

ADOPTED REGULATION OF THE NEVADA

STATE BOARD OF ACCOUNTANCY

LCB File No. R075-03

§§1, 3-7 and 9-14 effective October 28, 2003

§§2 and 8 effective January 1, 2004

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §§1-7, 9, 14 and 15, NRS 628.120; §8, NRS 628.250, 628.280 and 628.375; §§10 and 11, NRS 628.120, 628.200 and 628.386; §§12 and 13, NRS 628.120 and 628.386.

Section 1. NAC 628.020 is hereby amended to read as follows:

628.020 1. Applications to take the examination for certification as a certified public accountant must be made on a form provided by the Board and filed with the Board . ~~on or before March 1 for the examination scheduled in May and on or before September 1 for the examination scheduled in November.~~ The examinations will be held at locations designated by the Board.

2. Each applicant must submit the names of at least three persons, one of whom must be a resident of Nevada and none of whom may be related by blood or marriage to the applicant, who can vouch for the applicant's character. No person may take the examination until the Board is satisfied that he is of fiscal integrity and without any history of acts involving dishonesty or moral turpitude.

3. An application is not considered filed until the fee for the examination and all required supporting documents, ~~other than~~ *including* official transcripts, have been received ~~, including photographs. Official transcripts must be received~~ by the Board . ~~on or before April 1 for the~~

~~examination scheduled in May and on or before October 1 for the examination scheduled in November.]~~

4. An applicant who fails to appear for an examination ~~[or reexamination]~~ forfeits the fees charged for the examination ~~[or reexamination]~~ unless the Board determines, based on information supplied by the applicant, ~~[before the scheduled time of the examination,]~~ that there existed reasonable cause beyond the applicant's control for the failure to appear.

5. Notice of the ~~[time and place of the examination will be mailed to each applicant with the notice of the]~~ acceptance of the application ~~[.]~~ *will be mailed to each applicant.*

Sec. 2. NAC 628.040 is hereby amended to read as follows:

628.040 1. *On or after January 1, 2004, the examination will be conducted on a computer.* The passing grade for each ~~[subject in]~~ *section of* the examination is 75 . ~~[percent.]~~

2. Except as otherwise provided in ~~[subsection 3,]~~ *this section*, an applicant who at one sitting receives a passing grade ~~[in any two subjects on]~~ *on any section of* the examination is entitled to *receive* conditional credit for ~~[the subjects]~~ *each section* passed. Any conditional credit granted pursuant to this section expires if all unpassed ~~[subjects on]~~ *sections of* the examination have not been completed within ~~[the next six consecutive examinations.]~~

~~—3.—At each examination, an applicant must be examined or reexamined in all subjects in which credit for passing has not been previously received. An applicant must receive a minimum score of 50 percent in all subjects not passed to receive conditional credit in the subjects passed.~~

~~—4.—An applicant who holds a conditional credit may be excused by the Board, for exceptional circumstances, from sitting for an examination. An applicant who wishes to be excused by the Board from sitting for an examination must petition the Board. If the applicant~~

~~wishes to be excused because of an illness, the petition must be accompanied by a written statement, signed by the applicant's physician, which sets forth the illness of the applicant.~~

~~—5.— If the Board approves the petition, it will:~~

~~—(a) Not consider the examination for which the applicant was excused as an examination for the purposes of subsection 2; and~~

~~—(b) Refund the examination fee minus the fee to review the application. The Board will charge a fee of \$25 to review the application.~~

~~—6.— An applicant who fails to appear to sit for an examination or reexamination and is not excused by the Board pursuant to subsection 4 is not entitled to a refund of any of the~~

~~examination fee paid.]~~ *18 months after the applicant passes a section of the examination. An applicant may not be reexamined on any section for which he did not receive a passing grade during the calendar quarter in which he failed to receive a passing grade for that section.*

3. An applicant who receives conditional credit before January 1, 2004:

(a) Is entitled to receive conditional credit for the corresponding section of the examination conducted on or after January 1, 2004.

(b) May take the examination conducted on or after January 1, 2004, as many times as the applicant would have been entitled to take the examination conducted before January 1, 2004.

(c) And fails to pass the remaining sections of the examination within the number of examinations authorized for an applicant before January 1, 2004:

(1) Forfeits any conditional credit he received for any section of the examination he passed before January 1, 2004; and

(2) Does not forfeit any conditional credit he received for any section passed on the examination conducted on or after January 1, 2004.

Sec. 3. NAC 628.066 is hereby amended to read as follows:

628.066 1. An applicant employed as an agent by the ~~Examination Division of the~~ Internal Revenue Service who submits an application to the Board for a certificate of certified public accountant may satisfy the requirements of subsection 2 of NRS 628.200 if he:

(a) Completes at least 2,000 qualified audit hours as an agent of the ~~Examination Division of the~~ Internal Revenue Service;

(b) Has at least 4 years of experience as an agent of the ~~Examination Division of the~~ Internal Revenue Service, under the supervision of a certified public accountant, of which at least 2 years must have been at a grade of not *less* than ~~less~~ GS-11; and

(c) Successfully completes the educational program described in NAC 628.0668 which is offered by the American Institute of Certified Public Accountants or a substantially equivalent program approved by the Board.

2. An applicant must comply with each of the requirements set forth in subsection 1 before submitting his application to the Board. The Board will not accept work experience, including experience in public accounting, internal audit experience or other governmental experience, other than that which is required by this section.

Sec. 4. NAC 628.0662 is hereby amended to read as follows:

628.0662 The Board will not accept qualified audit hours earned by an applicant as an agent employed by the ~~Examination Division of the~~ Internal Revenue Service unless:

1. He has at least 2 years of experience as an agent of the ~~Examination Division of the~~ Internal Revenue Service at a grade of not less than GS-11;

2. He has passed the Uniform Certified Public ~~Accountants~~ *Accountant* Examination; and

3. An internal review committee established ~~[pursuant to NAC 628.0664]~~ *by the Internal Revenue Service* has approved his work experience as an agent employed by the ~~[Examination Division of the]~~ Internal Revenue Service.

Sec. 5. NAC 628.0664 is hereby amended to read as follows:

628.0664 1. If an internal review committee for the Internal Revenue Service is established in this state ~~[, the Director of the Nevada District of the Internal Revenue Service shall appoint the members of the committee and submit to the Board]~~ *and if* a biographical profile of each member appointed to the committee ~~[for the Board's approval. The committee must consist of three]~~ *by the Internal Revenue Service is provided to the Board, the Board will approve or disapprove the members of the Committee. The Board will not approve any member of the Committee unless he is a* certified public ~~[accountants who are]~~ *accountant* certified by the Board and ~~[exereise]~~ *exercises* supervisory duties as ~~[employees]~~ *an employee* of the Internal Revenue Service.

2. The internal review committee shall review and, if appropriate, approve audit work of each person who submits an application pursuant to NAC 628.066.

3. The committee shall assign a case of sufficient volume and difficulty to each applicant for performance of the applicant's qualified audit hours. The case must:

(a) Consist of not less than \$10,000,000 in assets and be audited in accordance with the procedures for large cases and generally accepted auditing standards; and

(b) Include the preparation of an opinion report concerning related financial information.

↪ The committee shall not assign the same case to more than one applicant.

4. At least two members of the committee shall sign the applicant's certificate of attest experience, if the members of the committee have determined that the applicant has complied

with the requirements set forth in the certificate and NAC 628.066 and 628.0662. Any member of the committee who refuses to sign the form shall file a dissenting opinion with the certificate.

Sec. 6. NAC 628.0666 is hereby amended to read as follows:

628.0666 To satisfy the requirements of subsection 2 of NRS 628.200, an applicant earning work experience as an agent employed by the ~~[Examination Division of the]~~ Internal Revenue Service shall keep a record of his work experience, including related work papers, for review pursuant to NAC 628.067.

Sec. 7. NAC 628.067 is hereby amended to read as follows:

628.067 1. The Board will not accept qualified audit hours earned by an applicant as an agent employed by the ~~[Examination Division of the]~~ Internal Revenue Service unless:

(a) An independent quality control review of the Internal Revenue Service is conducted every 3 years pursuant to a program approved by the Board.

(b) The Internal Revenue Service establishes and maintains appropriately documented policies and procedures relating to quality control which comply with professional standards of auditing or accounting.

2. The Internal Revenue Service shall:

(a) Notify the Board of each final conference of the review of the Internal Revenue Service. The Board may observe the final conference.

(b) Submit the report of the review, letter of comments and responses thereto to the Board within 30 days after they are received by the Internal Revenue Service.

Sec. 8. NAC 628.120 is hereby amended to read as follows:

628.120 1. The following fees for examinations are prescribed by the Board:

(a) For *an* initial examination for a certificate as a certified public accountant, ~~[until~~

~~conditional credit is received,~~ the Board will establish each year a fee that will not exceed \$500.

(b) For reexamination, ~~[after conditional credit is received,]~~ the Board will establish each year ~~[fees]~~ *a fee for each section* that will not exceed \$100. ~~[per subject.]~~

(c) For review and inspection of examination papers\$100

(d) For proctoring the Uniform Certified Public Accountant Examination administered in this state and taken by a nonresident applicant if that applicant is not required to pay the Board a fee for the examination\$250

(e) For the transfer of the examination grades of an applicant to another state or jurisdiction of the United States.....\$50

2. The following fees for applications are prescribed by the Board:

(a) For an application for a certificate as a certified public accountant by reciprocity or pursuant to passing the Uniform Certified Public Accountant Examination administered in this state or in another jurisdiction..... ~~[\$100]~~ **\$200**

plus the actual cost of the investigation required pursuant to NAC 628.019, which will not exceed \$75.

(b) For an application for registration of a corporation, limited-liability company or partnership.....\$200

3. The following other fees are prescribed by the Board:

(a) For a temporary permit to a nonresident accounting firm:

The proprietor, partner, member or shareholder responsible for the conduct of the engagement..... ~~[\$160]~~ **\$200**

Each additional person employed in the conduct of the engagement during the period of the permit.....\$25

- (b) For filing an annual report for a corporation, limited-liability company or partnership ~~[\$100]~~ **\$125**
- (c) For the late filing of an annual report of a corporation, limited-liability company or partnership.....\$100
- (d) For reinstatement into public practice from retired or inactive status.....\$250
- (e) For the late filing of the annual renewal of a permit to practice public accounting, after January 31 of each year.....\$100
- (f) For an individual evaluation of experience pursuant to subsection 2 of NAC 628.060, in addition to any reasonable costs of travel actually incurred by the Board and imposed pursuant to subsection 3 of NAC 628.060 ~~[\$750]~~ **\$1,000**
- (g) For registering a fictitious name.....\$100
- (h) A uniform fee for an annual permit or an annual renewal of a permit to practice public accounting will be established by the Board each year. The fee will not exceed ~~[\$160]~~ **\$200** and will be prorated if an initial annual permit is obtained during the year.

4. Any fee paid pursuant to this section must be paid in the currency of the United States.

Sec. 9. NAC 628.140 is hereby amended to read as follows:

628.140 1. The name under which a proprietorship, partnership, limited-liability company or professional corporation engages in the practice of public accounting may not be misleading or deceptive.

2. ~~[A]~~ **The** name of a firm is misleading or deceptive if the name of the firm:

(a) Implies the existence of a corporation, when the firm is not a corporation, by the use of the abbreviations “P.C.,” “Ltd.” or similar abbreviations.

(b) Implies the existence of a partnership, when the firm is not a partnership, by the use of a designation similar to “Smith & Jones” or “C.P.A.’s.”

(c) Implies the existence of a limited-liability company, when the firm is not a limited-liability company, by the use of the abbreviations “Ltd.,” “L.L.C.,” “LLC” or “LC.”

(d) Includes the name of a proprietor, partner, member or shareholder who has withdrawn from the firm or, in the case of a corporation, has terminated his employment other than by retirement from public practice or by death, without the written consent of the person who has withdrawn being first obtained by the firm and filed with the Board. The name of the proprietor, partner, member or shareholder must be removed from the name of the firm or corporation within 120 days after the withdrawal or termination.

(e) Implies more than one principal, when there is only one shareholder, one member or one proprietor, by the use of a designation similar to “Smith & Co.,” “Smith & Assoc.” or “Smith Group.”

(f) Contains a misrepresentation of fact.

(g) Creates or is likely to create false or unjustified expectation of favorable results.

(h) Includes the name of a person who is not registered as a certified public accountant in any state or other jurisdiction of the United States or a foreign country.

3. A fictitious name must not be formulated in such a manner that the initials or parts of the name form a term or phrase that is misleading or deceptive.

4. A proprietorship, partnership, limited-liability company or corporation engaged in the practice of public accounting may not render professional services using:

(a) A name other than that which is stated in its certificate of registration; or

(b) A fictitious name unless the fictitious name has been registered with and approved by the Board.

Sec. 10. NAC 628.220 is hereby amended to read as follows:

628.220 1. A program qualifies as a program of continuing education if it:

(a) Is a formal program of learning which contributes to a growth in professional knowledge and the competence of a person engaged in the practice of public accounting; *and*

(b) Meets the minimum standards of quality of development, presentation, measurement and the reporting of credits set forth in the *Statement on Standards for Continuing Professional Education (CPE) Programs* published by the National Association of State Boards of Accountancy, as it existed on October 17, 2001, or other educational standards which may be established by the Board . ~~f~~;

~~—(c) Requires attendance or is a program for individual study;~~

~~—(d) Is at least 1 hour in length;~~

~~—(e) Is conducted by a qualified instructor or leader of discussions;~~

~~—(f) Is a postsecondary course of education or educational seminar;~~

~~—(g) Requires a record of attendance if it is not a program for individual study; and~~

~~—(h) Requires a written outline to be retained.]~~

2. A copy of the statement may be obtained at no cost from the National Association of State Boards of Accountancy, 150 Fourth Avenue North, Suite 700, Nashville, Tennessee 37219-2417 ~~f~~], *or on the Internet from the website of the National Association of State Boards of Accountancy at <<http://www.nasba.org>>.*

Sec. 11. NAC 628.230 is hereby amended to read as follows:

628.230 1. Qualified programs *of continuing education* dealing with the following general subjects are acceptable:

- (a) Accounting and auditing;
- (b) Taxation;
- (c) Management;
- (d) Computer science;
- (e) Communication arts;
- (f) Mathematics, statistics, probability and quantitative applications in business;
- (g) Economics;
- (h) Business law;
- (i) Functional fields of business, including finance, production, marketing, personnel relations, and business management and organization;
- (j) Specialized areas of industry ~~{(, including the~~ film industry, real estate ~~[, farming, etc.);}~~ *and farming*; and
- (k) Administrative practice ~~{(engagement letters, personnel, etc.);}~~ *, including engagement letters and personnel.*

2. Subjects other than those listed in subsection 1 may be acceptable if the applicant can demonstrate that they contribute to his professional competence. The applicant is responsible for demonstrating that a particular program is acceptable.

3. Programs for ~~individual~~ *independent study or self*-study are acceptable if they are approved by the Board.

4. The following group programs are acceptable if they meet the standards specified in NAC 628.220 and deal with the subjects listed in subsection 1:

- (a) Professional educational and developmental programs of national, state and local accounting organizations;
- (b) Technical sessions at meetings of national, state and local accounting organizations and their chapters;
- (c) Courses offered by a university or college, credit and noncredit;
- (d) Formal educational programs of a firm;
- (e) Programs of other accounting, industrial or professional organizations;
- (f) Meetings of committees of professional societies which are structured as formal educational programs;
- (g) Dinner, luncheon and breakfast meetings which are structured as formal educational programs; and
- (h) Meetings of firms for staff groups ~~and~~ *or* management groups, or both, which are structured as formal educational programs. The portions of these meetings which are devoted to the communication and application of general professional policy or procedure may qualify, but those portions which are devoted to administrative, financial and operating matters of firms generally do not qualify.

Sec. 12. NAC 628.240 is hereby amended to read as follows:

628.240 1. ~~[Credit for]~~ *For the purposes of* continuing education ~~[will be given only for each whole hour of attendance at the course. One hour shall be deemed to consist of 50 minutes. Only time spent in attendance and not for preparation will be credited.]~~, *50 minutes of instruction equals one credit of continuing education. Credit for continuing education may be earned in increments of less than one credit, if at least one credit is earned for the same subject.*

2. Each semester hour of credit given for a college course equals 15 hours. A quarter hour of credit equals 10 hours.

3. The amount of credit allowed for correspondence programs and formal programs for ~~[individual]~~ *independent study or self-study*, including taped programs, will be that amount which is recommended by the sponsor of the program. Applicants claiming credit for correspondence programs or formal programs for ~~[individual]~~ *independent study or self-study* must obtain evidence of satisfactory completion of the course from the sponsor of the program. Credit is allowed for the period of renewal in which the course is completed.

4. *The amount of credit for continuing education allowed for independent study will be the amount which is recommended by the sponsor of the program.*

5. *The Board may allow credit for continuing education for the publication of an article or book written by a practitioner if:*

(a) A written evaluation of the article or book is prepared by a person designated by the Board and submitted to the Board for its review; and

(b) After a review of the evaluation, the Board determines that the article or book contributes to the professional knowledge and competence of the practitioner.

6. Applicants who have served as instructors, leaders of discussions or speakers at qualified programs may claim credit for continuing education for time spent on both preparation and presentation. Credit claimed for preparation may not exceed two times the number of hours of the presentation. ~~[The maximum credit for preparation may not exceed 16 hours in any calendar year.]~~ Credit for teaching a ~~[particular]~~ course may not be claimed more than once in any consecutive 12 months without the prior approval of the Board. Approval will only be granted if

the Board determines that the content of the course has been substantially altered during that period.

Sec. 13. NAC 628.250 is hereby amended to read as follows:

628.250 1. Applicants for renewal of permits to practice issued pursuant to NRS 628.380 must file with their applications a signed statement listing the programs of continuing education for which they claim credit. The statement must include:

- (a) The name of the sponsoring organization;
- (b) The location of the program;
- (c) The title of the program or a description of its content;
- (d) The dates attended; and
- (e) The number of hours of credit claimed.

2. The applicant is responsible for documenting the acceptability of the program and the validity of the credits. The documentation must be retained for 4 years after the applicant files the signed statement pursuant to subsection 1 in which he claims credit for the program. The documentation must consist of one of the following:

- (a) A certificate of completion.
- (b) A copy of the outline of the course prepared by the sponsor of the course along with the information required by subsection 1.
- (c) For courses taken for ~~[scholastic]~~ *academic* credit at accredited universities and colleges, evidence of the satisfactory completion of the course is required. For noncredit courses, a statement of the hours of attendance signed by the instructor is required.
- (d) For formal programs for ~~[individual]~~ *independent study or self*-study, written evidence of completion is required.

(e) Any other documentation acceptable to the Board.

3. The Board will verify information submitted by an applicant for a permit on the basis of a test. ~~[In cases where]~~ *If* the Board determines that the requirement for continuing education has not been met, the Board may grant additional time for the deficiencies to be corrected.

Sec. 14. NAC 628.050 is hereby repealed.

Sec. 15. 1. This section and sections 1, 3 to 7, inclusive, and 9 to 14, inclusive, of this regulation become effective on October 28, 2003.

2. Sections 2 and 8 of this regulation become effective on January 1, 2004.

TEXT OF REPEALED SECTION

628.050 Examinations: Examination papers. All examination papers remain the property of the person who prepares the examination and will not be returned to the applicant for examination for certification as a certified public accountant. If the person who prepared the examination does not object, the Board may authorize an applicant to review and inspect his examination. An applicant who wishes to review and inspect his examination must submit to the Board an application for review and inspection which must be accompanied by a check payable to the “Nevada State Board of Accountancy” in the amount of the fee prescribed in NAC 628.120.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R075-03

The Nevada State Board of Accountancy adopted regulations assigned LCB File No. R075-03 which pertain to chapter 628 of the Nevada Administrative Code on September 17, 2003.

Notice date: 3/25/2003 & 5/21/2003

Date of adoption by agency: 9/17/2003

Hearing date: 5/21/2003 & 9/17/2003

Filing date: 10/28/2003

INFORMATIONAL STATEMENT

On September 17, 2003, the Nevada State Board of Accountancy, hereinafter referred to as "Board," adopted amendments to its regulations. A copy of the amendments to the regulations is attached hereto as Exhibit "A" and incorporated by reference herein. Notice of workshop and of a public hearing on the proposed regulations was sent to each licensee. A copy of the proposed regulations was provided to the State Librarian on April 2, 2003, and a copy was made available at the Board's offices for review. A copy of the notice of workshop and of public hearing is attached hereto as Exhibit "B" and incorporated by reference herein. The hearing was posted as required by NRS 241.020.

1. Description of Public and Business Comments:

A workshop and public hearing was conducted on May 21, 2003, by the Board in Reno, Nevada, in order to obtain comments from the accounting profession and general public. At the workshop and public hearing one individual appeared and no other individuals attended, except Board Members. The individual appearing was Jeanne H. Yamamura, CPA, M.I.M., Ph.D, from the College of Business Administration, University of Nevada. No written comments were received from the profession or anyone else. The sole witness thanked the Board for allowing her to attend, and attended to clearly understand the regulations as to the new uniform examination process and the costs thereof. A hearing was held by the Board in Reno Nevada on September 17, 2003.

The Nevada State Board of Accountancy has retained copies of the tape of the May 21, 2003 workshop and hearing and the September 17, 2003 hearing, and copies of the Board minutes of the meeting on May 21, 2003 and September 17, 2003, are available. Any interested party may obtain a copy of the Board's written minutes by contacting the Board's office, at 200 South Virginia Street, Suite 670, Reno, Nevada 89501.

2. Changes to Proposed Regulations:

Changes were made to the Regulations based on input from the Legislative Counsel Bureau, State of Nevada.

3. Estimated Economic Effect of Amendments to Regulations and Costs of Enforcement Thereof:

The amendments to the regulations have an impact on applicants to take the CPA examination based on an increase in the costs of the uniform CPA examination, as reflected in Section 10 of the Regulations.

The Board is authorized by the amendments to increase the fees for an Application of a Certificate to \$200.00, for a Temporary Permit of \$200.00, for an Annual Report for a corporation, limited liability company or partnership, and for an individual review of expenses, of \$1,000.00.

The amendment to the Regulations will have no impact on the general public and will not impose a direct and significant economic burden upon small businesses as set forth in NRS 233B.0608.

Any future economic effect to the Board will be covered by the increased fees set forth above.

4. The Amendments to the Regulations Do Not Overlay or Duplicate Any Other State or Federal Agency Regulation.

5. The Amendments to the Regulations Are Not More Stringent Than Any Federal Regulations That Regulate the Same Activity.

6. The Annual Increased Amount the Board Anticipates Receiving:

The Board anticipates that the increases to the Board will be nominal at this time. The changes were made to provide the Board the ability to cover the increased costs to the Uniform CPA Examination, and conducting individual review of experience.