



**SOUTH DAKOTA
BOARD OF ACCOUNTANCY**

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www.state.sd.us/dol/boards/accountancy

**Agenda
South Dakota Board of Accountancy Meeting
Conference Call
9:00 a.m. (CT)
September 22, 2010**

A=Action

D=Discussion

I=Information

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A-Approval of Minutes of Meeting August 19, 2010.....	2-4
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A-Financial Statements through August 31, 2010.....	7-15
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I-Testimony to IRS on Reg-139343-08 (User Fees and PTIN).....	19-24
D-Setting Passing Scores on the CPA Exam.....	25-27
NASBA	
A-Regional Director's Focus Questions.....	28-29
D-Candidate Care Report 2Q10.....	30-33
D-CPA Exam Quarterly Report 2Q10.....	34-40
D-Letter to the Selection Advisory Committee from North Carolina.....	41
D-Proposed Changes to Bylaws.....	42-44
Current Bylaws.....	45-62
EXECUTIVE SESSION	
Equivalent Reviews for Board Approval.....	Spt. Pkt.

FUTURE MEETING DATES (all times CT)

October 19 – 9:00 Conference Call

December 4 – 9:00 Conference Call



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Minutes of Meeting
Southeastern Behavioral HealthCare Conference Room -Sioux Falls, SD
August 19, 2010-8:30 a.m. (CT)

The Board of Accountancy held a meeting on Thursday, August 19, 2010. Chair Holly Brunick called the meeting to order at 8:33 a.m.

The following members were present: Holly Brunick, Marty Guindon, John Linn, Jr., David Olson, and John Peterson. A quorum was present.

Also present were Sherri Sundem Wald, Legal Counsel; Nicole Kasin, Executive Director; and Tricia Nussbaum, Secretary

Chair Holly Brunick asked if there were any additions to the agenda. The following additions were added:

Addition to Certificates and Change to Firm Permits
Report to the Board on Licensee request for Peer Review
Report to the Board on HHS Database Issue
Addition to Peer Review

A motion was made by Marty Guindon and seconded by David Olson to approve the election of Board officers as follows: Holly Brunick-Chair, John Linn, Jr.-Vice Chair, and John Peterson-Secretary/Treasurer. The motion unanimously carried.

The Board discussed and set future meeting dates.

A motion was made by John Linn, Jr. and seconded by Marty Guindon to approve the July 12, 2010 meeting minutes. The motion unanimously carried.

A motion was made by John Peterson and seconded by John Linn, Jr. to approve the issuance of individual certificates and firm permits through August 18, 2010. The motion unanimously carried.

A motion was made by John Peterson and seconded by David Olson to approve the financial statements through July 31, 2010. The motion unanimously carried.

The Board discussed the annual conference for NASBA which will be held October 24-27, 2010. The location of the meeting will be in San Antonio, Texas at the Hyatt Regency.

A motion was made by John Peterson and seconded by Marty Guindon to approve travel for two board members and the Executive Director to attend the NASBA annual conference in San Antonio, Texas on October 24-27, 2010. The motion unanimously carried. The Executive Director will submit the necessary documents for approval.

Ted Lodden, NASBA Regional Director, entered the meeting at 9:00 a.m.

Lodden gave an overview of NASBA products and services. Lodden and the board discussed the following issues in different degrees. They included the blue ribbon panel, IFRS, liability and independence issues with big firms, below cost audits, board independence, mobility, social media, NASBA Selection Advisory Committee and peer review.

A motion was made by David Olson and seconded by John Linn, Jr. to enter into executive session for the purpose of discussing peer reviews, disciplinary action and personnel issues. The motion unanimously carried.

The Board came out of executive session.

A motion was made by John Peterson and seconded by Marty Guindon to accept the peer reviews and disciplinary action as discussed in executive session. The motion unanimously carried.

A motion was made by David Olson and seconded by Marty Guindon to approve the CPA Exam scores for the 25th CPA Exam window through June 2010. The motion unanimously carried.

The Board discussed a request from a licensee regarding whether offering their business service requires them to have an active CPA license. The Board referred to SDCL 36-20B-27 and directed Executive Director Kasin to draft a written response instructing the licensee that under this law they are required to have an active CPA license.

The Board discussed a request from a licensee regarding peer review. The Board reviewed SDCL 36-20B-54 and 36-20B-61. After much discussion, the Board needs to review other references and the discussion was tabled until the September meeting.

The Board took a break for lunch.

The Board resumed the regular board meeting at 1:30 p.m.

Laura Coome, Executive Director for SD CPA Society and the CPA Society Members: Becky Wittrock, Kevin Doyle, Jay Tolsma and Leah Van Dam joined the meeting at 1:30 p.m.

The SD CPA Society and the Board discussed at length the following items: IRS Tax Preparer Registration, public service announcements, CPE ethics requirements, the educator's conference, mobility, board renewal forms, peer review standards, AICPA facilitated state board access for peer reviews, and possible future statute changes.

The Board reviewed the online renewal statistics and noted better results than last year. The Board was pleased to see this trend as next year paper forms will no longer be mailed out, only a postcard reminder.

The Board reviewed and discussed the FY12 Proposed Budget.

A motion was made by John Linn, Jr. and seconded by David Olson to approve the FY12 Budget as amended. The motion unanimously carried.

ED Kasin explained that the board's records retention policy was the same or similar to that of other surrounding states including Minnesota, Kansas, Iowa, Missouri, and North Dakota. Records are required to be kept for 75 years or permanent. Changes to the records retention policy were discussed and Executive Director Kasin will proceed with the change request through DOL.

John Peterson left the meeting at 5:05 p.m.

The Board discussed NASBA's Board of Directors Meeting Minutes April 23, 2010 and Board of Directors Meeting Highlights July 23, 2010.

The NASBA's Regional Directors' Focus Questions were tabled to the September meeting.

The Board discussed CPE violations and possible standard fines for the violations. Surrounding states issue fines ranging from \$250-\$1000. The CPE audit committee that creates the consent agreements will take the recommendations from the board and implement them.

FUTURE MEETING DATES (all times CDT)

September 22, 2010- 9:00 a.m.-Conference Call

October 20, 2010- 9:00 a.m.-Conference Call

December 3, 2010- 9:00 a.m.-Conference Call

A motion was made by John Linn, Jr. and seconded by Marty Guindon to adjourn the meeting. The motion carried 4 Ayes; 1 Excused (Peterson).

All business having come before the board was concluded and Chair Holly Brunick adjourned the meeting at 5:15 p.m.

Holly Brunick, CPA, Chair

Attest: _____
Nicole Kasin, Executive Director

John Peterson, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES
BOARD COPY**

Issued Through September 15, 2010

Number	Name	Date Issued	Location
392	Doris J. Hoffman name change	7/29/75	Sioux Falls, SD
2947	Becky Ann Freitag	9/13/10	Sioux Falls, SD
2948	Daniel Scott Mayberry	9/15/10	St. Paul, MN

**FIRM PERMITS TO PRACTICE PUBLIC ACCOUNTANCY
BOARD COPY**

**Issued Through
September 15, 2010**

Number	Name	Date Issued	Basis/Comments
1496	Frazer Frost, LLP Brea, CA	8/19/10	Additional Location
1497	Underwood, CPA, P.C. Brookings, SD	9/7/10	Name Change

AGENCY: 10 LABOR
BUDGET UNIT: 1031 BOARD OF ACCOUNTANCY

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	398,413.62	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			398,413.62	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			398,413.62	DR **	
BUDGET UNIT TOTAL 1031			398,413.62	DR ***	

STATE OF SOUTH DAKOTA
MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 08/31/2010

AGENCY 10 LABOR
BUDGET UNIT 1031 BOARD OF ACCOUNTANCY
CENTER-5 10310 BOARD OF ACCOUNTANCY

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
COMPANY NO 6503 COMPANY NAME PROFESSIONAL & LICENSING BOARDS										
6503	1031000061802	51010100	CGEX100812	08/18/2010					2,623.00	DR
OBJSUB: 5101010 F-T EMP SAL & WAGES										
6503	1031000061802	51010200	CGEX100812	08/18/2010					2,623.00	DR *
OBJSUB: 5101020 P-T/TEMP EMP SAL & WAGES										
6503	1031000061802	51010300	CGEX100812	08/18/2010					778.19	DR *
OBJSUB: 5101030 BOARD & COMM MERS FEES										
OBJECT: 5101 EMPLOYEE SALARIES										
6503	1031000061802	51020100	CGEX100812	08/18/2010					60.00	DR *
OBJSUB: 5102010 OASI-EMPLOYER'S SHARE										
6503	1031000061802	51020200	CGEX100812	08/18/2010					3,461.19	DR **
OBJSUB: 5102020 RETIREMENT-ER SHARE										
6503	1031000061802	51020600	CGEX100812	08/18/2010					251.38	DR *
OBJSUB: 5102060 HEALTH/LIFE INS.-ER SHARE										
6503	1031000061802	51020800	CGEX100812	08/18/2010					204.07	DR *
OBJSUB: 5102080 WORKER'S COMPENSATION										
6503	1031000061802	51020900	CGEX100812	08/18/2010					204.07	DR *
OBJSUB: 5102090 UNEMPLOYMENT COMPENSATION										
OBJECT: 5102 EMPLOYEE BENEFITS										
GROUP: 51 PERSONAL SERVICES										
6503	1031000061802	52040200	PL107055	08/20/2010					1,231.01	DR **
6503	1031000061802	52040200	PL107055	08/20/2010					4,692.20	DR ***
OBJSUB: 5204020 DUES & MEMBERSHIP FEES										
6503	1031000061802	52041600	TRI07011	08/26/2010					80.00	DR *
OBJSUB: 5204160 WORKSHOP REGISTRATION FEE										
6503	1031000061802	52041800	DPI07101	09/03/2010					80.00	DR *
OBJSUB: 5204180 COMPUTER SERVICES-STATE										
FM006063										
6503	1031000061802	52042000	PL107055	08/11/2010					1,329.00	DR *
6503	1031000061802	52042000	PL107055	08/20/2010					978.34	DR *
OBJSUB: 5204200 CENTRAL SERVICES										
6503	1031000061802	52042200	63916	08/06/2010	01932757	BESTBUSINE	12031022		9.55	DR
6503	1031000061802	52042200	67725	09/01/2010	01935013	BESTBUSINE	12031022		9.93	DR
OBJSUB: 5204220 EQUIPMENT SERV & MAINT										
6503	1031000061802	52042300	11SC100012	AUG11 08/27/2010	99654290	SUNSETOFFI	12043890		19.48	DR *
OBJSUB: 52042300										

STATE OF SOUTH DAKOTA
MONTHLY EXPENDITURE REPORT
FOR PERIOD ENDING: 08/31/2010

AGENCY 10 LABOR
BUDGET UNIT 1031 BOARD OF ACCOUNTANCY
CENTER-5 10310 BOARD OF ACCOUNTANCY

COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL # / OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
6503	1031000061802	52043400	JANITORIAL & MAINT SERV 20502	08/25/2010	99653000	ELBCCOMPUT	12124520		119.86	DR *
6503	1031000061802	52044400	COMPUTER SOFTWARE MAINT 33390	08/25/2010	99652224	BUSINESSPR	12003048		265.00	DR *
6503	1031000061802	52044600	NEWSLETTER PUBLISHING 63916	08/06/2010	01932757	BESTBUSINE	12031022		486.89	DR *
6503	1031000061802	52044600	67725	09/01/2010	01935013	BESTBUSINE	12031022		93.60	DR
6503	1031000061802	52044900	EQUIPMENT RENTAL ACCOUNTRENT11	08/18/2010	595779	MCGINNISRO	12074040		187.20	DR *
6503	1031000061802	52045300	RENTS-PRIVATE OWNED PROP. TL107161	08/13/2010					1,269.45	DR
6503	1031000061802	52045300	111109001 AUG11	09/01/2010	99654824	MIDCONTINE	12023782		1,269.45	DR *
6503	1031000061802	52045400	TELECOMMUNICATIONS SRVCS 5159417006 JUL11	08/06/2010	01932731	XCELENERGY	12023853		88.95	DR
6503	1031000061802	52047400	ELECTRICITY CII101A-021	08/11/2010	102862				95.00	DR
6503	1031000061802	52047400	CII101A-021	08/11/2010	102862				183.95	DR *
6503	1031000061802	52047400	CII101A-021	08/11/2010	102862				62.76	DR
6503	1031000061802	52049600	BANK FEES AND CHARGES 13313619 & 3624	09/01/2010	99654653	NATLASSNST	12005047		62.76	DR *
6503	1031000061802	52050200	OTHER CONTRACTUAL SERVICE CONTRACTUAL SERVICES 1420650-0 & 50-1	08/06/2010	99646706	BROWNSAENG	12028533		1,246.47	DR
6503	1031000061802	52050200	OFFICE SUPPLIES 33445	09/01/2010	99654633	BUSINESSPR	12003048		1,246.47	DR *
6503	1031000061802	52053200	55946	09/03/2010	99656194	SOUTHDAKOT	12012500		1,246.47	DR *
6503	1031000061802	52053500	PRINTING-COMMERCIAL 55946	09/03/2010	99656194	SOUTHDAKOT	12012500		9,259.79	DR
6503	1031000061802	52053500	POSTAGE						9,259.79	DR *
6503	1031000061802	5228000	SUPPLIES & MATERIALS T101-008	08/13/2010					15,793.92	DR **
6503	1031000061802	5228000	OPER TRANS OUT -NON BUDGT						16.12	DR *
6503	1031000061802	5228000	NONOP EXP/NONEGTD OP TR						34.50	DR
6503	1031000061802	5228000	OPERATING EXPENSES						281.22	DR
6503	1031000061802	5228000	52						16.12	DR *
6503	1031000061802	5228000	52						34.50	DR
6503	1031000061802	5228000	6503						834.82	DR **
6503	1031000061802	5228000	1031000061802						834.82	DR *
6503	1031000061802	5228000	B. UNIT: 1031						834.82	DR **
6503	1031000061802	5228000							834.82	DR **
6503	1031000061802	5228000							17,441.65	DR ***
6503	1031000061802	5228000							22,133.85	DR ****
6503	1031000061802	5228000							22,133.85	DR *****
6503	1031000061802	5228000							22,133.85	DR *****

South Dakota Board of Accountancy
Balance Sheet
As of August 31, 2010

	Aug 31, 10
ASSETS	
Current Assets	
Checking/Savings	
1130000 · Local Checking - US Bank	3,384.57
1140000 · Pool Cash State of SD	399,802.46
Total Checking/Savings	403,187.03
Total Current Assets	403,187.03
Fixed Assets	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-82,728.81
Total 1670000 · Computer Software	57,334.42
Total Fixed Assets	57,334.42
TOTAL ASSETS	460,521.45
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2110000 · Accounts Payable	20,821.80
Total Accounts Payable	20,821.80
Other Current Liabilities	
2510000 · Deferred Revenue	25,010.00
2810000 · Amounts Held for Others	19,457.27
Total Other Current Liabilities	44,467.27
Total Current Liabilities	65,289.07
Long Term Liabilities	
2960000 · Compensated Absences Payable	11,162.26
Total Long Term Liabilities	11,162.26
Total Liabilities	76,451.33
Equity	
3220000 · Unrestricted Net Assets	199,024.32
3300100 · Invested In Capital Assets	57,334.42
3900 · Retained Earnings	23,341.63
Net Income	104,369.75
Total Equity	384,070.12
TOTAL LIABILITIES & EQUITY	460,521.45

off CIOI-026
\$1,388.84

South Dakota Board of Accountancy

Profit & Loss Budget vs. Actual

July through August 2010

	Jul - Aug 10	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate				
5208001 · Refunds	-25.00			
4293550 · Initial Individual Certificate - Other	400.00	2,500.00	-2,100.00	16.0%
Total 4293550 · Initial Individual Certificate	375.00	2,500.00	-2,125.00	15.0%
4293551 · Certificate Renewals-Active	46,050.00	50,000.00	-3,950.00	92.1%
4293552 · Certificate Renewals-Inactive	14,150.00	23,000.00	-8,850.00	61.5%
4293553 · Certificate Renewals-Retired	290.00	600.00	-310.00	48.3%
4293554 · Initial Firm Permits	300.00	1,500.00	-1,200.00	20.0%
4293555 · Firm Permit Renewals				
5208004 · REFUNDS	-50.00			
4293555 · Firm Permit Renewals - Other	16,200.00	18,350.00	-2,150.00	88.3%
Total 4293555 · Firm Permit Renewals	16,150.00	18,350.00	-2,200.00	88.0%
4293557 · Initial Audit	150.00	580.00	-430.00	25.9%
4293558 · Re-Exam Audit	360.00	1,660.00	-1,300.00	21.7%
4293561 · Late Fees-Certificate Renewals	4,100.00	3,500.00	600.00	117.1%
4293563 · Late Fees-Firm Permit Renewals	950.00	800.00	150.00	118.8%
4293564 · Late Fees-Peer Review	250.00	1,250.00	-1,000.00	20.0%
4293566 · Firm Permit Individual				
5208003 · REFUNDS	-235.00			
4293566 · Firm Permit Individual - Other	59,020.00	64,000.00	-4,980.00	92.2%
Total 4293566 · Firm Permit Individual	58,785.00	64,000.00	-5,215.00	91.9%
4293567 · Peer Review Admin Fee	375.00	5,650.00	-5,275.00	6.6%
4293568 · Firm Permit Name Change	50.00	100.00	-50.00	50.0%
4293569 · Initial FAR	270.00	990.00	-720.00	27.3%
4293570 · Initial REG	120.00	530.00	-410.00	22.6%
4293571 · Initial BEC	270.00	670.00	-400.00	40.3%
4293572 · Re-Exam FAR	270.00	1,540.00	-1,270.00	17.5%
4293573 · Re-Exam REG	360.00	1,680.00	-1,320.00	21.4%
4293574 · Re-Exam BEC	420.00	2,020.00	-1,600.00	20.8%
4491000 · Interest and Dividend Revenue	0.00	12,000.00	-12,000.00	0.0%
4896021 · Legal Recovery Cost	0.00	1,000.00	-1,000.00	0.0%
Total Income	144,045.00	193,920.00	-49,875.00	74.3%
Expense				
5101010 · F-T Emp Sal & Wages	10,812.28	66,239.00	-55,426.72	16.3%
5101020 · P-T/Temp Emp Sal & Wages	3,106.05	19,380.00	-16,273.95	16.0%
5101030 · Board & Comm Mbrs Fees	1,140.00	4,020.00	-2,880.00	28.4%
5102010 · OASI-Employer's Share	1,098.34	6,549.00	-5,450.66	16.8%
5102020 · Retirement-ER Share	835.11	5,147.00	-4,311.89	16.2%
5102060 · Health /Life Ins.-ER Share	3,067.56	17,869.00	-14,801.44	17.2%
5102080 · Worker's Compensation	23.66	133.00	-109.34	17.8%
5102090 · Unemployment Insurance	11.83	55.00	-43.17	21.5%
5203010 · Auto--State Owned	0.00	1,500.00	-1,500.00	0.0%
5203020 · Auto-Private-Ownes Low Mileage	271.20	300.00	-28.80	90.4%
5203030 · In State-Auto- Priv. High Miles	398.12	2,100.00	-1,701.88	19.0%
5203100 · In State-Lodging	93.00	1,000.00	-907.00	9.3%
5203120 · In State-Incidentals to Travel	0.00	100.00	-100.00	0.0%
5203140 · InState-Tax Meals Not Overnight	9.00	150.00	-141.00	6.0%
5203150 · InState-Non-Tax Meals OverNight	137.00	500.00	-363.00	27.4%
5203230 · OS-Auto Private High Mileage	0.00	100.00	-100.00	0.0%
5203260 · OS-Air Commercial Carrier	1,345.10	6,700.00	-5,354.90	20.1%
5203280 · OS-Other Public Carrier	42.00	500.00	-458.00	8.4%
5203300 · OS-Lodging	1,840.40	7,800.00	-5,959.60	23.6%
5203320 · OS-Incidentals to Travel	61.00	200.00	-139.00	30.5%
5203350 · OS-Non-Taxable Meals Overnight	259.00	1,000.00	-741.00	25.9%
5204010 · Subscriptions	0.00	1,500.00	-1,500.00	0.0%
5204020 · Dues and Membership Fees	0.00	3,900.00	-3,900.00	0.0%
5204030 · Legal Document Fees	0.00	500.00	-500.00	0.0%
5204040 · Consultant Fees-Accounting	0.00	6,000.00	-6,000.00	0.0%
5204160 · Workshop Registration Fees	80.00	5,200.00	-5,120.00	1.5%
5204180 · Computer Services-State	114.00	600.00	-486.00	19.0%
5204181 · Computer Development Serv-State	2,328.00	4,400.00	-2,072.00	52.9%

South Dakota Board of Accountancy
Profit & Loss Budget vs. Actual
 July through August 2010

	Jul - Aug 10	Budget	\$ Over Budget	% of Budget
5204200 · Central Services	1,488.82	7,500.00	-6,011.18	19.9%
5204220 · Equipment Service & Maintenance	19.48	300.00	-280.52	6.5%
5204230 · Janitorial/Maintenance Services	239.72	1,560.00	-1,320.28	15.4%
5204340 · Computer Software Maintenance	265.00	1,000.00	-735.00	26.5%
5204360 · Advertising-Newspapers	0.00	2,100.00	-2,100.00	0.0%
5204440 · Newsletter Publishing	486.89	1,100.00	-613.11	44.3%
5204460 · Equipment Rental	1,381.20	5,200.00	-3,818.80	26.6%
5204480 · Microfilm and Photography	0.00	700.00	-700.00	0.0%
5204490 · Rents Privately Owned Property	2,538.90	15,531.00	-12,992.10	16.3%
5204530 · Telecommunications Services	473.57	2,500.00	-2,026.43	18.9%
5204540 · Electricity	148.19	865.00	-716.81	17.1%
5204560 · Water	0.00	240.00	-240.00	0.0%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	1,783.43	2,000.00	-216.57	89.2%
5205020 · Office Supplies	101.09	1,500.00	-1,398.91	6.7%
5205310 · Printing State	0.00	500.00	-500.00	0.0%
5205320 · Printing/Duplicating/Binding Co	322.62	1,000.00	-677.38	32.3%
5205330 · Supplemental Publications	0.00	700.00	-700.00	0.0%
5205340 · Microfilm Supplies/Materials	0.00	300.00	-300.00	0.0%
5205350 · Postage	507.15	3,100.00	-2,592.85	16.4%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	0.00	4,800.00	-4,800.00	0.0%
5207950 · System Development	0.00	500.00	-500.00	0.0%
5207955 · Computer Hardware Other	0.00	500.00	-500.00	0.0%
5207960 · Computer Software Expense	0.00	500.00	-500.00	0.0%
5228000 · Operating Transfers Out-NonBudg	834.82	6,500.00	-5,665.18	12.8%
5228030 · Depreciation Expense	2,011.72			
Total Expense	39,675.25	225,748.00	-186,072.75	17.6%
Net Ordinary Income	104,369.75	-31,828.00	136,197.75	-327.9%
Net Income	104,369.75	-31,828.00	136,197.75	-327.9%

South Dakota Board of Accountancy
PREVIOUS YEAR MONTHLY COMPARISON
August 2010

	<u>Aug 10</u>	<u>Aug 09</u>	<u>\$ Change</u>	<u>% Change</u>
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	125.00	525.00	-400.00	-76.2%
4293551 · Certificate Renewals-Active	15,000.00	12,750.00	2,250.00	17.7%
4293552 · Certificate Renewals-Inactive	2,550.00	3,750.00	-1,200.00	-32.0%
4293553 · Certificate Renewals-Retired	60.00	110.00	-50.00	-45.5%
4293554 · Initial Firm Permits	200.00	200.00	0.00	0.0%
4293555 · Firm Permit Renewals	3,750.00	6,650.00	-2,900.00	-43.6%
4293557 · Initial Audit	120.00	30.00	90.00	300.0%
4293558 · Re-Exam Audit	90.00	210.00	-120.00	-57.1%
4293560 · Late Fees-Initial Certificate	0.00	100.00	-100.00	-100.0%
4293561 · Late Fees-Certificate Renewals	4,100.00	3,700.00	400.00	10.8%
4293563 · Late Fees-Firm Permit Renewals	950.00	550.00	400.00	72.7%
4293564 · Late Fees-Peer Review	0.00	50.00	-50.00	-100.0%
4293566 · Firm Permit Individual	12,545.00	29,900.00	-17,355.00	-58.0%
4293568 · Firm Permit Name Change	25.00	55.00	-30.00	-54.6%
4293569 · Initial FAR	180.00	120.00	60.00	50.0%
4293570 · Initial REG	90.00	60.00	30.00	50.0%
4293571 · Initial BEC	120.00	60.00	60.00	100.0%
4293572 · Re-Exam FAR	120.00	120.00	0.00	0.0%
4293573 · Re-Exam REG	90.00	210.00	-120.00	-57.1%
4293574 · Re-Exam BEC	120.00	150.00	-30.00	-20.0%
Total Income	40,235.00	59,300.00	-19,065.00	-32.2%
Expense				
5101010 · F-T Emp Sal & Wages	2,623.00	2,729.76	-106.76	-3.9%
5101020 · P-T/Temp Emp Sal & Wages	778.19	929.52	-151.33	-16.3%
5101030 · Board & Comm Mbrs Fees	60.00	120.00	-60.00	-50.0%
5102010 · OASI-Employer's Share	251.38	274.44	-23.06	-8.4%
5102020 · Retirement-ER Share	204.07	219.56	-15.49	-7.1%
5102060 · Health /Life Ins.-ER Share	766.89	721.62	45.27	6.3%
5102080 · Worker's Compensation	5.78	4.03	1.75	43.4%
5102090 · Unemployment Insurance	2.89	2.38	0.51	21.4%
5203020 · Auto-Private-Ownes Low Mileage	271.20	271.20	0.00	0.0%
5203030 · In State-Auto- Priv. High Miles	194.62	446.96	-252.34	-56.5%
5203100 · In State-Lodging	93.00	139.50	-46.50	-33.3%
5203140 · InState-Tax Meals Not OverNigt	9.00	9.00	0.00	0.0%
5203150 · InState-Non-Tax Meals OverNigt	137.00	166.00	-29.00	-17.5%
5204160 · Workshop Registration Fees	80.00	0.00	80.00	100.0%
5204180 · Computer Services-State	57.00	45.00	12.00	26.7%
5204181 · Computer Development Serv-State	1,272.00	480.00	792.00	165.0%
5204200 · Central Services	305.73	315.43	-9.70	-3.1%
5204220 · Equipment Service & Maintenance	9.93	11.51	-1.58	-13.7%
5204230 · Janitorial/Maintenance Services	119.86	117.00	2.86	2.4%
5204340 · Computer Software Maintenance	265.00	0.00	265.00	100.0%
5204440 · Newsletter Publishing	486.89	0.00	486.89	100.0%
5204460 · Equipment Rental	690.60	252.39	438.21	173.6%
5204490 · Rents Privately Owned Property	1,269.45	1,244.25	25.20	2.0%
5204530 · Telecommunications Services	184.16	204.01	-19.85	-9.7%
5204540 · Electricity	85.43	49.16	36.27	73.8%
5204560 · Water	0.00	23.35	-23.35	-100.0%
5204740 · Bank Fees and Charges	1,246.47	892.67	353.80	39.6%
5205020 · Office Supplies	77.24	0.00	77.24	100.0%
5205320 · Printing/Duplicating/Binding Co	315.72	51.00	264.72	519.1%
5205350 · Postage	481.07	1,011.25	-530.18	-52.4%
5228000 · Operating Transfers Out-NonBudg	834.82	960.59	-125.77	-13.1%
5228030 · Depreciation Expense	1,005.86	1,005.86	0.00	0.0%
Total Expense	14,184.25	12,697.44	1,486.81	11.7%
Net Ordinary Income	26,050.75	46,602.56	-20,551.81	-44.1%
Net Income	26,050.75	46,602.56	-20,551.81	-44.1%

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
 July through August 2010

	Jul - Aug 10	Jul - Aug 09	\$ Change	% Change
Ordinary Income/Expense				
Income				
4293550 · Initial Individual Certificate	375.00	1,300.00	-925.00	-71.2%
4293551 · Certificate Renewals-Active	46,050.00	43,800.00	2,250.00	5.1%
4293552 · Certificate Renewals-Inactive	14,150.00	14,300.00	-150.00	-1.1%
4293553 · Certificate Renewals-Retired	290.00	390.00	-100.00	-25.6%
4293554 · Initial Firm Permits	300.00	250.00	50.00	20.0%
4293555 · Firm Permit Renewals	16,150.00	16,300.00	-150.00	-0.9%
4293557 · Initial Audit	150.00	30.00	120.00	400.0%
4293558 · Re-Exam Audit	360.00	390.00	-30.00	-7.7%
4293560 · Late Fees-Initial Certificate	0.00	100.00	-100.00	-100.0%
4293561 · Late Fees-Certificate Renewals	4,100.00	3,700.00	400.00	10.8%
4293563 · Late Fees-Firm Permit Renewals	950.00	550.00	400.00	72.7%
4293564 · Late Fees-Peer Review	250.00	100.00	150.00	150.0%
4293566 · Firm Permit Individual	58,785.00	56,065.00	2,720.00	4.9%
4293567 · Peer Review Admin Fee	375.00	150.00	225.00	150.0%
4293568 · Firm Permit Name Change	50.00	80.00	-30.00	-37.5%
4293569 · Initial FAR	270.00	150.00	120.00	80.0%
4293570 · Initial REG	120.00	120.00	0.00	0.0%
4293571 · Initial BEC	270.00	90.00	180.00	200.0%
4293572 · Re-Exam FAR	270.00	240.00	30.00	12.5%
4293573 · Re-Exam REG	360.00	450.00	-90.00	-20.0%
4293574 · Re-Exam BEC	420.00	450.00	-30.00	-6.7%
Total Income	144,045.00	139,005.00	5,040.00	3.6%
Expense				
5101010 · F-T Emp Sal & Wages	10,812.28	10,919.04	-106.76	-1.0%
5101020 · P-T/Temp Emp Sal & Wages	3,106.05	3,551.89	-445.84	-12.6%
5101030 · Board & Comm Mbrs Fees	1,140.00	1,020.00	120.00	11.8%
5102010 · OASI-Employer's Share	1,098.34	1,124.29	-25.95	-2.3%
5102020 · Retirement-ER Share	835.11	868.27	-33.16	-3.8%
5102060 · Health /Life Ins.-ER Share	3,067.56	2,886.48	181.08	6.3%
5102080 · Worker's Compensation	23.66	15.95	7.71	48.3%
5102090 · Unemployment Insurance	11.83	9.42	2.41	25.6%
5203010 · Auto-State Owned	0.00	158.90	-158.90	-100.0%
5203020 · Auto-Private-Ownes Low Mileage	271.20	271.20	0.00	0.0%
5203030 · In State-Auto- Priv. High Miles	398.12	446.96	-48.84	-10.9%
5203100 · In State-Lodging	93.00	139.50	-46.50	-33.3%
5203140 · InState-Tax Meals Not OverNigt	9.00	9.00	0.00	0.0%
5203150 · InState-Non-Tax Meals OverNight	137.00	166.00	-29.00	-17.5%
5203260 · OS-Air Commercial Carrier	1,345.10	0.00	1,345.10	100.0%
5203280 · OS-Other Public Carrier	42.00	0.00	42.00	100.0%
5203300 · OS-Lodging	1,840.40	0.00	1,840.40	100.0%
5203320 · OS-Incidentals to Travel	61.00	0.00	61.00	100.0%
5203350 · OS-Non-Taxable Meals Overnight	259.00	0.00	259.00	100.0%
5204160 · Workshop Registration Fees	80.00	0.00	80.00	100.0%
5204180 · Computer Services-State	114.00	45.00	69.00	153.3%
5204181 · Computer Development Serv-State	2,328.00	480.00	1,848.00	385.0%
5204200 · Central Services	1,488.82	1,617.87	-129.05	-8.0%
5204220 · Equipment Service & Maintenance	19.48	20.88	-1.40	-6.7%
5204230 · Janitorial/Maintenance Services	239.72	234.00	5.72	2.4%
5204340 · Computer Software Maintenance	265.00	45.00	220.00	488.9%
5204440 · Newsletter Publishing	486.89	537.20	-50.31	-9.4%
5204460 · Equipment Rental	1,381.20	1,007.01	374.19	37.2%
5204480 · Microfilm and Photography	0.00	243.77	-243.77	-100.0%
5204490 · Rents Privately Owned Property	2,538.90	2,488.50	50.40	2.0%
5204530 · Telecommunications Services	473.57	407.87	65.70	16.1%
5204540 · Electricity	148.19	96.88	51.31	53.0%
5204560 · Water	0.00	23.35	-23.35	-100.0%
5204740 · Bank Fees and Charges	1,783.43	1,224.31	559.12	45.7%
5205020 · Office Supplies	101.09	346.86	-245.77	-70.9%
5205320 · Printing/Duplicating/Binding Co	322.62	412.71	-90.09	-21.8%
5205350 · Postage	507.15	1,516.01	-1,008.86	-66.6%
5228000 · Operating Transfers Out-NonBudg	834.82	960.59	-125.77	-13.1%
5228030 · Depreciation Expense	2,011.72	2,011.72	0.00	0.0%
Total Expense	39,675.25	35,306.43	4,368.82	12.4%

South Dakota Board of Accountancy
PREVIOUS YEAR TO DATE MONTHLY COMPARISON
July through August 2010

	<u>Jul - Aug 10</u>	<u>Jul - Aug 09</u>	<u>\$ Change</u>	<u>% Change</u>
Net Ordinary Income	<u>104,369.75</u>	<u>103,698.57</u>	<u>671.18</u>	<u>0.7%</u>
Net Income	<u><u>104,369.75</u></u>	<u><u>103,698.57</u></u>	<u><u>671.18</u></u>	<u><u>0.7%</u></u>

Request from Licensee on Peer Review

Nicole Kasin 9-14-10

The following request was sent by a licensee and discussed at the August meeting. The discussion was tabled to the September meeting. The Board preferred to review professional standards before rendering a decision on the questions posed.

The Board discussed SDCL 36-20B-54 and 36-20B-61 in regards to this matter, along with professional standards. It was also noted that the individual in this request does have a firm permit and the firm name is individual's name, CPA. This was a factor in how the reports were going to be signed since the individual was going to sign as their name, CPA. Posing a possible conflict, with the representation of a firm name being used on the reports.

Request

I am looking for some guidance with regard to peer review requirements in my situation.

I am currently employed with a management company (**Mgmt Co**) that serves various related entities. The ownership of these entities is as follows:

<u>Mgmt Co:</u>	Partner 1: 100% (This is the company from which I receive compensation)
Companies A & W:	Partner 1: 47.5%
	Partner 2: 47.5%
	Partner 3: 5.0%
Companies C & K:	Partner 1: 50%
	Partner 2: 50%
Company M:	Partner 1: 50%
	Partner 4: 50%
Company S:	Partner 3: 59%
	Partner 1: 14%
	Partner 2: 14%
	Partner 5: 13%
Company F:	Company S: 79%
	Partner 2: 21%
Company G:	Company S: 18%
	Partner 1: 68%
	Partner 6: 10% (unrelated)
	Partner 7: 3% (unrelated)
	Partner 8: 1% (unrelated)
Company P:	Company G 1%
	Partner 9 99% (unrelated)

I prepare financial statements for these entities and submit them to third parties. Some are submitted with full disclosures (notes), and some are not submitted with full disclosures. When I do not issue them with full disclosures, I normally attach a cover letter disclosing any deviations from GAAP I am aware of, and giving the reader additional information such as ownership changes and any other significant items I believe would affect the reader's interpretation of the statements. I sign them as follows:

XXXXXXXX, CPA
Title
Name of Management Company

I have two basic questions with regard to the above-described scenario:

- 1) Do I fall under a peer review requirement? If so, which entities would need to be reviewed?
- 2) Should I be presenting these financial statements in standard compilation form? Or, can I continue to issue them as I described above? If I need to present them in standard compilation form, can I attach the additional information that I described above?

The ownership scenarios I described above are subject to change (including ownership changes and additional entities), and so it would be helpful if I understood how your evaluation criteria, so that I can apply it to my situation in the future.

FOLLOW UP ON DISCUSSION ITEMS

Nicole Kasin 9-14-10

1. In the discussion at the August board meeting, it was brought up to add a 7th board member. To add a 7th member it would require a statute change to 36-20B-4. This was briefly discussed and no action was taken.

I am posing the question to the board if this is a statute change they would prefer to have done in the upcoming 2011 legislative session?

2. The same statute above references the practice of public accountancy. Does the board wish to define this term? If there is movement to add the 7th member in what area would the board like to see the new member? (public, private, lay member, etc.)

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
ORAL TESTIMONY OF
EDWARD KARL, VICE PRESIDENT-TAXATION**

**PUBLIC HEARING ON REG-139343-08, USER FEES RELATING TO
ENROLLMENT AND PREPARER IDENTIFICATION NUMBERS**

AUGUST 24, 2010

Good morning. I appreciate the opportunity to provide our comments on the proposed user fee regulations, imposing a \$50 cost annually on persons who are paid tax return preparers applying for a PTIN. Our comments today are not limited to solely addressing the proposed \$50 user fee. Instead our comments must be directed at the costs of the entire proposed regulatory regime that the IRS and Treasury seek to adopt, including those of PTIN registration, testing and continuing education. We strongly believe that the true costs of the regime should be considered in their totality, as that is how they will practically operate to place an immense new cost burden on CPAs and CPA firms, and in particular, the smallest CPA firms that will not be able to as easily absorb new costs.

The AICPA has always supported the Commissioner's general goals of enhancing compliance and elevating ethical conduct. We have supported registration and PTINs for all signing preparers, including CPAs, and application of Circular 230 to all preparers. But we are concerned about certain aspects of the IRS proposal, in particular the extension of the regulatory regime to non-CPA, non-signing employees of CPA firms. There are several reasons that the proposed regulatory regime should not extend to non-signing employees of CPA firms; we have elaborated on them in more detail in our written comments.

I have several questions I'd like to pose and discuss with you regarding the proposed program:

1. Does the IRS believe that CPAs and their employees are currently lacking in regulation such that the IRS needs to take drastic new regulatory action to fill the breach? CPAs and registered CPA firms are regulated by the state boards of accountancy. Licensed CPAs take the responsibility as signing preparers for the tax return, and supervise employees who contribute to the preparation of the return accordingly. Non-signing employees of CPA firms are indirectly regulated by the states through direct regulation of CPA licensees, as such individuals assume responsibility for the work of their employees. This builds an incentive for managing CPAs to adequately train and supervise staff contributing to the preparation of a return.

The four states that have adopted preparer registration programs have also answered this question in the negative – New York, California, Oregon and Maryland – all have exemptions for CPAs and their employees as long as the employee is working within the scope of employment and the supervising CPA signs the return.

2. Does the IRS believe non-signing employees of CPA firms who are CPA candidates are unprepared for their supporting role in the tax return preparation process such that they should be subject to the new proposed regulatory regime? In order to become a CPA, generally 150 hours of education is necessary – this is the equivalent of a bachelors and masters. An apprenticeship period is required before licensure. We have many new entrants into the profession that work full or part time while obtaining their

CPA license. During this time, these individuals are technically non-CPA, non-signing staff, and the proposed regime would extend to them. Licensed CPAs supervise and train these new entrants into the profession and take responsibility for their work – we do not think these individuals should be required to pay to take a competency test administered by the IRS as they prepare to sit for a rigorous four part CPA exam (which covers tax).

3. Does the IRS have evidence of systematic noncompliance problems at CPA firms? The original proposal issued in the Commissioner's Preparer Regulation report discussed studies conducted by GAO and TIGTA regarding un-enrolled tax return preparers. The study led the IRS to propose a paid tax return preparer registration regime that applied to signing preparers, including Circular 230 practitioners such as CPAs. The report reserved the issue of whether non-signing preparers would be included within the regime, and also said the IRS would study law and accounting firms. Where are the results of these IRS studies? We believe CPAs and CPA firms should be able to consider those results prior to the imposition of this vast new regulatory regime and the associated burdens.
4. How did the IRS arrive at its estimate of 900,000 to 1.2 million preparers? We question whether this number is a fair representation of the affected population given the breadth of the IRS proposed PTIN regulations' definition of paid tax return preparers. We read that definition, in particular the examples, to exclude only individuals who are purely clerical or purely data entry. Most CPA firms have very few employees with such limited responsibilities, and therefore the regulatory regime could apply to the majority of their employees, regardless of the fact that they train employees

to a level that is commensurate with their job responsibilities and take responsibility for their work through supervision by CPAs. The IRS will not be able to fairly calculate the burden without refining this number.

5. Does the IRS have a proposed estimate for how much it will cost a person to comply with all of the proposed regulatory requirements? The IRS has, so far, released one regulation imposing a \$50 fee associated with annual PTIN registration and has announced the associated vendor fee to be \$14.25; there is discussion in the regulation preamble for many other associated costs that remain unknown to the public, for example, the IRS user fee for examination, vendor fee for examination, IRS user fee for reporting or approving continuing education, vendor fee for reporting or approving continuing education, paid employee time studying for examination, paid employee time attending continuing education courses, continuing education course fees, travel and accommodation costs associated with attending continuing education, lost billable revenue for time spent studying for the exam or attending continuing education courses, and management time tracking compliance obligations of firm staff. IRS should consider the burden of its regime based on all of these costs.

6. How relevant is the proposed IRS competency examination requirement to CPA firms? It is commonly known that CPAs prepare the nation's most complex federal tax forms, and CPA firm staff assist in that process. Firms currently are training staff on many of the initiatives that the IRS and Congress are rolling out: completing Schedule UTP (uncertain tax positions), new FBAR and FATCA international reporting and withholding requirements, etc. Should firms stop training staff regarding these important

new initiatives such that they re-direct their training to preparation of Forms 1040 – including proper claiming of the Earned Income Tax Credit – even when their job responsibilities have NOTHING to do with preparation of such forms? CPA firms should not have to waste resources training their employees on issues that they need not know about in order to adequately, and professionally, complete their job responsibilities.

Also, CPA firms have employees contributing to various tax form series – international entity returns, estate tax returns or employee benefit returns, for example – will these individuals have to pay the IRS to take a test on the Form 1040 series? In our opinion this makes no sense. We believe requiring professionals to take a competency test that has zero nexus with their practice area is not the wisest expenditure of resources. These issues are, in part, why we suggested delaying the exam.

7. How will the IRS accomplish its specific goals identified in the regulation preamble -- namely tracking the number of returns each person prepares, and locating and reviewing returns prepared by a specific tax return preparer when instances of misconduct are detected -- with respect to non-signing staff of CPA firms? Currently, and most logically, the IRS has to rely on the existing enforcement mechanism – that is contacting the signers – in order to accomplish these goals as to non-signing staff. We do not understand why significant costs associated with these new requirements would be imposed when such new requirements do not help the IRS accomplish its goals. The IRS could enforce existing law to meet these goals without imposing the non-signing burdens.

8. The essential question boils down to this: can the imposition of the costs associated with the IRS planned PTIN, competency testing and continuing education requirements on non-CPA non-signing employees of CPA firms be justified by a cost / benefit analysis? Our rough estimates show this cost – to only the small CPA firms for their employees alone – to be at least \$390 million in first year costs for PTIN, testing and CE compliance. Based on our comments above, we do not believe these costs have a commensurate benefit to the government given the existing regulatory landscape. We would request that the IRS and Treasury slow down this process of adopting the entirety of its tax return preparer regulatory regime in order to get this right.

Again, thank you for the opportunity today. I am happy to respond to any questions you may have.

Setting Passing Scores on the Uniform CPA Examination

August 2010

Overview

A passing score is set on a licensure exam in order to establish the level of performance that must be met by candidates to demonstrate that they have the knowledge and skills necessary for licensure. The process of setting the passing score ensures that the public interest is protected and that legally defensible pass/fail decisions are made, restricting practice to those who are qualified.

Once a passing score is set, exams can be constructed and scored in a way that provides for a comparable passing score across forms of the exam, regardless of when a candidate takes the test or which form the candidate takes.

However, when there are changes to the structure or specifications for an exam, the passing score needs to be reviewed and proficiency levels set on the new exam.

The Uniform CPA Examination is scheduled to change in 2011. A new content and skills outline will be introduced, the format and structure of simulations will change, and the communication tasks will be consolidated into one section (BEC). With these changes, the current passing scores should be reviewed.

Process for Setting Passing Scores on the CPA Exam

The process for setting passing scores typically involves expert judgment, empirical data, and policy considerations. The AICPA Board of Examiners (BOE) has the policy responsibility for establishing the passing scores.

Roles. Psychometric experts provide recommendations on methods and procedures for setting passing standards. Content experts (CPAs) provide judgments about test content and candidate performance to policy makers. Policymakers (BOE) typically look at many factors to make a decision about a passing score, including the judgments of content experts and representative candidate performance data.

Judgments from content experts. Content experts (panelists) complete a process of providing judgments in a systematic way. The expert judgments are typically provided in multiple rounds. First, panelists are trained in the specific method to be used. A key component of training and orientation is a description of what level of competence is required for the specific license or credential. After orientation and training, the panelists provide an initial set of judgments (ratings). After making the initial ratings, panelists typically receive feedback on their ratings, in order to discuss and refine their ratings.

Final ratings are typically aggregated to provide input to policymakers.

Policymaker review and setting the passing score. In setting a passing score, policymakers typically review judgments from the content experts. They also discuss candidate performance and policy considerations in setting a passing score.

How were passing scores set for the current CPA Exam?

Content expert panelists (CPAs who supervise entry-level accountants) reviewed candidate performances on test questions and provided ratings in multiple rounds. The final ratings were used as input to the BOE.

The BOE reviewed the judgments (ratings) from the content expert panelists, as well as data about candidate performance on the exam. The BOE established a passing score for each section of the exam. Those passing scores have been implemented since the beginning of the computer-based test in 2004.

How will passing scores be set for the new exam?

Using a candidate-centered approach similar to that used in 2003-04, content expert panelists (CPAs) will review candidate performance and provide judgments. Those judgments will be used to develop a recommendation to the BOE.

The BOE will establish passing scores after reviewing the panelists' judgments along with information about candidate performance on the exam.

What steps are involved?

There are two main steps in the process. In the first step, CPA panelists will review candidate responses to exam questions and will make ratings that will be used in making passing score recommendations to the BOE. In the second step, the BOE will establish the passing scores.

How will the first step be accomplished?

Expert judgments will be gathered in a multistage process.

Panelists. Panelists will be CPAs with three to five years experience who have supervised entry-level accountants in the past year. There will be approximately ten panelists reviewing each examination section (AUD, BEC, FAR, REG), for a total of approximately 40 panelists.

Training of panelists. For each exam section, panelists will be trained to provide judgments. Training will include a standardized definition of the requirements for an entry-level CPA. The definition has been approved by the BOE based on a recommendation from the BOE's State Board Committee. The judgments (ratings) made by the CPAs (panelists) will be made with reference to this definition.

Initial ratings. For each item type (multiple-choice, simulation, essay) panelists will rate candidate performance profiles as either failing, passing, or borderline (just passing). A candidate profile will include the exam questions and the candidate's responses to those questions. Each profile will be assigned to an initial category based on the current passing score.

The initial ratings will be compiled for review and discussion.

Discussion of initial ratings. Panelists will discuss their initial ratings. Panelists will have an opportunity

to discuss the reasons for ratings that vary across panelists. For example, one candidate profile may be rated as “failing” by some panelists and as “borderline” by other panelists. Such profiles will be discussed, and panelists can discuss rationales for their ratings.

Final ratings. After discussion, panelists will make a final rating on each candidate profile.

Compilation of ratings. The recommendation to the BOE will be based on the average of all ratings across panelists.

Psychometric Oversight Committee (POC) review. The POC will review the implementation and outcomes of the panel meetings.

Initial BOE review. The BOE will review the recommendations from the panels, along with information about estimated candidate pass rates based on the recommended passing scores. The BOE will be provided with various passing score options, taking measurement error into account.

Final BOE review. After the first administration window of the new exam, the BOE will review actual candidate pass rate information. The BOE will establish the passing scores before any results are reported to candidates.

What is the timeline for setting the passing scores on the revised exam?

August 2010 Panel review meetings

October 2010 POC review

November 2010 BOE initial review

March 2011 BOE final review

BOE final review and establishment of passing scores will take place at the end of the first testing window for the new exam.

REGIONAL DIRECTORS' FOCUS QUESTIONS

The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. Please send your Board's responses to your Regional Director by October 6, 2010. Use additional sheets for your responses if needed.

JURISDICTION _____ **DATE** _____
NAME OF PERSON SUBMITTING FORM _____

1. NASBA's Continuing Professional Education Advisory Committee in conjunction with the Compliance Services Division has released over the years responses to CPE sponsors' Frequently Asked Questions (FAQs), in order to give guidance to them (see <https://registry.nasbatools.com/download/6/FAQ41108.pdf>). A task force has been formed to review the FAQs and the AICPA NASBA Standards for CPE Sponsors, as appended to the Uniform Accountancy Act. (a) Has your Board included the Standards in your rules by reference? (b) By specific language? (c) Has your Board viewed the FAQs and agreed with them? (d) Does your Board believe the information contained in the FAQs should be placed in the Standards or continue to stand alone as advisory interpretations that can be modified as quickly as needed? (e) Is there any area of the Standards that your Board would like to see reconsidered?

2. (a) Does your Board have a record retention (destruction) policy and, if so, has it been reviewed lately? (b) Does it include a document destruction policy for e-mail? (c) Is the policy being followed?

3. Is your Board currently conducting a CPA swearing-in (or certificate distribution) ceremony? Did it ever? If so, has it been successful? Has it been done with the assistance of the state CPA society? Do you think it is something other Boards would benefit from?

JURISDICTION _____ **DATE** _____

NAME OF PERSON SUBMITTING FORM _____

4. Does your state allow for any CPA designation for a retired CPA? If so, what is the designation and how has this worked out in your state?

5. Has your Board incurred any problems that could be attributed to adopting mobility legislation?

6. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

7. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
- Input only from Executive Director
- Input only from Board Chair and Executive Director
- Input from all Board Members and Executive Director
- Input from some Board Members and Executive Director
- Input from all Board Members
- Input from some Board Members

Other (please explain):

NASBA

National Association of State Boards of Accountancy

150 Fourth Avenue North, Suite 700 Nashville, TN 37219-2417 Tel 615/880-4200 fax 615/880-4290
Web www.nasba.org

CANDIDATE CARE DEPARTMENT
CANDIDATE CONCERNS
10Q2
APRIL 01 – MAY 31, 2010

Penny Vernon, Manager

Eletta Niles, Security Specialist

Bruce Costain, Candidate Advocate

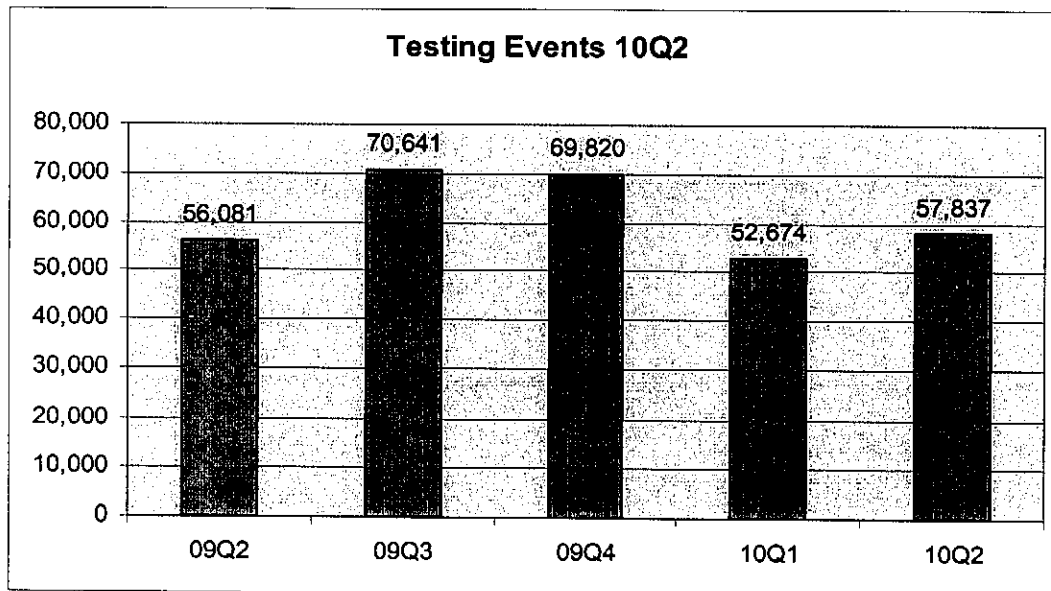
NASBA'S CANDIDATE CARE DEPARTMENT

CANDIDATE CONCERNS

10Q2

APRIL 01-MAY 31, 2010

The following report summarizes concerns expressed to NASBA's Candidate Care Department during the second window of the 2010 administration of the CPA Examination.



This window was relatively quiet with few technical concerns expressed by candidates. The calculator difficulties of the past few windows were resolved, there were no great issues of force majeure causing site closures, and an overall drop in the number of general concerns was observed.

Nashville Flood:

During the first weekend of May Nashville experienced a flood that caused great adversity for the city and surrounding areas. NASBA's office in downtown Nashville was affected by a power outage city wide that closed the building down for four days. However, NASBA's technology teams put NASBA's disaster plans into effect immediately and the impact was minimal. The Candidate Care emails received were accessed by employees working from

home computers so that the candidates were able to receive responses to their concerns within the 5 day response time as promised.

Prometric Sites:

The issues expressed by candidates regarding testing centers primarily included distractions caused by staff activities, fire alarms, air conditioning failures, construction noises, and power outages during an examination. When appropriate candidates were offered free retests and when applicable the specific sites were informed of the responses from candidates in order to rectify the situations.

AICPA Website Change:

In May the new AICPA website www.aicpa.org went live. The Exams website www.cpa-exam.org has been incorporated into the AICPA site. Either link can be followed. When a candidate arrives at the AICPA homepage he can click on the arrow over the tab entitled 'Become a CPA' and select CPA Exam from the list. He will then arrive at the new Exams homepage. All of the information from the original Exams website has been carried over, and the link to the Tutorial and Sample Test can be found under the heading 'Quick Links'.

CBTe:

With the launch of the forthcoming CBT-e Uniform CPA Examination NASBA's Candidate Care Department is receiving numerous calls and emails with a wide range of questions concerning the changes. Each is handled personally and when appropriate candidates are directed to the AICPA's comprehensive website for additional information.

Conclusion:

Review Course providers are encouraging candidates to take the CPA Examination before the changes coming in 2011. While this window was calm, it is anticipated that the third window and fourth window will experience an increase in the volume of candidates. This will put pressure on finding available seats particularly at the end of each window. Candidates will need to abide by the recommendation stated in the Candidate Bulletin to schedule an appointment at least 45 days before the desired test date.

NASBA's Candidate Care Department continues to provide support and to act as advocates for your candidates. We welcome any suggestions that may assist us in doing so.

If you have any comments, questions or concerns please contact Penny Vernon at pvernon@nasba.org or directly at 615-880-4209.

Summary of Candidate Concerns:

Mantis Categories & Totals	
Window	10Q2
Category	
AICPA & Test Content	15
Calculator	5
Candidate Error	36
Confirmation of Attendance	40
Environment	27
Latency/Time Loss	1
Other	1
Prometric Scheduling Issues	14
Prometric Site Issues	24
Security/ID Issues	15
Software - Auth. Lit.	0
Software - error messages	1
Software - other	5
Technical - shutdown	21
Technical - other	20
Total – Mantis	265
Coordinator followup	73
CPAES & NCD	142
TOTAL	480
Total Testing Events	57,837

***Note: The Coordinator Follow-up and CPAES & NCD categories primarily consist of inquiries made by candidates with questions and/or concerns about the entire process of taking the CPA Examination. Each is responded to either directly by the Candidate Care Department or transferred to the appropriate examination coordinator for follow-up.**

**CBT Steering Group
CPA Exam
Quarterly Summary Report to the State Boards
Second Quarter, 2010**

Executive Summary

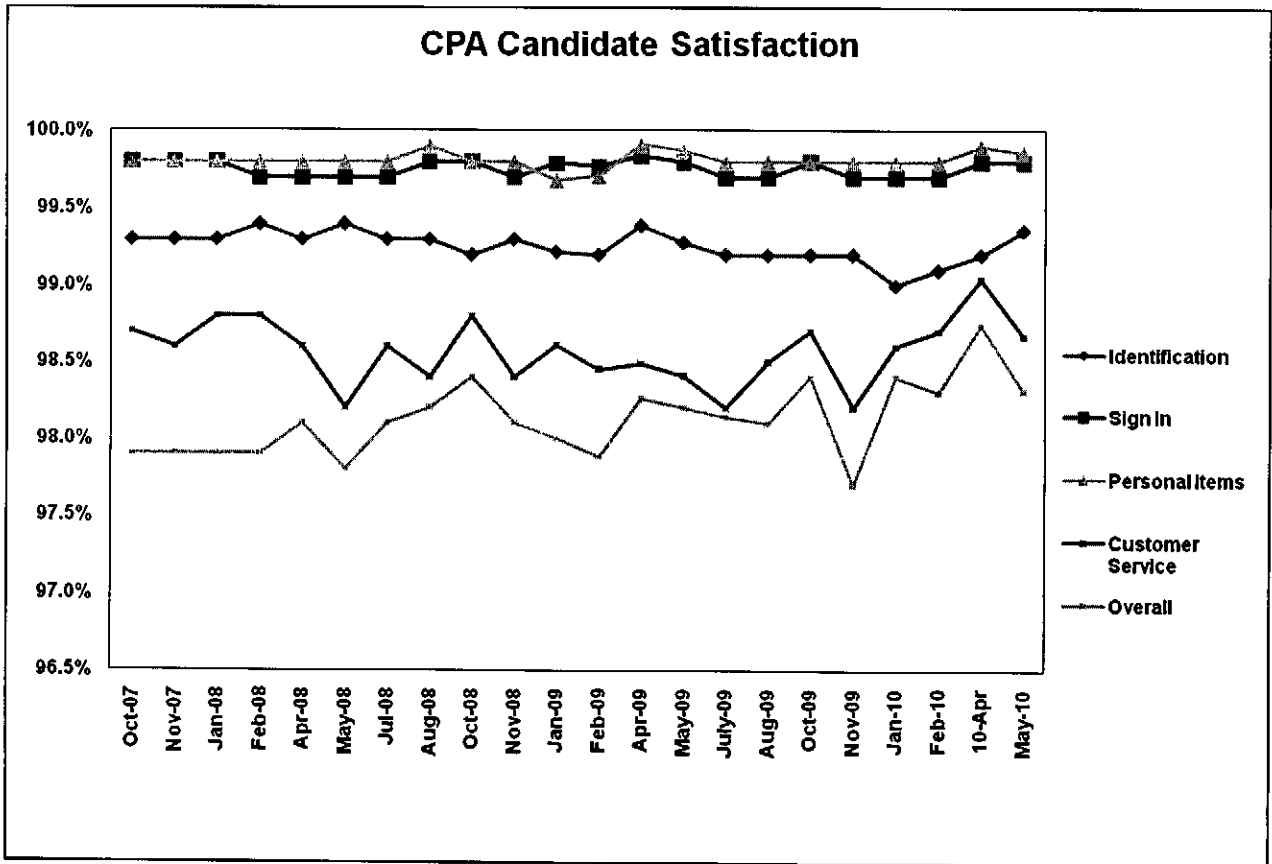
Second quarter 2010 volume for the exam was 3.2% above second quarter 2009, with a total of 62,375 exams delivered. This brings the total number of computer-based exams delivered to date to 1,270,122. The Exam platform was stable and the frequency and severity of technical issues was small. Candidate satisfaction remains high, and test reliability and testing patterns remain consistent.

The year-over-year growth rate for the second quarter was moderate, slightly higher than the rate for the first quarter of 2010 (3.2% versus 2.6% for the first quarter).

Review Course Providers are advising candidates to test in 2010, before CBTe and other changes are enacted. Because of this, we are anticipating high volumes in 10Q3 and 10Q4. It is important for candidates to schedule early and if possible avoid high-demand time slots – generally the last testing week in a window.

Candidate Satisfaction

Overall candidate satisfaction continues to hover around the 98% mark, with the subset indicators remaining fairly consistent.

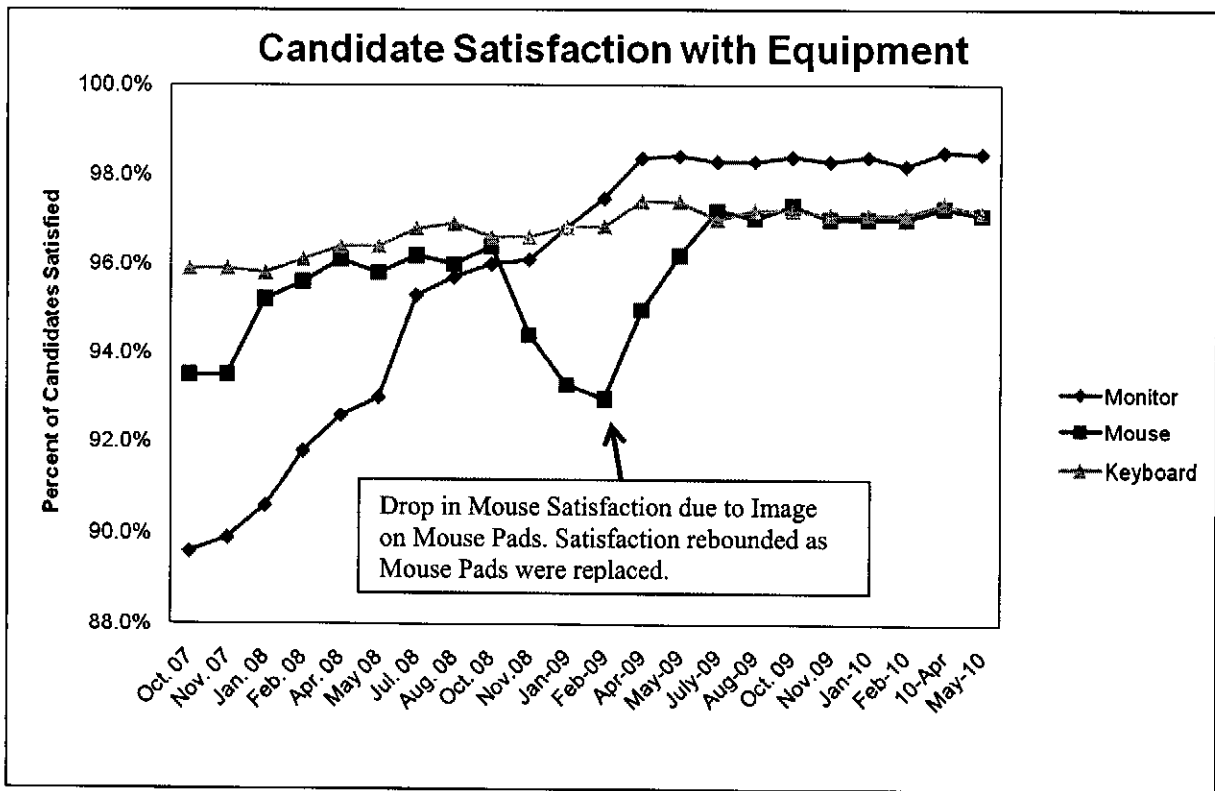


NOTE: In order to provide better definition among the data points, the scale of this graph has been adjusted to show the upper end of the comparative scale.

Equipment Satisfaction

Candidates are satisfied with the equipment at the testing centers with satisfaction well above 95% for the past several quarters.

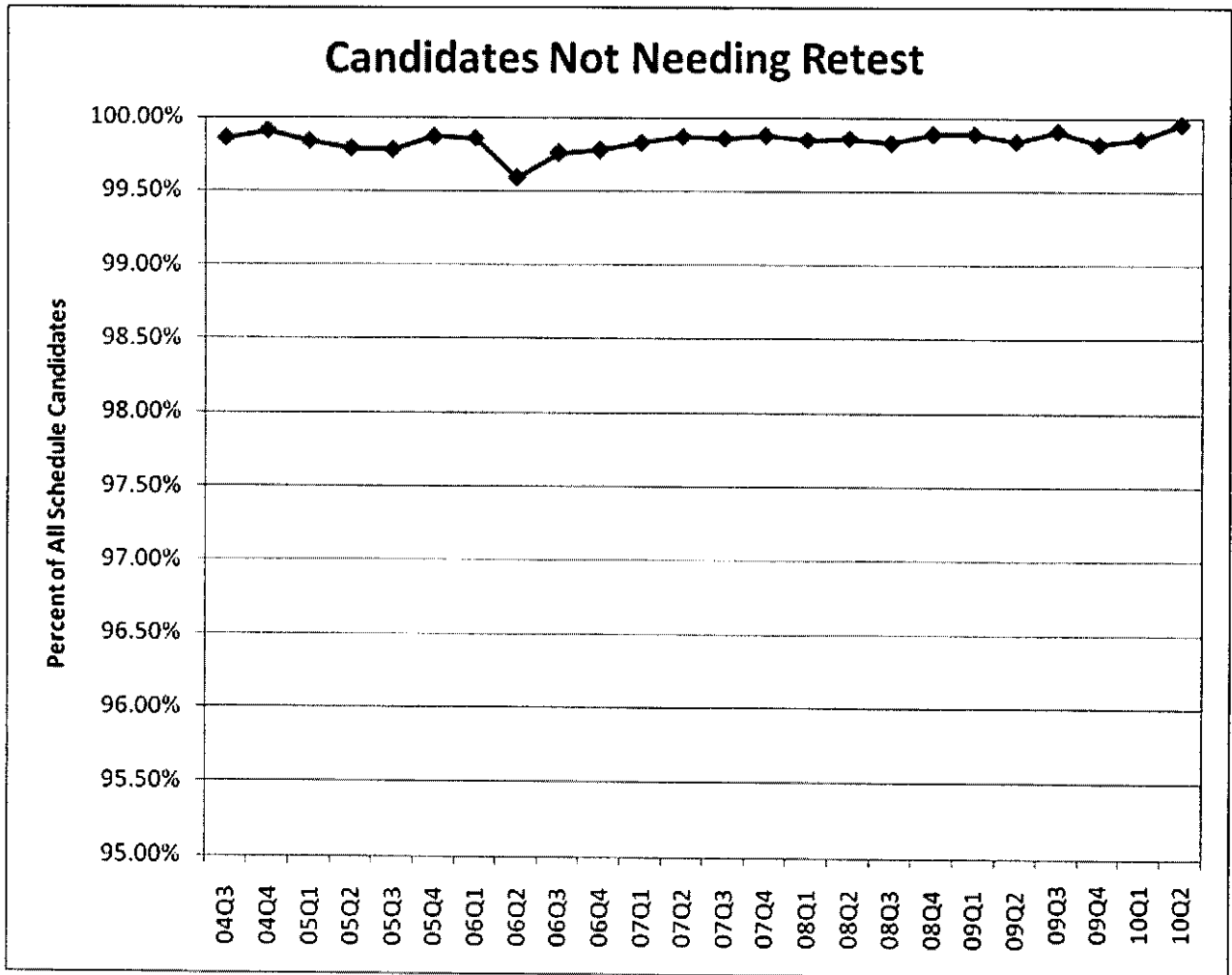
The two-percentage-point drop in satisfaction with computer mouse equipment in 2009 was determined to be the result of new Prometric mouse pads distributed throughout the company's test centers; the graphic on the pads interfered with the functionality of the optical mouse sensors, causing the cursor to fail to keep pace with candidates' mouse movements. The pads were replaced with a new design, and the mouse satisfaction scores rose back in line with those previously recorded.



NOTE: In order to provide better definition among the data points, the scale of this graph has been adjusted to show the upper end of the comparative scale.

Test Reliability

The Exam continues its high degree of technical reliability over the course of its history, with 99.96% candidates that arrived at the test center not needing a retest.

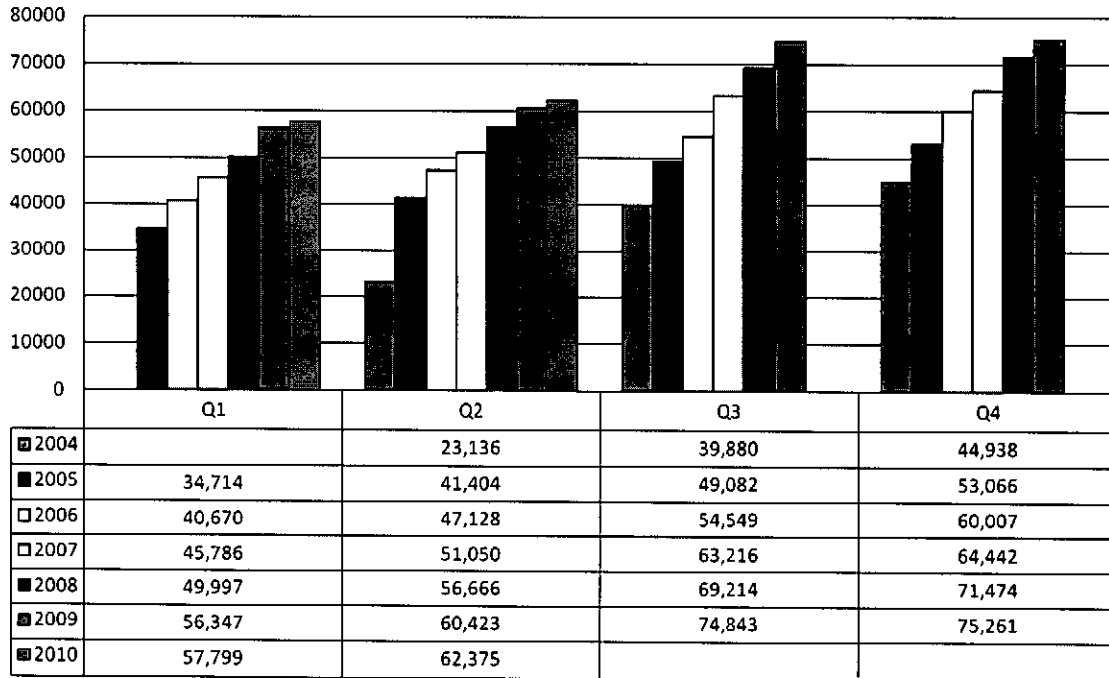


NOTE: In order to provide better definition among the data points, the scale of this graph has been adjusted to show the upper end of the comparative scale.

Volume

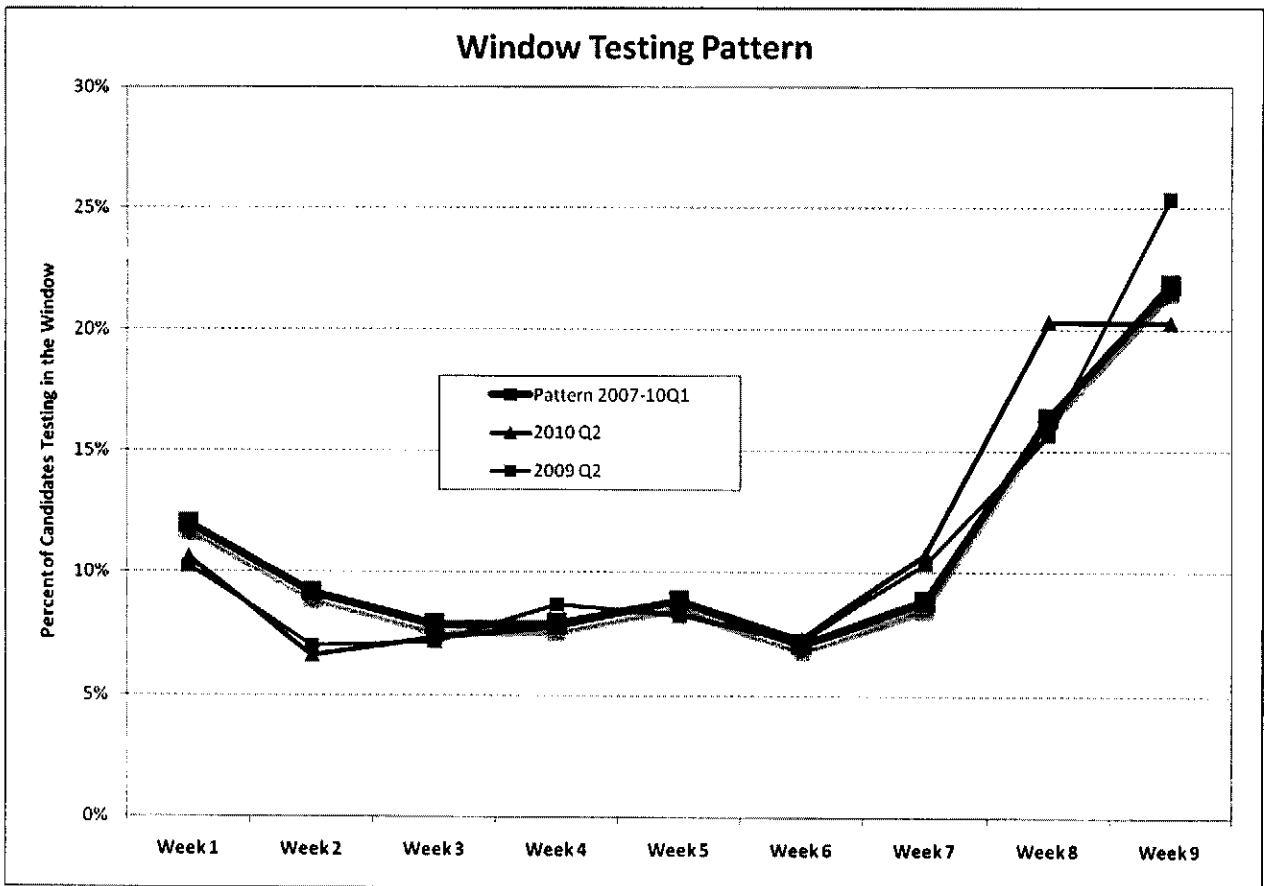
The candidate volume for 10Q2 was 62,375 – which represents a 3.2% increase over the same period in 2009.

Window-over-Window Total Volume



Testing Patterns

The graph below shows the percent of candidates testing each week within a given window. The dark line shows the average percentage for each week across all windows from 2007 through Q1 2010 – which represents the typical candidate scheduling pattern. The patterns for 2009 Q2 (shown in blue) and 2010 Q2 (shown in red) closely follow the broader pattern.



Looking Forward

Candidate volume levels continued to grow through 10Q2 despite overall poor economic conditions – although growth rates have declined. The second quarter was characterized by high candidate satisfaction and test delivery reliability. No equipment issues have been experienced.

Review Course Providers are advising candidates to test in 2010, before CBTe and other changes are enacted. Because of this, we are anticipating high volumes in 10Q3 and 10Q4. It is important for candidates to schedule early and if possible avoid high-demand time slots – generally the last testing week in a window.



North Carolina State Board of Certified Public Accountant Examiners

1101 Oberlin Road, Suite 104 • PO Box 12827 • Raleigh NC 27605 • (919) 733-4222 • Fax (919) 733-4209 • www.nccpaboard.gov

August 23, 2010

John B. Peace, CPA, Esq., Chair
NASBA, CEO Search Committee
150 Fourth Avenue North, Suite 700
Nashville, TN 37219-2417

Dear Mr. Peace:

The search for a new CEO for NASBA has begun with the formation of a search committee and a national posting of the job opening. At the regional meetings, member boards were provided with insight into the Committee's process for selecting a successor to David Costello.

During the Eastern Regional meeting, representatives of the North Carolina State Board of CPA Examiners (the Board) expressed their opinions regarding the qualifications needed by applicants and the manner in which the selection process will occur. The Board feels very strongly that the next CEO of NASBA must, first and foremost, be an actively licensed CPA in one of NASBA's jurisdictions. Potential candidates must possess vision, integrity, and excellent communication skills, as well as superb multi-tasking and organizational skills. The Board believes that experience in international accounting and regulation is also important. He or she must be willing to lead by example; ethics and professionalism are the cornerstones of NASBA's leadership. The CEO of NASBA must be able and willing to make hard decisions—decisions that should reflect the needs of the boards responsible for the regulating the CPA profession.

NASBA is not the same organization that Mr. Costello assumed leadership of a number of years ago. The organization has grown significantly in size, services, professionalism, complexity, and reputation. Much of NASBA's excellent standing in the state, national, and international accounting arenas can be traced to the fact that Mr. Costello is a CPA. There is little doubt that if the leader of the organization at the center of the regulation of the CPA profession is not a CPA, the credibility of NASBA would suffer greatly.

The Board appreciates the opportunity to participate in the process of selecting Mr. Costello's successor—a person who will lead NASBA to even greater accomplishments.

Sincerely,

Michael C. Jordan, CPA
President

lrh

cc: NASBA CEO Search Committee

Bylaws Amendments For Consideration at the 2010 Annual Meeting

Article III, Section 2. Delegates.

All duly appointed or elected individuals who are members of the Member Boards as determined by the respective Member Board's laws shall be Delegates of the Association. Delegates shall have the privilege of the floor and may propose motions, resolutions, or other actions at all meetings of the Association and shall be eligible for service as officers, directors and members of committees of the Association.

Comment [NA1]: Agreed at 1/15/2010 BOD.

ARTICLE IV - SECTION 5. Terms of Office.

The Vice Chair and Directors shall be elected in accordance with these bylaws ~~at~~ during the Business Session at Annual Meeting of the Association. The Vice Chair shall serve as such from the adjournment of the Business Session at the Annual Meeting at which he or she is so elected until the adjournment of the Business Session at the next following Annual Meeting, at which time he or she shall become Chair and shall serve as such until the adjournment of the Business Session at the next following Annual Business Meeting, at which time he or she shall become Past Chair and shall serve as a Director of the Association in accordance with the provisions of Article IV, Section 2 of these bylaws. No incumbent shall be elected to succeed himself or herself in the offices of Chair or Vice Chair. No Past Chair shall be eligible to be re-elected as an Officer or Director. Directors-at-Large shall be elected for three-year terms and may serve a maximum of two complete terms. Regional Directors shall be elected for one-year terms and may serve a maximum of three complete terms. A person who has succeeded to or been appointed to fill a vacancy (serve an unexpired term) shall not have that service counted in the limitation of terms that can be served , provided that in no event shall an individual be eligible for election or appointment to fill an unexpired term if the individual has already served two complete terms as a Director at Large.

Comment [NA2]: Agreed at 1/15/2010 BOD.

Comment [NA3]: Agreed at 1/15/2010 BOD.

Comment [NA4]: Agreed at 1/15/2010 BOD.

ARTICLE IV – SECTION 7. Qualifications and Limitations.

All members of the Board of Directors shall be Delegates or Associates. A simple majority of all members of the Board of Directors shall be Delegates at the time of or

within six months of the Annual Business Meeting **at which they are elected to their current office on the Board.** All Regional Directors shall be Delegates at the time of or within six months prior to their election or appointment.

Comment [NA5]: Agreed at a prior BOD meeting.
--

ARTICLE VI - SECTION 9. Nominations and Elections.

At least 60 days preceding the date of the Annual Meeting of the Association, the Nominating Committee shall deliver to the Chair a report which shall include its Annual Nominations as described in Article VII, Section 3. The report shall be included with the notice of the Annual Meeting, and shall be presented by the Nominating Committee **during at the Business Session at the** Annual Meeting.

Nominations for any elected position, including a vacancy in the office of Vice Chair, may also be made by at least five Member Boards, if filed with the Chair at least 10 days prior to the Annual Meeting (or the due date set for the mail ballots for Vice Chair). No nominations from the floor or otherwise will be recognized. A majority vote of the Member Boards represented **during the Business Session** at the Annual Meeting (or by mail ballots for Vice Chair) shall constitute an election, provided a quorum is met.

ARTICLE VII - SECTION 3. Nominating Committee.

Composition and Election of the Nominating Committee

The membership of the Nominating Committee, which is not a committee of the Board of Directors, shall consist of the Past Chair, who shall serve as Chair of the Nominating Committee, and one member from each Region. An alternate of the Nominating Committee is not a member of the Committee unless and until he or she assumes office by replacing a member at one or more meetings. A Delegate or Associate is eligible for election to the Nominating Committee. With the exception of the Past Chair, no member of the Nominating Committee may serve concurrently as a member of the Board of Directors and the Nominating Committee, and no member may be eligible for election to the Board of Directors through the entirety of his or her elected term on the Nominating Committee and ~~one year thereafter~~ **through the adjournment of the next following Annual Meeting.**

If the Past Chair cannot serve, or declines to serve, as Chair of the Nominating Committee, the Board of Directors shall appoint another Delegate or Associate to serve as Nominating Committee Chair so long as the person is ineligible to serve on the Board of Directors for the year following his or her service on the Nominating Committee.

Nominating Committee members shall be elected for two-year terms, and may serve two complete terms in succession plus any unexpired terms, ~~but upon completion of the aforementioned terms, must wait two years before being eligible to serve again.~~ The term begins immediately following the **Business Session of the** Annual Meeting.

The terms of the Nominating Committee members shall be staggered so that half of the Regions hold elections each year.

At the Regional Meeting, each Region whose Nominating Committee member's term is expiring at the current year's Annual Meeting shall elect a member and an alternate of the Nominating Committee to represent its Region.

Each member and alternate must have (i) served at least two years on a state board of accountancy, (ii) attended at least one NASBA Regional Meeting and one NASBA Annual Meeting and (iii) served on a NASBA committee, board (e.g. Exam Review Board or International Qualifications Appraisal Board; "board" is not referring to member of Board of Directors) or task force

If a Region's member and alternate are both unable to serve and the Nominating Committee will hold a meeting for the purpose of making nominations prior to that Region's next NASBA Regional Meeting, then an ad hoc committee consisting of one state board member from each Member Board in that Region shall meet to elect a member and alternate to serve for the unexpired terms of the former member and former alternate. Such meeting may be held telephonically.

If a Region fails to elect a member or an alternate as provided above, the Board of Directors shall appoint a member or an alternate to represent that Region on the Nominating Committee.

NASBA

BYLAWS

Amended October 31, 2006

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BYLAWS
Amendments Effective November 1, 2006

ARTICLE I

Name

The name of this organization shall be the National Association of State Boards of Accountancy, Inc. (hereinafter, the "Association"). The location of the Association's principal office shall be within the continental United States as the Board of Directors shall determine.

ARTICLE II

Purpose

The purpose of the Association shall be to provide an organization to protect, promote, foster and advance the common interests and welfare of boards of accountancy of the various states of the United States, its territories and the District of Columbia. The Association shall provide a forum for the exchange of information and obtaining assistance in discharging such boards' responsibilities for the administration of public accountancy laws and for the protection of the public interest as it is affected by the practice of public accountancy. The Association shall also promote the general welfare of its members for the accomplishment of the objectives herein above set forth. The Association shall not be organized for profit or organized to engage in a regular business of a kind ordinarily carried on for profit or carry on any activities which are inconsistent with the exempt status of organizations described in Section 501(c)(6) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any successor law.

ARTICLE III

Membership

SECTION 1. Member Boards.

The members of the Association shall be the boards, departments or instrumentalities confirmed by the Board of Directors as legally constituted by their respective states, territories and the District of Columbia of the United States of America to pass on the qualifications of, or to examine applicants for certification or licensure as, certified public accountants or similar licensed categories, or to regulate the practice of public accountancy within their jurisdiction.

Hereinafter the members of the Association shall be referred to as the "Member Boards." In a jurisdiction where there is more than one board, department or instrumentality as defined above, they collectively shall constitute a single Member Board under the provisions of these bylaws.

ARTICLE III
Membership, continued

SECTION 2. Delegates.

All duly appointed or elected members of the Member Boards shall be Delegates of the Association. Delegates shall have the privilege of the floor and may propose motions, resolutions, or other actions at all meetings of the Association and shall be eligible for service as officers, directors and members of committees of the Association.

SECTION 3. Associates.

All former Delegates or persons who have been members of Member Boards shall be Associates of the Association provided that their dues, established in accordance with these bylaws, have been paid in full for the current fiscal year. Associates shall have the privilege of the floor and may propose motions, resolutions, or other actions at all meetings of the Association and shall be eligible for service as officers, directors and members of committees within the limitations established by these bylaws.

ARTICLE IV
Board of Directors and Officers

SECTION 1. Board of Directors.

The business and affairs of the Association shall be under the direction of a Board of Directors.

SECTION 2. Composition of Board of Directors.

The Board of Directors shall be composed of a Chair, Vice Chair, Past Chair, nine Directors-at-Large and a Regional Director from each Region established in accordance with the provisions of Article V of these bylaws.

SECTION 3. Officers.

The officers of the Board of Directors shall be a Chair, Vice Chair, Past Chair, Secretary and Treasurer. The officers of the Board of Directors shall have the duties set forth in Article IV, Section 8 of these bylaws.

To be eligible to serve as Vice Chair, an individual must have served as a Director-at-Large or Regional Director for a minimum of one year, but need not be a current member of the Board of Directors at the time of his or her election.

The Secretary and Treasurer shall be elected by the Board of Directors from the Directors-at-Large.

Neither Officers of the Board of Directors nor Directors shall receive compensation for their services to the Association.

ARTICLE IV
Board of Directors and Officers, continued

SECTION 4. President.

A President shall be appointed by the Board of Directors and shall serve as the Chief Executive Officer of the Association. The President shall manage the affairs of the Association and have such duties and responsibilities as the Board of Directors shall determine. The President shall be salaried and shall report directly to the Chair who, with the consent and approval of the Executive Committee of the Board of Directors, will assign duties and powers in his or her areas of responsibility. The President shall employ and terminate staff, enter into routine contracts, and obtain legal consultation. The President shall also serve without additional compensation, in such other capacity relating to the business of the Association to which he or she may be elected or appointed by the Executive Committee of the Board of Directors. The President may be removed with or without cause, by a resolution of the Board of Directors. The President shall serve as an ex officio member of the Board of Directors without vote and shall not be counted in determining the total number of authorized Directors. The President shall be granted the privilege of the floor at all meetings of the Association and the Board of Directors.

SECTION 5. Terms of Office.

The Vice Chair and Directors shall be elected in accordance with these bylaws at the Annual Meeting of the Association. The Vice Chair shall serve as such from the adjournment of the Annual Meeting at which he or she is so elected until the adjournment of the next following Annual Meeting, at which time he or she shall become Chair and shall serve as such until the adjournment of the next following Annual Meeting, at which time he or she shall become Past Chair and shall serve as a Director of the Association in accordance with the provisions of Article IV, Section 2 of these bylaws. No incumbent shall be elected to succeed himself or herself in the offices of Chair or Vice Chair. No Past Chair shall be eligible to be re-elected as an Officer or Director. Directors-at-Large shall be elected for three-year terms and may serve a maximum of two terms. Regional Directors shall be elected for one-year terms and may serve a maximum of three terms. A person who has succeeded to or been appointed to fill a vacancy (serve an unexpired term) shall not have that service counted in the limitation of terms that can be served.

SECTION 6. Vacancies.

A vacancy in the Chair position shall be filled by the Vice Chair.

If a vacancy in the Vice Chair position occurs, the Nominating Committee Chair shall promptly call a meeting of the Nominating Committee to nominate a candidate for Vice Chair. If administratively possible, the Vice Chair nominee will be presented with the other nominees for consideration at the Annual Meeting. If the timing is such that a vote can not occur at the Annual Meeting, written ballots containing

ARTICLE IV
Board of Directors and Officers, continued

SECTION 6. Vacancies, continued.

the name of the proposed candidate shall be sent promptly to the Presiding Officers of all Member Boards for voting as set forth in Article VI, Section 8. If necessary, the Chair shall continue to serve until this process is complete.

A vacancy in the Past Chair position shall not be filled until after the end of the current Chair's term.

All other vacancies on the Board of Directors shall be filled by the Board of Directors and all such appointees shall serve the unexpired term of their predecessors in office.

SECTION 7. Qualifications and Limitations.

All members of the Board of Directors shall be Delegates or Associates. A simple majority of all members of the Board of Directors shall be Delegates at the time of or within six months of the Annual Business Meeting. All Regional Directors shall be Delegates at the time of or within six months prior to their election or appointment.

SECTION 8. Duties.

The duties of Officers and Directors shall be such as usually are attached to such offices and such other duties consistent with the provisions of these bylaws, resolutions or actions of the Member Boards at the Annual Meeting or any Special Meeting, or as may be determined from time to time by the Board of Directors. All members of the Board of Directors must meet the fiduciary duties of careful and prudent judgement, adherence to organizational purpose and rules, and avoidance of conflicts of interest.

The Chair, when present, shall preside at all meetings in accordance with *Robert's Rules of Order, Newly Revised*, interpret these bylaws, appoint all committees that will be active during his or her tenure as Chair, and serve as an ex-officio member of all committees except the Nominating Committee.

The Vice Chair, shall in the absence of the Chair, exercise the duties of and possess all the powers of the Chair. The Vice Chair shall also serve as a member of the Administration and Finance Committee.

The Secretary shall perform the duties usual and incidental to the office that are required to be performed by law, and shall be responsible for the minutes of the Board of Directors. The Secretary may delegate to the President and other staff the actual performance of any or all of the office's appropriate

ARTICLE IV
Board of Directors and Officers, continued

SECTION 8. Duties, continued.

duties and authorize the President or staff to sign under their respective titles the correspondence conducted by them.

The Treasurer shall be responsible for the activities of the Administration and Finance Committee, and shall serve as its Chair.

Regional Directors shall be responsible for communications with the boards of accountancy in the Regions which they represent.

The Past Chair shall serve as Chair of the Nominating Committee in accordance with Article VII, Section 3 of these bylaws.

SECTION 9. Regular Meetings.

Regular meetings of the Board of Directors shall be held prior to the Annual Meeting of the Association and at such other times as the Board of Directors may designate.

SECTION 10. Special Meetings.

The Chair may call special meetings of the Board of Directors at such time and place as he or she shall determine. Alternatively, the Chair shall call such special meetings at such time and place as may be designated in a written request of five or more members of the Board of Directors.

SECTION 11. Notice.

Notice of any regular or special meeting of the Board of Directors shall be sent by mail, e-mail, facsimile, telephone, or shall be delivered personally or by other appropriate means to each Member Board and to each member of the Board of Directors, at his or her mailing address, as shown in the official records of the Association, at least 21 days before such meeting, if notified by mail or five days if notified by other methods. Such notice, as far as practicable, shall contain a statement of the agenda for such meeting.

SECTION 12. Quorum.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any regular or special meeting of the Board of Directors. If a majority of Directors are not present at any meeting of the Board of Directors, the majority of the Directors present may adjourn the meeting to a stated time and place without further notice. The vote of a majority of Directors present and voting at any meeting at which there is a quorum shall be an act of the Board of Directors.

ARTICLE IV
Board of Directors and Officers, continued

SECTION 13. Resignation or Removal.

Any Officer or Director may resign at any time by giving written notice to the Chair, the Secretary, or the full Board of Directors. Such resignation shall take effect at the time specified therein or, if no time is specified, at the time of acceptance by the Chair, Secretary, or Board of Directors. Any Officer or Director who shall fail to attend two consecutive regular meetings of the Board of Directors shall be automatically removed from the Board of Directors. The Board of Directors may waive such automatic removal if it shall by majority vote determine that such failure to attend was caused by sufficient circumstances to excuse such absence. The position of Officer or Director removed under this provision shall be filled in accordance with Section 6 of this Article.

SECTION 14. Telephone Meetings.

The Board of Directors or any committee of the Board of Directors may conduct its meetings by means of conference telephone or similar communications equipment provided that all persons participating in the meeting can communicate with one another, and participation in such a meeting shall constitute presence in person at such meeting.

SECTION 15. Mail, E-mail, or Facsimile Ballot.

The Chair may submit any action to the Board of Directors for vote by mail, e-mail, facsimile ballot or other appropriate means, provided the subject matter has been previously reviewed and discussed by the Board of Directors. Only ballots returned in the prescribed time will be counted. Any action approved by a majority of the Board of Directors shall be an act of the Board of Directors and shall be recorded in the minutes of the Board of Directors.

SECTION 16. Waiver of Notice.

Meetings held and actions taken without notice as provided in these bylaws shall be valid if each member of the Board of Directors entitled to notice (1) attends the meeting without protesting lack of notice either before or when such meeting convenes; or (2) signs a written waiver of notice or a written consent to holding the meeting or an approval of the minutes of the meeting, either before or after the meeting; and (3) such written consents or approvals are filed with the records of the meeting.

ARTICLE V

Regions

SECTION 1. Purpose and Composition.

In order to establish closer communications between the Board of Directors and the Member Boards, as well as between Member Boards within geographical areas, and to assist the Association in achieving its stated purpose, all of the states, territories and the District of Columbia shall be divided into at least five, but not more than nine, geographical Regions. The names, number and composition of Regions shall be determined from time to time by the Board of Directors.

SECTION 2. Representation.

A Regional Director shall be elected in accordance with the provisions of Article IV, Section 5 of these bylaws to represent the Board of Directors within each Region and to perform such other duties as may be designated by the Board of Directors. Each Region shall elect one Delegate or Associate as a member to represent in person their Region on the Nominating Committee and one Delegate or Associate as an alternate to participate in person in the event that the member cannot attend the meeting.

ARTICLE VI

Meetings of the Association and Voting

SECTION 1. Annual Meeting.

The Association shall hold an Annual Meeting at a time and place to be determined by the Board of Directors of the Association. The purposes of the Annual Meeting are to facilitate communications, elect the Vice Chair and Directors, and to transact other business.

SECTION 2. Regional Meetings.

Each Region shall hold a Regional Meeting not less than 60 days prior to the Annual Meeting, at a time and place to be determined by the Board of Directors. The purposes of the Regional Meetings are to facilitate communications, elect the members and alternates of the Nominating Committee to represent four of the eight Regions that will hold elections that year for the respective Regional representatives, and to transact other business.

SECTION 3. Special Meetings.

The Chair shall call special meetings of the Association when requested to do so by the Board of Directors or by at least one-third of the Member Boards on written application to the Chair, signed by the individual designated as the Presiding Officer of each of the said one-third of the Member Boards. Special

ARTICLE VI

Meetings of the Association and Voting, continued

SECTION 3. Special Meetings, continued.

meetings of the Association shall be held at such times and places as shall be designated by the Board of Directors.

SECTION 4. Notice.

Notice of each meeting of the Association or Regions shall be sent to each Member Board and to each Delegate and Associate at the mailing address shown in the official records of the Association at least 60 days before such meeting. Such notice, as far as practicable, shall contain a statement of the general business to be transacted. Notice of the Annual Meeting shall contain the report of the Nominating Committee.

SECTION 5. Quorum.

A quorum for the transaction of business at any meeting of the Association shall be one or more Designated Voting Representatives from a majority of Member Boards. A quorum for the transaction of business at any meeting of a Region shall be one or more Designated Voting Representatives from a majority of the Member Boards of such Region. In the absence of a quorum at an Annual Meeting, Regional Meeting, or a Special Meeting, the majority of the Member Boards represented at such meeting may adjourn the meeting to a stated time and place without further notice.

SECTION 6. Advisory Vote on Matters Related to Member Boards' Regulatory Responsibilities.

Any issue being deliberated by the Board of Directors or any committee, that is determined by the Board of Directors to have a material impact on the regulatory responsibilities of the Member Boards, shall be submitted to the Member Boards for their advisory vote. Such advisory vote should ordinarily be taken at an Annual Meeting. However, if the timing of an issue will not allow the advisory vote to be conducted at an Annual Meeting, the Chair may call a special meeting.

SECTION 7. Voting.

Each Member Board shall be entitled to only one vote on any matter brought before the Association, and each Member Board in the Region shall be entitled to only one vote on any matter brought before any Regional Meeting, which vote shall be cast on behalf of such Member Board by its Designated Voting Representative (Delegate, Associate or Executive Director of such Member Board). Each Designated Voting Representative shall have written authorization from the Presiding Officer of the

ARTICLE VI

Meetings of the Association and Voting, continued

SECTION 7. Voting, continued.

Member Board he or she represents in order to vote on behalf of such Member Board. A Member Board may name more than one Designated Voting Representative provided that only one vote shall be cast on behalf of such Member Board by its Designated Voting Representatives. Unless a greater vote is required by these bylaws for any action, a majority vote of all Member Boards shall be required to pass any motion or resolution of the Association, except those relating to the election of the Vice Chair and Directors, which shall require a majority vote of the Member Boards represented, provided a quorum is met. The election of members and alternates of the Nominating Committee shall require a majority vote of the Member Boards in the Region represented at the Regional Meeting, provided a quorum is met.

SECTION 8. Ballot Voting.

The Board of Directors, or a majority of the Member Boards of the Association present at any duly called meeting of the Association at which a quorum is present, may direct that the Chair of the Association submit any action to all Member Boards for their consent by mail, e-mail or facsimile, except that the election of the Vice Chair, Directors, and members and alternates of the Nominating Committee may not be done by written consent, except in filling an interim vacancy of the Vice Chair. The Member Boards will have 45 days to return their ballots. Any action taken or approved in such a ballot by two-thirds of the Member Boards voting shall be a resolution of the Member Boards of the Association provided that the number of Member Boards approving such action shall constitute a majority of the Member Boards of the Association.

SECTION 9. Nominations and Elections.

At least 60 days preceding the date of the Annual Meeting of the Association, the Nominating Committee shall deliver to the Chair a report which shall include its Annual Nominations as described in Article VII, Section 3. The report shall be included with the notice of the Annual Meeting, and shall be presented by the Nominating Committee at the Annual Meeting.

Nominations for any elected position, including a vacancy in the office of Vice Chair, may also be made by at least five Member Boards, if filed with the Chair at least 10 days prior to the Annual Meeting (or the due date set for the mail ballots for Vice Chair). No nominations from the floor or otherwise will be recognized. A majority vote of the Member Boards represented at the Annual Meeting (or by mail ballots for Vice Chair) shall constitute an election, provided a quorum is met.

ARTICLE VI

Meetings of the Association and Voting, continued

SECTION 10. Rules of Order.

The rules of parliamentary procedure contained in *Robert's Rules of Order, Newly Revised* shall govern all meetings of the Association, except as may be otherwise provided in these bylaws.

SECTION 11. Waiver of Notice.

Meetings held and actions taken without notice as provided in these bylaws shall be valid if each Member Board entitled to notice (1) attends the meeting without protesting lack of notice either before or when such meeting convenes; or (2) signs a written waiver of notice or a written consent to holding the meeting or an approval of the minutes of the meeting, either before or after the meeting; and (3) such written consents or approvals are filed with the records of the meeting.

ARTICLE VII

Committees and Boards

SECTION 1. Standing Committees.

The standing committees of the Association shall include the Executive Committee, the Nominating Committee, the Administration and Finance Committee, the Audit Committee, and the CPA Examination Review Board. Unless otherwise provided in these bylaws, the members and chairs of the standing and other committees are appointed by the Chair.

SECTION 2. Executive Committee.

There shall be an Executive Committee composed of the Past Chair, the Chair, the Vice Chair, and the Treasurer. The Executive Committee shall act for the Board of Directors between meetings of the Board. All actions taken by the Executive Committee must be ratified by the Board of Directors at its next meeting.

SECTION 3. Nominating Committee.

Composition and Election of the Nominating Committee

The membership of the Nominating Committee, which is not a committee of the Board of Directors, shall consist of the Past Chair, who shall serve as Chair of the Nominating Committee, and one member from each Region. An alternate of the Nominating Committee is not a member of the Committee unless and until he or she assumes office by replacing a member at one or more meetings. A Delegate or Associate is eligible for election to the Nominating Committee. With the exception of the Past Chair, no

ARTICLE VII

Committees and Boards, continued

SECTION 3. Nominating Committee, continued

member of the Nominating Committee may serve concurrently as a member of the Board of Directors and the Nominating Committee, and no member may be eligible for election to the Board of Directors through the entirety of his or her elected term on the Nominating Committee and one year thereafter.

If the Past Chair cannot serve, or declines to serve, as Chair of the Nominating Committee, the Board of Directors shall appoint another Delegate or Associate to serve as Nominating Committee Chair so long as the person is ineligible to serve on the Board of Directors for the year following his or her service on the Nominating Committee.

Nominating Committee members shall be elected for two-year terms, and may serve two complete terms in succession plus any unexpired terms, but upon completion of the aforementioned terms, must wait two years before being eligible to serve again. The term begins immediately following the Annual Business Meeting.

The terms of the Nominating Committee members shall be staggered so that half of the Regions hold elections each year.

At the Regional Meeting, each Region whose Nominating Committee member's term is expiring at the current year's Annual Meeting shall elect a member and an alternate of the Nominating Committee to represent its Region.

Each member and alternate must have (i) served at least two years on a state board of accountancy, (ii) attended at least one NASBA Regional Meeting and one NASBA Annual Meeting and (iii) served on a NASBA committee, board (e.g. Exam Review Board or International Qualifications Appraisal Board; "board" is not referring to member of Board of Directors) or task force

If a Region's member and alternate are both unable to serve and the Nominating Committee will hold a meeting for the purpose of making nominations prior to that Region's next NASBA Regional Meeting, then an ad hoc committee consisting of one state board member from each Member Board in that Region shall meet to elect a member and alternate to serve for the unexpired terms of the former member and former alternate. Such meeting may be held telephonically.

If a Region fails to elect a member or an alternate as provided above, the Board of Directors shall appoint a member or an alternate to represent that Region on the Nominating Committee.

ARTICLE VII

Committees and Boards, continued

SECTION 3. Nominating Committee, continued.

Responsibilities of Nominating Committee Members

The responsibility of the alternate is to serve in person in the event the member cannot attend the meeting or is no longer a Delegate or Associate. An alternate is not a member of the Committee unless and until he or she assumes office by replacing a member at one or more meetings.

In view of the importance of each Region being represented in person at meetings of the Nominating Committee, the member or alternate must be in attendance at meetings in order to participate and vote. The alternate shall reserve the Nominating Committee meeting dates so he or she can attend a meeting on short notice if the member cannot attend. In the event the member cannot attend the meeting, it shall be the responsibility of the member to notify the Nominating Committee Chair and the Region's alternate as soon as possible so the alternate can attend the meeting.

Members of the Nominating Committee who miss more than one meeting during their term may not stand for re-election.

Annual Nominations

The Nominating Committee shall nominate annually one qualified candidate for Vice Chair, three candidates for Directors-at-Large for those whose terms are expiring at the Annual Meeting, and one candidate for Regional Director from each Region. If the Vice Chair cannot serve as Chair, then the Committee also shall nominate a candidate for Chair. The report of the Nominating Committee shall be submitted to the Chair and presented in accordance with the provisions of Article VI, Sections 4 and 9 of these bylaws.

Interim Nominations

The Nominating Committee shall fill certain vacancies as described in Article IV, Section 6.

SECTION 4. Administration and Finance Committee.

The Administration and Finance Committee shall oversee and monitor the fiscal operations of the Association. The Treasurer shall serve as Chair of the Administration and Finance Committee.

ARTICLE VII

Committees and Boards, continued

SECTION 5. Audit Committee.

The Audit Committee shall oversee the annual financial statement audit, the internal controls, and the safeguarding of assets of the Association, and shall recommend to the Board of Directors the firm to perform the audit.

SECTION 6. CPA Examination Review Board.

The CPA Examination Review Board shall review, evaluate and report on the appropriateness of the policies and procedures utilized in the preparation, grading and administration of the Uniform CPA Examination and other examinations in general use by boards of accountancy for the licensing of certified public accountants; examine such records, and make such observations, inspections and inquiries as it deems necessary; and report annually to the boards of accountancy.

The Chair, subject to the approval of the Board of Directors, shall appoint the members of the CPA Examination Review Board and designate the Vice Chair who will automatically succeed to Chair of the CPA Examination Review Board the next year. A vacancy in the office of the Chair of the CPA Examination Review Board shall be filled by the Vice Chair.

SECTION 7. Other Committees.

The Chair or the Board of Directors may appoint such other committees as they deem desirable. Membership on such committees may include, in addition to Delegates and Associates, other persons with special expertise.

ARTICLE VIII

Finances

SECTION 1. Fiscal Year.

The fiscal year of the Association shall be from August 1 of one year to July 31 of the next succeeding year.

SECTION 2. Dues

The dues for each Member Board and for each Associate shall be determined by the Board of Directors and approved by the Member Boards at a regular Annual Meeting of the Association. The Board of Directors may waive, alter or amend unpaid dues of Member Boards. The dues of each Member Board shall be based on the number of persons regulated by that Member Board.

ARTICLE VIII
Finances, continued

SECTION 3. Other Fees.

The Board of Directors may establish such other fees for publications, programs and services as it shall deem appropriate provided that no such fees or special assessments shall be levied if such fees or assessments impair the status of the Association under Section 501(c) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any successor law.

SECTION 4. Audit.

The Board of Directors shall, for each fiscal year, appoint a licensed independent public accountant or licensed independent public accountants to express an opinion on the financial statements of the Association. The financial statements of the Association and the report of the auditor or auditors for each fiscal year shall be published for the information of the membership.

SECTION 5. Contracts.

The Board of Directors may authorize the President, any officer or officers, agent or agents of the Association, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Association and such authority may be general or confined to specific instances.

SECTION 6. Checks, Drafts, etc.

All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by the Board of Directors.

SECTION 7. Indemnification.

The Association may, by resolution of the Board of Directors, provide for indemnification by the Association of any and all of its Directors or Officers or former Directors or Officers against expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they or any of them are made parties, or a party, by reason of having been Directors or a Director or Officer of the Association, except in relation to matters as to which such Director or Officer or former Director or Officer shall be adjudged in such action, suit, or proceeding to be liable for gross negligence, or misconduct in the performance of duty and to such matters as shall be settled by agreement predicated on the existence of such liability.

ARTICLE VIII
Finances, continued

SECTION 8. Insurance.

The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was an Officer, Director, President, committee member, or is serving at the request of the Association, against any liability incurred by such person in any such capacity, or arising out of that person's status as such, whether or not the Association would have the power to indemnify that person against such liability under this Article.

SECTION 9. Dissolution.

The Association shall use its funds only to accomplish the purposes specified in these bylaws and no part of said funds shall inure, or be distributed, to the Member Boards of the Association. On dissolution of the Association, any funds remaining shall be distributed to one or more regularly organized and qualified charitable, education, scientific, or philanthropic organizations to be selected by the Board of Directors.

ARTICLE IX
Amendments

Any of these bylaws may be altered, amended, or repealed, and new bylaws may be adopted by a two-thirds vote of Member Boards represented at any regular or special meeting by one or more Designated Voting Representatives, provided a quorum is present, and provided that the Member Boards approving such an amendment constitute a majority of the Member Boards of the Association. Proposed amendments to these Bylaws must be presented in writing to the Chair at least 60 days before the meeting at which they are to be voted; however, this requirement may be waived by the Chair or by a three-fourths vote of Member Boards represented at any regular or special meeting. Any amendments to these bylaws shall become effective on the first day following the Annual Business Meeting unless another day is specified.