

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

LCB File No. R046-13

Effective _____

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

AUTHORITY: §1, NRS 628.120

A REGULATION relating to accountants; revising the provisions relating to definitions, fees, examination, notification to the Board, certificate status, registration, name of firm, reports to the Board, complaints issued by the Board, adoption of the Code of Professional Conduct, reporting certain occurrences to the Board, peer review and providing other matters properly related thereto.

Section 1. Chapter 628 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 - 21, inclusive, of this regulation.

Sec. 2. NAC 628.010 Definitions. (NRS 628.120) As used in this chapter, unless the context otherwise requires:

1. "Board" means the Nevada State Board of Accountancy.

2. "Practitioner" means:

(a) A certified public accountant ~~for a public accountant~~ licensed by the Board to engage in the practice of public accounting; or

(b) A certified public accountant ~~for firm of certified public accountants which~~ *who* does not hold a live permit and does not have a registered office or residence in this State, but has been ~~issued~~ *granted practice privileges in accordance with NRS 628.315 and NRS 628.335.* ~~or has applied for, a temporary permit pursuant to NRS 628.440~~ ;

(c) A firm of certified public accountants that does not have a registered office or residence in this State, but has applied for out of state firm registration in accordance with NRS 628.315 and NRS 628.335.

3. *"Practice Privilege" means: the privileges granted a natural person in accordance with the provisions of NRS 628.315.*

4. *"Firm" means: a partnership, corporation, limited-liability company or sole proprietorship.*

Sec 3. NAC 628.016 Fees of Board. (NRS 628.120, 628.250, 628.280, 628.340, 628.343, 628.345, 628.360, 628.363, 628.365, 628.375, 628.380, 628.440)

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

(a) For an initial examination for a certificate as a certified public accountant, the Board will establish each year a fee that will not exceed \$500.

(b) For reexamination, the Board will establish each year a fee for each section that will not exceed \$100.

(c) 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.....	\$200
plus the actual cost of the investigation required pursuant to NAC 628.019, which will not exceed 175 100.	
(b) For an application for registration of a corporation, limited-liability company, for partnership, <i>or sole proprietorship, the Board will establish each year a fee that will not exceed</i>	200 500
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
Each additional person employed in the conduct of the engagement during the period of the permit.....	25
(b) (a) For filing an annual report for a corporation, limited-liability company, for partnership, <i>or sole proprietorship, the Board will establish each year a fee that will not exceed</i>	125 200
(c) (b) For the late filing of an annual report of a corporation, limited-liability company or partnership, <i>or sole proprietorship, the Board will establish each year a fee that will not exceed</i>	100 200
(d) (c) For reinstatement into public practice from retired or inactive status.....	\$250
(e) (d) For the late filing of the annual renewal of a permit to practice public accounting, after January 31 of each year, <i>the Board will establish each year a fee that will not exceed</i>	100 500
(f) (e) 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, <i>the Board will establish each year a fee that will not exceed</i>	1,000 5,000
(g) (f) For registering a fictitious name.....	\$100
<i>(g) For obtaining continuing professional education outside the required year, the Board will establish each year a schedule of administrative penalties that will not exceed</i>	\$3,000
(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 and will be prorated if an initial annual permit is obtained during the year.	
<i>(i) The Board shall charge a fee of \$0.50 per page up to 100 pages for providing a copy of a public record to a requester pursuant to NRS 239.052. For a public records request exceeding 100 pages, the Board may use a bulk copy center for copying the public record and the fee charged the requester shall not exceed the actual cost to the Board to provide the copy of the public record. The copy of the requested public record may be provided electronically as deemed appropriate by the Board.</i>	
4. Any fee paid pursuant to this section must be paid in the currency of the United States.	

Sec 4. NAC 628.018 Definitions. (NRS 628.120) As used in NAC 628.018 to 628.110, inclusive, unless the context otherwise requires:

1. “Qualified audit hour” means:

(a) An hour spent performing an operational audit, financial audit, compliance audit, management audit, *agreed-upon procedures*, or any other audit; or

(b) For determining the internal audit experience or governmental experience of an applicant for a certificate of certified public accountant, an hour spent performing an audit which is substantially similar to audits required in the practice of public accounting.

The term does not include an hour spent performing work typically performed by a controllership or assisting an independent auditor in preparing schedules.

~~2. “Qualified internal audit department” means an audit department which complies with the requirements set forth in NAC 628.0624.~~

Sec 5. NAC 628.020 Examinations: Applications; locations; additional prerequisites; failure to appear. (NRS 628.120, 628.230)

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. 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 official transcripts *that indicate all required education has been completed*, have been received by the Board.

4. An applicant who fails to appear for an examination forfeits the fees charged for the examination unless the Board determines, based on information supplied by the applicant, that there existed reasonable cause beyond the applicant’s control for the failure to appear.

5. Notice of the acceptance of the application will be ~~mailed~~ *provided* to each applicant.

Sec 6. NAC 628.030 Examinations: Requirements. (NRS 628.120, 628.190, 628.230)

1. The examination required by NRS 628.190 is the Uniform Certified Public Accountant Examination *or an examination approved by the Board*.

2. In addition to Uniform Certified Public Accountant Examination, no earlier than 3 years before filing the application for certification as a certified public accountant, an applicant must pass an examination in professional ethics which is prescribed by or acceptable to the Board.

Sec 7. NAC 628.040 Examinations: Format; passing grades; conditional credit; reexamination. (NRS 628.120, 628.230)

1. ~~On or after January 1, 2004, the examination will be conducted on a computer.~~ The passing grade for each section of the examination is 75.

2. Except as otherwise provided in this section, an applicant who at one sitting receives a passing grade on any section of the examination is entitled to receive conditional credit for each section passed. Any conditional credit granted pursuant to this section expires if all unpassed

sections of the examination have not been completed within 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. *At the discretion of the Board, an extension of time to complete the examination may be granted to an applicant who has demonstrated personal hardship and is unable to complete the examination in the required timeframe.*

~~{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 8. NAC 628.070 Certificate by reciprocity ~~for temporary permit~~. (NRS 628.120, 628.310, 628.440) The Board may grant a certificate by reciprocity ~~for a temporary permit~~ to practice to any person who is the holder of:

1. A certificate as a certified public accountant then in effect issued pursuant to the laws of any state or other jurisdiction of the United States; or

2. An equivalent certificate then in effect issued by a foreign country pursuant to the provisions of NRS 628.310.

Sec 9. NAC 628.080 ~~Waiver of e~~ Examination; submission of proof of continuing education. (NRS 628.120, 628.310)

1. The examination for a certificate as a certified public accountant will not be waived for an applicant whose certificate as a certified public accountant was based in whole or in part on the entitlement of the applicant to practice public accounting in a foreign country unless the applicant has passed an equivalent examination approved by the Board.

~~2. Every applicant for a certificate as a certified public accountant who wishes to obtain a waiver of the examination must file his application upon a form provided by the Board, accompanied by the prescribed fee.~~

~~— 3. The Board may accept the scores of an applicant from the Uniform Certified Public Accountant Examination *or an examination approved by the Board*, taken in another state and waive the manner in which the scores were obtained.~~

~~4 3.~~ An applicant must submit proof that he has completed at least 20 hours of continuing education within 12 months before the date of filing his application for the issuance of a certificate.

Sec 10. NAC 628.100 Notification of change of address. (NRS 628.120) Every holder of a permit *and every firm registered with the Board* must notify the Board in writing within 30 days

of any change in ~~his~~ mailing address, *email address, telephone number or any other contact information.*

Sec 11. NAC 628.110 Retired or inactive status; *voluntary surrender*; revocation for nonpayment of fees; reinstatement. (NRS 628.120, 628.380, 628.386)

1. For the purposes of this section:

(a) "Retired status" means the voluntary termination by a holder of a certificate of all activities in the profession of public, private or governmental accounting upon the attainment of at least 60 years of age or upon becoming permanently disabled and no longer gainfully employed; and

(b) "Inactive status" means the voluntary termination by a holder of a certificate of all activities in the profession of public, private, or governmental accounting before reaching the age of retirement.

(c) "Voluntary surrender status" means the voluntary relinquishment by a holder of his Nevada certificate.

~~1. 2.~~ The certificate of a certified public accountant ~~for the registration of a public accountant~~ who holds a live permit and is in good standing may, upon application ~~to the Board by the holder thereof, be placed by the Board~~ *and approval by the Board be placed* on retired or inactive status.

~~2. 3.~~ A certified public accountant ~~for a registered public accountant~~ whose certificate or registration is placed on retired status pursuant to subsection 1 must, if he thereafter includes any reference to his certification or registration on a business card, letterhead or similar document or device, include the word "retired" immediately following each such reference.

~~3. 4.~~ ~~Any employment related to the financial functions of business or government, including, without limitation, the supervision of such functions, will be considered as active involvement in the accounting profession, and the holder of the certificate for registrant does not qualify for inactive status.]~~ *Any of the following activities will be considered as active involvement in the accounting profession, and the holder of the certificate will not qualify for retired or inactive status:*

- (a) Any employment related to the financial functions of business or government or non-profit organization;*
- (b) Any supervision of the financial functions of business or government, or non-profit organization;*
- (c) Any preparation of tax returns or schedules in support of a tax return for compensation except for family members;*
- (d) Any volunteer position related to the financial functions of an entity except financial oversight required by law in a fiduciary capacity for the volunteer position;*
- (e) Any work as a trustee that includes the preparation of financial information for the trust with the exception of a family trust.*

~~4. 5.~~ A former holder of a certificate ~~for a former registrant~~ may be reinstated to the practice of public accounting from retired or inactive status by submitting an application to the Board accompanied by the fee prescribed in NAC 628.016. The applicant must show that he has completed at least 40 hours of continuing education, *including 4 hours in ethics*, during the 12 months immediately preceding his application.

~~{5}~~ 6. A former holder of a certificate whose certificate has been voluntarily surrendered to the Board must submit:

(a) A new application for licensing accompanied by:

(1) The application fee;

(2) The fee for annual renewal of the permit for any year the fee was not paid before he surrendered the certificate; and

(3) The penalty for late filing for any year fees were not paid before he surrendered the certificate as prescribed in paragraph (e) of subsection 3 of NAC 628.016; and

(b) Proof that he has completed at least 40 hours of continuing education during the 12 months immediately preceding his application.

~~{6}~~ 7. A former holder of a certificate whose certificate has been revoked ~~{for nonpayment of fees}~~ *or surrendered in lieu of disciplinary action* must submit:

(a) A new application for licensing accompanied by:

(1) The application fee;

(2) The fee for annual renewal of the permit for any year that the fee was not paid before his certificate was revoked; and

(3) The penalty for late filing prescribed in paragraph (e) of subsection 3 of NAC 628.016 for any year that a fee was not paid before his certificate was revoked; and

(b) Proof that he has completed at least 80 hours of continuing education ~~{programs approved by the Board}~~, *including 8 hours in ethics*, during the 12 months immediately preceding the filing of the new application ~~{}~~ *and*

(c) Evidence that any outstanding issues that are related to the disciplinary action that caused the revocation or surrendered status have been addressed to the satisfaction of the Board.

~~{7. For the purposes of this section:~~

~~—(a) “Inactive status” means the voluntary reversion by a holder of a certificate or a registrant to a nonprofessional status outside the fields of public, private or governmental accounting before reaching the age of retirement; and~~

~~—(b) “Retired status” means the voluntary termination by a holder of a certificate or a registrant of all activities in the profession of public or private accounting upon the attainment of at least 60 years of age or upon becoming permanently disabled and no longer gainfully employed.~~

Sec 12. NAC 628.130 Applications; approval or disapproval. (NRS 628.120)

~~1. {Applications for registration or any other required document or report must be filed with the Board at its office.~~

~~—2.}~~ A corporation, limited-liability company, ~~{or}~~ partnership *or sole proprietorship* must file with the Board an application for registration *as provided in NRS 628.355* ~~{on a form furnished by the Board}~~. The application must be accompanied by the prescribed fee.

~~{3.}~~ 2. *A certificate holder operating under a name other than the name of the certificate holder must first obtain approval by the Board for use of the fictitious name.* An application for registration of a fictitious name must be filed ~~{on a form furnished by}~~ *with* the Board. The application must be accompanied by the prescribed fee *in accordance with NAC 628.016.*

~~{4.}~~ 3. The Board, within a reasonable time after the submission of an application for registration, will either approve the application and issue a certificate of registration or refuse approval and notify the applicant of the reasons for refusal and the procedure for requesting a hearing on the disapproval.

Sec 13. NAC 628.140 Name of *sole* proprietorship, partnership, limited-liability company or professional corporation. (NRS 628.120)

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

2. 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~~, *without the written consent of the person first being obtained by the firm and filed with the Board, who has*:

(1) withdrawn from the firm ~~or, in the case of a corporation,~~ ;or

(2) 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~~.

If written consent has not been obtained and filed with the Board, the ~~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 *sole* 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 *unless it is performing services under the practice privilege provisions of NRS 628.315 and NRS 628.335 and the fictitious firm name is approved by the state in which the natural person’s principal place of business is located.*

Sec 14. NAC 628.160 Transfer of interest in partnership, limited-liability company, *sole* proprietorship, or corporation. (NRS 628.120)

1. The personal representative or estate of a practitioner who has died or become legally incompetent or a practitioner who is disqualified from practicing public accounting must sell his or her interest in a partnership, limited-liability company or corporation to the remaining owners

or to the legal entity not later than 6 months after the death or incompetency of the practitioner or not later than 120 days after the practitioner becomes disqualified.

2. All restrictions on the ownership and transfer of the interest described in subsection 1 must be set forth in the articles of incorporation or the bylaws of the corporation or in the operating agreement or articles of organization of the limited-liability company or partnership agreement.

3. Each licensee shall designate a partner, personal representative, or other responsible party to assume responsibility for client files in the case of incapacity or death of the licensee.

4. Where the licensee is incapacitated, disappears, or dies, and no responsible party is known to exist, the Board may petition for an order appointing another licensee or licensees to inventory the files and to take actions as appropriate to protect the interests of the clients. The order of appointment shall be public.

A. The appointed licensee shall

1. Take custody of the licensee's files and trust or escrow accounts;

2. Notify each client in a pending matter and, in the discretion of the appointed licensee, in any other matter, at the client's address shown in the file, by first class mail, of the client's right to obtain any papers, money or other property to which the client is entitled and the time and place at which the papers, money or other property may be obtained, calling attention to any urgency in obtaining the papers, money or other property;

3. Publish in a newspaper of general circulation in the county or counties in which the licensee resided or engaged in any substantial practice of accounting, once a week for three consecutive weeks, notice of the discontinuance or interruption of the accountant's practice. The notice shall include the name and address of the licensee whose practice has been discontinued or interrupted; the time, date and location where clients may pick up their files; and the name, address and telephone number of the appointed licensee. The notice shall also be mailed, by first class mail, to any errors and omissions insurer or other entity having reason to be informed of the discontinuance or interruption of the accounting practice;

4. Release to each client the papers, money or other property to which the client is entitled. Before releasing the property, the appointed licensee shall obtain a receipt from the client for the property;

5. With the consent of the client, file notices or petitions on behalf of the client in tax or probate matters where jurisdictional time limits are involved and other representation has not yet been obtained; and

6. Perform any other acts directed in the order of appointment.

Sec 15. NAC 628.180 Reports of corporations, limited-liability companies, ~~and~~ partnerships and sole proprietorships. (NRS 628.120)

1. A corporation, limited-liability company, ~~or~~ partnership *or sole proprietorship registered pursuant to NRS 628.355* shall, on or before January 31 of each year, file with the Board an annual report on a form provided by the Board reflecting its status and containing such information as the Board may require.

2. Each corporation, limited-liability company, ~~or~~ partnership *or sole proprietorship* shall *notify the Board* ~~file a special report~~ within 30 days after any occurrence relating to the requirements of the law and the regulations of the Board, including changes in officers, directors, members, shareholders, *proprietors* and amendments to bylaws and articles of incorporation.

~~{3. Each report filed pursuant to this section must be accompanied by the prescribed fee, including any prescribed penalty for late filing.}~~

Sec 16. NAC 628.190 Renewal of permit. (NRS 628.120, 628.380) Every permit *and firm registration* ~~{except temporary permits for nonresidents, may}~~ *must* be renewed by payment of the prescribed renewal fee on or before January 31 of each year. After that time, a certificate holder or registrant may not lawfully practice public accounting in this State until all delinquent fees and penalties have been paid.

Sec 17. NAC 628.430 Complaints issued by Board; notice of hearing; examination of documents. (NRS 628.120, 628.410)

1. A complaint issued by the Board will include:

(a) A short and plain statement of the matters which are asserted or charged; and

(b) References to any particular sections of chapter 628 of NRS, the rules of professional conduct or the regulations of the Board which are asserted to have been involved in the complaint.

2. A notice served pursuant to NRS 628.410 will be accompanied by:

(a) ~~{A copy of this regulation;~~

~~—(b) A copy of chapter 628 of NRS; and~~

~~—(c) A brief statement of the rights of the respondent to examine reports and evidence in advance of the hearing, to appear with counsel at the hearing, to present evidence and to appeal an adverse decision *and*~~

(b) A notice that copies of this regulation and chapter 628 of NRS are available at the Legislative Counsel Bureau's website www.leg.state.nv.us.

3. A respondent has the right in advance of the hearing to examine and copy any report of an investigation and documentary or testimonial evidence and summaries of evidence in the Board's possession relating to the subject of the complaint. The right of examination may be exercised by the respondent, his attorney or his agent at the Board's office where the records are kept, during regular business hours, if written notice is given 3 days in advance. Copies of any documents designated for copying will be promptly furnished. The Board may charge a fee for the copying.

Sec 18. NAC 628.500 Adoption by reference of Code of Professional Conduct; exceptions. (NRS 628.120, 628.160)

1. The Board hereby adopts by reference the *most recent edition of the Code of Professional Conduct* adopted by the American Institute of Certified Public Accountants ~~{as that code existed on June 1, 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”~~ *“public practice”* 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 Board does not adopt by reference pursuant to this section Appendix B of the ET Appendixes of the Code of Professional Conduct.

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

(a) By mail from the American Institute of Certified Public Accountants, Attn: Order Department, Harborside Financial Center, 201 Plaza Three, Jersey City, New Jersey 07311, ~~at a cost of \$13.75 for a printed copy;~~ or

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

Sec 19. NAC 628.510 Applicability. (NRS 628.120, 628.160)

1. The provisions of this section and the provisions adopted by reference pursuant to NAC 628.500 apply to all persons who are engaged in the practice of public accounting in this State.

2. The provisions of this section and the provisions adopted by reference pursuant to NAC 628.500 do not apply to a practitioner who engages in the practice of public accounting outside this State unless the practitioner’s name is included in a financial statement and the manner in which the statement is written would cause a reasonable person to believe that the statement was prepared pursuant to the laws of this State *or under the practice privilege provisions set forth in NRS 628.315 and NRS 628.335.*

3. A practitioner may be held responsible for compliance with the provisions of this section and the provisions adopted by reference pursuant to NAC 628.500 by all persons associated with him in the practice of public accounting who are under the practitioner’s supervision or are the partners or shareholders of the practitioner.

4. A practitioner shall not permit another person to perform on his behalf, with or without compensation, actions which, if performed by the practitioner, would result in a violation of any of the provisions adopted by reference pursuant to NAC 628.500.

Sec 20. NAC 628.520 Reporting of certain occurrences to Board. (NRS 628.120, 628.160, 628.386) A practitioner *or firm* shall report to the Board ~~on a form prescribed by the Board,~~ not more than ~~45~~ *30* days after:

1. The practitioner *or firm* receives ~~an adverse~~ a peer review or inspection report *with identified deficiencies*.
2. ~~The practitioner receives the second of two consecutive modified peer reviews or inspection reports.~~
- 3.— 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 of a license, certificate, permit or right to practice by:
 - (a) The Securities and Exchange Commission;
 - (b) The Internal Revenue Service;
 - (c) 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;
 - (d) Any other federal or state agency for conduct of the practitioner relating to the provision of professional services; or
 - (e) Any agency of this State, another state or territory, or any agency of the Federal Government authorized to regulate taxes, insurance or securities.
3. ~~4.~~ Except as otherwise provided in this subsection, any *settlement*, award or judgment of \$150,000 or more against the practitioner 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, ~~only~~ of ~~an~~ a *settlement*, award or judgment involving the practice of public accounting in this State.
4. ~~5.~~ 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) A 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 involving moral turpitude*, under the laws of any state or of the United States *or of any foreign country*.

Sec 21. NAC 628.575 Cycle for review of reports; notification of practitioners. ~~Effective January 1, 2008.~~ (NRS 628.120, 628.160, 628.386)

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 *holding a live permit or certificate and licensed* in this State to each year of the cycle.
2. ~~During the month of April of each~~ *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.

Sec 22. NAC 628.580 Participation in program; submission and verification of practice-monitoring findings; exempt practitioners. ~~Effective January 1, 2008.~~ (NRS 628.120, 628.160, 628.386)

1. Except as otherwise provided in subsections 4 and 5, 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 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 ~~on or before May 1 of each year~~ *during the selection year* in which he 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 enters into the engagement.

~~5. A practitioner licensed by the Board for the first time is not required to submit practice-monitoring findings to the Board until his application for the renewal of his annual permit is submitted for the next year.~~

The following sections are hereby repealed:

NAC 628.090 Temporary permits. (NRS 628.120, 628.440)

~~1. Pursuant to the provisions of NRS 628.310, an applicant whose certificate as a certified public accountant was issued by another state or jurisdiction of the United States approved by the Board or who holds an equivalent certificate then in effect issued by a foreign country pursuant to the provisions of NRS 628.310 is eligible for the issuance of a temporary permit if the applicant passes an examination approved by the Board that is substantially equivalent to the examination for a certificate as a certified public accountant that is conducted by the Board.~~

~~2. An application for a temporary permit must be in the name of the firm proposing to conduct the engagement and must be executed by the proprietor, partner, member or shareholder responsible for the conduct of the engagement. The person executing the application must have completed at least 80 hours of continuing education in a qualified program during the 2 calendar years immediately preceding the commencement of the engagement.~~

~~—3. If the applicant is a partnership, a limited liability company or a corporation of certified public accountants, the applicant must comply with the applicable requirements of NRS 628.325 to 628.370, inclusive.~~

~~—4. The application must specify the name of the client, the nature of the service to be provided and the anticipated duration of the engagement. A temporary permit is valid for the duration of the engagement or for 6 months, whichever is less. If the engagement is longer than 6 months, new permits must be obtained for each subsequent 6-month period or portion thereof.~~

~~—5. An agent designated pursuant to subsection 3 of NRS 628.440 shall serve for all future engagements of the applicant until the Board is advised to the contrary by the agent or by the applicant.~~

~~—6. Within 30 days after the expiration of a temporary permit, the applicant shall report to the Board the names of all persons present in the State and employed in the conduct of the engagement during the period of the permit and shall pay any additional fees prescribed by the Board. If reports or fees are delinquent from any prior engagement, the Board will not issue any further temporary permits to the applicant for any purpose. Delinquent reports must be accompanied by a delinquency penalty of 25 percent of the sum due for each 30-day period or part thereof during which the reports are delinquent, but a delinquency penalty must not exceed \$500 per report. The Board may waive such penalties in whole or in part if there is reasonable cause. All reports made pursuant to this section are subject to audit by the Board or its representatives.~~

~~—7. Applicants, their partners, members, shareholders, employees and affiliates, while practicing under a temporary permit, must comply with the regulations adopted by the Board which are effective during the term of the engagement.}]~~

NAC 628.261 Definitions. ~~[Effective through December 31, 2007]. [NRS 628.120, 628.386] As used in NAC 628.261 to 628.420, inclusive, unless the context otherwise requires, the words and terms defined in NAC 628.271 to 628.301, inclusive, have the meanings ascribed to them in those sections:~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)]~~

NAC 628.271 “Level I report” defined. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386) “Level I report” means a report which contains no deficiencies or minor deficiencies and is classified as acceptable:~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.275 “Level II report” defined. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386) “Level II report” means a report which contains deficiencies, such as departures from technical reporting or accounting standards, which do not render the report materially inaccurate or misleading and is classified as marginal:~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.281 “Level III report” defined. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386) “Level III report” means a report which:~~

- ~~—1. Is materially inaccurate or misleading;~~
- ~~—2. Violates one or more significant reporting standards;~~
- ~~—3. Seriously departs from generally accepted accounting principles; or~~
- ~~—4. Does not include material disclosures necessary for a fair presentation,~~
Ê and is classified as substandard.

~~— (Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

~~**NAC 628.285 “Office” defined.** [Effective through December 31, 2007.] (NRS 628.120, 628.386) “Office” means each place of business in this State where a practitioner engages in the practice of public accounting.~~

~~— (Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

~~**NAC 628.295 “Report” defined.** [Effective through December 31, 2007.] (NRS 628.120, 628.386) “Report” means a copy of an audit, a review and a compilation issued by a practitioner and the financial statements and disclosures related thereto.~~

~~— (Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

~~**NAC 628.301 “Transmittal form” defined.** [Effective through December 31, 2007.] (NRS 628.120, 628.386) “Transmittal form” means the document distributed by the Board to be used in submitting reports for evaluation or to advise the Board that no reports were issued by the practitioner in the previous year.~~

~~— (Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

~~**NAC 628.310 Adoption of cycle to review reports.** [Effective through December 31, 2007.] (NRS 628.120, 628.386)~~

~~—1. The Board will adopt a 3-year cycle to review the reports submitted by practitioners pursuant to NAC 628.320 to determine whether the practitioners have complied with applicable standards of reporting and will assign one-third of the practitioners in this State to each year of the cycle.~~

~~—2. 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.~~

~~— (Added to NAC by Bd. of Accountancy, eff. 1-21-88; A 5-18-94; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

~~**NAC 628.320 Submission of reports: Contents; time for submission; exemption from requirements.** [Effective through December 31, 2007.] (NRS 628.120, 628.386)~~

~~—1. Except as otherwise provided in this section, 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.~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; A 12-21-89; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.340 Provision of notice to comply. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386) The Board will send notice to each practitioner that he must comply with the requirements of NAC 628.320 at the time he is notified that his permit to engage in the practice of public accounting in this State must be renewed.~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.350 Procedure upon receipt of report; initial review and action by coordinator. ~~[Effective through December 31, 2007.] (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, he shall so notify the practitioner. The coordinator may assign reports from a practitioner to a reviewer for further review.~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; A 5-18-94; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.360 Qualifications and duties of reviewer. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386)~~

~~—1. A reviewer must:~~

~~—(a) Be proficient in accounting and auditing procedures; and~~

~~—(b) Have successfully completed a program of training approved by the Board.~~

~~—2. A reviewer shall maintain the confidentiality of all reports reviewed.~~

~~—3. A reviewer shall submit his comments to the coordinator for consideration after he has completed a detailed review of a report.~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; A 5-18-94; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.370 Review by coordinator; notice of classification of report; response by practitioner. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386)~~

~~—1. The coordinator shall give written notice to a practitioner who submitted a level I report that it has been classified as a level I report and may include in his notice suggestions for corrective action.~~

~~—2. The coordinator shall give written notice to a practitioner who submitted a level II report that the report has been classified as a level II report and include in his notice recommendations for improving the quality of the reporting. The coordinator may require the practitioner to respond to the notice.~~

~~—3. The coordinator shall give written notice to a practitioner who submitted a level III report that the report has been classified as a level III report and include in his notice a summary of the deficiencies noted. The coordinator shall require the practitioner to respond to the notice.~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; A 5-18-94; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.380 Review of comments and responses; letter of constructive comments; final report of coordinator. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386)~~

~~—1. Upon receipt of a response from a practitioner who submitted a level III report, the coordinator shall review the comments received.~~

~~—2. A letter of constructive comments must be mailed to the practitioner regarding his departures from applicable standards of reporting. The letter must include authoritative citations to support the coordinator's conclusions.~~

~~—3. The coordinator shall encourage practitioners to submit any arguments concerning the findings of the coordinator.~~

~~—4. The coordinator shall prepare a final report for presentation to the Board, including any comments submitted by the practitioner, and recommend whether a review conducted at the office of the practitioner is necessary.~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; A 5-18-94; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.390 Review by Board. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386)~~

~~—1. Upon receipt of the coordinator's final report, the Board will determine whether a review must be conducted at the office of the practitioner.~~

~~—2. If such a review must be conducted, the Board will schedule a date with the practitioner for the review of his reports and related work papers.~~

~~—3. The review must be conducted in compliance with standards established by the Board.~~

~~—4. A final report of the review must be submitted to the coordinator and practitioner.~~

~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; A 5-18-94; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.400 Disciplinary action by Board. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386)~~

~~—1. A practitioner whose report is classified as a level III report and who agrees with that classification may be:~~

~~—(a) Required to complete successfully specific courses of continuing education;~~

- ~~—(b) Required to submit future reports for review for a specified period before they are issued to clients; or~~
- ~~—(c) Subject to such other disciplinary action as the Board may take.~~
- ~~—2. If a practitioner does not agree with the classification or the recommendations of the Board, the Board may issue a formal complaint and conduct a hearing pursuant to NRS 628.390 and 628.410.~~
- ~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.410 Time for submission of additional reports. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386)~~

- ~~—1. A practitioner whose reports are classified as level I or level II is not required to submit reports for review for 3 years.~~
- ~~—2. A practitioner whose reports are classified as level III reports shall comply with the requirements of NAC 628.320 for the following year. If the reports submitted for the following year are classified as level I or level II, the practitioner must then again be placed in the 3-year cycle established by the Board.~~
- ~~—(Added to NAC by Bd. of Accountancy, eff. 1-21-88; A 5-18-94; R by R056-05, 11-17-2005, eff. 1-1-2008)~~

NAC 628.420 Confidentiality; destruction of documentation when process of review completed. ~~[Effective through December 31, 2007.] (NRS 628.120, 628.386) The classification of any report and any documentation submitted to the Board pursuant to NAC 628.320 is confidential. All documentation submitted to the Board pursuant to NAC 628.320, except the transmittal form and affirmation required pursuant to subsection 3 of NAC 628.320, must be destroyed when the process of review is complete. The process of review is considered complete under the following circumstances:~~

- ~~—1. If the report of a practitioner submitted pursuant to NAC 628.320 is classified as level I, the process of review is considered complete when the practitioner receives written notice of the classification from the coordinator.~~
- ~~—2. If the report of a practitioner submitted pursuant to NAC 628.320 is classified as level II, the process of review is considered complete when the practitioner receives written notice of the classification from the coordinator, unless the practitioner is required to respond to the notice. If a practitioner is required to respond to the notice that his report is classified as level II, the process of review is considered complete when the coordinator receives the practitioner's response.~~
- ~~—3. If the report of a practitioner submitted pursuant to NAC 628.320 is classified as level III, and the practitioner agrees with the classification, the process of review is considered complete when:~~
 - ~~—(a) The Board determines what disciplinary action, if any, will be taken against the practitioner and the practitioner complies with the order of the Board concerning the disciplinary action, unless the practitioner seeks administrative review of the Board's determination; or~~
 - ~~—(b) The practitioner has exhausted all administrative and judicial remedies.~~
- ~~—4. If the report of a practitioner submitted pursuant to NAC 628.320 is classified as level III, and the practitioner does not agree with the classification, the process of review is considered complete when:~~

- ~~—(a) The charges against the practitioner are not sustained by the Board; or~~
- ~~—(b) The practitioner has exhausted all administrative and judicial remedies.]~~