama – Alabama has already implemented firm mobility. It was adopted and implemented along with CPA mobility in 2009.

Arizona – Arizona already has firm mobility.

Arkansas – Our Board would be more comfortable with the idea of firm mobility if we had real world examples from Boards who already have firm mobility as to how they handled enforcement cases involving firms coming into their states to provide professional services.

California – The California Board of Accountancy needs sufficient time to consider the UAA exposure draft. Given that the California Board of Accountancy meets every other month, the comment period should be at least 60 days or longer. Additionally, the exposure draft should be broad enough to allow for forms of organization not recognized in a state. It should also consider other registrations required by each state such as registering with the Secretary of State or state taxing authorities.

Colorado – CPA firm mobility already exists in Colorado.

Guam – Yes, two documents: (1) a white paper discussion of the pros and cons concerning a jurisdiction's acceptance of "firm mobility." (2) a "plain language" legal pro forma Q&A defining and discussing a Board's ability to regulate (authorize, oversee and/or discipline) a firm's activities within its jurisdiction with real-world and/or hypothetical case analyses; please also address the implications of accepting firm mobility and the ensuing implementation practicalities faced by a Board doing so.

Hawaii – The Hawaii Board is continuing its efforts to legislate individual CPA mobility; the Board believes that consideration of firm mobility is premature and unwarranted at this time.

Idaho – Idaho has already adopted Firm Mobility so we don't have any additional background information but we would comment that to this point, we have not had any major issues with Firm Mobility and/or the firms which have come into our state from states outside of Idaho.

Iowa – No.

Kansas – Not that we are aware of.

Michigan – A draft of the exposure draft with proposed changes marked would be helpful. In conjunction with the exposure draft if there are any questions on which you would like additional input, please indicate this.

Montana – Our question is, how do we know a firm is suspended and now doing work in our state if we don't have any kind of registry? What was the discussion behind the North Carolina decision to continue to require firm notification?

Nevada – The Board approved firm mobility through its initial implementation of the mobility language. No additional information is needed for the Nevada Board.

New Jersey – New Jersey has taken a "wait and see" approach to firm mobility -- what concerns they are alleviating and what concerns still exist.

North Carolina – The Boards should be given the following information for consideration of firm mobility:

- The jurisdictions that allow fictitious firm names, allow association names in firm names, and allow non-CPA owners names in firm names.
- The jurisdictions that do not require firms to register with the Board.
- The jurisdictions that allow firms to register as non-professional LLCs, LLPs and corporations.
- The jurisdictions that do not require firms to participate in the AICPA Peer Review Program.
- The jurisdictions that allow non-CPA ownership in firms and the requirements such as percentage of non-CPA ownership, participation ownership, natural person ownership, etc.

North Dakota – No.

Ohio – Statistics of how results or decisions are made.

Oklahoma – Significant review regarding compliance issues and enforcement with firms performing attestation work in the states needs to be considered.

Pennsylvania – Firm mobility is a topic familiar to most of our Board members, many of whom are in public practice. The most important matter for our Board to consider when dealing with firm mobility may be the positions taken by our border states regarding this matter

Rhode Island – No.

South Dakota – Consistency and transparency in peer review for all states would need to occur before firm mobility is considered.

Tennessee – Tennessee already has firm mobility in place. However, uniform language would be beneficial to have in place so that there is no misinterpretation of the statute.

Texas – The Texas legislature addressed mobility by amending the Texas Act in 2007 and we have an established and effective mobility regulatory program. Texas law is clear in that it permits individuals licensed in another state to practice in Texas on a temporary basis without a Texas license but the individuals are required to have a firm license if they provide attest services.

The UAA committee is considering revising the UAA to address the issue between limited mobility, like Texas, and mobility where all accounting services may be provided by out of state licensees on a temporary basis.

To better understand the issues we would like to see a narrative explaining the different types of mobility that exist in each of the states having mobility and an analysis that would include the positive and negative experiences in each of those states.

It is Texas Executive Director Bill Treacy's understanding that mobility legislation in some states implies that mobility applies to all accounting activities including attest. Information on the experiences from those states would be helpful.

Vermont – No we do not feel like we need more information on Firm Mobility at the current time. We are currently focused on implementing the transition to individual mobility and are in communications with the State Society and Colleges to assist them in understanding the transition process to the 150 semester hour requirement. We will continue to watch the Firm Mobility initiative and consider in the future.

Virginia – An opportunity, at some point during the process, to see/know what other Boards are considering or already have in place.

Washington – The WA Board would support a uniform approach to Firm Mobility. However, the Board suggests that an analysis be conducted, by jurisdiction, of the following issues (*resulting in formal strategies to address each specific issue*) <u>before</u> a uniform approach is codified in the UAA are:

1. <u>Definition of Attest and Attestation Services</u> (for which a license is currently required by <u>resident firms</u>) acceptable to those states that license, in the aggregate, the majority of Licensed CPA Firms;

2. Adverse reaction by legislators and citizen watchdog groups who frequently express a significant level of concern over complaint-based investigations (*versus proactive performance monitoring*) of firms providing attest and/or attestation services;

3. Each Board's staffing and financial ability to proactively identify negligent attest performance by out-of-state firms performing attest services or desire to do so in the event the proposed language specifies "No Notice, No Fee";

4. Impact on <u>Board Revenue</u>, *by jurisdiction*, if a "No Notice, No Fee" or "Registration with No Fee" is proposed in the UAA Exposure Draft;

5. A Board's ability to coordinate with other state agencies to ensure that mobility firms are compliant with other licenses and registrations under state law, i.e. all state taxes are paid and corporate /partnership registrations are completed;

6. Enforcement Issues *between or among* Firm Mobility States and those *states that do not adopt firm mobility or do not require firms at all.*

7. Cost-Benefit Objective Evidence should be obtained to determine if the benefits of a reduced administrative burden to the CPA firms as a result of "No Notification, No Fee" equals or exceeds "The Cost to Boards of Monitoring Performance and Investigative and Legal Costs sufficient to timely Protect the Public from Substandard Attestation Services."

The UAA committee might also study the issue of Domestic and Foreign Firms performing audits of SEC registrants with "Home Offices" in a state without obtaining a required state license under existing state laws. This might shed additional light on the issues involved, e.g. ensuring any form of firm mobility results in a level playing field for all firms-Domestic and Foreign.

NOTE:

During previous testimony on other matters, Executive Director Richard Sweeney has been frequently asked by Washington State legislators:

- Why is the Board not proactive with respect to assessing the quality of Public Company Audits? and

- Why is the Profession not focused on the reliability of the non-financial information that underlies the financial information?

Washington statute RCW 18.04.015 provides (in Part) that the purpose of the State's Public Accountancy Act is

To promote the reliability of information which is used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial or noncommercial enterprises whether public, private, or governmental;

Given the statutory respect for the attest function, the Executive Director believes that "No Notice, No Fee" might not be favorably received by the Washington State Legislature.

West Virginia – Our biggest concern will be the potential revenue loss and any ideas on how to address this. We will need to look at what other states are doing and how they are handling states that do not adopt the UAA guidelines, similar to how this worked in the individual CPA mobility transitional period

Wyoming – Wyoming already offers firm mobility.

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

Alabama – Continue to hear rumors about consolidation of State Licensing agencies in Alabama but nothing firm has developed.

Arizona – The Board recently updated its statutes – Laws 2013, Chapter 136, HB 2260 and it is also working on a proposed rulemaking. The Board adopted a retirement status as part of its legislative changes.

California – California implemented mobility for CPAs on July 1, 2013. Most CPAs are able to exercise their practice privilege rights in California with no notice and no fee. CPAs with certain disqualifying conditions must get approval from the California Board of Accountancy prior to practicing in California. Additionally, CPAs from ALL substantially equivalent jurisdictions who are disciplined by the SEC and PCAOB will be posted on the California Board of Accountancy website and need to get California Board of Accountancy approval prior to practicing in California. Out-of-state CPAs who wish to perform an audit, review or compilation for an entity headquartered in California can only do so through a firm registered with the CBA.

Beginning January 1, 2014, two important regulatory changes will take effect that will significantly impact the license renewal requirements. First, licensees renewing their license in an active status for whom no criminal offender record information is on file with the California Department of Justice will need to undergo fingerprinting and a criminal background clearance. The California Board of Accountancy anticipates that this will impact approximately 28,000 licensees. Second, with the initial peer review phase-in now complete (which took three years), the reporting requirement will be moved to the time of license renewal. This change is designed to aid in compliance with the peer review reporting requirement.

Colorado – The Board has new rules effective July 1, 2013 that further clarify the requirements for examination licensure now and after July 1, 2015 when the education in lieu of experience pathway will expire. The Board clarified that foreign trained applicants must provide proof that they earned a bachelor's degree with a minimum of 120 hours. The chapters that impact current licenses were also updated to clarify the CPE required, reporting, license status changes, etc. Colorado also added in a requirement that all CPAs have the responsibility of securing client records in the event of death or incapacitation so that CPA's create a succession plan.

The Board recently issued a Cease and Desist Order to a Canadian chartered accountant who was using the CPA designation in our state without a CPA license.

Guam – The Guam legislature recently passed the "Responsible Boards and Commissions Education Act," a law requiring all Board Executive Directors to establish, within 90 days, and annually update, an education program for all Board members. Failure to complete the education program within 180 days of appointment results in the Board's member's removal.

Hawaii – The recently-enacted peer review requirement for Hawaii CPA firms requires that CPA individuals and firms who engage in the peer review of Hawaii CPA firms be licensed in the State of Hawaii and possess valid individual permits to practice and firm permits to practice.

Illinois – Governor Quinn recently signed the Public Accounting Act sunset revisions which extend the Act for an additional 10 years.

Iowa – Discipline cases and staff shortage.

Kansas – We are forming an Educational Task Force to ensure that we have a direct dialogue with the Kansas 4-year colleges regarding the exam requirements and their interaction with the firms through their internship and recruiting programs.

Michigan – We are in the process of evaluating our sanction guidelines.

Montana – We are in the process of updating our entire body of rules. We are transitioning from our Profession Monitoring Program to mandatory peer review. We now have a full time Executive Officer.

Nevada – The Board is currently going through the second public hearing required to permanently adopt regulation changes to the experience required for CPA licensure. The Board has changed the required experience to two years public accounting or four years in internal audit or governmental accounting and auditing. It has removed the previously required audit/attest hours and specific CPE for governmental/internal audit agencies.

New Jersey – (1) We have recently commenced our audit of CPE compliance for the 2009-2011 triennial period. (2) Evaluating regulations on education requirements.

North Carolina – The occupational boards in North Carolina pursuant to HB 74 are to be studied by the Program Evaluation Division of the General Assembly to consider the feasibility of a single State agency to oversee the administration of all or some of the boards, whether there is greater efficiency and cost effectiveness by combining administrative functions while allow boards to continue regulatory functions, and whether the total number of boards should be reduced by combining and/or eliminating some boards. If any jurisdiction has a study on why boards should be independent or non-umbrella agency, we would appreciate a copy of the study or information.

North Dakota – We are moving to a more "paperless" environment – with the elimination of licensee files (key data is stored in database).

Ohio – Ohio is in the process of revising the administrative code and is attempting to incorporate UAA where possible.

Pennsylvania – Effective August 18, 2013, Pennsylvania has eliminated the requirement that a CPA candidate possess attest experience in order to meet the certification requirements. Candidates are still required to meet the general experience and education requirements before certification. For the first time, Pennsylvania licensees must obtain 4 hours of ethics related CPE before license renewal for the 2014-15 biennial period deadline of December 31, 2013.

Rhode Island – Rhode Island joined the majority of State Boards in eliminating the "Accounting and Auditing" requirements for CPEs for all licensees.

Texas – There were a number of amendments to the Texas Public Accountancy Act that were very important.

The Act was amended to assure the confidentiality of our board's complaint investigations by taking the investigatory committee meetings out from under the state's Open Meetings Act.

The Legislature also amended the Act to permit the Board to consider the abatement of the collection of certain fees and penalties when payment had been impossible or would subject the licensee to extreme and unreasonable hardship beyond the licensee's control. The criteria for abatement would be determined by a future Board rule.

The Act was amended to clarify that information communicated by a client to a CPA in connection with accounting services provided by the CPA are required to be disclosed by the CPA: 1. in response to a court order signed by a judge, 2. a subpoena or summons issued by the IRS or the Texas Securities Board, 3. in accordance with the requirements of the Public Company Accounting Oversight Board and 4. may be disclosed in the course of a practice review by another CPA or CPA firm for a potential acquisition or merger of one firm with another when both firms have entered into a non-disclosure agreement regarding the sharing of information between the two firms. These new exceptions to disclosure are in addition to the limited exceptions already in the Act.

In other legislation the Board's status as a Self-Directed, Semi-Independent (SDSI) state agency was changed from a pilot program to a permanent operational program. The SDSI status permits the Board the flexibility to set its own budget based upon changing needs rather than trying to project a budget two to three years out and not being able to make budget adjustments until the next legislative session. The determination by the Texas Legislature that the SDSI program has worked allows the Board to operate more as a business that is able to immediately adjust as events require it.

The next date that the Texas Public Accountancy Act will undergo Sunset Review was established by law to be 2019.

Washington –Undertaking discussion about the "Changing Face of Education", including, for example, the following:

- The movement toward the 3 year Baccalaureate degree: High school Advanced Placement, Home Schooling, Life-Work experience for college credit, K-12.COM, Charter Schools, etc.;
- The Foreign Education Experience: False transcripts and Unreliable Work Experience Verifications; and
- Wrestling with the question whether a series of post-baccalaureate credit courses that colleges and universities are offering that will not count for credit toward a Graduate Degree are appropriate for recognition to count toward the 30 additional hours of college education for licensure or should these credits be viewed as *unallowable* pre-licensure Continuing Professional Education (CPE) under Washington State Board Rules.

West Virginia – Our biggest question we are getting right now deals with naming issues and making determinations as to what is allowable.

Wyoming – The Board recently had a new member appointed by Governor Mead. Ms. Roxanne Ostlund, CPA, has joined the Board. Also, the Board's long-time Advisory Counsel retired from the Attorney General's office. He has been replaced by Ms. Kelly Roseberry, Assistant Attorney General.

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

Arizona - The Board is working on updating its rules. The Board has an interest in incorporating by reference the AICPA Code of Conduct and various professional standards published by the AICPA. The law in Arizona, A.R.S. §41-1028, states the following:

> 41-1028. Incorporation by reference
> A. An agency may incorporate by reference in its rules, and without publishing the incorporated matter in full, all or any part of a code, standard, rule or regulation of an agency of the United States or of this state or a nationally recognized organization or association, if incorporation of its text in agency rules would be unduly cumbersome, expensive or otherwise inexpedient.
> B. The reference in the agency rules shall fully identify the incorporated matter by location, date and otherwise and shall state that the rule does not include any later amendments or editions of the incorporated matter.
> C. An agency may incorporate by reference such matter in its rules only if the agency, organization or association originally issuing that matter makes copies of it readily available to the public for inspection and reproduction.
> D. The rules shall state where copies of the incorporated matter are available from the agency issuing the rule and from the agency of the United States or this state or the organization or association originally issuing the matter.
> E. An agency may incorporate later amendments or editions of the incorporated matter only after compliance with the rule making requirements of this chapter.

However, the AICPA only publishes historical editions of the Code of Conduct on its website and not professional standards (e.g., auditing standards, tax standards, peer review standards, etc.). It would be nice if NASBA could work with the AICPA to get them to archive and publish on their website professional standards in the same manner in which they do for the Code of Conduct. It does not make sense for a state Board to endeavor to write their own professional standards but it is also impossible to incorporate the AICPA standards by reference without a publically available free version that can be referenced by the regulated profession, board staff, board investigators, etc.

California – Due to budgetary considerations, California has been unable to attend NASBA events held outside of California. Until these budgetary considerations are resolved, it would be beneficial if more NASBA events were held in California.

Colorado – CPE audit and gaining a better understanding of foreign education and training, especially considering the Colorado rules provide more specificity on what is deemed to be a bachelor's degree.

Guam – (1) Provide the Board with an agenda/outline of NASBA's "New Board Member" orientation program to help fulfill the new Guam law requiring Board members be "educated" annually; (2) sponsor a "goodwill" trip of NASBA and the Guam Board to visit U.S. Embassies in China, focused on securing a streamlined visa process for mainland China CPA Examination candidates to sit for the Examination in Guam, and to promote the U.S. CPA Examination among qualified CPA prep providers in China.

Hawaii – Continuing to assist and support the Hawaii Board with scholarships to attend NASBA meetings.

Idaho – Dan Dustin has visited Idaho and has provided us information on the FRF-SME and the UAA definition of attest and we feel there isn't anything in particular that we need assistance with at this time.

Illinois – NASBA is currently assisting the Board of Examiners by providing international evaluation services on a temporary basis. Additionally, NASBA is currently reviewing our application processing to offer an objective viewpoint on possible enhancement to efficiency.

Iowa – Free Board from state control so job can be more effectively done.

Michigan – The board would be interested in having a NASBA representative meet with the Board at a future meeting. NASBA must be mindful of Michigan's statutory program authority. The Michigan statute authorizes and tasks the Department of Licensing & Regulatory Affairs (LARA) with administering the accountancy program with the assistance and advice of the Board. Therefore, the survey questions asked and all interactions between NASBA, LARA, and the Michigan Board must recognize the roles of each in the administration of the accountancy program.

Montana – The Board will be having a strategic planning session in November and will consider what kinds of services we might utilize.

New Jersey – We are hoping for NASBA's assistance in implementing the ALD program.

North Dakota – It would be nice to have membership dues at a lower level. For our small organization, the fee is about $4,200. Conference fees are getting quite high. Of course, we tend to send more than one person, so that makes the impact all the more.

Ohio – We are not afraid to ask for help and will do when needed.

Oklahoma – By providing continued feedback on the services that NASBA has been providing, such as statistics, information on email deliveries and bulletin readership.

Pennsylvania – It is important to keep us apprised of services that NASBA offers to our Board to which we may consider utilizing. We look forward to the annual presentation by the NASBA representative to our full Board.

Rhode Island – Continuation of ALD and CPAverify Programs implementation.

Virginia – The Board would be interested in knowing what other jurisdictions are doing relative to peer reviews (i.e., what they are doing about failed peer reviews or pass with deficiencies, and resulting enforcement actions, if any).

West Virginia – We are looking at possibly utilizing some of the services that NASBA provides to State Boards and will continue to pursue them as we find the time to analyze our needs.

Wyoming – The Board is monitoring a possible Board consolidation effort on the part of the legislature. The Board may be requesting assistance from NASBA.

5. 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: IA, WV
__ Input only from Executive Director: AR, AZ, OH, TN
__ Input only from Board Chair and Executive Director: ID, IL, MI, NC, ND, TX
__ Input from all Board Members and Executive Director: AL, GU, HI, MT, NJ, NV, OK, RI, SD, VA, WY
__ Input from some Board Members and Executive Director: KS, VT, WA
__ Input from all Board Members: CA, CO
__ Input from some Board Members
Other: __ Input from Board Chairman and Board Vice Chairman: PA

11.13.13

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 30, 2013.*** *Use additional sheets for your responses if needed.*

JURISDICTION______________________________**DATE**____________________

NAME OF PERSON SUBMITTING FORM____________________________________

1. Since the comment period has closed for the UAA Exposure Draft on the new definition for "attest," has your Board discussed the impact this new attest definition could have on existing accountancy statutes, rules and regulations of your State/Jurisdiction? If so, what changes, if any, will be required to adapt to this new attest definition?

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2. As discussed by Professor Karen Pincus at the NASBA Annual Meeting, the economics of higher education are pushing for more use of technology and less time on campus. Wharton is offering "An Introduction to Financial Accounting," a 10-week course, to anyone in the world. How will your state determine whether or not the education received from Massive Open On-Line Courses (MOOC) would qualify as meeting your educational requirements? Has your state looked into, or been concerned about, the quality of the education prospective candidates will receive from classes which can have over 100,000 enrolled students?

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3. What would you like to see from your Regional Director in the coming year? How can the Regional Director help you?

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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?

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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):