

**PROPOSED REGULATION OF THE
NEVADA STATE BOARD OF ACCOUNTANCY**

LCB FILE NO. R068-17I

**The following document is the initial draft regulation proposed
by the agency submitted on 08/17/2017**

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Effective _____

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

AUTHORITY: §1, NRS 628.120, NRS 628.200 and NRS 628.386

A REGULATION relating to accountants; revising and enacting the provisions relating to the education required for the examination and for licensure, revising the experience requirements for licensure, and providing other matters properly relating thereto.

Section 1. Chapter 628 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 -9, inclusive, of this regulation.

Sec. 2. *New Section*

The following education is required to sit for the Uniform CPA Examination:

1. A Bachelor of Arts or a Bachelor of Science degree from a college or university recognized by the Board. The education transcripts provided to the Board should reflect the following:

a. A major in accounting; or

b. A degree with a major other than accounting supplemented by the following equivalency courses above the introductory level:

1. 9 hours in financial accounting, 3 hours in cost and managerial accounting, 3 hours in auditing, 3 hours in federal income tax, and 3 hours of business law.

Sec. 3. NAC 628.055 is hereby amended to read as follows:

The following education is required for licensure as a Certified Public Accountant:

1. The provision set forth in NRS 628.200 at least 150 semester hours from a college or university recognized by the Board may be satisfied in whole or in part by the equivalent number of quarter hours of college credits from a college or university recognized by the Board.

2. The 150 semester hours required pursuant to NRS 628.200 must include at least:

(a) Thirty semester hours in courses above the level of introductory courses which include 9 hours in financial accounting, 3 hours in cost and managerial accounting, 3 hours in auditing, 3 hours in federal income tax and 12 hours in electives related to accounting;

(b) Three semester hours in business law; and

(c) Twenty-four semester hours of courses in business, at the undergraduate or graduate level, other than courses in accounting and courses required under paragraphs (a) and (b), in the following subject areas:

(1) Behavior of organizations, groups and persons.

(2) Business finance.

(3) Business law.

(4) Computers.

(5) Data processing.

(6) Economics.

(7) Ethics in business.

(8) Legal and social environment of business.

(9) Management.

(10) Marketing.

(11) Oral communication.

(12) Quantitative applications in business.

(13) Statistics.

(14) Written communication, other than English courses for freshman students, including, but not limited to, business communications, advanced grammar and technical writing.

↪ The semester hours required by this subsection may be satisfied in whole or in part by the equivalent number of quarter hours of college credits from a college or university recognized by the Board.

3. An applicant holding a bachelor's degree and a master's degree in accounting that combined include 150 semester hours of education awarded by an institution which is accredited by an organization approved by the Board on the dates the degrees are awarded shall be deemed to be in compliance with the educational requirements set forth in NRS 628.200 and this section.

4. If a school or institution does not use a system of accounting based upon semester hours, the Board will convert the hours completed in such a school or institution to semester hours based upon a standard system of conversion.

Sec. 4. NAC 628.060 is hereby amended to read as follows:

1. The requirement of experience must be satisfied by an applicant for a certificate of certified public accountant as set forth in paragraph (a) or (b) of subsection 2 of NRS 628.200.

~~[2. To satisfy the requirement of paragraph (a) of subsection 2 of NRS 628.200, the experience of an applicant must consist of one, but not a combination of some portion of each, of the following:~~

~~—(a) Two years of public accounting experience in a partnership, corporation, limited liability company or sole proprietorship engaged in the practice of public accounting which includes using skills in accounting or auditing, finance, and advising or consulting with clients on matters relating to management or the preparation of tax returns or the furnishing of advice on matters relating to taxes;~~

~~—(b) Four years of experience in internal auditing work or governmental accounting and auditing work of a character, extent and nature sufficient in the opinion of the Board to be substantially equivalent to 2 years of experience in the practice of public accounting.]~~

2. Qualifying Experience consists of:

a. Two years of full-time employment within a registered public accounting firm;

b. Four years of full time employment in government and other industry positions;

or

c. Any combination thereof, but in all such cases involving a combination of Qualifying Experience, double the time in government or industry Qualifying Experience is needed to equal the Qualifying Experience in public accounting.

3. *Qualifying Experience includes the preparation, performance, supervision and review of qualifying tasks that require discretion and judgement with increasing responsibility and levels of complexity and competencies in accordance with professional standards under the direct supervision of a licensed Certified Public Accountant who has knowledge about and a higher level of responsibility for the subject tasks.*

4. *Qualifying Tasks that are performed by the professional staff include the following:*

a. *Compilation or preparation of historical financial statements and / or prospective financial information in conformity with generally accepted accounting principles or other comprehensive basis of accounting and the supervision and review of those tasks;*

b. *Review of financial statements prepared in conformity with generally accepted accounting principles or another financial reporting framework and the supervision and review of those tasks;*

c. *Auditing of financial statements and the supervision and review of audit activity;*

d. *Other attestation services related to historical and prospective financial information and the compliance with controls, laws and regulations, and contractual obligations and the supervision and review of those tasks;*

e. *Operational and other tasks frequently referred to as internal auditing activities;*

f. *Preparation of income tax, informational, and other returns of federal, state, local and foreign governments for individuals, corporations, partnerships and limited liability companies, charitable organizations, and estates and trusts, among others and the supervision and review of those tasks;*

g. *Design of internal controls over financial reporting and the supervision and review of those tasks;*

h. *Testing compliance with internal controls over financial reporting and the supervision and review of those tasks;*

i. *Testing of compliance with financial accounting and auditing and / or income tax laws and regulations, and contractual obligations and the supervision and review of those tasks;*

j. Testing of financial information and the design and effectiveness of controls as part of internal audit outsourcing and / or co-sourcing arrangements;

k. Fraud examinations and other forensic accounting;

l. Research related to the application of professional standards, laws and regulations;

m. Advice related to structuring prospective transactions and events to achieve a desired result in compliance with applicable professional standards, laws and regulations;

n. Subsets of Qualifying Tasks and the supervision and review of those components include, but are not limited to:

- 1. Engagement planning, including identification of significant transactions, accounts and processes, assessment of risks, program design, and timing of procedures;*
- 2. File organization and report assembly;*
- 3. Documenting findings and conclusions, including internal working papers; memorandums and reports for external use;*
- 4. Account analysis and verification procedures for all categories of assets, liabilities, equities, revenues, costs and expenses, and related information;*
- 5. Analytical procedures;*
- 6. Inspection and summary of documents;*
- 7. Valuation assertion testing, including appropriateness of inputs, related metrics and methods;*
- 8. Confirmation of information with independent parties;*
- 9. Design of sample plans and non-sampling selections;*
- 10. Written and verbal inquiry of responsible parties and their advisors;*
- 11. Direct observation of circumstances and events;*
- 12. Re-performance of processes and controls initially performed by others;*
- 13. Comparison of expectations and / or results to industry and other relevant metrics;*
- 14. Comparison of budgeted amounts to actual and/or expected results.*

5. Professional standards that may be relevant and govern the performance of Qualifying Tasks include:

- a. *Code of Professional Conduct of the American Institute of Certified Public Accountants (AICPA) or if applicable, of the U.S. Government Accountability Office (GAO) or the Public Company Accounting Oversight Boards (PCAOB);*
 - b. *Generally Accepted Accounting Principles (GAAP), defined for this purpose as including those applicable to the selected financial reporting framework that are derived from authoritative standards and certain interpretive non-authoritative guidance promulgated by the Financial Accounting Standards Board, the United States Securities and Exchange Commission, the Governmental Accounting Standards Board, and the International Accounting Standards Board and the AICPA and its Financial Reporting Executive Committee;*
 - c. *Generally Accepted Auditing Standards (GAAS), defined for this purpose as including those promulgated by the Auditing Standards Board of the AICPA, or if applicable, of the PCAOB, GAO, the International Auditing Standards Board, or the Institute of Internal Auditors;*
 - d. *Other standards issued by committees of the AICPA including, but not limited to:*
 - 1. *Statements on Standards for Attestation Engagements;*
 - 2. *Statements on Standards for Accounting and Review Services;*
 - 3. *Statements on Standards for Tax Services;*
 - 4. *Statements on Standards for Management Consulting Services.*
- 6. The following are considered to be Non-Qualifying Tasks and are not limited to the following:*
- a. *Administrative and clerical functions that do not require discretion and judgment or have significance related to a Qualifying Task;*
 - b. *Personnel recruiting;*
 - c. *Industrial engineering;*
 - d. *Actuarial services;*
 - e. *Expert testimony or litigation support, except in connection with another Qualifying Task;*
 - f. *Valuation services such as relative to real estate and personal property appraisals and business valuations, except in connection with financial statement valuation assertion testing;*

g. Bookkeeping, except in connection with another Qualifying Task;

h. Approvals and processing of routine accounting transactions such as in connection with cash receipts and disbursements, procurement of goods and services, payroll processing and recurring journal entries, among others, including the development, maintenance, and monitoring of electronic systems and tools, software and hardware, except in connection with another Qualifying Task.

~~[5.]~~ 7. To satisfy the requirement for experience, all work must have been performed in accordance with all applicable professional standards.

~~[6.]~~ 8. An applicant must complete and submit a form for the verification of experience to the Board as proof of his or her experience. The form must be signed, under penalty of perjury, by one or more certified public accountants who supervised, or have sufficient knowledge of, the applicant's work and can certify the character, extent and nature of that work. *An applicant is responsible for obtaining all records and supporting documentation of the applicant's experience for the inspection and review by the Board.*

~~[7.]~~ 9. An applicant who has obtained the experience which the applicant believes may satisfy the requirement described in paragraph (b) of subsection 2 but is unable to provide the verification of experience *signed under penalty of perjury by one or more certified public accountants* as required by subsection ~~[4]~~ 8 may request an individual evaluation by the Board of the character, extent and nature of his or her experience to determine whether the experience satisfies the requirement of paragraph (b) of subsection 2 of NRS 628.200.

~~[8.]~~ 10. An applicant who has requested an individual evaluation pursuant to subsection ~~[5]~~ 9 must pay an additional fee as provided in paragraph (e) of subsection 3 of NAC 628.016 for the evaluation by the Board of the character, extent and nature of the applicant's experience. The Board may require an applicant to reimburse the Board for reasonable costs of travel actually incurred in evaluating the character of an applicant's experience.

~~[9.]~~ 11. The applicant shall maintain, for 3 years after obtaining a certificate of certified public accountant, the records and supporting documentation of the applicant's experience for inspection and review by the Board.

~~[10.]~~ 12. A certified public accountant who signs an applicant's form for the verification of experience pursuant to subsection ~~[4]~~ 8 shall maintain, for 3 years after signing the form, any

records and supporting documentation of the experience of the applicant for inspection and review by the Board.

Sec. 5. NAC 628.460 is hereby amended to read as follows:

1. A person may not perform or offer to perform tax or management services while holding oneself out to be a certified public accountant ~~[or a public accountant]~~ if the person doesn't hold a current certificate and a live permit.

2. For the purposes of this section, a person is considered to "hold himself or herself out" as engaged in the practice of public accounting if the person represents to persons other than his or her employer or an affiliate, but for whom the person or the employer is performing or offering to perform services described in NRS 628.023, that he or she is a ~~[public accountant or]~~ certified public accountant. Such representation occurs with any written or verbal communication which represents the person to be a certified public accountant ~~[, public accountant]~~ or other similar title commonly understood to express expertise in accounting and auditing. The display in a place where services are performed by a person for others than himself or herself or his or her employer of a sign, certificate, diploma or other device whereby the public may reasonably conclude that the person is qualified and currently entitled to practice public accounting, when such person does not hold a live permit, constitutes holding oneself out as engaged in the practice of public accounting.

Sec. 6. NAC 628.520 is hereby amended to read as follows:

A practitioner or firm shall report to the Board not more than 30 days after:

1. The practitioner or firm receives a peer review or inspection report with identified deficiencies.

2. The decision against the practitioner or firm for the imposition of a disciplinary action, including, without limitation, a censure, a reprimand, a sanction, probation, a civil penalty, a fine, a consent decree or an order for the suspension, revocation, ~~[or]~~ modification , *restriction or denial* of a license, certificate, permit or right to practice or the voluntary surrender , *lapse, cancellation or resignation* of a license, certificate, permit or right to practice while under investigation by:

(a) Any agency of another state authorized to regulate the practice of accountancy in that state for any cause except:

(1) The failure to pay by the date due a fee for a license, certificate, permit or right to practice; or

(2) The failure to comply with a requirement for continuing education;

(b) Any federal or state agency for conduct of the practitioner or firm relating to the provision of professional services;

(c) Any agency of this State, another state or territory, ~~or~~ any agency of the Federal Government *or a foreign country*; or

(d) The American Institute of Certified Public Accountants, the Public Company Accounting Oversight Board or any other similar membership organization or association related to, having oversight of or primarily composed of practitioners.

3. Except as otherwise provided in this subsection, any settlement, award or judgment of \$150,000 or more against the practitioner or firm for a claim of or action for gross negligence, violation of a specific standard of practice, fraud or misappropriation of money in the practice of accounting. If the practitioner is a firm of certified public accountants, the practitioner shall notify the Board, pursuant to this subsection, of any settlement, award or judgment involving the practice of public accounting in this State.

4. The practitioner or firm is charged with, is convicted of or pleads nolo contendere to, or has an order of deferred prosecution entered in a case involving the practitioner or firm for:

(a) *Any criminal offense other than a minor traffic violation* ~~[felony]~~ under the laws of any state or of the United States; or

(b) A crime, an element of which is dishonesty or fraud, or any crime involving moral turpitude, under the laws of any state or of the United States or any foreign country.

5. The practitioner or firm is currently a defendant in any type of civil or administrative action related to the practice of public accounting, or in which allegations of accounting violations, dishonesty, fraud, misrepresentation, or breach of fiduciary duty have been made.

Sec. 7. NAC 628.560 is hereby amended to read as follows:

“Practice-monitoring findings” means the determinations and reports developed as the result of an evaluation of a practitioner conducted pursuant to a practice-monitoring program, including, without limitation:

1. A peer review report;
2. A letter of comment;
3. A letter of response;
4. A letter of acceptance; ~~and~~
5. *A letter of completion; and*

~~6~~ ~~5~~. Any other report or determination developed as a result of the evaluation of a practitioner conducted pursuant to a practice-monitoring program.

Sec. 8. NAC 628.575 is hereby amended to read as follows:

1. The Board will review the reports submitted by practitioners pursuant to NAC 628.550 to 628.590, inclusive, to determine whether the practitioners have complied with applicable standards of reporting on a 3-year cycle and will assign one-third of the practitioners who hold a live permit or current certificate in this State to each year of the cycle.

2. Each calendar year, the Board will notify each practitioner who is required for that year to submit to the Board a copy of the practice-monitoring findings or a transmittal form indicating that no audit, review, full disclosure compilation or attestation reports were issued by the practitioner in the previous year.

3. The 3-year cycle established pursuant to this section does not affect the requirements for the annual renewal of office registrations or permits contained in NRS 628.370 and 628.380.

4. The Board may develop a Peer Review Oversight Committee or participate with other states in a regional Peer Review Oversight Committee that reviews the practice monitoring agency that administers the Peer Review program.

Sec. 9. NAC 628.580 is hereby amended to read as follows:

1. Except as otherwise provided in subsection 4, a practitioner who performs audit, review, full disclosure compilation or attestation services shall engage in a practice-monitoring program, which is approved by the Board, to ensure that he or she is maintaining the standards of the profession.

2. If a practitioner engages in a practice-monitoring program, the practitioner shall submit to the Board the practice-monitoring findings of the practice-monitoring program during the year in which he or she is assigned to submit the practice-monitoring findings pursuant to NAC 628.575. The Board may extend the deadline for the submission of practice-monitoring findings to the Board by a practitioner.

3. The Board may verify the validity of the practice-monitoring findings submitted by the practitioner.

4. A practitioner who does not perform audit, review, full disclosure compilation or attestation services shall report these facts 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 628.550 to 628.590, inclusive, only for that period during which the practitioner does not perform audit, review, full disclosure compilation or attestation services. If a practitioner who is exempt from engaging in a practice-monitoring program pursuant to this subsection enters into an engagement to perform audit, review, full disclosure compilation or attestation services, the practitioner must notify the Board not more than 60 days after the date of entering into such engagement and must engage in a practice-monitoring program not more than 18 months after the date upon which he or she enters into the engagement.

5. A practitioner who is enrolled in the Peer Review Program is required to opt into the Facilitated State Board Access program that reflects the results of the practitioner's peer review.