



WHAT'S NEW IN REGULATION

The Financial Accounting Standards Board (FASB) has recently issued exposure drafts for comments on six exposure drafts affecting the regulation of accounting. A replacement of FASB Statement No. 141 is currently open for comments through October 28, 2005.

1. Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140
(Proposed Statement of Financial Accounting Standards) August 11, 2005
(Comment period ends October 10, 2005)
(Revised: 08/12/05)
2. Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140
(Proposed Statement of Financial Accounting Standards) August 11, 2005
Comment period ends October 10, 2005)
(Revised: 08/12/05)
3. Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140 **(Proposed Statement of Financial Accounting Standards) August 11, 2005**
(Comment period ends October 10, 2005)
(Revised: 08/12/05)
4. Accounting for Uncertain Tax Positions—an interpretation of FASB Statement No. 109
(Proposed Interpretation) July 14, 2005
(Comment period ends September 12, 2005)
5. Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries—a replacement of ARB No. 51 **(Proposed Statement of Financial Accounting Standards) June 30, 2005**
(Comment period ends October 28, 2005)
6. Business Combinations—a replacement of FASB Statement No. 141 **(Proposed Statement of Financial Accounting Standards) June 30, 2005**
(Comment period ends October 28, 2005)
(Revised 7/5/05)

It is important for CPAs from rural South Dakota to respond and be heard. Your responses will be considered and may serve to support a heightened awareness for the need to establish standards which create a positive regulatory environment for smaller firms. Be proactive, not reactive, make a difference, and get involved in the issues that affect your firm's ability to maintain compliance in today's regulatory arena!

WHEN IN DOUBT, CONSULT WITH YOUR BOARD STAFF ON CLIENT RECORD ISSUES

It has come to the attention of the board there is some confusion among firms as to what constitutes CLIENT records. Board rule 20:75:05:10 and the AICPA professional standard ET Section 501 address client records. You may access the board's rules in their entirety at our website www.state.sd.us/dol/boards/accountancy.

Upon request within three years after the original issuance of the document (s) in question, a licensee must furnish to a client or former client any requested client records. A client's records are any accounting or other records belonging to the client that were provided to the licensee by or on behalf of the client. If an engagement is terminated prior to completion, the licensee is required to return only client records.

A licensee's workpapers, including analyses and schedules prepared by the client at the request of the licensee, are the

IN THIS ISSUE

| | |
|-----------------------------------|-----|
| What's New in Regulation..... | 1 |
| Client Records..... | 1-2 |
| Utilizing Engagement Letters..... | 2 |
| Informal CPE..... | 3 |
| Computerized Exam Statistics..... | 3 |
| New Licensees & Firms..... | 3-4 |
| Board Members & Staff..... | 5 |
| Board Meetings..... | 5 |
| Address Change Form | 6 |

licensee's property, not client records, and need not be made available. If a licensee's workpapers contain information that is not reflected in the client's books and records, such as adjusting, closing, combining, or consolidating journal entries, and information normally contained in books or original entry and general ledgers or subsidiary ledgers and the engagement has been completed, such information should also be made available to the client upon request.

20:75:05:10 states, the licensee may require that fees due the licensee be paid before such information is provided, and once a licensee has complied with the requirements, the licensee need not comply with any subsequent requests to provide the same information.

The best policy for a licensee dealing with a client's request for records is to comply with the client's request. It is not worth the bad will created to deny such requests.

GAAS BEST PRACTICES FOR WORK-PRODUCT DOCUMENTATION

Auditors should adhere to the best practices for work-product documentation of GAAS to ensure compliance with current regulations governing audits.

Documentation should describe:

- Who performed the work, who reviewed it and when.
- What specific procedures were performed.
- What conclusions were drawn.
- Which items were specifically tested and reviewed.
- Any significant changes in risk assessment.
- Any significant transactions and estimates.
- Any significant findings.
- Whether there was a clear link between key findings and issues.

Work-papers should demonstrate a "clear link" between key findings and issues and their further investigation, research and resolution.

Under the Public Company Accounting Oversight Board's regulations, the auditor must also:

- Make all documentation final within 45 days of the audit report's release.

- May add but not remove documentation after the 45 day period.

AVOID COMPLAINTS UTILIZE ENGAGEMENT LETTERS

Most CPA's do not issue an engagement letter to clients for bookkeeping, tax services, or routine financial reporting engagements. An engagement letter or letter of agreement between the CPA and client will minimize the client's propensity to bring complaints before the board based on misunderstandings in the CPA/Client relationship.

While not mandated, the board recommends establishing, in writing:

- What services the CPA will provide to the client.
- The timeframe by which those services will be completed.
- Estimated costs of such services.

Implementation of this practice prior to acceptance of an engagement for professional services will give your clients a better idea of what they can expect from you and at what cost.

While the board does not regulate the fees CPAs charge their clients for services, we do receive complaints based solely on the client's perception that the services received were not consistent with the amount charged.

Why put yourself in the position of having a complaint filed against you with the board, when a well written agreement between you and the client can clear up any ambiguities your client's may have regarding the breadth and cost of your services?

RENEWALS

The board mailed out notices to those licensees failing to renew by August 1, 2005 on September 21, 2005.

A final letter will be sent to all licensees who have not renewed by October 21, 2005, informing them of their lapsed status.

A licensee in lapsed status may not perform or offer to perform accounting services for the public.

It is important to remember if you have moved, board rules require you notify the board office within 30 days. Failure

to receive a renewal notice does not constitute an adequate reason for failure to renew in a timely manner.

Lapsed licensees will be posted on the board's website in November 2005, and will be reported to those inquiring with the board as to the status of a license as "not in good standing".

To error is human and oversights in these matters due to unforeseen personal or professional circumstances occur. Contact the board immediately if you are among those who have allowed your license to lapse and take immediate steps to renew your status to "good standing".

WHAT'S IN A DEFINITION?

The board paid special attention to the availability and affordability of effective continuing professional education (CPE) when making the decision to adopt the CPE standards, jointly adopted by the AICPA and NASBA.

To facilitate the rural environment which prevails in South Dakota [smaller firms], the board created a definition of "Informal" CPE, which states, **"continuing professional education offered by an organization not in the business of providing continuing professional education, which contributes to, increases, or maintains competency levels of CPAs and Pas"**.

The Board realized that many organizations "not in the business of providing CPE", offer valuable trainings which contribute, increase or maintain the competency of CPAs and Pas. For instance West River Council Meetings, Investment Company trainings, Estate Planning offered through local Law Firms, and CPE offered within a CPA firm.

To facilitate the acceptability of this type of CPE, the board has placed three simple practice aides on their website under CPE Information to help CPAs maintain compliance with the new CPE rules.

Sponsor record keeping may be abdicated to the licensee in the case of informal CPE. It is not necessary for the "informal" organization conducting the training to maintain the corresponding CPE records for the required four year period. Rather, the licensee must maintain a record of attendance and completion in the event they are chosen for a random CPE audit.

As with all compliance issues, if you have any questions or require clarification on the newly adopted CPE rules, please feel free to contact the board office.

SOUTH DAKOTA UNIFORM CPA EXAMINATION STATISTICS 05W2/05W3

| | Cand # | Avg. Score | % | Pass |
|-----|--------|------------|------|------|
| AUD | 9/14 | 74/70 | 56%/ | 50% |
| BEC | 14/21 | 73/69 | 50%/ | 20% |
| FAR | 8/18 | 72/66 | 63%/ | 40% |
| REG | 11/17 | 70/69 | 36%/ | 24% |

Thirty-five candidates sat for 42 parts during the April/May 2005 window and fifty-two candidates sat for 70 parts during the July-August 2005 testing window.

NEW LICENSEES

| | |
|-----------------------|-------------------------|
| Henry E. DeHaan | Michael David Blackett |
| Sarah Marie Tuntland | Paul Michael Van Sloten |
| John Gerald Gross | Karen Kristine Maynard |
| Ted Robert Horning | Dawn Lynae Imrie |
| Laura Jane Hybertson | Jodi Rae Van Emmerick |
| Susan Ann Kennedy | Debbi Ralene Holmes |
| Nicholas Andrew Garry | |

NEW FIRM PERMITS ISSUED

KPMG, LLP – San Francisco, CA
 Ernst & Young, LLP – Tampa, FL
 PricewaterhouseCoopers, LLP – St. Louis, MO
 Ribail, Stauffer & Associates, PLLC – Liberty Lake, WA
 Ribail, Stauffer & Associates, PLLC – Aurora, CO
 McGladrey & Pullen, LLP – Dubuque, IA
 Deloitte Tax, LLP – Detroit, MI
 Deloitte Financial Advisory Services, LLP – N.Y.
 Moncur & Sell, LLP – Sundance, WY
 Malcolm Johnson & Company, P.A. – DeBary, FL
 Kimberly J. Larson, CPA, PC – Spearfish, SD
 Deloitte & Touche, LLP – Charlotte, N.C.
 Connie Buskohl, CPA, PC – Mitchell, SD
 David Crabb, CPA – Rapid City, SD
 Ernst & Young, LLP – Rogers, AR
 Vickie Netterberg, CPA – Sturgis, SD
 Deloitte Tax, LLP – Denver, CO
 Deloitte Tax, LLP – Omaha, NE
 Deloitte Tax, LLP – Ann Arbor, MI
 Deloitte Tax, LLP – Davenport, IA
 Robert St. Pierre, CPA, P.C. -
 KPMG, LLP – Sacramento, CA
 Jeannie Ericsson, CPA – Lemmon, SD

Palmer, Currier and Hoffert, LLP – Pierre, SD
Quality Accounting Services, LLP – Hartford, SD
Eileen Hamm, CPA – Hill City, SD

PEER REVIEWERS REGISTERED WITH THE SDBOA

Please contact the SDBOA if you are interested in performing peer reviews for South Dakota firms.

You must have the following minimum qualifications:

- Be licensed to practice as a certified public accountant or public accountant by the licensing board of any state.
- Have current knowledge and experience of the professional standards applicable to the type of practice to be reviewed.
- Be independent of the firm under review.
- The ability to demonstrate familiarity with the procedure for conducting a peer review in accordance with the standards in SDBOA rules 20:75:07:09 to 20:75:07:16, inclusive.
- Provide evidence that the reviewer's firm received an unmodified report during the past three years or a certified true statement the firm was not subject to review. If the reviewer is associated with more than one firm, all of the firms with which the reviewer is associated must fulfill this requirement.
- Be familiar with operations of a firm of a comparable size to the firm under review.
- Complete a minimum of eight (8) hours of continuing professional education on performing peer reviews within the five years before the start of the review.
- Members of the SDBOA and members of their firms may not conduct a South Dakota peer review; however members of their firms may conduct equivalent reviews in accordance with board rule 20:75:07:05.

You will be required to complete an industry profile, to determine the breadth of your experience to be kept on file with the board.

The SDBOA currently has the following qualified peer reviewers on file.

Dennis DeSmet
DeSmet & Biggs, LLP
PO Box 1719
Rapid City, SD

Daniel Harrington
Harrington & Associates, Ltd.
PO Box 951
Huron, SD

Tom Haber
Jones, Kramer & Haber
405 N. Kiwanis Ave
Sioux Falls, SD

John Walker
Ketel Thorstenson, LLP
PO Box 3140
Rapid City, SD

Troy A. Hieb
William Neal & Co., PC
PO Box 490
Watertown, SD

Wallace L. Osgood
Wallace L. Osgood Company
312 S. Conklin Ave
Sioux Falls, SD

Ronald G. Tedrow, CPA
PO Box 1156
Pierre, SD 57501

Harold Wilde, Ph.D., CPA
PO Box 8097, Gamble 220
Grand Forks, ND 58202-8097

Stan N. Sandvik
Widmer Roel P.C.
4334 18th Avenue S., Suite 101
Fargo, ND 58103-7414

If you are interested in performing South Dakota peer reviews please contact Bobbi Barnhill at the SDBOA office.

ACTIVE TO INACTIVE

Ronald Weifenbach
Ralph Huybrechts
William Riley
Steve Wagner

Sharon Delzer
Brenda Hill
John Schulz
Jason Gusso
Jeff Kogel
Diane Donnelly
Jean Peterson
Jerry Thompson
Kent White

INACTIVE TO ACTIVE

Carrie Wilson
Venessa Green
Donna Houck
Dan Loveland
Betty Vanderwerff
Thomas Scheier
Amy Schumacher
Pamela Bathke
DeWayne Callies
Tracey Gray
Michael Nieman

LAPSED LICENSEES

Fumio Sekita
Hee Young Jung
Jana M. Phillips
Judy Lewis
Koji Kato
Lyndon H. Larson
Mohammed M. Safi
Sheilia K. Gestring
William M. Hirsch
Yuji Mito
Ralph Warren
Ronald D. Gates Jr.
Randall P. Neal
Marvin R. Aho
Kim C. Bonander
Devon J. Wiens
Bruce E. Hanson

FUTURE BOARD MEETINGS

October 26, 2005 - Conference Call

December 5, 2005 - Dept. of Legislative Audit - Pierre,
South Dakota - 8:30-5:00

**STATE BOARD OF
BOARD OF ACCOUNTANCY**
(605) 367-5770
(605) 367-5773 - FAX
www.state.sd.us/dol/boards/accountancy

Board Members

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Chair
Rapid City

Marty Guindon, CPA
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Belle Fourche, South Dakota

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Lay Member
Aberdeen

Bobbi Barnhill
Executive Director

Julie Iverson
Administrative Assistant

Tricia Ryken
Secretary

The South Dakota State Board of Accountancy wishes
to extend their heartfelt sympathies to:

*Robert T. Erkonen, Rex Unterbrunner, Darlene A. Nesson,
Michael McLaughlin, Lyle Wrage*

MOVING - LET US KNOW

SDCL: 36-20B-29 requires holders of certificates to notify the Board within 30 days of change of address or in employment.

Certificate Holder _____
Last Name Jr./III First Middle

Certificate # _____ Send Mail to _____ Home _____ Business _____

New Home Address _____

City _____ State _____ Zip _____

CPA Firm/Business Name _____ State _____ Zip _____

New Business Address _____

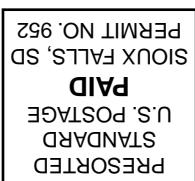
City _____ State _____ Zip _____

Bus. Telephone: () _____ Home () _____

Bus. Fax () _____ E-mail address _____

Mail to: SD State Board of Accountancy

Fax to: (605) 367-5773



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