



**SOUTH DAKOTA  
BOARD OF ACCOUNTANCY**  
 301 E. 14<sup>th</sup> Street, Suite 200  
 Sioux Falls, SD 57104  
 (605) 367-5770 / Fax: (605) 367-5773  
 e-mail [sdbdacct.sdbd@midconetwork.com](mailto:sdbdacct.sdbd@midconetwork.com)  
[www.accountancy.sd.gov](http://www.accountancy.sd.gov)

Agenda  
 South Dakota Board of Accountancy Meeting  
 Conference Call  
 9:00 a.m. (CT)  
 January 12, 2011

A=Action	
D=Discussion	
I=Information	Page
A-Approval of Minutes of Meeting December 3, 2010.....	2-3
A-Approval of Certificates & Firm Permits.....	4-5
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D-Board Audit Two-Years ending June 30, 2010.....	27-44
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I-BOE Standard Setting Letter.....	45
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<b>NASBA</b>	
D-UAA Exposure Draft on Firm Names.....	60-69
D-CBT 3Q10 State Board Summary Report.....	70-76
<b>EXECUTIVE SESSION</b>	
Equivalent Reviews & Complaints for Board Approval.....	Spt. Pkt.
<b>FUTURE MEETING DATES (all times CT)</b>	
March 25, 2011 – 9:00 a.m. Conference Call	
May 2, 2011 – 8:30 a.m. Pierre, Dept. of Legislative Audit	



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South Dakota Board of Accountancy  
Minutes of Meeting  
Conference Call  
10:00 a.m. (CT)  
December 3, 2010

The Board of Accountancy held a meeting by conference call on Friday, December 3, 2010. Chair Holly Brunick called the meeting to order at 10:04 a.m.

A roll call was taken to confirm that the following members were present: Holly Brunick, Marty Guindon, John Linn, Jr., John Mitchell, and John Peterson. A quorum was present.

Also present were Nicole Kasin, Executive Director; Tricia Nussbaum, Secretary; and Todd Kolden, Department of Labor.

Chair Holly Brunick asked if there were any additions to the agenda.  
Report to Board on CPE Audits

A motion was made by Marty Guindon and seconded by John Peterson to approve the October 19, 2010 meeting minutes. A roll call vote was taken. The motion unanimously carried.

A motion was made by John Mitchell and seconded by John Peterson to approve the issuance of individual certificates and firm permits through November 29, 2010. A roll call vote was taken. The motion unanimously carried.

A motion was made by Marty Guindon and seconded by John Peterson to approve the financial statements through October 31, 2010. A roll call vote was taken. The motion unanimously carried.

A motion was made by John Linn, Jr. and seconded by Marty Guindon to approve the CPA Exam scores for the 26<sup>th</sup> CPA Exam window through September 2010. A roll call vote was taken. The motion unanimously carried.

The Board discussed the report on the CPE Request. The individual requesting cpe for publishing work will be advised to complete the non-sponsored cpe form, have a second author or the publisher attest to the hours completed, have a copy of the published book date page and a copy of the page showing the individual as a contributing author for sufficient documentation of the published book to claim cpe. The individual would have to make any subsequent requests for cpe for publishing if there are any deviations or changes from the original letter submitted.

The Board discussed the NASBA Executive Directors Conference which will be held in San Diego, CA, March 6-9, 2011 and the NASBA Legal Counsel Conference which will be held in San Diego, CA, March 6-8, 2011.

A motion was made by John Peterson and seconded by John Mitchell to approve travel for the Executive Director and Legal Counsel to attend the NASBA Executive Directors Conference which will be held in San Diego, CA, March 6-9, 2011 and the NASBA Legal Counsel Conference which will be held in San Diego, CA, March 6-8, 2011. A roll call vote was taken. The motion unanimously carried. The Executive Director will submit the necessary documents for approval.

Executive Director Kasin and Board Members Brunick and Peterson gave a recap of NASBA's Annual Conference they attended October 24-27, 2010.

Executive Director Kasin explained the report on CPE Audits. A letter will be sent to those who have not complied with the request and if necessary, further disciplinary action will be taken if they continue to not comply. The Board asked how many licensees were sent requests for the CPE audit; Executive Director Kasin explained that 14% of licensees were selected for the CPE audit. Also this year, all of the licensees that signed the out of state affidavit on their renewal were verified for license compliance in their home states. One individual was not in good standing in their home state, so a request for proof of CPE documentation was sent to comply with the audit.

The Board discussed the AICPA's Standard Setting for CBT-e Timeline and the upcoming improvements to the CBT-e. Executive Director Kasin explained that the in the first window of 2011 scores will be released all at one time, towards the end of March.

The Board discussed NASBA's Candidate Concerns for the 3<sup>rd</sup> Quarter of 2010.

The Board discussed NASBA's Board of Directors meeting minutes July 23, 2010, the Board of Directors meeting highlights October 22, 2010, the Executive Summary Focus Questions, and the Focus Questions Responses.

The Board completed NASBA's Regional Directors Focus Questions.

A motion was made by Marty Guindon and seconded by John Mitchell to enter into executive session for the purpose of discussing peer reviews, complaints, and personnel issues. A roll call vote was taken. The motion unanimously carried.

The Board came out of executive session.

A motion was made by John Mitchell and seconded by John Linn, Jr. to accept the peer reviews and complaints as discussed in executive session. A roll call vote was taken. The motion unanimously carried.

**FUTURE MEETING DATES** (all times CT)

January 12, 2011 – 9:00 a.m. Conference Call

March 25, 2011 – 9:00 a.m. Conference Call

May 2, 2011 – 8:30 a.m. Pierre, Dept. of Legislative Audit

A motion was made by Marty Guindon and seconded by John Linn, Jr. to adjourn the meeting. A roll call vote was taken. The motion unanimously carried.

All business having come before the board was concluded and Chair Holly Brunick adjourned the meeting at 11:25 a.m.

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Holly Brunick, CPA, Chair

Attest: \_\_\_\_\_  
Nicole Kasin, Executive Director

\_\_\_\_\_  
John Peterson, Sec/Treasurer

**CERTIFIED PUBLIC ACCOUNTANT CERTIFICATES  
BOARD COPY**

**Issued Through January 5, 2011**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Location</b>
2958	Jennifer White Warren	12/07/10	Sioux Falls, SD
2959	Jon Lee Lyons	12/08/10	Rapid City, SD
2960	Jess Raymond Weaver	12/20/10	Rapid City, SD
2961	Tracy M. Pharis	12/20/10	Denver, CO
2962	Wendy Erica Schmidt	12/27/10	Aberdeen, SD
2963	Jesse Paul Jones	01/05/11	Sioux Falls, SD

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

**Issued Through  
January 5, 2011**

<b>Number</b>	<b>Name</b>	<b>Date Issued</b>	<b>Basis/Comments</b>
1507	Malcolm M. Dienes, L.L.C./ Katz & Gallagher, L.L.C. New Orleans, LA	12/16/10	Name Change
1508	Hein & Associates LLP Denver, CO	12/20/10	New Firm
1509	Woltman Van Kekerix & Stotz, PC Sioux Falls, SD	12/28/10	Additional Location

AGENCY: 10 LABOR  
BUDGET UNIT: 1031 BOARD OF ACCOUNTANCY

COMPANY	CENTER	ACCOUNT	BALANCE	DR/CR	CENTER DESCRIPTION
6503	103100061802	1140000	376,578.47	DR	BOARD OF ACCOUNTANCY
COMPANY/SOURCE TOTAL 6503 618			376,578.47	DR *	
COMP/BUDG UNIT TOTAL 6503 1031			376,578.47	DR **	
BUDGET UNIT TOTAL 1031			376,578.47	DR ***	

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 11/30/2010

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	103100061802	51010100	CGEX101028	11/03/2010					2,481.60	DR
6503	103100061802	51010100	CGEX101108	11/26/2010					100.00	DR
6503	103100061802	51010100	CGEX101112	11/17/2010					3,063.85	DR
OBJSUB: 5101010 F-T EMP SAL & WAGES										
6503	103100061802	51010200	CGEX101028	11/03/2010					5,645.45	DR *
6503	103100061802	51010200	CGEX101112	11/17/2010					668.76	DR
OBJSUB: 5101020 P-T/TEMP EMP SAL & WAGES										
6503	103100061802	51010300	CGEX101028	11/03/2010					1,411.83	DR *
6503	103100061802	51010300	CGEX101112	11/17/2010					240.00	DR
OBJSUB: 5101030 BOARD & COMM MBRS FEES										
OBJECT: 5101 EMPLOYEE SALARIES										
6503	103100061802	51020100	CGEX101028	11/03/2010					7,897.28	DR **
6503	103100061802	51020100	CGEX101108	11/26/2010					243.86	DR
6503	103100061802	51020100	CGEX101112	11/17/2010					7.65	DR
6503	103100061802	51020100	CGEX101122	11/23/2010	687762				321.43	DR
OBJSUB: 5102010 OASI-EMPLOYER'S SHARE										
6503	103100061802	51020200	CGEX101028	11/03/2010					573.63	DR *
6503	103100061802	51020200	CGEX101108	11/26/2010					189.03	DR
6503	103100061802	51020200	CGEX101112	11/17/2010					6.00	DR
OBJSUB: 5102020 RETIREMENT-ER SHARE										
6503	103100061802	51020600	CGEX101028	11/03/2010					423.44	DR *
6503	103100061802	51020600	CGEX101112	11/17/2010					766.89	DR
OBJSUB: 5102060 HEALTH/LIFE INS.-ER SHARE										
6503	103100061802	51020800	CGEX101028	11/03/2010					1,533.78	DR *
6503	103100061802	51020800	CGEX101108	11/26/2010					5.36	DR
6503	103100061802	51020800	CGEX101112	11/17/2010					.17	DR
OBJSUB: 5102080 WORKER'S COMPENSATION										
6503	103100061802	51020900	CGEX101028	11/03/2010					12.00	DR *
6503	103100061802	51020900	CGEX101108	11/26/2010					2.68	DR
6503	103100061802	51020900	CGEX101112	11/17/2010					.09	DR
OBJSUB: 5102090 UNEMPLOYMENT COMPENSATION										
OBJECT: 5102 EMPLOYEE BENEFITS										
GROUP: 51 PERSONAL SERVICES										
6503	103100061802	52030200	CGEX101122	11/23/2010	687762				3.23	DR
OBJSUB: 5203020 AUTO PRIV (IN-ST.) I/RTE										
6503	103100061802	52031400	CGEX101122	11/23/2010	687762				23.00	DR *
OBJSUB: 52031400										
OBJECT: 5102 UNEMPLOYMENT COMPENSATION										
GROUP: 51 EMPLOYEE BENEFITS										
PERSONAL SERVICES										
6503	103100061802	52030200	CGEX101122	11/23/2010	687762				6.00	DR *
OBJSUB: 5203020										
OBJECT: 5102 UNEMPLOYMENT COMPENSATION										
GROUP: 51 EMPLOYEE BENEFITS										
PERSONAL SERVICES										
6503	103100061802	52030200	CGEX101122	11/23/2010	687762				2,548.85	DR **
OBJSUB: 5203020										
OBJECT: 5102 UNEMPLOYMENT COMPENSATION										
GROUP: 51 EMPLOYEE BENEFITS										
PERSONAL SERVICES										
6503	103100061802	52030200	CGEX101122	11/23/2010	687762				10,446.13	DR ***
OBJSUB: 5203020										
OBJECT: 5102 UNEMPLOYMENT COMPENSATION										
GROUP: 51 EMPLOYEE BENEFITS										
PERSONAL SERVICES										
6503	103100061802	52030200	CGEX101122	11/23/2010	687762				23.00	DR *
OBJSUB: 5203020										
OBJECT: 5102 UNEMPLOYMENT COMPENSATION										
GROUP: 51 EMPLOYEE BENEFITS										
PERSONAL SERVICES										

STATE OF SOUTH DAKOTA  
MONTHLY EXPENDITURE REPORT  
FOR PERIOD ENDING: 11/30/2010

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	103100061802	5203140 TAXABLE MEALS/IN-STATE	CGEX101122	11/23/2010	687762				9.00	DR *
		CGEX101122							368.30	DR
6503	103100061802	5203260 AIR-COMM-OUT-OF-STATE	CGEX101122	11/23/2010	687762				368.30	DR *
		CGEX101122							10.00	DR
6503	103100061802	5203280 OTHER-PUBLIC-OUT-OF-STATE	CGEX101122	11/23/2010	687762				10.00	DR *
		CGEX101122							976.04	DR
6503	103100061802	5203300 LODGING/OUT-OF-STATE	CGEX101122	11/23/2010	687762				976.04	DR *
		CGEX101122							80.00	DR
6503	103100061802	5203320 INCIDENTALS-OUT-OF-STATE	CGEX101122	11/23/2010	687762				80.00	DR *
		CGEX101122							117.00	DR
6503	103100061802	5203350 NON-TAXABLE MEALS/OUT-ST							117.00	DR *
		TRAVEL							1,583.34	DR **
6503	103100061802	5204040	11SC100013	12/03/2010	99684666	EASTVANDER	12044292		620.00	DR
			11SC100013	11/10	99680103	EASTVANDER	12044292		5,580.00	DR
6503	103100061802	5204040 ACCOUNTING CONSULTANT	DP110100	12/03/2010					6,200.00	DR *
									369.00	DR
6503	103100061802	5204180 COMPUTER SERVICES-STATE	CD110044	12/03/2010					369.00	DR *
			CD110044						76.18	DR
6503	103100061802	5204200	CD110044	12/03/2010					76.18	CR
			PL109055	11/03/2010					144.82	DR
6503	103100061802	5204200	PL110052	12/03/2010					160.91	DR
6503	103100061802	5204200 CENTRAL SERVICES	80962	12/01/2010	01943025	BESTBUSINE	12031022		305.73	DR *
									5.15	DR
6503	103100061802	5204220 EQUIPMENT SERV & MAINT	11SC100012 NOV11	12/03/2010	99684658	SUNSETOFFI	12043890		5.15	DR *
			11SC100012 OCT11	11/05/2010	99676672	SUNSETOFFI	12043890		119.86	DR
6503	103100061802	5204230 JANITORIAL & MAINT SERV	80962	12/01/2010	01943025	BESTBUSINE	12031022		239.72	DR *
									93.60	DR
6503	103100061802	5204460 EQUIPMENT RENTAL	ACCOUNTRENT11	11/17/2010	595779	MCGINNISRO	12074040		93.60	DR *
									1,269.45	DR
6503	103100061802	5204530 RENTS-PRIVATE OWNED PROP.	E101-100	12/03/2010					1,269.45	DR *
									105.46	CR
6503	103100061802	5204530 TELECOMMUNICATIONS SRVCS	5159417006 OCT11	11/17/2010	01941671	XCELENERGY	12023853		105.46	CR *
									59.14	DR
6503	103100061802	5204540 ELECTRICITY							59.14	DR *



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MONTHLY EXPENDITURE REPORT  
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COMP	CENTER	ACCOUNT	DOCUMENT NUMBER	POSTING DATE	JV APPVL #, OR PAYMENT #	SHORT NAME	VENDOR NUMBER	VENDOR GROUP	AMOUNT	DR/ CR
6503	1031000061802	52045600	76228	12/01/2010	99683229	ECOWATER	12035896		23.35	DR
	OBJSUB: 5204560	WATER							23.35	DR *
6503	1031000061802	52047400	CI101-052	11/03/2010					31.00	DR
6503	1031000061802	52047400	CI101-052	11/03/2010					31.00	CR
6503	1031000061802	52047400	CI101A-052	11/05/2010	109588				31.00	DR
6503	1031000061802	52049600	BANK FEES AND CHARGES 13335450	12/03/2010	99684229	NATLASSNST	12005047		31.00	DR *
	OBJSUB: 5204960	OTHER CONTRACTUAL SERVICE							8,927.56	DR *
	OBJECT: 5204	CONTRACTUAL SERVICES							17,418.24	DR **
6503	1031000061802	52050200	CONTRACTUAL SERVICES 1444222-1 & 22-2	11/17/2010	99679730	BROWNSAENG	12028533		41.36	DR
6503	1031000061802	52053100	OFFICE SUPPLIES CD110044	12/03/2010					41.36	DR *
	OBJSUB: 5205310	PRINTING-STATE							76.18	DR
6503	1031000061802	52053200	33668	11/05/2010	99676353	BUSINESSPR	12003048		20.70	DR
6503	1031000061802	52053300	PRINTING-COMMERCIAL 10371830	11/17/2010	99679502	AMERICANIN	12004400	03	20.70	DR *
	OBJSUB: 5205330	SUPP. PUBLIC & REF MAT							318.75	DR *
6503	1031000061802	52053500	CD110044	12/03/2010					76.18	DR
6503	1031000061802	52053500	CD110044	12/03/2010					76.18	CR
6503	1031000061802	52053500	MS110048	12/03/2010					8.66	DR
6503	1031000061802	5228000	POSTAGE SUPPLIES & MATERIALS T101-035	11/05/2010					8.66	DR *
	OBJSUB: 5228000	OPER TRANS OUT -NON BUDGT							465.65	DR **
	OBJECT: 5228	NONOP EXP/NONBGTD OF TR							522.57	DR
	GROUP: 52	OPERATING EXPENSES							522.57	DR **
	COMP: 6503								19,989.80	DR ***
	CNTR: 1031000061802								30,435.93	DR ****
	B. UNIT: 1031								30,435.93	DR *****

**South Dakota Board of Accountancy**  
**Balance Sheet**  
As of November 30, 2010

	Nov 30, 10
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1130000 · Local Checking - US Bank	1,481.99
1140000 · Pool Cash State of SD	376,578.47
<b>Total Checking/Savings</b>	378,060.46
<b>Other Current Assets</b>	
1131000 · Cash-Security Lending Collatera	22,975.91
1213000 · Investment Income Receivable	1,957.59
<b>Total Other Current Assets</b>	24,933.50
<b>Total Current Assets</b>	402,993.96
<b>Fixed Assets</b>	
1670000 · Computer Software	
Original Cost	140,063.23
1770000 · Depreciation	-85,746.39
<b>Total 1670000 · Computer Software</b>	54,316.84
<b>Total Fixed Assets</b>	54,316.84
<b>TOTAL ASSETS</b>	<b>457,310.80</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2110000 · Accounts Payable	32,989.12
<b>Total Accounts Payable</b>	32,989.12
<b>Other Current Liabilities</b>	
2810000 · Amounts Held for Others	17,840.13
<b>Total Other Current Liabilities</b>	17,840.13
<b>Total Current Liabilities</b>	50,829.25
<b>Long Term Liabilities</b>	
2960000 · Compensated Absences Payable	11,162.26
<b>Total Long Term Liabilities</b>	11,162.26
<b>Total Liabilities</b>	61,991.51
<b>Equity</b>	
3220000 · Unrestricted Net Assets	202,041.90
3300100 · Invested In Capital Assets	54,316.84
3900 · Retained Earnings	40,723.55
Net Income	98,237.00
<b>Total Equity</b>	395,319.29
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>457,310.80</b>

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

	Jul - Nov 10	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate				
5208001 · Refunds	-25.00			
4293550 · Initial Individual Certificate - Other	1,050.00	2,500.00	-1,450.00	42.0%
<b>Total 4293550 · Initial Individual Certificate</b>	<b>1,025.00</b>	<b>2,500.00</b>	<b>-1,475.00</b>	<b>41.0%</b>
4293551 · Certificate Renewals-Active	54,800.00	50,000.00	4,800.00	109.6%
4293552 · Certificate Renewals-Inactive	20,050.00	23,000.00	-2,950.00	87.2%
4293553 · Certificate Renewals-Retired	650.00	600.00	50.00	108.3%
4293554 · Initial Firm Permits	700.00	1,500.00	-800.00	46.7%
4293555 · Firm Permit Renewals				
5208004 · REFUNDS	-50.00			
4293555 · Firm Permit Renewals - Other	19,950.00	18,350.00	1,600.00	108.7%
<b>Total 4293555 · Firm Permit Renewals</b>	<b>19,900.00</b>	<b>18,350.00</b>	<b>1,550.00</b>	<b>108.4%</b>
4293557 · Initial Audit	330.00	580.00	-250.00	56.9%
4293558 · Re-Exam Audit	1,140.00	1,660.00	-520.00	68.7%
4293561 · Late Fees-Certificate Renewals	5,850.00	3,500.00	2,350.00	167.1%
4293563 · Late Fees-Firm Permit Renewals				
5208012 · REFUNDS	-50.00			
4293563 · Late Fees-Firm Permit Renewals - Other	1,150.00	800.00	350.00	143.8%
<b>Total 4293563 · Late Fees-Firm Permit Renewals</b>	<b>1,100.00</b>	<b>800.00</b>	<b>300.00</b>	<b>137.5%</b>
4293564 · Late Fees-Peer Review	400.00	1,250.00	-850.00	32.0%
4293566 · Firm Permit Individual				
5208003 · REFUNDS	-235.00			
4293566 · Firm Permit Individual - Other	69,420.00	64,000.00	5,420.00	108.5%
<b>Total 4293566 · Firm Permit Individual</b>	<b>69,185.00</b>	<b>64,000.00</b>	<b>5,185.00</b>	<b>108.1%</b>
4293567 · Peer Review Admin Fee	600.00	5,650.00	-5,050.00	10.6%
4293568 · Firm Permit Name Change	100.00	100.00	0.00	100.0%
4293569 · Initial FAR	660.00	990.00	-330.00	66.7%
4293570 · Initial REG	210.00	530.00	-320.00	39.6%
4293571 · Initial BEC	600.00	670.00	-70.00	89.6%
4293572 · Re-Exam FAR	810.00	1,540.00	-730.00	52.6%
4293573 · Re-Exam REG	780.00	1,680.00	-900.00	46.4%
4293574 · Re-Exam BEC	1,110.00	2,020.00	-910.00	55.0%
4491000 · Interest and Dividend Revenue	16,547.72	12,000.00	4,547.72	137.9%
4896021 · Legal Recovery Cost	0.00	1,000.00	-1,000.00	0.0%
<b>Total Income</b>	<b>196,547.72</b>	<b>193,920.00</b>	<b>2,627.72</b>	<b>101.4%</b>
<b>Gross Profit</b>	<b>196,547.72</b>	<b>193,920.00</b>	<b>2,627.72</b>	<b>101.4%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	23,525.38	66,239.00	-42,713.62	35.5%
5101020 · P-T/Temp Emp Sal & Wages	6,433.17	19,380.00	-12,946.83	33.2%
5101030 · Board & Comm Mbrs Fees	1,878.00	4,020.00	-2,142.00	46.7%
5102010 · OASI-Employer's Share	2,311.63	6,549.00	-4,237.37	35.3%
5102020 · Retirement-ER Share	1,797.53	5,147.00	-3,349.47	34.9%
5102060 · Health /Life Ins.-ER Share	6,556.91	17,869.00	-11,312.09	36.7%
5102080 · Worker's Compensation	50.94	133.00	-82.06	38.3%
5102090 · Unemployment Insurance	25.45	55.00	-29.55	46.3%
5203010 · Auto--State Owned	0.00	1,500.00	-1,500.00	0.0%
5203020 · Auto-Private-Ownes Low Mileage	294.20	300.00	-5.80	98.1%
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 OverNigt	27.00	150.00	-123.00	18.0%
5203150 · InState-Non-Tax Meals OverNigt	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	2,741.10	6,700.00	-3,958.90	40.9%
5203280 · OS-Other Public Carrier	104.00	500.00	-396.00	20.8%
5203300 · OS-Lodging	4,280.50	7,800.00	-3,519.50	54.9%
5203320 · OS-Incidentals to Travel	141.00	200.00	-59.00	70.5%
5203350 · OS-Non-Taxable Meals Overnight	592.00	1,000.00	-408.00	59.2%
5204010 · Subscriptions	227.75	1,500.00	-1,272.25	15.2%

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

	<u>Jul - Nov 10</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
5204020 · Dues and Membership Fees	3,350.00	3,900.00	-550.00	85.9%
5204030 · Legal Document Fees	0.00	500.00	-500.00	0.0%
5204040 · Consultant Fees-Accounting	6,200.00	6,000.00	200.00	103.3%
5204160 · Workshop Registration Fees	2,465.00	5,200.00	-2,735.00	47.4%
5204180 · Computer Services-State	285.00	600.00	-315.00	47.5%
5204181 · Computer Development Serv-State	2,952.00	4,400.00	-1,448.00	67.1%
5204200 · Central Services	3,202.18	7,500.00	-4,297.82	42.7%
5204220 · Equipment Service & Maintenance	37.01	300.00	-262.99	12.3%
5204230 · Janitorial/Maintenance Services	599.30	1,560.00	-960.70	38.4%
5204340 · Computer Software Maintenance	317.50	1,000.00	-682.50	31.8%
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	2,259.00	5,200.00	-2,941.00	43.4%
5204480 · Microfilm and Photography	0.00	700.00	-700.00	0.0%
5204490 · Rents Privately Owned Property	6,347.25	15,531.00	-9,183.75	40.9%
5204530 · Telecommunications Services	967.87	2,500.00	-1,532.13	38.7%
5204540 · Electricity	321.66	865.00	-543.34	37.2%
5204560 · Water	46.70	240.00	-193.30	19.5%
5204590 · Insurance Premiums/Surety Bonds	0.00	1,710.00	-1,710.00	0.0%
5204740 · Bank Fees and Charges	2,097.59	2,000.00	97.59	104.9%
5205020 · Office Supplies	272.66	1,500.00	-1,227.34	18.2%
5205310 · Printing State	0.00	500.00	-500.00	0.0%
5205320 · Printing/Duplicating/Binding Co	353.67	1,000.00	-646.33	35.4%
5205330 · Supplemental Publications	318.75	700.00	-381.25	45.5%
5205340 · Microfilm Supplies/Materials	0.00	300.00	-300.00	0.0%
5205350 · Postage	1,515.81	3,100.00	-1,584.19	48.9%
5207430 · Office Machines	0.00	100.00	-100.00	0.0%
5207900 · Computer Hardware	5,120.00	4,800.00	320.00	106.7%
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	2,150.90	6,500.00	-4,349.10	33.1%
5228030 · Depreciation Expense	5,029.30			
<b>Total Expense</b>	<u>98,310.72</u>	<u>225,748.00</u>	<u>-127,437.28</u>	<u>43.5%</u>
<b>Net Ordinary Income</b>	<u>98,237.00</u>	<u>-31,828.00</u>	<u>130,065.00</u>	<u>-308.6%</u>
<b>Net Income</b>	<u><u>98,237.00</u></u>	<u><u>-31,828.00</u></u>	<u><u>130,065.00</u></u>	<u><u>-308.6%</u></u>

**South Dakota Board of Accountancy**  
**PREVIOUS YEAR MONTHLY COMPARISON**  
November 2010

	Nov 10	Nov 09	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	150.00	175.00	-25.00	-14.3%
4293551 · Certificate Renewals-Active	50.00	0.00	50.00	100.0%
4293552 · Certificate Renewals-Inactive	50.00	50.00	0.00	0.0%
4293554 · Initial Firm Permits	250.00	100.00	150.00	150.0%
4293555 · Firm Permit Renewals	0.00	50.00	-50.00	-100.0%
4293557 · Initial Audit	60.00	0.00	60.00	100.0%
4293558 · Re-Exam Audit	120.00	0.00	120.00	100.0%
4293560 · Late Fees-Initial Certificate	0.00	50.00	-50.00	-100.0%
4293561 · Late Fees-Certificate Renewals	100.00	0.00	100.00	100.0%
4293566 · Firm Permit Individual	585.00	650.00	-65.00	-10.0%
4293567 · Peer Review Admin Fee	75.00	75.00	0.00	0.0%
4293568 · Firm Permit Name Change	25.00	0.00	25.00	100.0%
4293569 · Initial FAR	30.00	30.00	0.00	0.0%
4293570 · Initial REG	30.00	0.00	30.00	100.0%
4293571 · Initial BEC	60.00	30.00	30.00	100.0%
4293572 · Re-Exam FAR	90.00	60.00	30.00	50.0%
4293573 · Re-Exam REG	90.00	30.00	60.00	200.0%
4293574 · Re-Exam BEC	60.00	120.00	-60.00	-50.0%
<b>Total Income</b>	<b>1,825.00</b>	<b>1,420.00</b>	<b>405.00</b>	<b>28.5%</b>
<b>Gross Profit</b>	<b>1,825.00</b>	<b>1,420.00</b>	<b>405.00</b>	<b>28.5%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	5,645.45	2,481.60	3,163.85	127.5%
5101020 · P-T/Temp Emp Sal & Wages	1,411.83	675.53	736.30	109.0%
5101030 · Board & Comm Mbrs Fees	840.00	300.00	540.00	180.0%
5102010 · OASI-Employer's Share	573.63	249.11	324.52	130.3%
5102020 · Retirement-ER Share	423.44	189.43	234.01	123.5%
5102060 · Health /Life Ins.-ER Share	1,533.78	721.62	812.16	112.6%
5102080 · Worker's Compensation	12.00	1.58	10.42	659.5%
5102090 · Unemployment Insurance	6.00	2.05	3.95	192.7%
5203020 · Auto-Private-Ownes Low Mileage	23.00	0.00	23.00	100.0%
5203140 · InState-Tax Meals Not Overnigt	18.00	0.00	18.00	100.0%
5203260 · OS-Air Commercial Carrier	1,396.00	379.90	1,016.10	267.5%
5203280 · OS-Other Public Carrier	62.00	186.50	-124.50	-66.8%
5203300 · OS-Lodging	2,440.10	2,245.44	194.66	8.7%
5203320 · OS-Incidentals to Travel	80.00	135.00	-55.00	-40.7%
5203350 · OS-Non-Taxable Meals Overnight	333.00	243.00	90.00	37.0%
5204020 · Dues and Membership Fees	150.00	150.00	0.00	0.0%
5204040 · Consultant Fees-Accounting	6,200.00	0.00	6,200.00	100.0%
5204180 · Computer Services-State	57.00	45.00	12.00	26.7%
5204181 · Computer Development Serv-State	312.00	216.00	96.00	44.4%
5204200 · Central Services	1,447.03	1,590.60	-143.57	-9.0%
5204220 · Equipment Service & Maintenance	5.15	6.12	-0.97	-15.9%
5204230 · Janitorial/Maintenance Services	119.86	117.00	2.86	2.4%
5204460 · Equipment Rental	690.60	252.39	438.21	173.6%
5204480 · Microfilm and Photography	0.00	173.61	-173.61	-100.0%
5204490 · Rents Privately Owned Property	1,269.45	2,538.90	-1,269.45	-50.0%
5204530 · Telecommunications Services	145.41	178.57	-33.16	-18.6%
5204540 · Electricity	57.48	52.41	5.07	9.7%
5204560 · Water	23.35	0.00	23.35	100.0%
5204740 · Bank Fees and Charges	-65.00	32.55	-97.55	-299.7%
5205020 · Office Supplies	0.00	102.98	-102.98	-100.0%
5205350 · Postage	8.66	8.52	0.14	1.6%
5207900 · Computer Hardware	5,120.00	0.00	5,120.00	100.0%
5207960 · Computer Software Expense	0.00	147.50	-147.50	-100.0%
5228000 · Operating Transfers Out-NonBudg	522.57	921.27	-398.70	-43.3%
5228030 · Depreciation Expense	1,005.86	1,005.86	0.00	0.0%
<b>Total Expense</b>	<b>31,867.65</b>	<b>15,350.04</b>	<b>16,517.61</b>	<b>107.6%</b>
<b>Net Ordinary Income</b>	<b>-30,042.65</b>	<b>-13,930.04</b>	<b>-16,112.61</b>	<b>-115.7%</b>
<b>Net Income</b>	<b>-30,042.65</b>	<b>-13,930.04</b>	<b>-16,112.61</b>	<b>-115.7%</b>

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

	Jul - Nov 10	Jul - Nov 09	\$ Change	% Change
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4293550 · Initial Individual Certificate	1,025.00	2,150.00	-1,125.00	-52.3%
4293551 · Certificate Renewals-Active	54,800.00	54,250.00	550.00	1.0%
4293552 · Certificate Renewals-Inactive	20,050.00	19,550.00	500.00	2.6%
4293553 · Certificate Renewals-Retired	650.00	660.00	-10.00	-1.5%
4293554 · Initial Firm Permits	700.00	550.00	150.00	27.3%
4293555 · Firm Permit Renewals	19,900.00	19,600.00	300.00	1.5%
4293557 · Initial Audit	330.00	120.00	210.00	175.0%
4293558 · Re-Exam Audit	1,140.00	900.00	240.00	26.7%
4293560 · Late Fees-Initial Certificate	0.00	150.00	-150.00	-100.0%
4293561 · Late Fees-Certificate Renewals	5,850.00	5,800.00	50.00	0.9%
4293563 · Late Fees-Firm Permit Renewals	1,100.00	800.00	300.00	37.5%
4293564 · Late Fees-Peer Review	400.00	150.00	250.00	166.7%
4293566 · Firm Permit Individual	69,185.00	64,195.00	4,990.00	7.8%
4293567 · Peer Review Admin Fee	600.00	300.00	300.00	100.0%
4293568 · Firm Permit Name Change	100.00	105.00	-5.00	-4.8%
4293569 · Initial FAR	660.00	330.00	330.00	100.0%
4293570 · Initial REG	210.00	240.00	-30.00	-12.5%
4293571 · Initial BEC	600.00	300.00	300.00	100.0%
4293572 · Re-Exam FAR	810.00	720.00	90.00	12.5%
4293573 · Re-Exam REG	780.00	930.00	-150.00	-16.1%
4293574 · Re-Exam BEC	1,110.00	900.00	210.00	23.3%
4491000 · Interest and Dividend Revenue	16,547.72	16,687.62	-139.90	-0.8%
4896021 · Legal Recovery Cost	0.00	1,047.36	-1,047.36	-100.0%
<b>Total Income</b>	<b>196,547.72</b>	<b>190,434.98</b>	<b>6,112.74</b>	<b>3.2%</b>
<b>Gross Profit</b>	<b>196,547.72</b>	<b>190,434.98</b>	<b>6,112.74</b>	<b>3.2%</b>
<b>Expense</b>				
5101010 · F-T Emp Sal & Wages	23,525.38	23,091.29	434.09	1.9%
5101020 · P-T/Temp Emp Sal & Wages	6,433.17	6,688.89	-255.72	-3.8%
5101030 · Board & Comm Mbrs Fees	1,878.00	1,740.00	138.00	7.9%
5102010 · OASI-Employer's Share	2,311.63	2,280.60	31.03	1.4%
5102020 · Retirement-ER Share	1,797.53	1,786.83	10.70	0.6%
5102060 · Health /Life Ins.-ER Share	6,556.91	6,169.85	387.06	6.3%
5102080 · Worker's Compensation	50.94	26.72	24.22	90.6%
5102090 · Unemployment Insurance	25.45	19.39	6.06	31.3%
5203010 · Auto--State Owned	0.00	158.90	-158.90	-100.0%
5203020 · Auto-Private-Ownes Low Mileage	294.20	271.20	23.00	8.5%
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	27.00	9.00	18.00	200.0%
5203150 · InState-Non-Tax Meals OverNight	137.00	166.00	-29.00	-17.5%
5203260 · OS-Air Commercial Carrier	2,741.10	2,109.48	631.62	29.9%
5203280 · OS-Other Public Carrier	104.00	282.50	-178.50	-63.2%
5203300 · OS-Lodging	4,280.50	4,098.20	182.30	4.5%
5203320 · OS-Incidentals to Travel	141.00	200.00	-59.00	-29.5%
5203350 · OS-Non-Taxable Meals Overnight	592.00	455.00	137.00	30.1%
5204010 · Subscriptions	227.75	166.69	61.06	36.6%
5204020 · Dues and Membership Fees	3,350.00	3,350.00	0.00	0.0%
5204030 · Legal Document Fees	0.00	15.00	-15.00	-100.0%
5204040 · Consultant Fees-Accounting	6,200.00	0.00	6,200.00	100.0%
5204160 · Workshop Registration Fees	2,465.00	2,325.00	140.00	6.0%
5204180 · Computer Services-State	285.00	180.00	105.00	58.3%
5204181 · Computer Development Serv-State	2,952.00	1,464.00	1,488.00	101.6%
5204200 · Central Services	3,202.18	3,538.01	-335.83	-9.5%
5204220 · Equipment Service & Maintenance	37.01	37.44	-0.43	-1.2%
5204230 · Janitorial/Maintenance Services	599.30	585.00	14.30	2.4%
5204340 · Computer Software Maintenance	317.50	45.00	272.50	605.6%
5204440 · Newsletter Publishing	486.89	537.20	-50.31	-9.4%
5204460 · Equipment Rental	2,259.00	2,266.41	-7.41	-0.3%
5204480 · Microfilm and Photography	0.00	417.38	-417.38	-100.0%
5204490 · Rents Privately Owned Property	6,347.25	6,296.85	50.40	0.8%
5204530 · Telecommunications Services	967.87	948.20	19.67	2.1%
5204540 · Electricity	321.66	251.11	70.55	28.1%
5204560 · Water	46.70	46.70	0.00	0.0%

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

	<u>Jul - Nov 10</u>	<u>Jul - Nov 09</u>	<u>\$ Change</u>	<u>% Change</u>
5204740 · Bank Fees and Charges	2,097.59	1,592.10	505.49	31.8%
5205020 · Office Supplies	272.66	743.33	-470.67	-63.3%
5205320 · Printing/Duplicating/Binding Co	353.67	476.76	-123.09	-25.8%
5205330 · Supplemental Publications	318.75	318.75	0.00	0.0%
5205350 · Postage	1,515.81	1,524.53	-8.72	-0.6%
5207900 · Computer Hardware	5,120.00	0.00	5,120.00	100.0%
5207960 · Computer Software Expense	0.00	147.50	-147.50	-100.0%
5228000 · Operating Transfers Out-NonBudg	2,150.90	2,803.24	-652.34	-23.3%
5228030 · Depreciation Expense	5,029.30	5,029.30	0.00	0.0%
<b>Total Expense</b>	<u>98,310.72</u>	<u>85,245.81</u>	<u>13,064.91</u>	<u>15.3%</u>
<b>Net Ordinary Income</b>	<u>98,237.00</u>	<u>105,189.17</u>	<u>-6,952.17</u>	<u>-6.6%</u>
<b>Net Income</b>	<u><u>98,237.00</u></u>	<u><u>105,189.17</u></u>	<u><u>-6,952.17</u></u>	<u><u>-6.6%</u></u>

**REPORT TO BOARD ON CPE AUDITS**

Nicole Kasin 1-5-11

On October 18, 2010, a letter was sent from the board office to individuals that were randomly selected for CPE Audits. All of the proper documentation was to be submitted to the board office no later than December 1, 2010. The following chart shows the status of the audits.

	<b>Selected</b>	<b>Complied</b>	<b>Not Complied</b>	<b>Granted Extension</b>	<b>Approved CPE Audit</b>	<b>Failed CPE Audit</b>
<b>CPA (Active)</b>	67	67	0	0	53	5
<b>CPA (Active in Firm)</b>	80	80	0	0	76	2

All individuals that sign the out-of-state affidavit were reviewed to make sure they were in good standing with their home state board. 157 of 158 individuals were in good standing with their home board. One individual was recognized to have a lapsed license in their home state. We requested the individual submit their CPE records to conduct an audit. This individual passed the audit and is now in good standing with their home state board also.

There are 11 individuals that are gathering further documentation as requested from the staff to complete their audits.

The Board needs to appoint a member to review the failed CPE audits and work with the Executive Director on the Consent Agreements for the failed audits.



## REPORT TO BOARD ON GRADES

Nicole Kasin 1-6-11

The grades were posted for review for the 27<sup>th</sup> window. These grades are through December 2010. I have included the average scores per school since CBT started along with the number of students that have sat for their school respectively. The last chart shows the averages for the past 8 windows.

### Overall Average Window 1-27

Window	(All)
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Average of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	73	71	75	72	73
BHSU	69	69	70	71	70
COTech	60	72	66	76	69
DSU	72	69	62	70	68
DWU	57	65	60		63
Mt. Marty	66	66		66	66
NAU	55	52	53	62	55
NSU	71	68	72	68	69
OS	74	72	71	73	72
SDSU	77	75	81	79	77
USD	78	75	74	76	75
USF	73	76	75	77	75
Grand Total	73	72	72	73	72

### Students per section per school since CBT Began (3 or more parts)

Window	(All)
--------	-------

Count of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	
Augie	44	54	37	47	182
BHSU	53	58	44	45	200
COTech	4	7	6	6	23
DSU	12	14	13	9	48
DWU	4	6	4		14
Mt. Marty	12	15		9	36
NAU	3	6	6	4	19
NSU	48	68	32	41	189
OS	132	145	129	114	520
SDSU	9	16	10	9	44
USD	114	136	122	115	487
USF	26	36	27	25	114
Grand Total	461	561	430	424	1876

Without listing schools with less than 3 parts – Grand total 1880 parts sat.

Average for past 8 windows (3 or more parts)

Window	(Multiple Items)
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Average of Score	Section				Grand Total
School	AUD	BEC	FAR	REG	Grand Total
Augie	75	72	82	76	76
BHSU	69	70	71	72	71
COTech		68	54	76	66
DWU		62			62
NAU	55	50	53	69	55
NSU	73	69	84	75	74
OS	73	72	72	74	73
SDSU	71	73	82	82	76
USD	77	77	73	76	76
USF	73	77	77	82	77
Grand Total	74	72	73	75	73

The Board needs to Approve the 2010-4 (27<sup>th</sup> Window) grades.

**BEFORE THE  
IDAHO STATE BOARD OF ACCOUNTANCY**

IN THE MATTER OF

JUDITH McKETTA,  
License No. CP-2707

Docket No. 2010-08

**STIPULATION AND  
CONSENT AGREEMENT**

IT IS HEREBY STIPULATED AND AGREED between Judith McKetta (“Respondent”) and the Idaho State Board of Accountancy as follows:

1. For the purpose of this Stipulation and Consent Agreement (hereinafter “Agreement”), Respondent waives all procedures and proceedings before the Idaho State Board of Accountancy (“Board”) to which Respondent may be entitled under the United States and Idaho constitutions, statutes, rules of the Board, or the rules of the Idaho Attorney General, including the right to have a hearing, dispute the allegations against Respondent and to dispute the appropriateness of discipline. Respondent agrees that upon the *ex parte* application of the Executive Director, the Board may enter an order consistent with this Agreement. Respondent waives the right to any judicial review of this Agreement and the subsequent order by appeal, writ of certiorari, or otherwise. Respondent also agrees to the procedure of having the matter proceed directly to a stipulation without a complaint.

2. The Board Staff of the Idaho State Board of Accountancy has reviewed the Negotiated Consent Agreement and attachments entered into between the South Dakota Board of Accountancy and the Respondent. Based on that agreement, the Board Staff has determined that the Respondent, Judith McKetta, has violated Idaho Code Sections 54-219(d) and (o), 54-220(4), 54-221, and 54-227(4), and Idaho Accountancy Rule 601 in the following particulars:

- a. Respondent performed an audit without having registered her firm to perform such work.
- b. Respondent worked as a CPA in <sup>Idaho Jm Bll</sup> ~~another state~~ without having been licensed and admitted reciprocally or registering with ~~that state~~. <sup>South Dakota. Jm Bll</sup>
- c. Respondent was disciplined by the South Dakota Board of Accountancy.

3. Based on those finding which, by entering into this Stipulation, the Respondent agrees are correct, the Board and Respondent agree to the following:

- a. A letter of reprimand will be issued relating to the Respondent's issuing an audit of a South Dakota entity.
- b. The Respondent will not do any further audit, reviews, compilation, or prospective financial information work until her firm is registered and enrolled in the Peer Review Program in the state of Idaho.
- c. Respondent will be fined \$1,500 and have \$650 in attorney fees assessed against her relating to this matter. Payment of those amounts will be due on or before December 31, 2010.

4. This Agreement shall not in any way or manner limit or affect the authority of the Board to proceed against Respondent by initiating a contested case hearing or by other appropriate means on the basis of any act, conduct, or admission of Respondent justifying disciplinary action which occurred before or after the date of this Agreement and which is not directly related to the specific facts and circumstances set forth in this Agreement. The Board may consider Respondent's acts described herein in any future disciplinary action. Future action may be taken on the scope of Respondent's license depending on the results of her Peer Review.

5. The Board shall have the right to make full disclosure of this Agreement and the underlying facts relating hereto to any state, agency, or individual requesting information, pursuant to Idaho law. The Board shall also have the right to publish the Order in the Board of Accountancy Newsletter <sup>Jan 2011</sup> and local newspaper after it is signed.

6. Time is of the essence with regard to this Agreement and any failure on the part of the Respondent to *timely and completely* comply with any term or condition herein shall be deemed a *default*.

7. Any violation of this Agreement or the subsequent Order based thereon shall be considered a violation of Idaho Code Section 54-219. If the Board has reason to believe that Respondent has violated or failed to comply with this Agreement or any subsequent Order based thereon, the Board may impose additional discipline pursuant to the following procedure.

a. The Board Staff shall schedule a hearing before the Board. Within seven (7) days after the notice is mailed, Respondent shall submit a response to the allegations. If Respondent does not submit a timely response to the Board, the allegations may be deemed admitted.

b. At the hearing before the Board, the Board Staff and Respondent may submit affidavits made on personal knowledge and argument based on the record in support of their positions. Unless otherwise ordered by the Board, the evidentiary record before the Board shall be limited to the present record, such affidavits as are submitted, this Agreement and the Order issued based on this Agreement. Respondent waives a hearing before the Board and waives discovery, cross-examination of adverse witnesses, and other procedures governing administrative hearings or civil trials.

c. At the hearing, the Board will determine whether to impose additional disciplinary action, which may include additional conditions or limitations on Respondent's practice, or suspension, or revocation of Respondent's certificate and license.

d. The waiver in this paragraph of presentation of evidence does not apply to any alleged future violations of statutes or Board rules.

8. Respondent hereby acknowledges that she has read, understands, and agrees to this Agreement and has freely and voluntarily signed the stipulation without threat or promise by the Board or any of its members, employees or agents. When signing the stipulation, Respondent acknowledges that she is fully aware that the Board may either approve the Agreement as proposed, issue an Order subject to specified change, or reject it. If the changes are acceptable to Respondent, the Agreement will take effect and the Order as modified will be issued. If the changes are unacceptable to Respondent or the Board rejects the Agreement, it will be void and of no effect. This Agreement, even if signed by the Board Staff, is not admissible in any subsequent proceeding if not accepted by the Board nor binding on the parties.

9. This Agreement contains the entire agreement between the parties. Respondent is not relying on any other agreement or representations of any kind, verbal or

otherwise. This Agreement shall be effective and deemed issued when it is signed by both parties.

DATED this 10<sup>th</sup> day of November, 2010.

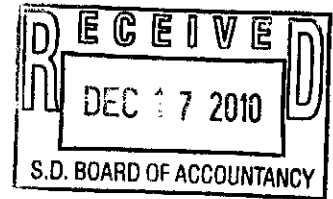
**IDAHO STATE BOARD OF ACCOUNTANCY**

By *Barbara Porter*  
Its Executive Director

DATED this 2nd day of November, 2010.

**RESPONDENT**

*Judith McKetta*  
Judith McKetta



**BEFORE THE IDAHO STATE BOARD OF ACCOUNTANCY**

IN THE MATTER OF

JUDITH McKETTA,  
License No. CP-2707

Docket No. 2010-08

**ORDER**

The Stipulation of Judith McKetta and the Board Staff of the Idaho State Board of Accountancy having been presented to the Idaho State Board of Accountancy ("Board") and the Board being fully apprised, the terms of the Stipulation are hereby approved and incorporated herein and the Executive Director's signature thereon is ratified on behalf of the Board and the following Order consistent with said Stipulation is issued.

In lieu of continued investigation of the complaint filed against her, in lieu of holding a hearing on the complaint, and to implement the Stipulation,

**IT IS ORDERED THAT:**

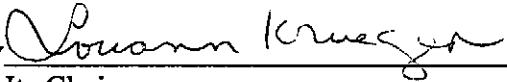
1. Judith McKetta will not do any further audits, reviews, compilations, or prospective financial information work until her firm is registered and enrolled in the Peer Review Program in the state of Idaho.
2. A letter of reprimand will be issued relating to Judith McKetta's issuing of an audit of a South Dakota entity.
3. This docket will be closed upon Judith McKetta's full compliance with the contents of the Stipulation and Consent Agreement and this Order



4. Judith McKetta is fined \$1,500 and has \$650 in attorney fees assessed against her relating to this matter. Payment of those amounts are hereby acknowledged.

DATED this 9<sup>th</sup> day of December, 2010.

**IDAHO STATE BOARD OF ACCOUNTANCY**

By   
Its Chair



## IDAHO STATE BOARD OF ACCOUNTANCY

3101 W MAIN ST STE 210  
BOISE ID 83702  
Phone: (208) 334-2490

PO BOX 83720  
BOISE ID 83720-0002  
Fax: (208) 334-2615

Web Site: [www.isba.idaho.gov](http://www.isba.idaho.gov)

C.L. "BUTCH" OTTER  
GOVERNOR

LOUANN C. KRUEGER  
CHAIR

JOAN JAGELS, CPA  
DEAN L. CONDIE, CPA  
BRADY G. PANATOPOULOS, CPA  
D. LYNN SMITH, CPA  
MONTE E. WARWICK, CPA  
J. BRADLEY LEWIS, CPA

BARBARA R. PORTER  
EXECUTIVE DIRECTOR

Judith McKetta  
828 S. Washington, Suite 1  
P. O. Box 9092  
Moscow, ID 83843

### LETTER OF REPRIMAND

Dear Ms. McKetta:

Pursuant to the authority of the Idaho Accountancy Act and Idaho Accountancy Rules and in accord with the Stipulation and Consent Agreement executed by you and the Idaho State Board of Accountancy, this Letter of Reprimand is issued for conduct that reflects adversely on your fitness to provide professional services.

In particular, you performed an audit without your firm being registered to perform audits in the state of Idaho. Furthermore, the audit involved an entity in South Dakota. That state's Board has taken separate action related to your activities.

The Idaho State Board of Accountancy hereby orders that a copy of this Letter of Reprimand be placed in your file.

Executed this 9<sup>th</sup> day of December, 2010.

IDAHO STATE BOARD OF ACCOUNTANCY

By *Louann Krueger*  
Louann Krueger, Chair

**STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
BASIC FINANCIAL STATEMENTS  
FOR THE TWO YEARS ENDED JUNE 30, 2010**

**STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY**

**BOARD MEMBERS**

Holly Brunick, CPA	Chair
John Linn, Jr., CPA	Vice-Chair
John Peterson	Secretary-Treasurer, Lay Member
David Olson, CPA	Member
John Mitchell, CPA	Member
Martin Guindon, CPA	Ex Officio Member

**STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY**

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Paul T. East, CPA  
Paul W. Vander Woude, CPA  
Rose M. Grant, CPA, MST

707 WEST 11<sup>th</sup> STREET  
Sioux Falls, SD 57104  
(605)334-9111  
(605)334-2195 FAX

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

The Honorable M. Michael Rounds  
Governor of South Dakota  
and  
South Dakota Department of Labor  
700 Governors Drive  
Pierre, South Dakota  
and  
South Dakota Board of Accountancy  
301 East 14<sup>th</sup> Street, Suite 200  
Sioux Falls, South Dakota

We have audited the accompanying financial statements of the South Dakota Board of Accountancy, an enterprise fund of South Dakota state government, as of June 30, 2010 and for the two years then ended, which collectively comprise the Board's basic financial statements listed in the table of contents, and have issued our report thereon dated November 3, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of Board of Accountancy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Board's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and governing board and management of the South Dakota Board of Accountancy, Sioux Falls, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 this report is matter of public record and its distribution is not limited.

*East, Vander Woude, Grant & Co., P.C.*

East, Vander Woude, Grant & Co., P.C.  
November 3, 2010

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
BASIC FINANCIAL STATEMENTS  
FOR THE TWO YEARS ENDED JUNE 30, 2010

STATUS OF PRIOR AUDIT FINDINGS

Finding Number 2008-01:

A significant deficiency and a material weakness were reported for the auditor drafting of the financial statements and related footnote disclosures.

This situation was corrected by South Dakota Board of Accountancy Staff drafting the financial statements and related footnote disclosures in the current two year period under audit.



STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
BASIC FINANCIAL STATEMENTS  
FOR THE TWO YEARS ENDED JUNE 30, 2010

CURRENT AUDIT FINDING AND RECOMMENDATION

There are no findings in the current year.

Paul T. East, CPA  
Paul W. Vander Woude, CPA  
Rose M. Grant, CPA, MST

707 WEST 11<sup>th</sup> STREET  
Sioux Falls, SD 57104  
(605)334-9111  
(605)334-2195 FAX

Independent Auditor's Report

The Honorable M. Michael Rounds  
Governor of South Dakota  
and  
South Dakota Department of Labor  
700 Governors Drive  
Pierre, South Dakota  
and  
South Dakota Board of Accountancy  
301 East 14<sup>th</sup> Street, Suite 200  
Sioux Falls, South Dakota

We have audited the accompanying financial statements of the South Dakota Board of Accountancy, an enterprise fund of South Dakota state government, as of and for the year ended June 30, 2010, and for each of the years in the biennial period then ended as listed in the table of contents. These financial statements are the responsibility of the management of the South Dakota Board of Accountancy. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements present only the South Dakota Board of Accountancy, an enterprise fund of the State of South Dakota and do not purport to, and do not, present fairly the financial position of the State of South Dakota as of June 30, 2010, and the changes in its financial position and its cash flows for each of the years in the biennial period then ended in conformity with accounting principles generally accepted in the United States of

America. Because the financial statements present only an enterprise fund and not the State of South Dakota, management has chosen not to present a Management's Discussion and Analysis for the enterprise fund that accounting principles generally accepted in the United States of America require to supplement, although not be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of South Dakota Board of Accountancy as of June 30, 2010, and the changes in financial position and cash flows, for each of the biennial years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010 on our consideration of the South Dakota Board of Accountancy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*East, Vander Woude, Grant & Co. P.C.*

East, Vander Woude, Grant & Co., P.C.  
November 3, 2010

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

Assets	
Current assets:	
Cash and cash equivalents	\$ 306,820
Investment Income Receivable	1,958
Total current assets	308,778
Noncurrent assets:	
Capital assets:	
Software development costs	140,063
Less accumulated depreciation	(80,717)
Total noncurrent assets	59,346
Total assets	\$ 368,124
Liabilities	
Current liabilities:	
Accounts payable	\$ 4,339
Amounts held for others	22,979
Accrued wages and benefits payable	7,552
Deferred revenues	25,010
Compensated absences, current portion	5,888
Total current liabilities	65,768
Noncurrent liabilities	
Compensated absences, long-term portion	5,274
Total noncurrent liabilities	5,274
Total liabilities	71,042
Net Assets	
Invested in capital assets	59,346
Unrestricted	237,736
Total net assets	297,082
Total liabilities and net assets	\$ 368,124

See accompanying notes to the financial statements.

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Licenses, permits and fees:		
Business and occupational licensing:		
Initial permits and renewals	\$ 174,345	\$ 188,660
Examination fees	10,860	8,940
Total licenses, permits and fees	<u>185,205</u>	<u>197,600</u>
Charges for sales and services:		
Quality review	4,850	7,525
Recovery of costs of proceedings	1,047	1,509
Total Charges for sales and services	<u>5,897</u>	<u>9,034</u>
Total operating revenues	<u>191,102</u>	<u>206,634</u>
Operating expenses:		
Personal services	88,564	88,002
Employee benefits	28,862	28,813
Travel	14,130	14,760
Contractual services	58,238	57,382
Supplies and materials	7,558	7,704
Depreciation	12,070	1,006
Total operating expenses	<u>209,422</u>	<u>197,667</u>
Operating Income (Loss)	<u>(18,320)</u>	<u>8,967</u>
Non-operating revenues:		
Interest income	13,977	21,797
Security lending rebate fees	-	(139)
Total non-operating revenues	<u>13,977</u>	<u>21,658</u>
Change in net assets	(4,343)	30,625
Net assets beginning of year	<u>301,425</u>	<u>270,800</u>
Net assets end of year	<u>\$ 297,082</u>	<u>\$ 301,425</u>

See accompanying notes to the financial statements.

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY - ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Receipts from customers	\$267,610	\$276,875
Payments to customers	(3,680)	(5,641)
Payments to suppliers	(157,095)	(129,277)
Payments to employees	(116,490)	(115,853)
Net cash provided (used) by operating activities	<u>(9,655)</u>	<u>26,104</u>
Cash flows from investing activities		
Interest on investments	15,225	22,286
Security lending rebate fees	-	(139)
Net cash provided by investing activities	<u>15,225</u>	<u>22,147</u>
Cash flows from capital and capital related financing activities		
Software Development Cost	-	(72,422)
Net cash provided (used) by financing activities	<u>-</u>	<u>(72,422)</u>
Net increase (decrease) in cash and cash equivalents	5,570	(24,171)
Cash and cash equivalents beginning of year	<u>301,250</u>	<u>325,421</u>
Cash and cash equivalents end of year	<u>\$ 306,820</u>	<u>\$ 301,250</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (Loss)	\$ (18,320)	\$ 8,967
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	12,070	1,006
Increase (decrease) in accounts payable	(7,971)	5,196
Increase (decrease) amounts held for others	1,651	2,283
Increase (decrease) in deferred revenue	1,980	7,690
Increase (decrease) in accrued salaries payable	(189)	257
Increase in compensated absences	1,124	705
Net cash provided (used) by operating activities	<u>\$ (9,655)</u>	<u>\$ 26,104</u>

See accompanying notes to the financial statements.

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The fund included in this report is controlled by or dependent upon the South Dakota Board of Accountancy. The South Dakota Board of Accountancy is an enterprise fund of the State of South Dakota government within the Department of Labor. Consequently, the financial statements do not purport to, and do not, present fairly the financial position, changes in financial position, and cash flows of the State of South Dakota government in accordance with accounting principles generally accepted in the United States of America. The purpose of the Board is to administer and enforce the rules and regulations regarding the practice of public accounting.

The accounting policies of the South Dakota Board of Accountancy conform to generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements. GASB Statement Nos. 20 and 34 provide the Board the option of electing to apply FASB pronouncements issued after November 30, 1989. The Board has elected not to apply those pronouncements.

b. Basis of Presentation

The Board is considered an enterprise fund of the State of South Dakota government. A fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses.

An enterprise fund is used to account for business-like activities provided to the general public. These activities are primarily financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Board utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

Operating income reported in the financial statements include revenues and expenses related to the primary continuing operations of the Board. Principal operating revenues are fees for occupational licensing and examinations. Principal expenses are the costs of providing these services and include administrative expenses and depreciation of capital assets. Other revenues, including interest income, and other expenses are classified as non-operating in the financial statements.

d. Cash and Investments

For the purpose of the Statement of Net Assets, cash includes the local checking account of the Board as well as the Board's interest in the pooled cash fund of the State of South Dakota government. Since the Board pools its cash resources for depositing and investing

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

purposes, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

e. Capital Assets

The Board's policy is to capitalize all assets with an acquisition cost of \$5,000 or more and a useful life of more than one year. All assets are valued at historical cost or estimated cost if actual cost is not available, except for donated assets which are recorded at their estimated fair value at the date of donation. All of the reported capital assets have been valued at actual cost as of June 30, 2010.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Fund Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful life of software development costs has been estimated to be six years.

f. Compensated Absences

Annual leave is earned by all permanent employees who work in excess of 20 hours per week at the following rates:

0 – 15 years of service – .0576925 hours/hours worked cumulative to 240 hours

15 or more years of service – .076923125 hours/hours worked cumulative to 320 hours

Upon termination, if the employee has worked more than 6 months, all unused vacation hours are paid to the employee at the current rate of pay.

Sick leave is earned by all permanent employees at the rate of .053846154 hours per hour worked. Upon termination, if the employee has seven or more consecutive years of service, 25% of the unused hours are paid at the current rate of pay up to 480 hours.

The liability for these compensated absences is recorded as a liability in the financial statements. The current portion of this liability is estimated based on historical trends.

g. Equity

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."



STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

2. DEPOSITS AND INVESTMENTS

Deposits – The Board’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1 and with the South Dakota State Treasurer. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

The bank balance of the local checking account at June 30, 2010 was as follows:

	Bank
	<u>Balance</u>
Insured (FDIC/NCUA)	\$ 3,674.53
Total Deposits	<u>\$ 3,674.53</u>

The carrying amount of deposits at June 30, 2010 was \$3,674.53. They were all adequately insured as of June 30, 2010.

The Board’s cash includes a participating interest in the State’s internal investment pool held by the State Treasurer. The remaining reported cash of \$280,170.50 consists of \$280,170.50 held in the State’s internal investment pool. Management of the State’s internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State’s internal investment pool are presented in the SDIC’s audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501.

3. CAPITAL ASSETS

A summary of changes in capital assets for the two fiscal years ended June 30, 2010, is as follows:

	Balance @ 7/1/08	Additions	Deletions	Balance @ 6/30/10
Computer software	\$ 67,641	\$ 72,422	\$ -	\$ 140,063
Accum. depreciation	(67,641)	(13,076)	-	(80,717)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 59,346</u>	<u>\$ -</u>	<u>\$ 59,346</u>

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

4. LONG- TERM DEBT

As of June 30, 2010, the following liabilities existed for accumulated unpaid leave balances calculated at the employees' June 30, 2010 pay rates including the employer's share of employee benefits:

Vacation pay	\$	5,888
Sick pay		5,274
Total	\$	<u>11,162</u>

A summary of the changes in long-term debt follows:

		Compenstated Absences
Debt payable, July 1, 2008	\$	9,333
Additions to compensated absences		14,549
Deductions from compensated absences		<u>(12,720)</u>
Debt payable, June 30, 2010	\$	<u>11,162</u>

See Note 1 for additional information relating to compensated absences.

5. LEASES

Operating Leases:

The South Dakota Board of Accountancy leases office space pursuant to an operating lease which expired September 2009. A new lease was signed in October 2009 and will expire in December 2012. Rents paid pursuant to this lease totaled \$14,931 and \$15,158 for the fiscal years ended June 30, 2009 and 2010, respectively.

The South Dakota Board of Accountancy leases a copier pursuant to operating leases which expired December 2009. A new lease was signed in December 2009 and will expire in December 2012. Rents paid pursuant to these leases totaled \$3,029 and \$1,778 for the fiscal years ended June 30, 2009 and 2010, respectively.

The South Dakota Board of Accountancy leases a postage machine pursuant to operating leases which would have expired August 2010. A new lease was signed in May 2010 and will expire in August 2015. Rents paid pursuant to these leases totaled \$2,009 and \$1,507 for the fiscal years ended June 30, 2009 and 2010, respectively.

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

The following are the minimum payments on the existing operating leases:

Year	
<u>Ending</u>	<u>Amount</u>
6/30/11	\$ 18,745
6/30/12	18,745
6/30/13	6,758
6/30/14	2,388
6/30/15	<u>2,388</u>
Totals	<u>\$ 49,024</u>

6. RETIREMENT PLAN

The Board participates in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer defined benefit plan established to provide retirement, disability, and survivor benefits for employees of the State of South Dakota and its political subdivisions. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501 or by calling (605) 773-3731.

Employees are required by state statute to contribute 6% of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The right to receive retirement benefits vests after three years of credited service. The Board's contributions to the SDRS for the fiscal years ended June 30, 2008, 2009 and 2010 were \$4,688.81, \$4,985.85 and \$5,009.95 respectively.

7. RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The South Dakota Board of Accountancy is an enterprise fund of the State of South Dakota government and the Board employees are considered employees of the State of South Dakota. The State of South Dakota is self-insured for workers' compensation benefits, unemployment insurance, health insurance, and life insurance. The State of South Dakota covers risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and products liability) through a Public Entity Pool Liability (PEPL). The State of South Dakota is insured for boiler insurance, aircraft, and performance bonds through outside insurance companies. The State of South Dakota is uninsured for property losses, with the exception of bonded and revenue-producing buildings that are covered through outside insurance companies.

The Board is charged "premiums" by the State of South Dakota for coverage provided.

STATE OF SOUTH DAKOTA  
DEPARTMENT OF LABOR  
SOUTH DAKOTA BOARD OF ACCOUNTANCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

The State of South Dakota issues a publicly available financial report that includes additional disclosures related to risk management.

8. EXAMINATION FEE REVENUE/AMOUNTS HELD FOR OTHERS

Subsequent to the November 2003 Uniform Certified Public Accountant Examination, a significant portion of the responsibility for administering the examination has been contractually transferred to the National Association of State Boards of Accountancy (NASBA). Beginning with the April-May 2004 exam window, the Board collects the total exam fee from the participants but reports as revenue only the portion of the fee that belongs to the South Dakota Board of Accountancy as established by administrative rule. The portion of the exam fee that will be remitted to NASBA and others is reported as a current liability account titled "Amounts Held For Others."



American Institute of CPAs  
Parkway Corporate Center  
1230 Parkway Avenue  
Ewing, NJ 08628

December 17, 2010

Dear State Board of Accountancy Chairs and Executive Directors,

I am writing to inform you of recent AICPA Board of Examiners (BOE) activities related to the passing standard for the Uniform CPA Examination™.

The revised Uniform CPA Examination will be launched in January, 2011. The new version of the Exam is different from the current Exam in many ways (please see the [New 2011 Uniform CPA Examination guide](#) for more information). These changes are significant enough to require reconsideration of the performance required to pass the Exam. The BOE has the responsibility for making this decision. A passing score study was conducted in August to provide information to support the BOE's decision-making process.

The members of the BOE received a report on the passing score study which was based upon testing industry best practices. This process was developed and approved by the Psychometric Oversight Committee (POC), in the presence of external advisors and observers from the ERB, NASBA, and CLEC (now the CPA Examination Administration Committee, or CEAC). The details of this process will be published in an upcoming white paper, but in general terms, it included the systematic collection of professional judgments from CPAs with recent experience supervising entry level staff.

The study results were presented to the BOE on November 11-12, as per the timeline set forth in August 2010. The BOE members reviewed the results and assessed the validity of the findings before recommending provisional passing scores. Independent observers from the ERB (Examination Review Board), NASBA, and CEAC attended the meeting and were invited to comment on the process and the possible impact of the results of the study. The results of the BOE's deliberations will be considered when determining the ultimate passing scores, which will be finalized by the BOE in March 2011.

If you have questions or need additional information, please contact me at your convenience.

Sincerely,

Douglas Warren  
Chair, AICPA Board of Examiners

## Part III – Administrative, Procedural, and Miscellaneous

### Implementation of Rules Governing Tax Return Preparers

Notice 2011-6

#### **Purpose**

This notice provides guidance regarding the implementation of new Treasury regulations governing tax return preparers. Section 1 of this notice provides guidance regarding the requirement to obtain a preparer tax identification number (PTIN) under section 1.6109-2 and identifies the forms that qualify as tax returns or claims for refund for purposes of those regulations. Section 2 of this notice provides interim rules applicable to certain PTIN holders during the implementation phase of the new regulations governing tax return preparers.

#### **Background**

The IRS made findings and recommendations in Publication 4832, “Return Preparer Review,” which was published on January 4, 2010, concerning the results of an in-depth review of the tax return preparer industry. The IRS recommended increased oversight of tax return preparers through the issuance of regulations governing tax return preparers. The IRS published: (1) final regulations (75 FR 60309) addressing tax return preparer PTIN requirements on September 30, 2010; (2) final regulations (75 FR 60316) regarding the user fee to apply for or renew a PTIN on

September 30, 2010; and (3) proposed regulations (REG-138637-07) addressing competency testing requirements, continuing education requirements, and extension of the ethics rules under 31 CFR Part 10 (reprinted in Treasury Department Circular 230 (Circular 230)) for tax return preparers on August 23, 2010.

## **Section 1. Guidance under section 1.6109-2**

### **.01 PTINs Obtained After September 28, 2010**

Section 1.6109-2 provides that beginning after December 31, 2010, all tax return preparers must have a PTIN that was applied for and received at the time and in the manner as prescribed by the IRS. This notice confirms that tax return preparers who obtain a PTIN or a provisional PTIN and pay any applicable user fee after September 28, 2010, have applied for and received a PTIN in the manner prescribed by the IRS for purposes of the section 6109 regulations.

### **.02 Individuals Who May Obtain a PTIN**

Section 1.6109-2(d) provides that for returns or claims for refund filed after December 31, 2010, the identifying number of a tax return preparer is the individual's PTIN or other number prescribed by the IRS. Additionally, after December 31, 2010, all individuals who are compensated for preparing, or assisting in the preparation of, all or substantially all of a tax return or claim for refund of tax must have a PTIN.

Section 1.6109-2(d) also provides that, except as provided in paragraph (h), beginning after December 31, 2010, a tax return preparer must be an attorney, certified public accountant, enrolled agent, or registered tax return preparer to obtain a PTIN.

Section 1.6109-2(h) provides that the IRS may prescribe exceptions to the PTIN rules in

appropriate guidance, including the requirement that an individual be an attorney, certified public accountant, enrolled agent, or registered tax return preparer before receiving a PTIN.

The IRS has decided to allow certain individuals who are not attorneys, certified public accountants, enrolled agents, or registered tax return preparers to obtain a PTIN and prepare, or assist in the preparation of, all or substantially all of a tax return in certain discrete circumstances.

**a. Tax Return Preparers Supervised by Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Retirement Plan Agents, and Enrolled Actuaries**

Until further guidance is issued, the IRS, in accordance with the authority to provide exceptions to the PTIN rules under section 1.6109-2(h), will permit any individual eighteen years or older to pay the applicable user fee and obtain a PTIN permitting the individual to prepare, or assist in the preparation of, all or substantially all of a tax return or claim for refund for compensation if:

(i) the individual is supervised by an attorney, certified public accountant, enrolled agent, enrolled retirement plan agent, or enrolled actuary authorized to practice before the IRS under Circular 230 §10.3(a) through (e);

(ii) the supervising attorney, certified public accountant, enrolled agent, enrolled retirement plan agent, or enrolled actuary signs the tax returns or claims for refund prepared by the individual;

(iii) the individual is employed at the law firm, certified public accounting firm, or other recognized firm of the tax return preparer who signs the tax return or claim for



refund; and

(iv) the individual passes the requisite tax compliance check and suitability check (when available).

For purposes of this provision, a law firm is a law partnership, professional corporation, sole proprietorship, or any other association authorized to practice law in any state, territory, or possession of the United States, including a Commonwealth, or the District of Columbia. A certified public accounting firm is a partnership, professional corporation, sole proprietorship, or any other association that is registered, permitted, or licensed to practice as a certified public accounting firm in any state, territory, or possession of the United States, including a Commonwealth, or the District of Columbia. A recognized firm is a partnership, professional corporation, sole proprietorship, or any other association, other than a law firm or certified public accounting firm, that has one or more employees lawfully engaged in practice before the IRS and that is 80 percent or a greater percent owned by one or more attorneys, certified public accountants, enrolled agents, enrolled actuaries, or enrolled retirement plan agents authorized to practice before the IRS under sections 10.3(a) through (e) of Circular 230, respectively.

Individuals applying for a PTIN under this provision will be required to certify on the PTIN application that they are supervised by an attorney, certified public accountant, enrolled agent, enrolled retirement plan agent, or enrolled actuary who signs the tax return or claim for refund prepared by the individual and provide a supervising individual's PTIN or other number if prescribed by the IRS. [REDACTED]

[REDACTED] by the signing attorney, certified public accountant, enrolled

agent, enrolled retirement plan agent, or enrolled actuary, [REDACTED] as prescribed in forms, instructions, or other appropriate guidance and will not be permitted to prepare, or assist in preparing, all or substantially all of a tax return or claim for refund for compensation under this provision.

Individuals who obtain a PTIN under this provision and prepare, or assist in preparing, all or substantially all of a tax return or claim for refund for compensation will not be subject to a competency examination or continuing education requirements. These individuals, however, [REDACTED] any tax return they prepare or assist in preparing for compensation [REDACTED], or represent to the IRS, their clients, or the general public that they are a registered tax return preparer or a Circular 230 practitioner.

Although individuals who obtain a PTIN under this provision are not practitioners under Circular 230, they are, by preparing, or assisting in the preparation of, a tax return for compensation, acknowledging that they are subject to the duties and restrictions relating to practice in subpart B of Circular 230. The IRS may, by written notification, revoke a PTIN obtained under this provision if the tax return preparer willfully violates applicable duties and restrictions prescribed in Circular 230 or engages in disreputable conduct. The tax return preparer may, within 30 days after receipt of the notice of revocation of the PTIN, file a written protest of the notice of revocation as prescribed in the revocation notice. A protest is not a proceeding under subpart D of Circular 230.

**b. Individuals Who Prepare Tax Returns Not Covered by the Registered Tax Return Preparer Competency Examination(s)**

The Treasury Department and the IRS have proposed rules that will require an individual to pass a registered tax return preparer minimum competency examination (competency examination). The IRS anticipates, however, that the tax returns and claims for refund covered by the competency examination(s) initially offered will be limited to individual income tax returns (Form 1040 series tax returns and accompanying schedules). Although the IRS anticipates the types of returns and claims for refunds covered by the competency examination(s) may expand in the future, the IRS recognizes that certain compensated tax return preparers do not prepare Form 1040 series tax returns or related claims for refunds and that the tax returns and claims for refunds prepared by some of these individuals may not be covered by the competency examinations for a significant period of time. The IRS has determined that individuals should not be required, as a condition to obtaining a PTIN, to pass a competency examination covering tax returns and claims for refunds not prepared by the individual. Therefore, until further guidance, this notice, in accordance with the authority under section 1.6109-2(h), provides that any individual eighteen years or older may pay the applicable user fee and obtain a PTIN if:

(i) the individual certifies that the individual does not prepare, or assist in the preparation of, all or substantially all of any tax return or claim for refund covered by the competency examination(s) for registered tax return preparers administered under IRS oversight (1040 series until further notice); and

(ii) the individual passes the requisite tax compliance check and suitability check (when available).

Individuals who obtain a PTIN under this provision and prepare, or assist in preparing, all or substantially all of a tax return or claim for refund for compensation will not yet be subject to a competency examination. These individuals are not currently required to satisfy the same continuing education requirements that a registered tax return preparer must complete to renew their PTIN. In the future, the IRS may require through forms, instructions, or other appropriate guidance that these individuals complete continuing education to renew their PTIN.

Individuals who obtain or renew a PTIN under this provision may sign the tax returns or claims for refunds that they prepare for compensation as the paid preparer. These individuals may also represent taxpayers before revenue agents, customer service representatives, or similar officers and employees of the IRS (including the Taxpayer Advocate Service) during an examination if the individual signed the tax return or claim for refund for the taxable year under examination. They may not, however, represent to the IRS, their clients, or the general public that they are a registered tax return preparer or a Circular 230 practitioner. Enrolled retirement plan agents and enrolled actuaries who obtain a PTIN under this provision may continue to practice and represent as provided in Circular 230.

Although individuals who obtain a PTIN under this provision are not practitioners under Circular 230, they are, by preparing, or assisting in the preparation of, a tax return for compensation, [REDACTED]. [REDACTED]. The IRS may, by written notification, revoke a PTIN obtained under this provision if the tax return preparer willfully violates

applicable duties and restrictions prescribed in Circular 230 or engages in disreputable conduct. The tax return preparer may, within 30 days after receipt of the notice of revocation of the PTIN, file a written protest of the notice of revocation as prescribed in the revocation notice. A protest is not a proceeding under subpart D of Circular 230.

### **.03 Forms Requiring a PTIN**

Section 1.6109-2(h) provides that the IRS may specify in appropriate guidance the returns, schedules, and other forms that qualify as tax returns or claims for refund for purposes of the PTIN regulations. Consistent with that authority, the IRS hereby specifies that all tax returns, claims for refund, or other tax forms submitted to the IRS are considered tax returns or claims for refund for purposes of section 1.6109-2 unless otherwise provided by the IRS. For purposes of this provision, the term tax forms is interpreted broadly. An individual must obtain a PTIN to prepare for compensation all or substantially all of any form except those specifically identified by the IRS as not subject to the requirements of §1.6109-2. At this time, the IRS identifies the following forms as **not** subject to the requirements of §1.6109-2:

Form SS-4, Application for Employer Identification Number;  
Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding;  
Form SS-16, Certificate of Election of Coverage under FICA;  
Form W-2 series of returns;  
Form W-7, Application for IRS Individual Taxpayer Identification Number;  
Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding;  
Form 870, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment;  
Form 872, Consent to Extend the Time to Assess Tax;  
Form 906, Closing Agreement On Final Determination Covering Specific Matters;  
Form 1098 series;

Form 1099 series;  
Form 2848, Power of Attorney and Declaration of Representative;  
Form 3115, Application for Change in Accounting Method;  
Form 4029, Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits;  
Form 4361, Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners;  
Form 4419, Application for Filing Information Returns Electronically;  
Form 5300, Application for Determination for Employee Benefit Plan;  
Form 5307, Application for Determination for Adopters of Master or Prototype or Volume Submitter Plans;  
Form 5310, Application for Determination for Terminating Plan;  
Form 5500 series;  
Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips;  
Form 8288-A, Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests;  
Form 8288-B, Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests;  
Form 8508, Request for Waiver From Filing Information Returns Electronically;  
Form 8717 User Fee for Employee Plan Determination, Opinion, and Advisory Letter Request;  
Form 8809, Application for Extension of Time to File Information Return;  
Form 8821, Tax Information Authorization;  
Form 8942, Application for Certification of Qualified Investments Eligible for Credits and Grants Under the Qualifying Therapeutic Discovery Project Program

The IRS may in future guidance modify the list of documents that do not qualify as tax returns or claims for refund for purposes of section 1.6109-2(h).

## **Section 2. Interim Rules**

### **.01 Provisional PTINs**

As discussed in section 1 of this notice, an individual may be designated as a registered tax return preparer if the individual successfully completes a competency examination or otherwise meets requisite standards prescribed by the IRS. The IRS, however, does not expect to offer the competency examination before mid 2011.

Therefore, to allow tax return preparers to obtain a PTIN and continue to prepare tax

returns or claims for refund until the competency examination is available, the IRS, as an interim rule, will allow individuals who are not attorneys, certified public accountants, or enrolled agents to obtain a provisional PTIN before the date that the competency examination is first offered (“initial test offering date”). Individuals may obtain a provisional PTIN through the IRS’ new online PTIN application system or by submitting to the IRS a paper Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application. The individual must annually renew the provisional PTIN and pay the applicable user fee.

The IRS generally will not issue provisional PTINs in accordance with this provision after the initial test offering date. After the initial test offering date, only attorneys, certified public accountants, enrolled agents, and registered tax return preparers, or individuals defined in section 1.02(a) or (b) of this notice will be eligible to obtain a PTIN in accordance with section 1.6109-2, subject to any future IRS guidance identifying additional individuals who may obtain a PTIN.

Until December 31, 2013, a provisional PTIN may be renewed upon proper application and payment of the applicable user fee, even if the individual holding the provisional PTIN is not an attorney, certified public accountant, enrolled agent, or registered tax return preparer. After December 31, 2013, provisional PTINs generally will not be renewed, and the holder of a provisional PTIN obtained in accordance with this provision may keep the PTIN only if the holder of the provisional PTIN is eligible to obtain a PTIN in accordance with section 1.6109-2, section 1.02(a) or (b) of this notice, or future guidance.

## **.02 Return Preparation by Provisional PTIN Holders**

Tax return preparers who properly obtain a provisional PTIN before the initial test offering date will be permitted, subject to the requisite federal tax compliance check and suitability check (when available), to prepare for compensation all or substantially all of any tax return or claim for refund until December 31, 2013. During the transition period from the initial test offering date through December 31, 2013, tax return preparers who hold a provisional PTIN may, subject to the payment of the applicable user fee, take the competency examination as often as the examination is offered.

These interim rules apply to those tax return preparers who obtain a provisional PTIN prior to the initial test offering date. An individual who is subject to the competency testing requirement for becoming a registered tax return preparer who does not obtain a PTIN before the initial test offering date must pass the competency examination and be designated as a registered tax return preparer to be permitted to prepare for compensation all or substantially all of a tax return or claim for refund.

The holder of a provisional PTIN may represent that the holder is authorized to practice before the IRS by preparing and filing tax returns or claims for refund, but the holder of a provisional PTIN may not represent that the holder is a registered tax return preparer or has passed the competency examination necessary to become a registered tax return preparer.

## **.03 Practice Based on Return Preparation**

The proposed Circular 230 regulations include registered tax return preparers in the definition of individuals described as practitioners and authorize these individuals to



practice before the IRS. Practice as a registered tax return preparer generally is limited to preparing tax returns, claims for refund, or other documents for submission to the IRS and to limited representation as described below. A registered tax return preparer may prepare all or substantially all of a tax return or claim for refund. The IRS will prescribe by forms, instructions, or other appropriate guidance the tax returns and claims for refund that a registered tax return preparer may prepare and sign.

Registered tax return preparers may represent taxpayers before revenue agents, customer service representatives, or similar officers and employees of the IRS during an examination if the registered tax return preparer prepared and signed (or prepared and was not required to sign) the tax return or claim for refund for the taxable period under examination.

Prior to January 1, 2011, any individual generally may prepare a tax return or claim for refund for compensation. An individual who prepares and signs a taxpayer's return or claim for refund as the preparer generally may represent that taxpayer during an examination of the taxable period covered by that return or claim for refund. The proposed Circular 230 regulations generally do not extend this right of representation to individuals who are not practitioners after December 31, 2010. To ensure that tax return preparers have sufficient time to become registered tax return preparers, these interim rules provide that an individual may represent a taxpayer during an examination provided the individual prepared and signed the taxpayer's return or claim for refund as the preparer for the taxable period under examination and the individual was permitted under the regulations or other published guidance to prepare the taxpayer's return or

claim for refund for compensation. This right to represent the taxpayer does not, however, permit an individual who is not an attorney, certified public accountant, enrolled agent, enrolled retirement plan agent, or enrolled actuary to represent the taxpayer before appeals officers, revenue officers, Counsel, or similar officers or employees of the IRS or the Department of Treasury.

#### **.04 Continuing Education**

The proposed Circular 230 regulations require registered tax return preparers to complete fifteen hours of continuing education each registration year. As an interim rule, there is no continuing education requirement for registered tax return preparers or tax return preparers who obtain a provisional PTIN during the first year of registration, which commenced on September 30, 2010.

#### **.05 Ethics and Conduct**

The proposed Circular 230 regulations include registered tax return preparers in the definition of individuals described as practitioners and authorize these individuals to practice before the IRS. Practice as a registered tax return preparer, therefore, will be subject to applicable duties and restrictions relating to practice before the IRS under Circular 230. Accordingly, as an interim rule, practice before the IRS by a tax return preparer who obtains a provisional PTIN or any individual who for compensation prepares, or assists in the preparation of, all or a substantial portion of a document pertaining to any taxpayer's tax liability for submission to the IRS also is subject to applicable duties and restrictions relating to practice before the IRS under Circular 230. Tax return preparers holding a provisional PTIN and other individuals who for

compensation prepare, or assist in the preparation of, all or a substantial portion of a document pertaining to any taxpayer's tax liability for submission to the IRS must not engage in disreputable conduct under section 10.51 of Circular 230. The IRS may, by written notification, revoke a provisional PTIN if the tax return preparer willfully violates applicable duties and restrictions prescribed in Circular 230 or engages in disreputable conduct under section 10.51 of Circular 230. The tax return preparer may, within 30 days after receipt of the notice of revocation of the provisional PTIN, file a written protest of the notice of revocation as prescribed in the revocation notice. A protest is not a proceeding under subpart D of Circular 230.

The interim rules described in this notice and any final regulations apply to all tax return preparers who prepare all or substantially all of a tax return or claim for refund for compensation. As discussed in section 1 of this notice, all tax returns, claims for refund, or other documents submitted to the IRS unless otherwise provided for in section 1 of this notice or other guidance are tax returns for purposes of the PTIN regulations.

### **Contact Information**

The principal author of this notice is Matthew D. Lucey of the Office of Associate Chief Counsel (Procedure and Administration). For further information regarding this notice contact Matthew D. Lucey on (202) 622-4940 (not a toll-free call).

# **EXPOSURE DRAFT**

## **PROPOSED REVISIONS TO**

### **AICPA/NASBA UNIFORM ACCOUNTANCY ACT and NASBA UNIFORM ACCOUNTANCY ACT RULES**

#### **SECTION 3 and Article 14**

**December 2010**

#### **2009 – 2010 AICPA UAA Committee**

Kevin Currier, CPA – Chair  
Gary Bolinger  
Conrad Davis, CPA  
Sharon Jensen, CPA  
Richard Jones, CPA  
Stephen McConnel, CPA  
Kevin McCoy, CPA  
Gary McIntosh, CPA  
Kevin Mitchell, CPA  
W.G. Spoor, CPA  
Melanie Thompson, CPA  
Nancy Wolven-Juron, CPA

#### **2009-2010 NASBA UAA Committee**

Laurie Tish, CPA - Chair  
Sharron Cirillo, PA  
Donald Driftmier, CPA  
Andrew DuBoff, CPA  
J. Dwight Hadley, CPA  
Robert Hyde, CPA  
Thomas Mulligan, CPA  
Ronald Nielsen, CPA  
Robert Pearson, CPA  
Lisa Mays Stickel, CPA  
James F. Thielen, CPA

**Please submit comments by March 4, 2011 to:**

Aaron Castelo – [acastelo@aicpa.org](mailto:acastelo@aicpa.org)

or

Louise Dratler Haberman – [lhberman@nasba.org](mailto:lhberman@nasba.org)

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## INTRODUCTION

December 7, 2010

The AICPA/NASBA Uniform Accountancy Act (UAA) Committee has worked over the past year to consider guidelines as to what are and what are not misleading CPA firm names. The proposed changes to the Uniform Accountancy Act (UAA) and Uniform Accountancy Act Model Rules (Model Rules) in this exposure draft are the result of these efforts.

AICPA and NASBA began considering these firm name issues in August 2008 when the leadership of the two organizations called for the formation of a joint group to study CPA firm names. This study group was formed because of the lack of uniformity at the state level and the inconsistent guidance and practice surrounding the definition and use of permissible CPA firm names. The study group published a White Paper on CPA Firm Names in August 2009. In the conclusion, the White Paper urged the AICPA/NASBA UAA Committee to use the discussion and conclusions to help make appropriate conforming revisions to the UAA Statute and Model Rules.

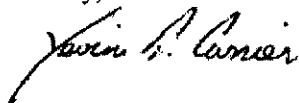
During deliberations, the UAA Committee sought guidance from AICPA's Professional Ethics Executive Committee (PEEC), and carefully considered definitions and concepts from PEEC's Interpretation 101-17 under Rule 101. This Interpretation was finalized in 2010 by the Professional Ethics Executive Committee and is effective for engagements after July 1, 2011. The Interpretation addresses when firms and entities in associations that share certain characteristics are considered to be a Network and therefore must be independent of certain attest clients of the other Network firms. Additionally, the UAA Committee also considered concepts in the AICPA Code of Professional Conduct Rule 505 "Form of Organization and Name," and PEEC's Ethics Ruling 179 "Practice of Public Accounting Under Name of Association or Group."

The discussion and conclusions noted in the White Paper on CPA Firm Names and the PEEC's Interpretations and Rules form the foundation of the proposed revisions to the UAA and the Model Rules. These proposed revisions are intended to provide the statutory and regulatory framework to CPA Firms and the State Boards of Accountancy who regulate them on acceptable CPA firm names configurations, Network or otherwise, and to provide public protections from CPA firm names which may be considered misleading.

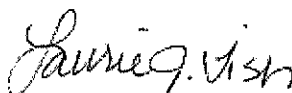
If you need additional assistance or have questions, please contact Aaron Castelo at AICPA at 202-434-9261 or Louise Haberman at NASBA at 212-644-6469.

Thank you for your continued support and assistance.

Sincerely,



Kevin E. Currier, CPA  
AICPA UAA Committee Chair -2010



Laurie J. Tish, CPA  
NASBA UAA Committee Chair - 2010

## **SUMMARY OF PROPOSED REVISIONS**

The proposed changes add a definition of “Network” and “Network Firm” to the Uniform Accountancy Act.

A new Rule 14-1 is being proposed to provide guidance to State Boards and firms on CPA Firm names. The new rule provides specific criteria on which names should be considered misleading and which are permissible, and sets guidelines for the usage of Network Firm names.

New language is being recommended to the commentary of Rule 14-1 of the Uniform Accountancy Act Model Rules to recognize implications to mobility when considering CPA Firm names.

## TEXT OF PROPOSED STATUTE REVISIONS BY SECTION

Note: The material set out below is the proposed statutory text and commentary of the relevant UAA provisions. The proposed language to be added is underlined, and proposed deleted language is stricken-through.

### SECTION 3 DEFINITIONS

3 (n) "Network" means an association of two or more entities that includes at least one CPA firm that:

- (1) Cooperates pursuant to an agreement for the purpose of enhancing the firms' capabilities to provide professional services, and;
- (2) Shares one or more of the following characteristics:
  - (a) The use of a common brand name, including common initials, as part of the firm name;
  - (b) Common control, as defined by generally accepted accounting principles in the United States, among the firms through ownership, management, or other means;
  - (c) Profits or costs, excluding costs of operating the association, costs of developing audit methodologies, manuals and training courses, and other costs that are immaterial to the firm;
  - (d) Common business strategy that involves ongoing collaboration amongst the firms whereby the firms are responsible for implementing the association's strategy and are held accountable for performance pursuant to that strategy;
  - (e) Significant part of professional resources;
  - (f) Common quality control policies and procedures that participating firms are required to implement and that are monitored by the association.



A Network may comprise a subset of entities within an association if only that subset of entities cooperates and shares one or more of the characteristics set forth in the previous list.

3 (o) “Network Firm” means a CPA Firm, as defined in Section 3 (g), that is part of a Network, as defined in Section 3(n).

*COMMENT: For the purposes of subsection (2)(f), “monitored” means the process comprising an ongoing consideration and evaluation of the firm’s system of quality control, the objective of which is to enable the association to obtain reasonable assurance that the firm’s system of quality control is designed appropriately and operating effectively.*

## TEXT OF PROPOSED RULES REVISIONS BY ARTICLE

Note: The material set out below is the proposed rules text and commentary of the relevant UAA provisions. The proposed language to be added is underlined, and proposed deleted language is stricken-through.

### ARTICLE 14 UNLAWFUL ACTS

#### Rule 14-1 - ~~Misleading~~ CPA Firm names.

~~A CPA firm name is misleading within the meaning of Section 14(i) of the Act if, among other things:~~

- ~~(a) The CPA firm name implies the existence of a corporation when the firm is not a corporation;~~
- ~~(b) The CPA firm name implies existence of a partnership when there is not a partnership (as in "Smith & Jones, C.P.A.s");~~
- ~~(c) The CPA firm name includes the name of a person who is neither a present nor a past partner, member or shareholder of the firm; or~~
- ~~(d) The CPA firm name includes the name of a person who is not a CPA if the title "CPAs" is included in the firm name.~~

(a) A misleading CPA Firm name is one which:

- (1) Contains any representation that would be likely to cause a reasonable person to misunderstand or be confused about the legal form of the firm, or about who are the owners or members of the firm, such as a reference to a type of organization or an abbreviation thereof which does not accurately reflect the form under which the firm is organized, for example:

- (A) Implies the existence of a corporation when the firm is not a corporation such as through the use of the words "corporation,"

“incorporated”, “Ltd.”, “professional corporation”, or an abbreviation thereof as part of the firm name if the firm is not incorporated or is not a professional corporation;

(B) Implies the existence of a partnership when there is not a partnership such as by use of the term “partnership” or “limited liability partnership” or the abbreviation “L.L.P.” if the firm is not such an entity;

(C) Includes the name of an individual who is not a CPA if the title “CPAs” is included in the firm name;

(D) Includes information about or indicates an association with persons who are not members of the firm, except as permitted pursuant to Section 3(n) and 3(o) of the Act; or

(E) Includes the terms “& Company,” “& Associate,” or “Group,” but the firm does not include, in addition to the named partner, shareholder, owner, or member, at least one other unnamed partner, shareholder, owner, member, or staff employee.

(2) Contains any representation that would be likely to cause a reasonable person to have a false or unjustified expectation of favorable results or capabilities, through the use of a false or unjustified statement of fact as to any material matter;

(3) Claims or implies the ability to influence a regulatory body or official;

(4) Includes the name of an owner whose license has been revoked for disciplinary reasons by the Board, whereby the licensee has been prohibited from practicing public accountancy or prohibited from using the title CPA or holding himself out as a Certified Public Accountant.

(b) The following types of CPA Firm names are not in and of themselves misleading and are permissible so long as they do not violate the provisions of Rule 14-1(a):

(1) A firm name that includes the names of one or more former or

present owners;

(2) A firm name that excludes the names of one or more former or present owners;

(3) A firm name that uses the CPA title as part of the firm name when all named individuals are owners of the firm who hold such title or are former owners who held such title at the time they ceased to be owners of the firm;

(4) A firm name that includes the name of a non-CPA owner if the CPA title is not a part of the firm name;

(c) The following types of Network Firm names are not in and of themselves misleading and are permissible so long as they do not violate the provisions of Rule 14-1(a), and when offering or rendering services that require independence under AICPA standards, a firm that is part of a Network and a Network Firm, as defined in Section 3(o) of the Act, shall be required to comply with AICPA independence standards applicable to Network Firms:

(1) A firm name that uses a common brand name, or shares common initials, as part of the firm name, provided the firm is a Network Firm as defined in Section 3(o) of the Act;

(2) A Network Firm, as defined in Section 3(o) of the Act, may use the Network name as the firm name, provided it also shares one or more of the characteristics described in Section 3(n)(2) (b) through 3(n)(2)(f) of the Act.

*COMMENT: With regard to practice in this State under Section 7(a)(1)(c), 7(a)(2) or 7(a)(3) of the Act, in determining whether a CPA Firm name is misleading, the Board recognizes that it is the policy of this State to promote interstate mobility for CPAs and CPA firms which employ them, and shall also consider the basis for approval of the same CPA Firm name by another state's board of accountancy.*

**Rule 14-2 – Fictitious firm names.**

**~~A fictitious CPA firm name (that is, one not consisting of the names or initials of one or more present or former partners, members or shareholders) may not be used by a CPA firm unless such name has been registered with and approved by the Board as not being false or misleading.~~**

Note: Current UAA Rules 14-3 Safe Harbor Language will be re-numbered to Rule 14-2.

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

**Executive Summary**

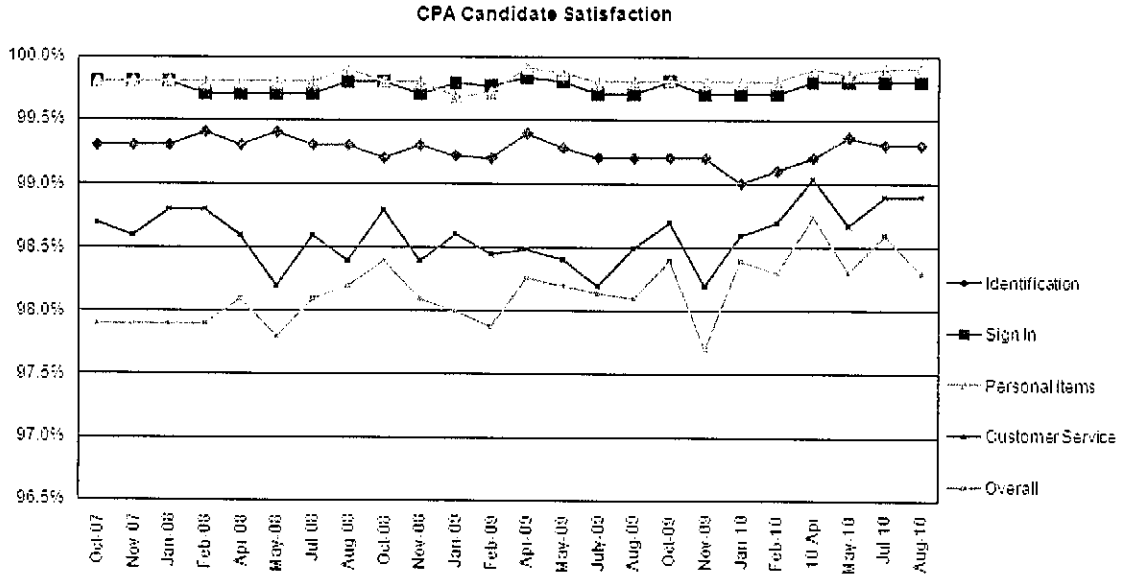
Second quarter 2010 volume for the exam was 12.8% above third quarter 2009, with a total of 84,423 exams delivered. This brings the total number of computer-based exams delivered to date to 1,354,545. The Exam platform was stable and the frequency and severity of technical issues was small. Candidate satisfaction remained high, and test reliability and testing patterns remained consistent.

The year-over-year growth rate for the third quarter was strong, significantly higher than the rate for the second quarter of 2010 (12.8% versus 3.2% for the second 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 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.

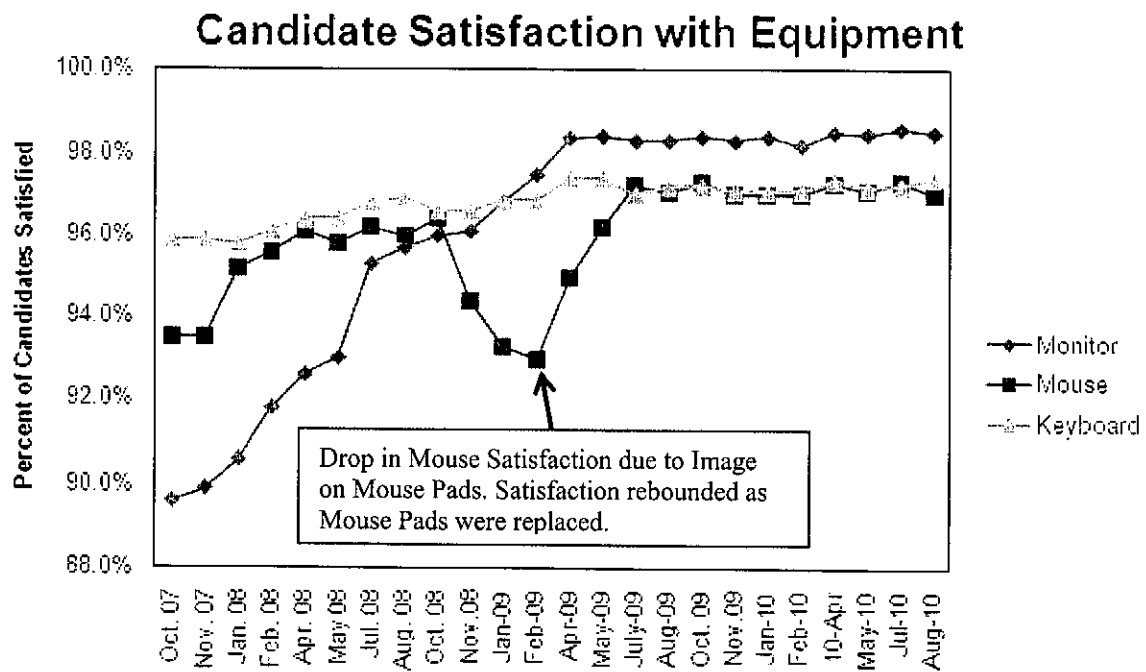


**NOTE:** In order to provide better definition among the data points, the scale of this graph has been adjusted to show the upper end of the comparative scale.

## 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.

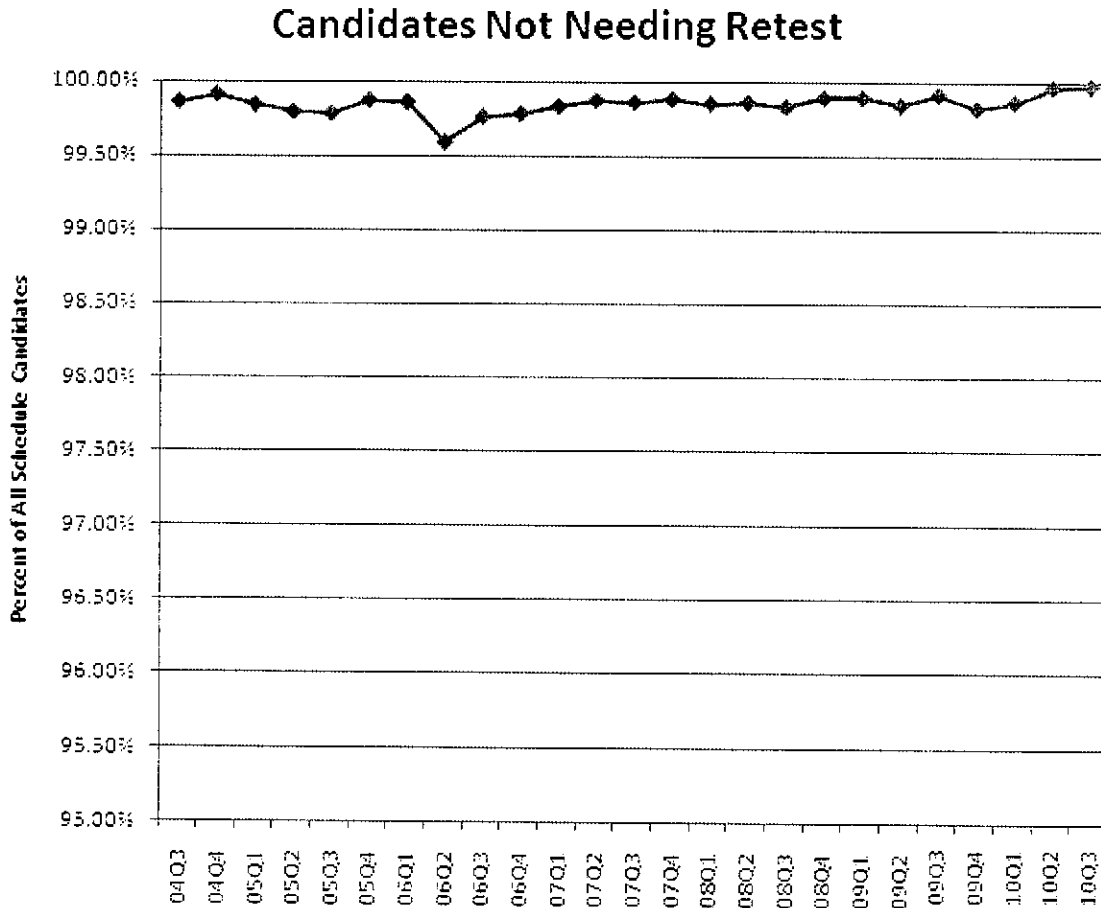


**NOTE:** In order to provide better definition among the data points, the scale of this graph has been adjusted to show the upper end of the comparative scale.



## Test Reliability

The Exam continues its high degree of technical reliability over the course of its history, with 99.97% candidates that arrived at the test center not needing a retest.

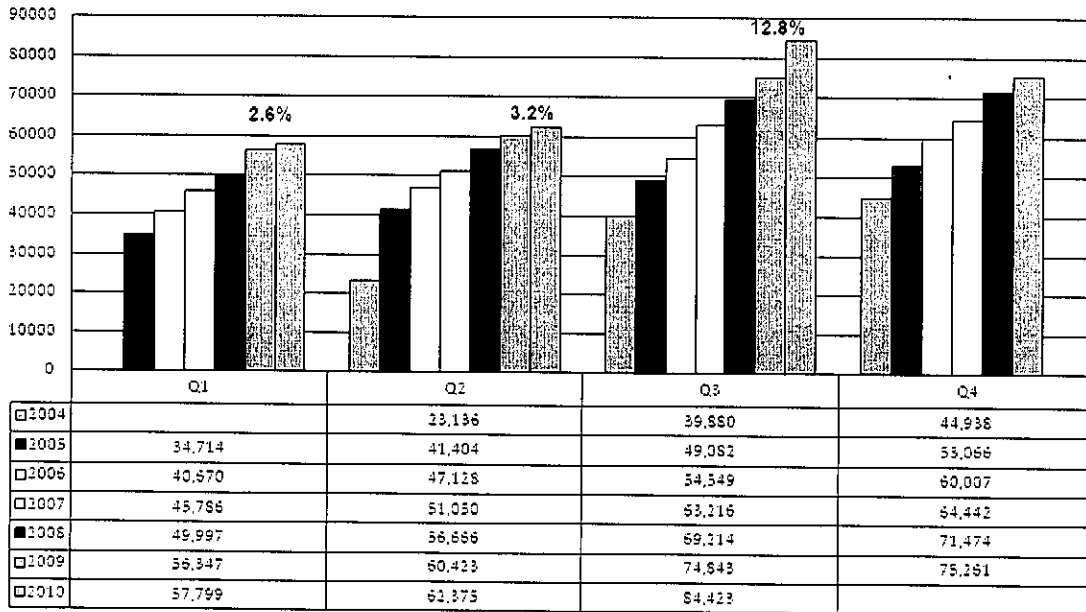


**NOTE:** In order to provide better definition among the data points, the scale of this graph has been adjusted to show the upper end of the comparative scale.

**Volume**

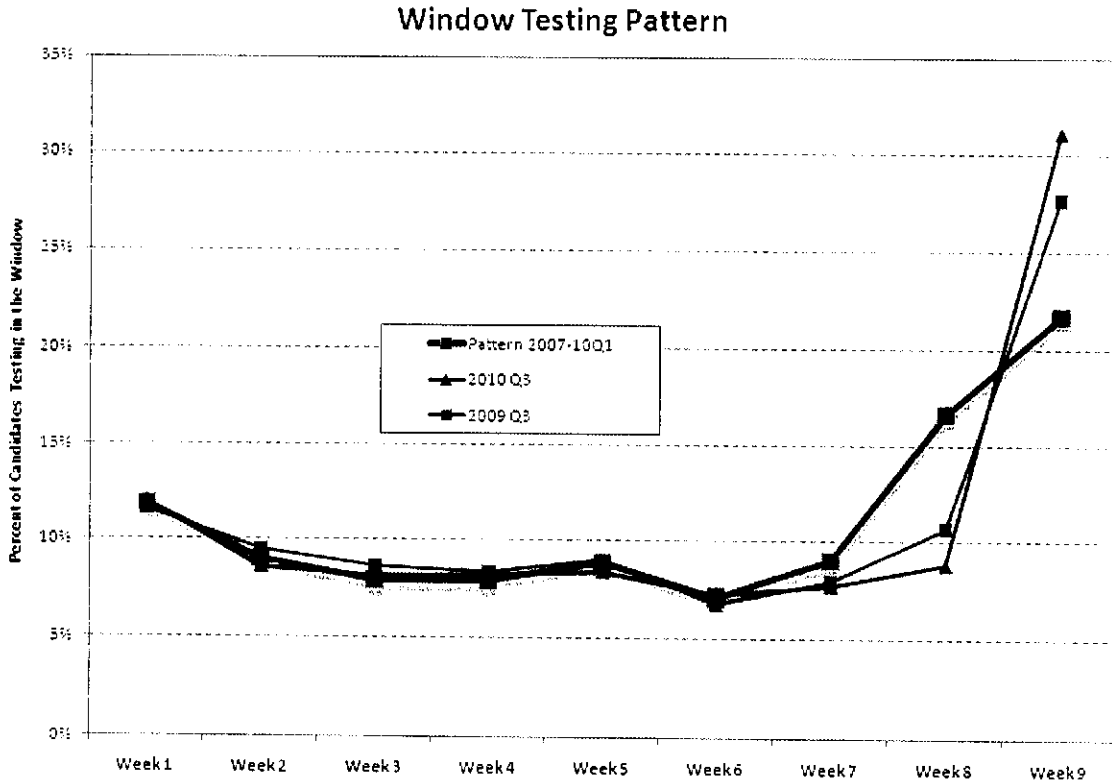
The candidate volume for 10Q3 was 84,423 – which represents a 12.8% increase over the same period in 2009.

**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 Q2 2010 – which represents the typical candidate scheduling pattern. The patterns for 2009 Q3 (shown in blue) and 2010 Q3 (shown in red) closely follow the broader pattern.



### **Looking Forward**

Candidate volume levels continued to grow through 10Q3 despite overall poor economic conditions – although growth rates have declined. The third 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 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.