

LCB File No. R075-03

PROPOSED REGULATION OF THE NEVADA STATE BOARD OF ACCOUNTANCY

(This proposed regulation was previously adopted as LCB File No. T028-03)

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

AUTHORITY: §1, NRS 628.120, NRS 628.230, NRS 628.280 and NRS 628.386

Nevada Administrative Code Chapter 628 shall be amended as follows:

Section 1

NAC 628.020 Examinations: Applications; notice of time and place. ([NRS 628.120](#))

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 *including* ~~other than~~ official transcripts, have been received *by the board* ~~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*.

Section 2

NAC 628.040 Examinations: Passing grades; conditional credit; excusal; failure to appear. ([NRS 628.120](#)) *Effective through December 31, 2003*

1. The passing grade for each subject in the examination is 75 percent.

2. Except as otherwise provided in subsection 3, an applicant who at one sitting receives a passing grade in any two subjects on the examination is entitled to conditional credit for the subjects

passed. Any conditional credit granted pursuant to this section expires if all unpassed subjects on 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.

NAC 628.040 Examinations: Passing grades; *transitional credit* ~~[conditional credit; excusal; failure to appear]~~. (NRS 628.120) *Effective January 1, 2004*

1. The passing grade for each subject in the examination *is 75*

2. ~~[Except as otherwise provided in subsection 3, a]~~ An applicant who at one sitting receives a passing grade in any ~~[two]~~ subject~~[s]~~ on the examination is entitled to ~~[conditional]~~ credit for the subject~~[s]~~ passed. Any ~~[conditional]~~ credit granted pursuant to this section expires if all unpassed subjects on the examination have not been completed within the next ~~18~~ ~~[six]~~ consecutive *months* ~~[examinations]~~.

3. *An applicant will not be allowed to retake a failed section(s) within the same 3 month examination period* ~~[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. *Candidates who have earned conditional credits under the paper-and-pencil Uniform CPA Examination, as of the start date of the computer-based Uniform CPA Examination, will be given credit for the corresponding sections of the computer-based CPA Examination* ~~[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. *Candidates who have attained conditional status as of the start date of the computer-based Uniform CPA Examination will be allowed a transition period to complete any remaining sections of the CPA examination.*

(a) *A candidate who has attained conditional status under the paper-and-pencil examination will be allowed the same number of exam opportunities to complete the examination under the computer-based exam.*

(b) If a candidate who has attained conditional status as of the start date of the computer-based examination does not pass all remaining sections during the transition period, those credits earned under the paper-and-pencil examination will expire and the candidate will lose credit for the sections earned under the paper-and-pencil examination.

(c) A candidate who has lost their conditional status under the paper-and-pencil examination will not lose credit for a section of the computer-based examination that is passed during the transition period.

~~[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.]~~

Section 3

NAC 628.050 Examination~~[s: 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](#).

Section 4

NAC 628.066 Experience as ~~[an agent of Examination Division of]~~ *a Revenue Agent with the Internal Revenue Service: General requirements.*

1. An applicant employed as ~~[an agent by the Examination Division of]~~ *a Revenue Agent with 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]~~ *a Revenue Agent with* the Internal Revenue Service;

(b) Has at least 4 years of experience as ~~[an agent of the Examination Division of]~~ *a Revenue Agent with* 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 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.

Section 5

NAC 628.0662 Experience as ~~[agent of Examination Division of]~~ a Revenue Agent with the Internal Revenue Service: Conditions for acceptance of qualified audit hours. The board will not accept qualified audit hours earned by an applicant as ~~[an agent]~~ a Revenue 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]~~ a Revenue Agent of the Internal Revenue Service at a grade of not less than GS-11;
2. He has passed the Uniform Certified Public Accountants Examination; and
3. An internal review committee established pursuant to [NAC 628.0664](#) has approved his work experience as ~~[an agent]~~ a Revenue Agent employed by ~~[the Examination Division of]~~ the Internal Revenue Service.

Section 6

NAC 628.0664 Experience as ~~[agent of Examination Division of]~~ a Revenue Agent with the Internal Revenue Service: Appointment and duties of internal review committee.

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]~~ an Internal Revenue Service Executive shall appoint the members of the committee and submit to the board a biographical profile of each member appointed to the committee for the board's approval. The committee must consist of three certified public accountants who are certified by the board and exercise supervisory duties as employees 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.

Section 7

NAC 628.0666 Experience as ~~[agent of Examination Division of]~~ a Revenue Agent with the Internal Revenue Service: Maintenance of record of experience.

To satisfy the requirements of subsection 2 of [NRS 628.200](#), an applicant earning work experience as ~~[an agent]~~ a Revenue 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](#).

Section 8

NAC 628.0668 Experience as ~~agent of Examination Division of~~ a Revenue Agent with the Internal Revenue Service: Educational requirements.

1. To comply with the requirements set forth in paragraph (c) of subsection 1 of [NAC 628.066](#), an applicant must complete at least 152 hours of credit in the following subject areas:

<u>Subject Area</u>	<u>Hours of Credit</u>
Professional Training for Public Accountants- Level I..... (Staff Training - Basic)	24
Designing Audit Programs for Small Business Engagements.....	8
Professional Training for Public Accountants - Level II..... (Staff Training - Semi-Senior)	24
Audits of Small Businesses:	
Applying Selected Statements on Auditing Standards (SAS).....	8
Financial Accounting Standards Board-Accounting Principles Board Review (FASB-APB).....	16
Professional Training for Public Accountants - Level III..... (Staff Training - Beginning In-Charge)	24
Preparing Financial Statements.....	8
Standards for Compilation and Review Services.....	8
Financial Statement Disclosures.....	16
Internal Control: The Auditor’s Responsibilities.....	8
Audit Risk and Materiality.....	8

2. The number of hours of credit designated for each subject area listed in subsection 1 is the minimum number of hours required for that subject area.

3. An applicant may take more than one course in any subject area.

4. An applicant is entitled to receive credit for any course he completes in the program, regardless of the title of the course, if the content of the course is within one of the subject areas listed in subsection 1.

5. An applicant may complete the requirements of the three levels of professional training described in subsection 1 by completing internal courses which have been previously approved by the board as being substantially the equivalent of the three levels of professional training described in subsection 1.

Section 9

NAC 628.067 Experience as ~~agent of Examination Division of~~ a Revenue Agent with the Internal Revenue Service: Quality control.

1. The board will not accept qualified audit hours earned by an applicant as ~~[an agent]~~ *a Revenue 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.

Section 10

NAC 628.120 Fees. ([NRS 628.120](#), [628.250](#), [628.280](#), [628.375](#)) ~~[Effective January 1, 2002.]~~

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

(a) ~~[For initial examination for a certificate as a certified public accountant until conditional credit is received]~~ *For initial application to sit for the CPA Examination*, the board will establish each year ~~[a]~~ *an administrative* fee that will not exceed ~~[\$500]~~ *\$200 and*.

(b) ~~[For reexamination after conditional credit is received, the board will establish each year fees that will not exceed \$100 per subject. For each part of the examination, the board will establish each year a fee that will not exceed \$100.]~~

~~—(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]~~

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*\$200.* ~~[\$100]~~
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*\$200* ~~[\$160]~~
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*\$125.* ~~[\$100]~~

(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](#).....\$1,000. ~~[\$750]~~

(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 \$200 ~~[\$160]~~ 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.

Section 11

NAC 628.140 Name of proprietorship, partnership, limited-liability company or professional corporation. ([NRS 628.120](#))

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 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.

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

(h) Contains the name of an individual who is not a licensed certified public accountant in connection with the terms CPAs or accountants.

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

Section 12

NAC 628.220 Standards for qualifying programs. ([NRS 628.120](#), [628.200](#), [628.386](#))

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;

(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.

~~[(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 *or* www.nasba.org.

Section 13

NAC 628.230 Programs on general subjects and group programs.

1. Qualified programs 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 (film industry, real estate, farming, etc.); and

(k) Administrative practice (engagement letters, personnel, etc.).

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 *independent or self* ~~[individual]~~ 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, 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.

Section 14

NAC 628.240 Credit.

1. *Sponsored learning activities are measured by program length, with one 50-minute period equal to one CPE credit. One-half CPE credit increments are permitted after the first credit has been earned in a given learning activity* ~~[Credit for 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].~~
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 *self* ~~[individual]~~ 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 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. *Credit claimed for independent study will be the amount recommended by the CPE program sponsor. The credit cannot exceed the time devoted to the learning activity and may be less than the actual time involved.*
5. *Credit may be claimed for published articles and books if they contribute to the professional competence of the licensee. To receive CPE credit, the article, book, or CPE program must be formally reviewed by an independent party. CPE credits should be claimed only upon publication.*
- 6 ~~[4]~~. 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.