

LCB File No. R149-04

PROPOSED REGULATION OF THE NEVADA
STATE BOARD OF ACCOUNTANCY

Nevada Administrative Code Chapter 628 shall be amended as follows:

NAC 628.210 Renewal of permit; exemption; waiver. (NRS 628.120, 628.386)

1. *Except as otherwise provided in NAC 628.110, an applicant for the renewal of a permit to engage in the practice of public accounting must complete at least 80 hours of continuing education, with a minimum of 20 hours in each year when 60 or more hours are provided in the previous year, and at least 4 hours of continuing education in the area of professional ethics during the 2 years immediately preceding the date for renewal of the permit.* ~~Except as otherwise provided in NAC 628.110, an applicant for the renewal of a permit to engage in the practice of public accounting must show that he has completed at least 80 hours of continuing education during the 2 years immediately preceding the date for renewal of the permit, of which at least 20 hours were completed in each year.~~

~~2. Except as otherwise provided in NAC 628.110, an applicant who has previously held a permit, but whose permit has, at the time of application, lapsed, must adhere to the educational requirements in subsection 1 during the 2 years immediately preceding the date he applies for the permit.~~

2 ~~3~~. An applicant seeking the first annual renewal of an initial permit is exempt from the requirements of NAC 628.210 to 628.250, inclusive.

3 ~~4~~. The requirements of NAC 628.210 to 628.250, inclusive, may be waived by the Board for reasons of personal hardship including health, military service, foreign residence, retirement or other good cause.

NAC 628.250 Records. (NRS 628.120, 628.386)

1. Applicants for renewal of permits to practice issued pursuant to NRS 628.380 must *provide the number of continuing education hours completed within the reporting calendar year. The applicant is responsible for maintaining the following information regarding the continuing education which they are claiming credit for:* ~~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 *license renewal* ~~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 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 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. 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.

NAC 628.262 Financial Statement Audit defined. (New Section) *“Financial Statement Audit” means one or more engagements that are issued under the Statements on Auditing Standards (SAS), Standards for Financial Audits contained in Government Auditing Standards issued by the U.S. General Accounting Office (GAGAS) or the Statements on Standards for Attestation (SSAE) engagements for audits of prospective financial statements, excluding agreed upon procedure engagements that are issued under the (SSAE).*

NAC 628.320 Submission of reports: Contents; time for submission; ~~[exemption from requirements]~~. (NRS 628.120, 628.386)

1. A practitioner shall engage in a practice monitoring program, which is approved by the board, to ensure that he is maintaining the standards of the profession. The practitioner shall submit all results issued by the practice monitoring program to the board. The reports will be classified by the board as Level I, II and III.

2. A practitioner who does not issue financial statement audits and chooses not to participate in a practice monitoring program as prescribed under subsection 1, shall participate in the board’s practice enhancement program. ~~[Except as otherwise provided in this section, a]~~ A practitioner shall submit to the Board a copy of a report, consisting of one copy of ~~[an audit,]~~ a review and a compilation, which he issued to a client in the previous 12 months, including full disclosure compilations, if issued. The reports must be submitted on or before May 1 of the year in which the practitioner is required to submit his reports.

~~*[2. A practitioner licensed by the Board for the first time is not required to file reports until his annual permit is filed for the next fiscal year.*~~

~~*—3. A practitioner who does not issue reports shall report that fact to the Board on a transmittal form. The form must be accompanied by an affirmation by the practitioner that the statements contained in the form are true. The practitioner is exempt from the requirements of NAC 628.261 to 628.420, inclusive, only for that period during which reports are not being issued.*~~

~~*—4.] Reports submitted to the Board must:*~~

~~*(a) Be selected by the practitioner.*~~

~~*(b) Be annual reports, if issued. If annual reports are not issued, other periodic reports must be submitted.*~~

~~*(c) Not indicate the identity of the client.*~~

~~*[5. The Board may exempt a practitioner from the requirements of NAC 628.261 to 628.420, inclusive, if the practitioner engages in a practice monitoring program, which is approved by the Board, to ensure that he is maintaining the standards of the profession.]*~~

NAC 628.330 Exemptions from reporting requirements (New Section)

1. The board may exempt a practitioner from the requirements of NAC 628.261 to 628.420 inclusive if:

(a) licensed by the Board for the first time, until his annual permit is filed for the next fiscal year.

(b) the practitioner does not issue reports and notifies the Board on a transmittal form. The form must be accompanied by an affirmation by the practitioner that the statements contained in the form are true. The practitioner is exempt only for that period during which reports are not being issued.

NAC 628.350 Procedure upon receipt of report; initial review and action by coordinator. (NRS 628.120, 628.386)

1. Upon receipt of a report from a practitioner, the Board will assign a number to it and, to maintain confidentiality, delete the identity of the practitioner for the purposes of review.

2. The Board will designate a coordinator who is a certified public accountant proficient in accounting and auditing procedures to review initially the reports received.

3. If the coordinator determines that a practitioner complied with applicable standards of reporting, *the board* ~~he~~ shall so notify the practitioner. The coordinator may assign reports from a practitioner to a reviewer for further review.

NAC 628.460 Reporting Convictions, Judgments, and Administrative Proceedings. (New Section)

1. Licensees shall notify the Board, on a form prescribed by the Board, within 30 days of:

(a) Receipt of an adverse peer review or inspection report; or

(b) Receipt of a second consecutive modified peer review or inspection report; or

(c) Imposition upon the licensee of discipline, including, but not limited to, censure, reprimand, sanction, probation, civil penalty, fine, consent decree or order, suspension, revocation, or modification of a license, certificate, permit or practice rights by:

(i) the Securities and Exchange Commission and Internal Revenue Service or

(ii) another state board of accountancy for any cause other than failure to pay a professional license fee by the due date or failure to meet the continuing professional education requirements of another state board of accountancy; or

(iii) any other federal or state agency regarding the licensee's conduct while rendering professional services, or

(d) Notice of disciplinary charges filed by the SEC, IRS, or another state board of accountancy, or a federal or state taxing, insurance or securities regulatory authority, or foreign authority or credentialing body that regulates the practice of accountancy;

(e) Any judgment, award or settlement of a civil action or arbitration proceeding of \$150,000 or more in which the licensee was a party if the matter included allegations of gross negligence, violation of specific standards of practice, fraud, or misappropriation of funds in the practice of accounting; provided, however, licensed firms shall only notify the Board regarding civil judgments, settlements or arbitration awards directly involving the firm's practice of public accounting in this state; or

(f) Criminal charges, deferred prosecution or conviction or plea of no contest to which the licensee is a defendant if the crime is:

- (i) any felony under the laws of the United States or of any state of the United States or any foreign jurisdiction; or*
- (ii) a misdemeanor if an essential element of the offense is dishonesty, deceit, or fraud.*

NAC 628.500 Adoption by reference of *Rules of Professional Conduct*; exceptions. (NRS 628.120, 628.160)

1. The board hereby adopts by reference the *Rules of Professional Conduct* adopted by the American Institute of Certified Public Accountants, as those rules existed on June 1, ~~2000~~ **2003**, with the following exceptions:

(a) References to “member” are amended to refer to “practitioner.”

(b) The definition of “financial statements” in ET Section 92 is amended to read as follows:

(1) “Financial statements” means:

(I) Any statements or footnotes related thereto that purport to demonstrate the financial condition of a person at a particular time or the change in a person’s financial condition during a particular period; or

(II) Any statements prepared using a cash or other comprehensive basis of accounting.

(2) The term includes balance sheets, statements of income, statements of retained earnings, statements of cash flows and statements of changes in equity.

(3) The term does not include incidental financial data that is included in reports concerning advisory services for management made to support recommendations to a client, tax returns or schedules in support of a tax return, or the statement, affidavit or signature of the person who prepares a tax return.

(c) The definition of “practice of public accounting” in ET Section 92 is amended to have the meaning ascribed to it in NRS 628.023.

(d) The disclosure required pursuant to Section B of Rule 503 must:

(1) Include the amount of the commission expressed in dollars or the method, described in plain language, used to calculate the commission;

(2) Include the name of the person or entity paying the commission;

(3) Be written;

(4) Be made on or before the date of referral or recommendation; and

(5) Be signed and dated.

(e) The statement, affidavit or signature of the preparer of a tax return does not constitute an opinion on a financial statement, and the preparer of the tax return is not required to make a disclaimer of such an opinion.

(f) The council resolution concerning rule 505 of organization and name in connection with the requirements for non-licensee owners as provided within section ET Appendix B.

2. A copy of the *Rules of Professional Conduct* may be obtained:

(a) By mail from the American Institute of Certified Public Accountants, P.O. Box 2209, Jersey City, New Jersey 07303-2209, at a cost of \$13.50 for a printed copy or \$10 for a copy on CD-ROM; or

(b) On-line from the American Institute of Certified Public Accountants at its website at <<http://www.aicpa.org/>>, free of charge.