

# Montana Board of Public Accountants



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### **The Honorable Steve Bullock Governor of Montana**

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## ***Firm Registration vs. Peer Review Enrollment***

According to Montana law (MCA 37-50-335), public accounting firms are required to register annually with the Department of Labor & Industry if they: 1) are located in Montana and perform attest services and compilations; 2) use the title "CPA" or "CPA firm"; or 3) do not have an office in Montana but perform attest services and compilations for clients whose home office is in Montana. The law goes on to include the requirement that each office established in the state for the practice of public accounting by a certified/licensed public account or firm of certified/licensed public accountants must annually register with the Department of Labor & Industry.

So what exactly does that mean? Montana requires all public accounting firms to annually register with the Department of Labor & Industry.....period. A firm may be a single permit to practice holder (sole practitioner), a large office with many shareholders, or an out of state firm performing attest and/or compilation services to Montana clients. If a firm has more than one office, each office is required to annually register.

There is no fee required to annually register a firm/office. Board rules (ARM 24.201.2101) require each firm/office to provide to the Board their level of association with financial statements. The annual firm registration form asks you to provide this information by checking all of the levels of services you provide. This information is used to determine what firms should be enrolled in peer review. The annual registration information is a reflective look at the firm/office activities since the last registration. You should not complete this form based on the level of services you contemplate providing in the year to come, but rather the level of services you provided the past year. If the level of services you provide should change throughout the year, the change would be reflected on your next annual firm/office registration.



## Military Exemption Rules Adopted

The 2013 Legislature passed HB 259 and SB 183, requiring all professional and occupational licensing boards to adopt rules on accepting satisfactory evidence of relevant military education, training, or service to satisfy licensing or certification requirements.

The Board of Public Accountants noticed for public comment an amendment to the current experience requirement to obtain a CPA permit. The Board received several comments on the proposed rule notice and voted to amend the language to address the comments received.

Several commented that if a non-CPA commanding officer was allowed to attest to an applicant's experience, it could significantly reduce Montana's experience requirement, resulting in Montana being determined not to be substantially equivalent to the other 54 licensing jurisdictions. This would negatively impact those Montana licensees that currently practice through mobility in other jurisdictions. The Board was concerned about the possibility of losing the substantially equivalent rating and amended the proposed rule.

The Board amended the proposed rule to require the Board to evaluate the applicant's experience based on information proved by the applicant's commanding officer. This will require the Board to evaluate the documentation submitted on behalf of the applicant to determine if the military experience meets the minimum standard to qualify for licensure. This difference will mean that a CPA Board member or members will sign off on the military experience, rather than a potentially unlicensed commanding officer, maintaining Montana's substantially equivalent rating. If the commanding officer is a CPA, they could attest to the applicant's experience under their CPA license.

The Board appreciates those who commented on the proposed rule amendment. It is through the public comment process that board rules are made better.

# Notes From the Chair



Linda Harris, CPA

I am hopeful that spring and summer are on their way. I love the sunshine so am looking forward to some hot summer days.

This has been a transitional year for peer review and I know that our staff and the MSCPA's staff have been fielding a lot of questions. As you register your firm, keep in mind the services that you offered the past year and those that you currently are offering. If you start offering services requiring peer review, you are required to enroll in a board peer review program.

If you haven't already, please make sure that your firm is registered with the Board and you hold a current permit to practice. Both are required. There is not a fee attached to registering your firm but if you are performing attest services you must register your firm as well, even if you are a one-person firm

Believe it or not, the next session of the legislature is just around the corner. The Board will be proposing that Montana become a single tier state instead of the two tier system we currently operate under. We believe this will benefit our profession and reduce confusion among licensees and consumers. Being a single tier state will mean that we will only issue a certificate when you are licensed to practice. Under our present system, once you pass the exam and meet the 3E requirements, you can apply for a certificate and not have a license to practice public accounting. This change will have a greater effect on our foreign candidates but we believe it protects not only the public but those who are practicing.

I recently meet with the Governor's staff and we had a discussion around the State Licensing Boards and enterprising funding. We believe enterprising funding will give the Board greater control over the board budget and comply with GAAP. The Board will be pursuing this as well and has another meeting to discuss this with the Governor's office.

The Board and our staff always welcomes questions or concerns, so please contact us if you have any questions.

Linda Harris, CPA  
Chairperson





# *It's Time to Start Looking at 2015 Legislation*

It is time for the Board to begin gearing up for the 2015 Legislative Session. In addition to preparing the board budget for the next biennium, the Board is considering several other initiatives.


The Department of Labor & Industry has been in discussions with professional and occupational licensing boards on possible legislation that would allow boards to implement enterprise funding. The Board of Public Accountants supports this concept for several reasons. Currently the Board is a special revenue agency and receives no general fund money. The Board receives fees from exam candidates, applicants, and current licensees to fund all board operations, yet the Board must receive an appropriation from the Legislature for authority to spend money. This has provided limited flexibility to the Board when considering new initiatives or programs that would serve the consumers and profession. The Board is also currently limited in the reserves that can be carried over. The Board sets revenues using the concept of enterprise funding in that it must be self-supporting, but the ability to spend necessary resources is tied to the appropriation process. Currently, GAAP standards are not applied to professional and occupational licensing boards.

The Board believes that compliance with GAAP, allowing greater flexibility for regulatory boards to carry out their consumer protection responsibilities, and greater involvement by the licensees whose fees support the boards will benefit all stakeholders. Consumers and the professions alike will benefit from the boards transitioning to enterprise funding.

The Board is also considering a statute rewrite which will eliminate two-tier licensing. Currently, a license applicant can apply for and receive a certificate, meaning they have completed the required education, examination, and ethic, but have not met the experience requirement. A certificate does not allow the holder to practice public accounting in Montana. To obtain a permit to practice, in addition to the requirements to obtain a certificate, the applicant must meet the 2000 experience requirement. A permit to practice allows the holder to practice public accounting in Montana. This two-tier licensing is confusing to the profession, and to the public whom often does not understand the difference between a certificate licensee and a permit to practice licensee.

The Board has been in discussions with MSCPA on potential one-tier licensing legislation. MSCPA is supportive of the concept. Montana is one of a handful of states that still offers two-tier licensing. As the public accounting profession becomes more global, it is important that the CPA licensing requirements are equivalent throughout the US to maintain the integrity of the license. The Board considers one-tier licensing as a continuation of that goal.

Linda Harris, CPA, Board Chair, has met with the Governor's office on both legislative concepts. As a part of the Executive Branch of state government, the Board must receive approval from the Governor to introduce legislation. To date the Governor has not made any decision on either legislative concept.



## Firm Registration vs. Peer Review Enrollment *Continued from Page 1*

Enrollment in a board approved peer review program is different than firm registration. All firms are required to register annually with the Department of Labor & Industry, but not all registered firms are required to enroll in peer review. A firm is required to enroll in a board approved peer review program if it performs: 1) audits; 2) reviews; 3) compilations; or 4) agreed upon procedures engagements. If at the time of annual firm registration you do not perform services that require peer review, but begin performing those services during the year, you are required to enroll in a board approved peer review program at the time you begin performing those services. You should not wait until annual firm registration time to enroll in peer review.

Information on how to enroll in the Montana Society of CPAs (MSCPA) board approved peer review program is available on the MSCPA website at [www.mscca.org](http://www.mscca.org). Select Peer Review in the navigation bar. Along with enrollment information you also will be able to calculate fees associated with a peer review, and find other helpful tips on how to prepare for a peer review. You will not be required to join MSCPA to enroll in their peer review program.



# Peer Review Enrollment

All firms that currently perform audits, reviews, compilations (with or without disclosures), or agreed upon procedures engagements are required to enroll in a board approved peer review program. Currently there are two administrators of board approved peer review programs, the AICPA Peer Review Program and the MSCPA Peer Review Program. Other programs that could qualify are programs that use the AICPA Standards for Performing and Reporting on Peer Reviews, or other standards deemed equivalent by the Board.

Firms that participated in the Board sponsored Profession Monitoring Program (PMP) in the past are being provided a deadline to enroll in a Board approved peer review program. If a firm under the old PMP program no longer provides services requiring peer review, it does not need to enroll, but is asked to notify either MSCPA or the board office of the change in services provided. 2010 PMP participants should have enrolled by December 31, 2013, 2011 PMP participant should enroll by June 30, 2014, and 2012 PMP participant will need to enroll by June 30, 2015. Notifications have been sent to the 2010 and 2011 PMP participants.

There are a number of fees associated with a peer review. The reviewed firm is responsible for paying the administrative fees to enroll in a Board approved program to the program administrator. The reviewed firm is also responsible for paying for the peer review. The administration and review fees are dependent on the highest level of service you provide that must undergo review. The Board has not established these fees and does not collect these fees on behalf of the peer review program. Each program is administered by individual organization. The Board receives no funds from the approved programs.

Failure to comply with the conditions imposed by the peer review program is considered a discreditable act according to board rule (ARM 24.201.707) and could result in discipline imposed by the Board. It is important for firms to be an active participant in their peer review outcome.

Peer review is designed to provide for the monitoring of the public accounting profession when associating with financial statements. It can be a valuable learning experience for the reviewed firm and is intended to increase competence and professionalism in the accounting profession. Please take advantage of this learning opportunity to further your knowledge of public accounting strengthen your profession, and enhance your career.