

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

HIGHLIGHTS OF RECENT REGULATORY DEVELOPMENTS 2006-2007

Alternative Practice Structures

This issue in Ohio has faded with the non-CPA ownership law.

The Virginia General Assembly unanimously passed a comprehensive revision of the Board's statutes. The revisions implement a principle-based approach to the statutes, reduce licensing requirements without increasing risk to the public, and address Internet use, interstate and international commerce, and other changing business conditions. This principle-based approach should improve our licensees' understanding of the statutes, and provide the Board a better framework to formulate regulations.

Standards for Auditors of Non-SEC Companies

New Hampshire is reviewing all written information that is coming to our attention.

Ohio is monitoring developments.

In the Commonwealth of Virginia, CPA firms providing audits, reviews, and compilations i.e., performing public accounting must register as a CPA firm.

Board Composition

In Guam, all Board members are expiring in June 2007, subject to reappointment by the Governor.

The Illinois Board of Examiners has vacancies – no appointments have been made since 2004.

The Iowa Board appointed two new members May 1, 2007, Donald Timmins, CPA from Altoona, IA and Ms. Linda Schmitt, LPA from Lohrville, IA. Iowa also has a new Board Chair, Telford A. Lodden, CPA, West Des Moines, IA and Vice Chair, Carol Schuster, CPA, DeWitt, IA effective April 27, 2007. Composition requirements have not changed.

In Maine, there are 5 (3 Certified Public Accountants, 1 Public Accountant, 1 Public Member)

In Minnesota, two new Board members have been appointed by Governor Pawlenty and two Board members were reappointed.

2007 Mississippi legislation amended statute to set member appointments at the new congressional districts with four members from the districts and three at-large members.

Mr. Michael Wassinger, CPA, was appointed to the Nebraska Board in 2006 to represent Nebraska's 3rd Congressional District as an Active Permit Holder by Governor Dave Heineman. Mr. H. Dean Graf, CPA, former Chair of the Board, completed service of two four-year terms on the Board. He was honored for his service at the Nebraska Society of CPA's annual meeting in November of 2006.

New Hampshire now has 4 CPA's, 1 Public Accountant and 2 Public Members.

The Ohio Board voted in 2005 to add a second public member to the Board whenever legislation is considered in the future.

South Dakota has 6 board members total including 1 ex-officio and 1 lay person.

Vermont's new law eliminates the RPA on the Board. New composition would be 3 CPA's, 1 public member, and the last member may be either a CPA or public member.

The Virginia Board of Accountancy consists of 7 members representing the public, education, and accounting. The primary goals of the Board are to: (i) provide more effective services to the public and the Board's regulants; and (ii) operate more efficiently in order to minimize the cost of regulation for the board's regulants.

Board Staff Changes

Alabama lost two part-time employees (Board Consultant and Systems Administrator), effective September 1, 2006. The Board has not replaced either employee to date.

Arkansas added a new position of Information Technology Analyst.

In the spring of 2006, the California Board restructured its Licensing Division. Patti Franz was promoted from Licensing Manager to Chief of the Licensing Division. Alice Delvey-Williams was promoted from lead analyst to Manager of the Examination and Renewal/Continuing Competency Units. Also, new staff member, Kris McCutchen, was hired to serve as Manager of the Initial Licensing and Practice Privilege Units.

The Connecticut Board received approval to save and roll over funds from FY06 to FY 07 to hire an additional staff member. An Office Assistant position was created and filled in January 2007.

In Guam, the existing Administrative Services contract covering Board operations and staff expires September 30, 2007.

The Iowa Board has a new Executive Director, Heidi Patterson and a new licensing specialist, Jill Simbro.

Kentucky hired one new staff person in Nov 2006.

As of July 1st, 2007 New Hampshire will have three full time staff members.

New Mexico has a new Licensing Administrator and new Administrative Assistant.

In South Carolina, Pamela Holmes (FT) resigned 3/13/06 and Amy Holleman (FT) hired 3/17/06.

South Dakota will have a new Executive Director in June 2006.

Tennessee Attorney was removed from our budget.

Over the last two years the Virginia Board has acquired 2 full-time Licensing/Examinations Coordinators, 1 full-time P-14 Licensing/Examinations Specialist, and 1 full-time Special Assistant to the Executive Director. The Board is currently seeking to employ a full-time Safety and Compliance Officer.

Washington added an IT manager and two Administrative Positions.

Budget Constraints

In Connecticut, the Governor's proposed budget for FYs 07-09 includes a reduction in the Board's budget.

Per recommendation by the Guam Public Auditor, the Guam Board of Accountancy Fund was merged into the General Fund, all disbursements are now subject to funding from the General Fund which has an extreme cash shortage, thus delaying payment of obligations for 6 months or more.

In Idaho, our Operating budget has been reduced by \$50,000 for next fiscal year. We will be negatively

impacted if there are costly hearings. Idaho has the money to cover extraordinary expenses, just not the spending authority. So if we are faced with cost over-runs, we will have to make a special interim request for spending authority.

Maine cannot spend beyond what was budget for this FY.

The Nebraska Board prepared their recommended 2008-2009 Budget and submitted to Governor. The Governor's Budget Office recommended a 20% reduction in appropriated funds based on the Boards past actual expenditures. The Board was concerned due to unexpected enforcement hearings requiring funding. The Board's Chair and Executive Director appeared before the Legislative Appropriations Committee requesting reinstatement of the funds. The committee reinstated most of the funds in their recommendations. The Governor will have the ability to veto the Appropriations Committee recommendations.

New Hampshire finalized the Budget Proposal for the "08"& "09" fiscal years and the Governor sent the proposals back asking us to reduce our requests and by working with his staff we reduced, IT, Travel and Part Time Staff but kept mission critical programs intact.

In Tennessee, performance audit fieldwork indicates that the Department of Commerce & Insurance is not processing the Board of Accountancy expenditure requests in accordance with T.C.A.62-1-105.

Vermont is a very small state, with highest cost being legal to pursue case needs.

The Virginia Board of Accountancy has been impacted this fiscal period with directed obligations such as, mandated office relocation directive and a statewide centralized IT initiative. In addition to these expenses, the Board has begun re-engineering internal business processes, scanning and imaging records, and application development to create an online CPA profile by the end of FY08.

Compliance Assurance (Peer Review Oversight)

The California Board is supporting legislation that requires its report to the Legislature related to mandatory peer review to be submitted by September 1, 2008 (rather than the current due date of September 1, 2011). This reflects the Board's decision to make consideration of mandatory peer review a priority for 2007.

For the Illinois Public Accountants Registration Committee, rules need to be adopted for Peer Review which is addressed on our Web site.

Kentucky Board will begin to receive copies of all peer review reports beginning with the '08 renewal of firm licenses.

In Maine, peer review required for firms that provide a defined service other than compilations.

The Mississippi Board has had required peer review and an independent Board Peer Review Oversight program for years that has been determined to be extremely effective in monitoring the state administered AICPA peer review program.

The Nevada Board peer review program goes into effect in 2008. Last year of board program.

The system in Ohio works very well. The Board is considering a rule that would require firms to submit further documentation to the Board in the event of a substandard peer review report.

In South Carolina, effective with 2007 renewal period all firms requiring peer review must report their last Peer Review or enrollment date with the SC Association of CPA's Peer Review program on their renewal application.

In South Dakota, a task force has been established to review the peer review exposure draft.

Tennessee Board passed a Peer Review Oversight agreement with the TSCPA. The first oversight report of

the TSCPA Program was completed in the fall by the middle Tennessee PROC member and was accepted by the Board at the January 2007 Board Meeting.

Texas is bringing this issue into effect.

In Vermont, this issue is to be considered in rulemaking Summer 2007 and potential law changes in 2008.

The Virginia Board does not have any specific changes, however; the AICPA is currently reviewing and revising its Peer Review process effective 2009. Once the change has been implemented the Board will make the necessary changes to current practices.

Continuing Professional Education

The California Board has adopted regulations to enhance the consistency and quality of Web cast continuing education. The regulations, which are scheduled to become operative July 1, 2007, provide guidance to providers for the delivery of continuing education via Web casts, including specific requirements related to the monitoring of attendance.

Idaho is pursuing implementation of an Ethics CPE requirement to begin in 2008. It does not contain a “state specific” mandate, but it will allow the Idaho Board to accept any state specific ethics training a licensee may claim.

Indiana proposed a rule that further defines “self study”. This rule includes the definition for “group program” and “independent study”, which are modeled after the UAA definitions. This rule gives the licensee additional methods in which to obtain CPE and avoid counting them as self-study.

In Louisiana, there have been two changes that the Board has adopted that reduce the manual and paper reporting of CPE: (1) Louisiana licensees may now opt to report CPE online using NASBA’s *CPEtracking*. Although we announced *CPEtracking* availability very late in the 2004-06 three year CPE reporting period, and a number of licensees chose this option. We expect this number to increase significantly for the 2007-2009 CPE cycle. (2) Louisiana licensees, who work primarily out of state and who report CPE in detail to another State Board that requires detailed reporting, may opt out of reporting detailed CPE to Louisiana.

In Maine, the requirement is 40 hours annually.

In Minnesota, restrictions on certain types of courses went into effect on 7/1/2006.

The Mississippi Board amended its CPE requirements effective July 1, 2007, including deleting of the direct requirement for CPE hours in accounting and auditing topics for all CPAs. Rather the Board amended the language to emphasize completion of CPE to improve a CPAs competence in their practice area or employment. The Board also added wording to set limits on carry-over to hours obtained within 36 months of the beginning the compliance period. The Board also increased the Ethics CPE requirements as defined in that section.

New Hampshire has conducted our third round of audits and find that for the most part the CPA’s are taking viable CPE and reporting their CPE as earned. For those who have not reported appropriately or who have failed to document their CPE, the Board is issuing settlement agreements and fines. Each settlement and fine is based on the level of inconsistency.

New Mexico is in the process of amending the Board rule that requires that 24 hours within a three-year reporting cycle be taken in a public presentation environment. The amendment will probably allow for 24 hours to be taken outside of the individual’s firm, but not necessarily in a public presentation environment. Expected to be adopted in June 2007.

In North Carolina, new CPE rules state that a non-resident licensee may satisfy the annual 40-hour CPE requirement of the Board by complying with the CPE requirement in the jurisdiction in which he or she is licensed and currently works or resides. If there is no CPE requirement in that jurisdiction, he or she must

comply with the North Carolina requirement. This rule was effective January 1, 2007.

In South Carolina, effective 1/1/06 all self-study CPE must be QAS approved.

In Texas, a Sponsor Review Program was implemented.

In Vermont, this issue is to be considered in rulemaking Summer 2007 and potential law changes in 2008.

In Virginia, Continuing Professional Education requirements changed for those CPAs performing services for OTHER than the public effective January 1, 2006. Beginning the reporting period January 1, 2006, a minimum of 90 CPE credits with a minimum of 15 CPE credits per year is now required.

Wyoming is looking at NASBA's CPETracking Tool to assist us in our CPE audit.

Cross-Border Enforcement Effectiveness

New Hampshire is studying this issue carefully and is enforcing the current statute. Our Foreign Accountants Practice Permit does not seem to produce any unnecessary barriers but accomplishes the purpose and intent of our statute.

In Tennessee, a new law passed in 2007; applies to individual CPAs; "no fee; no notice; no escape."

Newly passed revisions to the Virginia Board's statutes will facilitate mobility between states while clarifying that all persons and firms using the CPA title in Virginia, or providing services to persons and entities located in Virginia are subject to the same accountancy statutes and regulations as Virginia licensees. This new statute goes into effect July 1, 2007. We will begin tracking and assessing cross-border enforcement effectiveness shortly thereafter.

Disaster Planning

The California Board embarked on a process, coordinated by the California Office of Emergency Services, to develop a uniform business continuity plan. The resultant Continuity of Operations/Continuity of Government Plan focuses on facing immediate challenges of restoring communications with licensees and the public through both web and telephonic capabilities, and reestablishing procurement and other business services activities that underpin basic business functionality.

Connecticut just completed a Continuity of Operations Plan and participated in a state wide simulation.

The Illinois Board of Examiners finalized its Disaster Recovery Plan in October 2006.

The Nebraska Board's staff continues to meet and have prepared a preliminary disaster plan based on NASBA's provided template. Staff will continue to meet on a regular basis to review and update the plan as needed.

New Hampshire has reviewed NASBA's Disaster Recovery Handbook, which was very informative. We are hoping that the State assist us in implementing appropriate business resumption plans; however, in the meantime, this agency has purchased technology so mission critical documents and databases can be copied and sent off site.

South Dakota has a quarterly back-up of server sent to Pierre, SD.

In response to a statewide initiative to ensure disaster planning, statewide consistency and appropriate reaction to unforeseen impacts, the Virginia Board of Accountancy has recently completed a revised disaster recovery plan using the required Virginia Department of Emergency Management template. This plan identifies alternative operation sites, a return-to-service priority list, and contact numbers.

Washington is in Progress including ALD consideration.

Disciplinary and Enforcement Activities including SEC and IG referrals

The Alabama Board received two referrals from the U.S. Department of HUD. Both cases are under investigation.

2007 Mississippi legislation amended statute to permit expanded subpoena power during the investigative process rather than just at the administrative hearing. Also, the legislation provides fine authority.

New Hampshire has been monitoring this issue.

The New York 2006 Amendments make it unprofessional conduct to have admitted or been found guilty by or to have consented to a suspension of practice privileges before the SEC or PCAOB.

No enforcement, the South Dakota Board has upheld the SEC decisions.

As a result of revised legislation, beginning July 1, 2007, the Virginia Board of Accountancy will implement a Confidential Consent Agreement action. This action will enable the Board to resolve certain matters by means of a non-public confidential consent agreement. In lieu of disciplinary actions, these agreements may be entered into only in cases involving minor violations of the board regulations.

One IG referral in Washington.

Education Requirements

The Board supported a Connecticut Society of CPA's legislative proposal, which became law on April 26, 2007, to change the education requirement from 150-hours prior to the exam, to 120 hours, a bachelor's degree, and an accounting concentration to sit for the exam and 150-hours for certification.

In Hawaii, proposed legislation to allow a candidate to sit for the examination without an accounting concentration in academic credentials was passed; the Board is recommending that Governor Lingle veto the measure.

Kentucky legislation enacted in July '06 allows candidates with a bachelors or masters degree and a concentration in accounting (27 hours in accounting subjects and 12 in business related subjects) to sit for the exam. To receive a license candidates must obtain 150 hours.

In Maine, there is the 150 hour requirement.

The Nevada Board is considering amendment to language to allow candidates to sit for exam with 120 hours and licensure with 150.

New Hampshire stands by our philosophy that requiring the "150" to sit for the exam, has not produced results which warrant this requirement. A well rounded candidate has Education, Examination and Experience.

The New York 2006 Amendments removed mandatory 3 credit hours in quantitative methods and 60 hours in liberal arts & sciences.

Tennessee law change to allow candidates to sit for the CPA exam 200 days, not 120 days, prior to completing the educational requirements.

Vermont's new law eliminates the 60 hour education option.

On January 8, 2007, the Virginia Board voted to file a Notice of Intended Regulatory Action (NOIRA) with the Registrar of Regulation to start the process of making a regulation that will set the deadline of December

31, 2008 for the CPA candidates who qualified under the education requirement prior to July 1, 2006, to pass the CPA Exam.

Ethics CPE or Examination Requirement

Connecticut just concluded its first year with an Ethics CPE requirement. The requirement, crafted by the Board, allows CPA's to utilize courses taken in their home jurisdiction and allows for a broad range of courses on ethics.

Georgia continues not mandating specific ethics education requirements.

Idaho is pursuing implementation of an Ethics CPE requirement to begin in 2008. It does not contain a "state specific" mandate, but it will allow the Idaho Board to accept any state specific ethics training a licensee may claim.

The Louisiana Board has approved six (6) different 4 hour CPE Ethics courses for the 2007-09 CPE cycle to satisfy the Louisiana ethics requirement.

Maine requires 4 hours of CPE in ethics every 3 years.

The Mississippi Board amended its Rules and Regulations to require four "Ethics" CPE credit hours every three years (rather than the current three). At least one of the four CPE hours must be related to Mississippi Public Accountancy Act & Rules and Regulations. The Board practices substantial equivalency as related to CPE.

The Nevada Board implemented a 4 hour ethics requirement every other year at renewal.

New Hampshire is reviewing our current ethics requirement which is 4 hours of any ethics every three years; and reviewing what other boards are doing in this area. We find there is a difference between the intent of the rule and what is being offered as ethical CPE. Just reviewing the laws and rules of the Board and taking a test on those regulations is not necessarily ethics. We are attempting to determine what type of course material and content do we want in our rules to satisfy this requirement and also should we consider different levels of ethics.

In 2006, the New York Board clarified that under existing regulation a NYS CPA who is licensed in multiple jurisdictions can meet the NYS ethics CPE requirement by completing 4 credits of State-specific ethics course work for one of the other states in which they are licensed, as long as that course work is approved by the licensing body in that other state.

In North Carolina, new CPE rules state that a non-resident licensee may satisfy the annual ethics CPE requirement of the Board by complying with the ethics requirement in the jurisdiction in which he or she is licensed and currently works or resides. If there is no ethics CPE requirement in that jurisdiction, he or she must comply with the North Carolina requirement. This rule was effective January 1, 2007.

The Ohio Board has adopted our professional standards and responsibilities course as a CPA certification requirement.

In South Carolina, effective 11/1/06 all applicants applying for original certificates must pass the Professional Ethics: The AICPA's Comprehensive Course with at least a score of 90. If applying for licensure by reciprocity and the original license was issued less than 4 years ago, the applicant must take the above course and pass with at least a score of 90.

Tennessee passed new rule requiring 4 hours of Ethics CPE, to include one-hour state specific, each two-year reporting period.

In Texas, CPE 4 hours every 2 yrs/exam 3 semester hours.

In Vermont, this issue is to be considered in rulemaking summer 2007 and potential law changes in 2008.

The education requirements to sit for the Uniform CPA Examination in Virginia are as follows: at least 150 semester hours of college education, including a baccalaureate or higher degree conferred by an accredited college or university with 30 semester hours in accounting, including upper level courses in taxation, auditing, financial and managerial accounting; with 24 semester hours in business courses. Any degree or coursework earned at a non-accredited college or university shall have the educational credentials evaluated by an academic credentials service approved by the board to determine the extent to which such credentials are equivalent to the education requirements mentioned above.

Wyoming has drafted rules which will require CPAs to complete a 4 credit ethics course which includes a law and rules element. Non-residents will not be required to complete Wyoming's course if they complete a course in their state of residence.

Effects of Sarbanes-Oxley at the state level

New Hampshire has experienced little effect.

The New York 2006 Amendments specify that unprofessional conduct in the practice of public accountancy in New York, for firms subject to the Sarbanes-Oxley Act, includes failure to meet certain standards prescribed by that Act.

As a result of Sarbanes-Oxley, the Virginia Department of Accounts has provided mandatory statewide internal controls training for managerial and fiscal personnel. Each agency will then be required to institute an internal controls program or program outline by September 2007.

Experience Requirements

Connecticut is in the process of revising its experience regulations.

In Hawaii, proposed legislation to allow a candidate to sit for the examination without an accounting concentration in academic credentials was passed; the Board is recommending that Governor Lingle veto the measure.

In Maine, 2 years public accounting

The Nebraska Board reaffirmed its interpretation of the Public Accountancy Act of Nebraska that experience must be gained for two years under the supervision of a licensed CPA within a licensed CPA firm.

New Hampshire is reviewing the issue of a CPA auditing the business practice and reporting on the effectiveness of the business. Does it qualify?

Vermont's new law includes mandate for the board to consider non-public experience in rulemaking process, after law passage, during summer of 2007.

Fees and fines

In 2006, the California Board had proposed to reduce its biennial renewal fee to \$120 commencing on January 1, 2007, in order to reduce its contingency fund to an amount equal to approximately nine months of annual authorized expenditures. Due to proposed cost increases in various California Board programs, the renewal fee has not been reduced and will remain at the current \$200 level.

Following the direction provided by recent legislation related to practice privilege, the California Board adopted an emergency regulation to provide for a lower fee of \$50 for practice privilege without an authorization to sign attest reports. This regulation became effective on October 3, 2006.

The California Board is in the process of revising its regulations related to citation and fine. The revised regulations would provide for fines of up to \$5,000 for violations of the California Accountancy Act or the California Board's Regulations. Revised regulations also provide for the issuance of a citation and fine for a violation of the terms of probation. The hearing on this proposal is scheduled for May 11, 2007.

The Indiana House Enrolled Act No. 1312 recently passed established the accountant investigative fund to provide funds for administering and enforcing the provisions of the Indiana accountancy statutes and rules, including investigating and taking enforcement action against violators of the accountancy statute. If the board finds that an individual or firm knowingly violates the statute and rules or order established by the board, the board may impose a civil penalty of not more than twenty-five thousand dollars (\$25,000) per violation. The fund will consist of money from an additional \$10.00 fee per year imposed on a person for the issuance or renewal of a certificate or permit to practice in Indiana.

In Maine, CPA licenses \$50 annual fee, Firms \$10 annual fee. The maximum fine is \$1,500 per violation.

The 2007 legislation in Mississippi provides fine authority for disciplinary actions of CPAs and violations of nonlicensees. Under prior law, the Board was only permitted to receive reimbursement for investigative, legal and administrative hearing costs related to a disciplinary case.

The Nebraska Board for the second year in row reduced fees. Firm permit/ office fees were reduced 50%.

New Hampshire is planning on raising all our fees, we have not raised fees since 2002.

In New Mexico, legislation was just passed in March 2007 that raises the cap on fines that the Board may levy. The cap has been raised from \$1,000 to \$10,000.

The Ohio budget situation keeps downward pressure on any fee increases, but the Governor's budget did approve an increase in the license fee surcharge that is earmarked for college scholarships.

Texas' Fee changes under consideration / \$100,000 maximum fine per violation.

The Virginia Board of Accountancy is evaluating the possibility of a fee increase in FY08 to cover the cost of increased operating expenses due to statewide imposed directives and initiatives, and internal performance enhancements.

Washington only scheduled increase in Exam fees.

International Candidates

Kentucky legislation effective in July '06 requires that at the time of applying for a license a KY candidate must be a US citizen, a citizen of a foreign country who is legally residing in the United States, or is an employee of a public accounting firm, company, or an institution of postsecondary education located outside the United States, but which has an office or campus located in the United States. If the candidate fails to meet any of these requirements they will not receive an initial license from the Board.

New Hampshire has recently adopted the acceptance of the Contadores Publicos Certificado (CPC) from Mexico.

International Professionals Seeking Recognition (adoption of Mutual Recognition Agreements)

In Connecticut, this is a major topic of discussion at the Board's May 29, 2007 meeting.

Georgia Board is writing a new rule that will allow the IQEX Exam to be substituted for the Uniform CPA Exam for applicants for initial licensure. This will apply only to applicants covered under the current NASBA agreements with the 5 licensing organizations in Australia (2), Canada, Mexico and Ireland. Our current requirements for experience and education must also be met for licensure.

New Hampshire accepts CPA's from Australia, Chartered Accountants from Canada, Australia, and Ireland.

The Ohio Board has adopted all five MRAs.

Oregon approved all Mutual Recognition Agreements.

Texas has adopted all agreements.

Washington adopted one application (Saskatchewan).

Internet Practice

In Indiana, the House Enrolled Act No. 1312 recently passed allows individuals whose principal place of business is not in Indiana and has a valid certificate as a CPA from any state that the Board has determined to be substantial equivalent may offer or render professional services in Indiana, whether in person or by mail, telephone, or other electronic means have the authority to do so without notifying the Board.

New Hampshire is reviewing this matter.

The Ohio Board considers Internet practice as merely a special case of out-of-state practice, and this is covered by our mobility legislation.

The Virginia Board of Accountancy follows the policies and procedures established by the Virginia Information Technologies Agency (VITA), which is the statewide IT governing body charged with ensuring statewide consistency and standard IT operating guidelines.

Legal Cases and Decisions

Many issues are brewing in the Iowa courts on the application of Sunshine laws to various stages of disciplinary proceedings – including whether license denial decisions are public records, whether disciplinary charges can include any factual material from the investigative file, whether states can share investigative information with other states in advance of charges, and whether license applicants have a private cause of action to seek relief against a board for improperly releasing investigatory information to another state board.

The Nebraska Board has been sued in Federal Court by an inactive Registrant based on the issue of holding out as a CPA in Nebraska.

In Oregon, there was one case. See <http://www.publications.ojd.state.or.us/A129193.htm> for details.

Texas' KPMG tax shelters closed.

The Virginia Board of Accountancy currently utilizes a thorough complaint process to make determinations. Any incidents which occur outside the realm of the Board's authority are referred to the Attorney General's office for advice of final determination.

Washington Supreme Court case, Ongom and Nguyen (Clear and Convincing Evidence for suspension or revocation).

The Wyoming Board recently won a case that was appealed to the Wyoming Supreme Court. The matter involved a settlement agreement which prohibited the respondent from performing audits. The respondent

interpreted that to mean he could not issue audit opinions on his letterhead. The Board found he violated the terms of the agreement and suspended the certificate. The respondent contended he was not auditing if he did not sign the audit opinion, the Court disagreed and affirmed the Board's decision.

Online License Renewal

Alabama added on-line Firm renewals to the annual on-line registration process on October 1, 2006.

The Board in Connecticut is currently testing a system to be in place for the 2008 renewal cycle.

In Georgia, more than 80% of license renewals are done on-line. Response to this method of renewal has been favorable.

In Idaho, online license renewal was expanded in 2007 to allow firms to complete their registration at the same time they renew their CPA or LPA licenses.

Iowa will not send paper renewal forms this renewal cycle for the first year and are hoping that will make our on-line renewal % go up drastically from the 26% we had renew on-line last year.

In Maine, yes for individuals but not firms.

In Nebraska, a CPE online documentation program was successfully implemented in a limited release in the fall of 2006. An online renewal program was additionally released on a limited basis this spring. It is anticipated both programs will be fully released to all practitioners later this year.

The Nevada Board increased on-line renewal to 89% by offering a \$20 discount on renewal fee.

In New Hampshire, Due to contract disputes, not with us, but with the state, we lost our incredibly proficient on line renewal vendor, however, the states IT people have promised we will have it back by this years renewal period.

New York expects it to be implemented in summer 2007.

The Ohio Board completed its 8th year of on-line renewal in the fall of 2006 with 74.3% of licensees renewing on-line, a new record. The Board still accepts checks, however.

Oregon is beginning the process of online renewals.

In South Carolina, over 90% renewed online for 2007.

In Tennessee, 70% participation for the first year of online renewals. Looking into ways to improve participation.

Texas implemented online license renewal in May 2007.

The Virginia Board of Accountancy continually maintains an online renewal rate of 98%.

In-Progress in Washington.

Wyoming has had on-line renewal capability for three years. Only 35% of our licensees used the system last year. We're investigating alternatives as the maintenance costs cannot be justified based on the ratio of system users.

The Connecticut board members have been encouraged to read the reports.

Georgia Board has been receiving the firm's initial PCAOB report but we are not receiving (or don't recognize) the firm's final PCAOB report.

The Mississippi Board considers the inspection reports as investigative matters and maintains confidentiality under the acknowledgement and agreement with the PCAOB and the Public Records Act of Mississippi.

New Hampshire monitors the reports and discusses them as required.

The Ohio Board continues to monitor developments in this area.

South Dakota has received and affirmed the reports.

Texas used in accordance with agreement

The Virginia Board receives and reviews all information received the Public Company Accounting Oversight Board.

Washington received and monitored; Four Investigations In-Progress based upon PCAOB report indicators.

Public Information Initiatives

New York State Education Department is initiating a broad campaign focused on pre-K through college focused on professional licensure and teaching.

Texas Board Report/Newsletter.

The Virginia Board has established an email distribution mailing list that can be used to quickly disseminate information to licensees. Board staff has also established a monthly newsletter distributed via this method. The general public is also invited via the agency website to sign up to receive the newsletter. A meeting with a local PR firm representative has also been scheduled to determine other methods of promoting agency services to the public.

Washington's ED committed to 10 Public Information Forums during the 2007-2009 Biennium.

Practice Privileges/Temporary/Incidental Practice Changes

In 2006, California legislation was enacted to address problems that created unintended impediments to cross-border practice. These changes to California's practice privilege laws were contained in Assembly Bill 1868 (Chapter 458, Statutes of 2006) which was signed by Governor Schwarzenegger on September 25, 2006, and, because it was an urgency bill, took effect immediately. In its final form, AB 1868 amended the California Accountancy Act to do the following:

- Allow a practice privilege holder to practice in California and sign in the name of his or her firm even if the firm is not registered by the California Board.
- Reinstate a limited form of temporary/incidental practice.
- Affirm the Board's disciplinary authority over any individual or firm performing any act which is the practice of public accountancy in California.
- Require the Board to adopt a reduced fee for practice privilege holders who do not sign attest reports.

In Connecticut, this is a major topic of discussion at the Board's May 29, 2007 meeting.

Georgia recently passed a policy to specifically exempt the need for a temporary permit to practice for tax preparation services where the out-of-state licensee does not physically enter our state.

In Hawaii, bills proposed by the Accountants Coalition regarding the implementation of practice privileges stalled in both chambers of the State Legislature.

Idaho intends to expose a draft of “no notice, no fee” changes to Practice Privileges this year. If it gains supports, legislation would be introduced for 2008.

With Kentucky legislation set to go into effect in June 07, the Board will have jurisdiction over out of state CPA’s who provide public accounting services to KY residents but fail to obtain a KY license.

The Louisiana Board is supporting legislation in the current session that will provide for “no notice / no fee.”

The Nebraska Board continues to meet with the Nebraska Society of CPA’s in the development of temporary practice rules in Nebraska. It is anticipated the rules will be approved sometime in 2007.

New Hampshire is reviewing all the proposals and information coming in.

At its December 2006 meeting, the North Carolina Board waived the completion of an annual renewal form and payment of the annual \$50 renewal fee for all individuals with a current *Notification of Intent to Practice* on file with the Board.

In South Carolina, there is a short one page application, if licensee is licensed in another state and in good standing we will issue a Practice Privilege Registration.

In Tennessee, implementation of new law does away with Notification requirement.

In Vermont, this issue is to be considered in rulemaking Summer 2007 and potential law changes in 2008.

In October, 2006, Washington firms permitted to practice without notice through practice privilege individuals up to a 10% aggregate work time threshold for those qualified individuals.

Wisconsin has just successfully completed one year of allowing practice privileges for non Wisconsin CPAs with no notice and no fees.

Reciprocity Requirements, Interstate and International

In Connecticut, this is a major topic of discussion at the Board’s May 29, 2007 meeting.

As a part of amendments to the Rules and Regulations, the Mississippi Board has provided additional language related to CPA firm permit and registration requirements concerning temporary and incident practice of public accounting.

Based on Educational, Examination, and Experience standards substantially equivalent to South Carolina and having practiced publicly outside the state of SC for four years out of the last ten years a reciprocity license will be issued.

In Vermont, this issue is to be considered in rulemaking Summer 2007 and potential law changes in 2008.

Referrals from Other State Agencies

Iowa still receives referrals from our state Auditor’s Office.

On occasion, the Maryland Board of Accountancy has contacted the Virginia Board of Accountancy to refer an enforcement case. In such cases, a complaint has been filed with the Maryland Board. Maryland begins its investigation that later reveals the infraction occurred in Virginia. Maryland contacts Virginia. Then, Virginia

takes the lead in resolving the matter.

In Washington there were three. One is closed and two are in progress.

Self-reporting Requirements for Licensees

As a part of amendments to the Rules and Regulations, the Mississippi Board has expanded conditions for firms reporting changes and violations.

The New York 2006 Amendments added a requirement that licensees report the occurrence of certain events to the State Education Department within 45 days of their occurrence. These events include felony and misdemeanor convictions; civil action judgments and arbitration proceedings in excess of \$25,000 relating to the practice of public accountancy; disciplinary action by a governmental entity that relates to the practice of public accountancy.

In Virginia, annually licensees are required to affirm compliance of the CPE and Peer Review processes identifying that they have met the relevant requirement. The Board is currently automating this process.

Special Board Committee Activity

Iowa has put together a Professional Conduct Committee to review their Board rules that apply to CPA's. Iowa has also formed a Liaison Committee with our Iowa Society of CPA's.

A New Mexico committee will be appointed in June 2007 to study mobility issues. Recommendations will be made to the full Board in early 2008 regarding potential legislative changes to be made in 2009.

In Tennessee, renewal form for 2007-08 allows CPAs to check a box indicating compliance with CPE requirements as opposed to submitting a listing of all CPE courses as required in prior years.

Texas is considering the implementation of a Constructive Enforcement Committee.

In Washington, Mobility Committee active.

State Board Financing, Fees and Independence

Alabama is in the process of amending rules to increase CPA Exam related fees, to cover fee increases.

Per recommendation by the Guam Public Auditor, the Guam Board of Accountancy Fund was merged into the General Fund, all disbursements are now subject to funding from the General Fund which has an extreme cash shortage, thus delaying payment of obligations for 6 months or more.

The Louisiana Board increased the fee for annual renewal of a license from \$65 to \$85 for 2007. Also, inactive registration was increased from \$10 to \$20.

The Nebraska Board prepared their recommended 2008-2009 Budget and submitted to Governor. The Governor's Budget Office recommended a 20% reduction in appropriated funds based on the Boards past actual expenditures. The Board was concerned due to unexpected enforcement hearings requiring funding. The Board's Chair and Executive Director appeared before the Legislative Appropriations Committee requesting reinstatement of the funds. The committee reinstated most of the funds in their recommendations. The Governor will have the ability to veto the Appropriations Committee recommendations. The Nebraska Board for the second year in row reduced fees. Firm permit/ office fees were reduced 50%.

State Consolidation of Boards

The Board, with the support of NASBA and the Ohio Society of CPAs, helped defeat an effort to consolidate 22 regulatory/licensing boards in 2006.

Substantial Equivalency

In Connecticut, this is a major topic of discussion at the Board's May 29, 2007 meeting.

In Indiana, the House Enrolled Act No. 1312 recently passed allows individuals whose principal place of business is not in Indiana and has a valid certificate as a CPA from any state that the Board has determined to be substantial equivalent may offer or render professional services in Indiana, whether in person or by mail, telephone, or other electronic means have the authority to do so without notifying the Board.

In Maine, legislation is pending this session.

Minnesota is planning legislative changes and/or Rule changes to adopt UAA changes in this area.

As a part of amendments to the Rules and Regulations, the Mississippi Board has provided additional language related to CPA firm permit and registration requirements concerning temporary and incident practice of public accounting.

A New Mexico committee will be appointed in June 2007 to study mobility issues. Recommendations will be made to the full Board in early 2008 regarding potential legislative changes to be made in 2009.

In South Carolina, all states are substantial equivalent for the purpose of Practice Privileges.

In Vermont, this issue is to be considered in rulemaking Summer 2007 and potential law changes in 2008.

On January 8, 2007, the Virginia Board voted to file a Notice of Intended Regulatory Action (NOIRA) with the Registrar of Regulation to start the process of making a regulation that will set the deadline of December 31, 2008 for the CPA candidates who qualified under the education requirement prior to July 1, 2006, to pass the CPA Exam.

Washington Board Policy recognizes an Individual from a SE to be individually SE.

Sunset Legislation or Reviews

In Alabama, the State Examiners of Public Accounts began an audit and a Sunset Review of the Board in March 2007.

Tennessee is currently undergoing Sunset Review. Report to be released in June 2007.

On January 8, 2007, the Virginia Board voted to file a Notice of Intended Regulatory Action (NOIRA) with the Registrar of Regulation. This will extend the deadline for CPA candidates who qualified under the education requirement prior to July 1, 2006. The new regulation will set the deadline of December 31, 2008 for those CPA candidates to pass the exam.

Technology Applications

Georgia's Sec. of State is considering acquiring enhancement modules to our licensing software.

Idaho has expanded the information on our website to include a listing of the CPE hours completed by each licensee in the prior reporting period, and informing them of the hours needed in the current period.

The Illinois Board of Examiners has planned for August 2007, the implementation of on-line reciprocal and exam applications; acceptance of credit card payments; on-line CPA exam score look-up; on-line address changes and miscellaneous services.

In Iowa, if candidates do not renew on-line this year they must pull the paper forms off the internet for themselves. Iowa will not be sending paper renewal forms this year.

The Mississippi Board is in the process of converting from older FoxPro to a Microsoft Access/SQL data base system.

The Nebraska Board's new database is under development and should be completed in 2007.

The Nevada Board began scanning all of their license files into their software/licensing program.

New Hampshire has a new scanner for storing the permanent minutes of the Board that are official and have a signature on CD and sending them off site, and oh yea, new light saber for trimming that budget.

In New Mexico, the parent agency is requiring on-line initial licensing by January 2009. This will require our Board to make adaptations in procedures.

In 2006, CPA firms in North Carolina were allowed to renew on-line using new software; 97% of CPA firms chose to renew on-line.

The state has now taken over the CAVU licensing system and it is making its own modifications to suit Ohio.

Texas candidates e-pay online for individual license renewals starting May 2007.

Washington moved from legacy Database to Web-Based structure.

The Virginia Board of Accountancy is currently reengineering its internal business functions and incorporating scanning and imaging technologies to improve overall business processes.

Trends in Candidate Population

In Illinois, first-time candidate applications have reached 2003 levels.

In Louisiana, gradual growth in candidate population continues from the low point that was experienced in 2004 when CBT was launched. There was an 18% increase in LA candidates from 2005 to 2006 (and a 23% increase from 2004 to 2005).

In Nebraska, a small trend is noticed with a slight decrease in inactive Registrants and a slight increase in Active Permit Holders over the last several years

The Ohio Board continues to monitor developments.

Oregon has seen an increase of one percent each year.

In Virginia, January 2006 through June 2006 reflects a significant increase in the candidate population in response to change in the education requirement effective July 2006. The Board received an abundance of applications from candidates seeking to sit for the exam under the old 120 semester hour rule.

Uniform Accountancy Act Adoption

Georgia Board responded to the proposed changes to Section 23.

The substantial equivalency and mobility provisions in the Ohio law have now been incorporated into the UAA.

In Vermont, this issue is to be considered in rulemaking Summer 2007 and potential law changes in 2008.

The Virginia General Assembly has recently passed a comprehensive revision of the Board's statutes. These revisions implement a principle-based approach to the statutes, and become effective July 1, 2007. The Board is currently reviewing how changes to the Uniform Accountancy Act will effect recent changes to the Board's

statues.

Washington Board is continuing to evaluate the Mobility Initiative.

Uniform CPA Examination

Connecticut continues to be concerned about the CPA Exam, and has called for re-grading of Quarters 2, 3 and 4 concerning the paste issue.

Kentucky legislation enacted in July '06 allows candidates with a bachelors or masters degree and a concentration in accounting (27 hours in accounting subjects and 12 in business related subjects) to sit for the exam. To receive a license candidates must obtain 150 hours.

New Hampshire has seen improvements, the staff at NASBA should be commended for their hard work with the exam candidates, we do appreciate the service afforded the candidates. However, we are still very concerned about the copy and paste feature and that re-scores are still taking place and scores are being changed. We are also concerned that we only go back one maybe two window/s, what about all the windows, when is this problem going to be rectified? Especially when the fees are increasing again. This has been an issue since the inception. Don't make me call Bill Gates.

The New York regulatory amendments implemented in March 2007 allow for reporting for grades on a numeric or pass/fail basis. Amendments also change the calculation of conditional credit to six full exam windows rather than being tied to 18 months from date of original credit.

The Ohio Board continues to monitor the "Ctrl-V" issue and the resulting re-grades of exams taken in 2006.

Web Site Improvements

Arkansas is in the process of updating since we have new IT person on staff.

The California Board has updated its Web license lookup to provide instant clarification as to whether a California licensee holds a "General" or an "Attest" license. The Board is in the process of redesigning its Web site's "look and feel" to clarify its institutional identity and make it immediately recognizable as a state of California Web Site. Some forms, such as those for the consumer complainant, exam candidate, and practice privilege holder, can be submitted online, with an e-mail acknowledgement of receipt to the submitter.

Iowa has made many revisions to their website with the change of staff, etc.

In Kansas, links for instructions and forms to apply for certification, licensure, and notification have been added.

The Louisiana Board launched its re-designed website in the summer of 2006. NASBA's Information Services provided the technical and programming services and continues to assist by posting updates to the web pages.

In Maine, a new website launched in December 06.

In New Hampshire, the state designed us a new website. It is due to launch soon, please let me know what you think, we are not totally convinced it is user friendly, its green, which makes it hard to see and the font is very tiny, we will be conducting a survey to see how the user likes it.

In North Carolina, all Board Orders, Consent Orders, and Notices of Hearing have been added to the licensee files in the Licensee Search portion of the Board's web site, www.nccpaboard.gov.

Texas is underway with Web site improvements.

The Virginia Board of Accountancy has recently completed participation in a statewide initiative to ensure all

state agencies website, both static and interactive site pages, are W3C compliant.

Other

The Arkansas Board held a Strategic Planning Meeting recently and felt it was very productive.

In addition to addressing practice privilege issues in California, AB 1868 also contained a provision to enable foreign accountants to temporarily practice in California in order to provide services to foreign-based companies with subsidiaries or business interests in this state. This provision requires that the temporary practice be regulated by and performed under the accounting or auditing standards of the foreign country.

The California Board has adopted revisions to its audit documentation regulations to make them more consistent with standards issued by the Public Company Accounting Oversight Board and the American Institute of Certified Public Accountants Auditing Standards Board.

In Indiana, the House Enrolled Act No. 1312 recently passed established the accountant investigative fund to provide funds for administering and enforcing the provisions of the Indiana accountancy statutes and rules, including investigating and taking enforcement action against violators of the accountancy statute. If the board finds that an individual or firm knowingly violates the statute and rules or order established by the board, the board may impose a civil penalty of not more than twenty-five thousand dollars (\$25,000) per violation. The fund will consist of money from an additional \$10.00 fee per year imposed on a person for the issuance or renewal of a certificate or permit to practice in Indiana.

The Indiana House Enrolled Act No. 1312 recently passed prevents the renewal of a public accountant and accounting practitioner's license after July 1, 2007.

Kansas now requires out of state firms to register with the Board who do not have an office in Kansas, but who have permit holders registered with the Board.

Kentucky legislation to go into effect in June '07 will allow the Board to transfer some funds in its account to the KY Dept of Education to help pay for a new accounting program being instituted at the high school level.

CPA firm ownership –2007 Mississippi legislation amended statute to allow minority non-licensee ownership of CPA firms effective July 1, 2007. CPA firm owners must also be natural persons and meet the requirements set by Board Rules and Regulations also under amendment effective July 1, 2007.

In New Mexico, legislation was passed in March 2007 that will require all new applicants for licensure to undergo a criminal history background check (fingerprinting). Rules are being promulgated, and they should be in place by approximately September 2007.

The North Dakota Board is addressing various possible rule and law changes:

- Removing fee and form mandates for S.E., (but not “outlawing” future requirements)
- Changes in the “accounting concentration” requirement – 24 accounting plus 24 other business (with Principles not counting in either area). Allowing 3 Econ. credits.
- Updating the Ethics Code
- Allowing additional time, before the late filing fees are required
- Adding a reinstatement fee for all relinquished certificates
- Increasing the board stipend
- Refining the confidential information provisions, to recognize practice sale inquiries
- Potential changes in peer review – to require AICPA program adherence for compilation firms, make document submission at the board's direction, perhaps eliminate document review / replace with RAB participation by a board delegate, perhaps eliminate firm permit & fee,
- Possibly changing the definition of “public accounting”

The Nebraska Board amended its rules by implementing Character and Fitness Standards for those sitting for

the CPA examination and for initial issuance of a Board Certificate and for an Active Permit to Practice.

The Virginia General Assembly unanimously passed a comprehensive revision of the Board's statutes. The revisions implement a principle-based approach to the statutes, reduce licensing requirements without increasing risk to the public, and address Internet use, interstate and international commerce, and other changing business conditions. This principle-based approach should improve our licensees' understanding of the statutes, and provide the Board a better framework to formulate regulations.