



MONTANA BOARD OF PUBLIC ACCOUNTANTS

Newsletter

JANUARY 2011

STATE BOARD UPDATE

By Rick Reisig, CPA, Chairman

As has been stated here many times before, the State of Montana's Board of Public Accountants role is to provide for the protection of the public as it utilizes the services of licensees. Our view of the "public" includes the students studying to enter the profession, the practitioners who are providing services, and certainly the clients and employers of our licensees who are the recipients of their services, or other third parties who rely on the by-products of those services. Given this broad definition, the issues of the profession that the State Board follows are equally as broad. In particular to Montana, the State Board is currently discussing/monitoring the following:

- The next evolution in the Uniform CPA Examination launched January 3, 2011. The four sections of the exam, Auditing and Attestation, Financial Accounting and Reporting, Regulation, and Business Environment and Concepts, have been adjusted for content, mode of questioning, score weighting, and time allocation. The Board is very interested in how our Montana applicants perform under the revised format.
- Of course, the other major change in the CPA exam will be the inclusion of questions dealing with International Financial Reporting Standards (IFRS). Much discussion has occurred, and is still occurring over the addition of this area in the exam content. Our Board has been, and will continue to be, in communication with the AICPA Board of Examiners to keep informed regarding the performance of candidates on IFRS questions.
- The international delivery of the CPA exam is scheduled to begin in the second half of 2011. For those of you unfamiliar with this issue, this is a joint project between NASBA and the

AICPA to deliver the Uniform CPA Examination on foreign soil. The examination will be the same as that offered in the United States, and it will be given in English only, regardless of location. International candidates opting to take the CPA Exam under this delivery method fall under the state board licensure process. The countries which will be the first under this format are Bahrain, Kuwait, Japan, Lebanon, and the United Arab Emirates (UAE). As Montana historically has had a fair number of foreign candidates taking the CPA Exam through Montana and subsequently seeking a certificate and permit to practice through our state, the Board is very interested in how this delivery method will affect our candidate pool.

- A NASBA white paper has been drafted introducing the discussion topic of the impact on independence and related ethical behaviors as a result of auditors conducting audits at a planned loss. The white paper focuses on threats to compliance with ethical behavior when (1) fees are too low to reasonably perform an engagement and comply with standards, (2) inadequate fees pose a threat to subordination of judgment, independence, integrity, and objectivity, and (3) a firm, office, or partner is financially dependent on an individual client. The white paper urges further analysis to be completed by NASBA and the AICPA regarding possible changes to ethics, quality control, and peer review standards.
- Many state boards have established formal peer review oversight committees to monitor the peer review process in their states. Our Board has had the privilege of observing the training exercises of the Montana Society of CPAs Peer Review Committee, providing assurance to us that the peer review process works and the individuals involved are dedicated to enhancing and maintaining the strength of the profession. Therefore, the Board continues to feel a formal

oversight committee for Montana is unnecessary.

- Many of you have no doubt been following the activities of the Blue Ribbon Panel on private company financial reporting. Our Board has taken the position of support for the idea of a separate accounting standard setter for private companies, which is a position contrary to many other state boards across the country. Our Board feels more emphasis will be placed on the needs of the Montana public serviced by our licensees under standards developed with our public's specific needs in mind.
- The Board is supporting legislation which would give our board, as well as all other boards under the Department of Labor and Industry umbrella, some legal authority over those unlicensed individuals who are providing the same services as our licensees, but are doing so without receiving the initial education and training, passing a rigorous examination, and obtaining the continuing education as our licensees.
- The Board is also supporting legislation which would remove our board from the appropriation process, yet would continue to require the board to meet its financial obligations as determined by the Department of Labor and Industry. The Board feels such legislation would allow the Board to react much more quickly to changes in the profession, as well as allow the Board to implement enhancements to the Profession Monitoring Program and regulatory educational programs for students and practitioners.

These are all major issues, to be sure, that certainly affect the future of the profession, and therefore, the public it serves. Our State Board is up to the task of being active participants in the development and progress of each of these areas, with the sole purpose of protecting the Montana public in mind.

2010 Profession Monitoring Program (PMP) Recap

By: Hugh A. McWhorter, CPA
Enforcement Coordinator

Here are some bullet observations on matters that were encountered in connection with The Board of Public Accountants' 2010 PMP.

- Financial statements are as of a point in time (e.g. a balance sheet) or for a period of time (e.g. an earnings statement). If presented, they should be reported upon
- Representation letter dates (whether audit or review) should coincide with auditor or accountant report dates. Professional standards do not permit audit procedures to be performed after an auditor's report date
- Expectations are anticipated results. What did the CPA performing the review or audit expect figures to be? Why did they not turn out that way? Analytical reviews mandate that answers to these questions be documented.
- If you have prepared a client's depreciation schedule or significantly adjusted their figures a non attest service has been performed. For independence to be maintained, documentation needs to exist to demonstrate that clients agree to review and accept responsibility for work performed
- Audit brainstorming needs to be performed with documented thoughts presented on what could go wrong and why. Brainstorming leads to risk assessment which leads to audit programs. Brainstorming, risk assessment and audit programs are interrelated and should be linked
- Events occurring after a balance sheet date are subsequent events. Notes to financial statements need to document the date to which management has considered subsequent events.
- A compiled financial statement can be prepared that does not have an accountant's report attached. Commonly referred to as a SSARS 8 engagement, it is mandatory that an engagement letter exists that sets forth a client's agreement that these statements not be distributed to third

parties. The financial statements should reflect this restriction

- A change in the fair value of a non profit's endowment is not a cash transaction
- Agreed upon procedure engagements do not result in "audit" findings. An audit has not been performed

The above bullets are not all inclusive of 2010 PMP findings yet many were recurring comments.

RECENT RULE CHANGES

As many of you are aware of by now, the Board underwent some recent rule changes that went into effect on October 29, 2010. These changes included fee increases, a reduction in the amount of experience required for licensure and updating the jurisdictions which are now considered to be substantially equivalent to Montana. Several clarifications were also made due to the addition of recent mobility legislation as well as in an effort to "clean up" some of the language.

Postcards were sent to licensees in August advising them of where they could find the proposed rule changes and how to submit comments to the Board regarding those changes. Only a few comments were received. The Board then held a meeting to discuss the comments and decide which rules would be amended. Copies of the *Notice of Public Hearing on Proposed Amendment, Adoption, and Repeal*, as well as the *Notice of Amendment, Adoption, and Repeal* may be found on the Board's website by clicking on the "regulations" tab and then "rule notices." The new rules are also posted on the website under the "regulations" tab and then "administrative rules."

Most likely the biggest change licensees have noticed are the fee increases. While the Board never likes to raise fees, they felt it was necessary as Public Accountant fees had not been increased since 1998 and the cost of operations has increased substantially in that time.

CHANGES TO THE 2011 UNIFORM CPA EXAM

Effective January 1, 2011, the CPA Exam underwent several changes. According to the AICPA's website, "the changes include updates to content, exam structure, time allocations, scoring weights, and functionality." Highlights include a new online calculator, the addition of international standards questions and changes to section time allocations (the overall testing time remains the same at 14 hours).

For a complete overview of exam changes, visit <http://www.aicpa.org/BecomeACPA/CPAExam/Pages/CPAExam.aspx> and look for "CBT-e Guide: The New 2011 Uniform CPA Examination." The AICPA's Board of Examiners will also be making a decision in early 2011 on what the passing score will be. Any updates can also be found at the website listed above.

CONGRATUALIONS TO BOARD CHAIRMAN RICK REISIG, CPA

Mr. Reisig has been appointed to the AICPA's Board of Examiners (BOE) Committee for the 2011 year. According to the AICPA's website, the BOE is "the body that sets policy for the Uniform CPA Examination in accordance with legal and psychometric standards as they apply to licensure examinations. In addition, the BOE (1) oversees the development and scoring of the CPA Examination; (2) ensures that the CPA Examination is consonant with entry-level knowledge and skill requirements of CPA's; and (3) represents the CPA Examination to state boards of accountancy and the profession." We are confident that Mr. Reisig will represent the profession, the Board and the State of Montana in an exemplary fashion during his appointment, and will be a tremendous asset to the AICPA.

UPDATE ON NASBA'S AUDIT OF INTUIT®

As a result of the 2006/2007 CPE audit, in August 2009 the Board notified NASBA that several licensees had expressed experiencing difficulty in obtaining certificates of completion for courses provided by Intuit®, a vendor on NASBA's National Registry of CPE Sponsors. In January 2010, the Board office was notified that NASBA had placed Intuit® under audit. The Board office was told to expect a report in 2-3 months. In April 2010, the Board office received a summary from NASBA regarding their audit, which indicated that the main issue was Intuit's® move to a new software system.

At this time, the issue seems to have been resolved. The Board encourages licensees who encounter problems with this or any other vendor on NASBA's Registry to contact the Board office who will notify NASBA.

THE BOARD VS THE SOCIETY: WHAT'S THE DIFFERENCE?

This seems to be a recurring question staff at both the Board and Society offices hear regularly. While the lines between the two organizations sometimes get blurry, the main difference is that the Board is in place to protect the interests of the **public**; the Society is in place to protect the interests of **their members** (licensees in the profession). For more information on the issues each deals with, visit <http://www.mscca.org/displaycommon.cfm?an=1&subarticlenbr=1394>.

If by chance you do call the wrong organization – no worries! The two have a good working relationship and we'll work together to help answer your questions or get you to the right place for your answers.

EXPLANATION OF RETIRED STATUS

The Board would like to remind individuals on retired status that they are prohibited from working while on this status. This includes seasonal employment during tax season.

While the current rule (ARM 24.201.537) states that the status is for licensees who are “fully retired from active employment,” the Board is looking at changing the rule to refer only to those fully retired from active employment in the profession of public accounting.

To apply for retired status, licensees will need to submit the Retired Status Request form (found on the Board's website). There is no fee for this request. The Board will then review the request at their next regularly scheduled meeting, and if granted, the licensee will receive notice that their license status has been changed.

Licensees on retired status are eligible to reactivate their license within two years of being granted retired status. After two years, a licensee must reapply for licensure if they return to employment. Licensees are encouraged to contact the Board office if they have any questions.

LICENSEE LOOKUP

Can't remember if you renewed your license or not? Want to verify if you've been changed to a retired status? Then visit the State of Montana's Licensee Lookup! The system can not only be used for checking out your own CPA status, it can also be used for making sure that plumber or electrician you're thinking about hiring is properly licensed. Just visit <https://app.mt.gov/lookup/>, choose a profession and enter some search criteria. The system will return information on the licensee including license type, status and disciplinary actions. The Montana Department of Labor and Industry, Business Standards Division, provides this system as a service to the public.

A “CRASH COURSE” IN CPE

Recently, the Board office has heard several complaints regarding the CPE reporting process. We want you to know that we understand your frustration and that we are striving to make the entire CPE reporting process easier for everyone involved – it just takes time. A sub-committee was recently appointed to look at the Board’s CPE reporting requirements, and hopes to be able to make recommendations for changes to the full Board at its May meeting; but until that time, here are some tips to common mistakes we’ve seen on reporting forms:

- Reporting years run on the state **fiscal** year (July 1st – June 30th)
- Reminders are not sent to licensees – forms must be submitted or postmarked by July 31st each year
- Forms submitted after July 31st require a \$50 late fee (hours will not be recorded until the fee is received)
- Only hours obtained in May or June, and those over the hours needed to meet the basic requirement for the current three-year reporting period, may be carried over to the next reporting year
- Only hours obtained in July or August, and those which are needed to meet the basic requirement for the three-year reporting period, may be carried back to the previous reporting period
- Hours will not be carried over unless requested on the form by the licensee
- The “L” type code for courses should be used when the licensee **PRESENTS** a lecture/speech or **LEADS** a discussion – not when a licensee **ATTENDS** a lecture/speech or a group discussion
- “L” type code courses may only account for 50% (or 60 hours) of a licensee’s hours in any given three-year reporting period
- The “P” type code for courses should be used when the licensee **WRITES** a book/article which is published – not when a licensee **COMPLETES** a course out of a book
- “P” type code courses may only account for 25% (or 30 hours) of a licensee’s hours in any given three-year reporting period **AND** will only be granted upon submittal of a copy of the book/article for the Board to review and approve
- CPE hours **MUST** be submitted on the Board’s form – a separate printout of CPE course information may be attached to the form instead of filling in every course, however the **TOTALS** for each category (Auditing & Accounting, Ethics, Other), as well as those hours designated for carry over or carry back, must be listed **ON** the form
- The Board’s form **MUST** be signed (electronic signatures are sufficient)
- CPE Extension Requests (the form can be found on the Board’s website) must be submitted, along with the \$125 fee, for hours taken after August 31st which need to be carried back in order to meet the basic requirement for the three-year reporting period
- **ONLY** self-study courses provided by vendors on NASBA’s National Registry of CPE Sponsors or NASBA QAS courses will be given full credit (i.e. will be based on a 50 minutes hour) – all other self-study CPE hours will be given half credit (i.e. will be based on a 100 minute hour); these vendors/courses may be found at www.learningmarket.org
- Submissions that aren’t understandable (handwriting, calculation of hours, etc) will be returned

- The Board office is not responsible for electronic files not received – make sure you receive an acknowledgement of receipt
- Amendments may only be made for one year from the original due date (except in situations approved by the Board); each amended form requires a \$50 fee (hours will not be recorded until the fee is received)
- Licensees should retain certificates of completion for a period of five years, as the Board conducts random CPE audits each year
- Make sure you review your acknowledgment letter when it is received so any errors can be fixed immediately
- Make sure you have met your CPE requirements prior to renewing and answering “yes” to the CPE question on the renewal – answering this questions falsely may result in a complaint against your license
- Accurate and timely reporting of CPE is ultimately the responsibility of the licensee
- Board office staff cannot discuss license information (including CPE) with anyone except the licensee unless a signed release is in place; a separate release is needed for each licensee which states what information Board staff is allowed to discuss and with who, and contains the licensee’s name (printed and signature), license number and date – the original document must be submitted to the Board office

We would also like to explain why licensees were once able to submit the CPE Reporting Form electronically by simply hitting a “submit” button on the form and now are no longer able to do so. The Board office was notified by NASBA (which graciously notified all state boards) that if they had an Adobe© form with the submit button enabled, they should remove it from their website immediately as the State of Washington’s Board was being sued by Adobe© for license infractions

for EACH individual that had used the feature. We apologize that this once again made the process more cumbersome.

As always, please do not hesitate to contact the Board office if you have any questions. This information will also be added to the Board’s website for easy reference during CPE reporting time.

IMPORTANT REMINDERS!

Firms required to submit items under the 2011 Profession Monitoring Program (PMP) will be contacted via mail in February and must submit all requested information by March 31st in order to avoid late fees.

The Board office will be contacting licensees pulled in the random CPE audit for the 2009 and 2010 reporting years within the next two months.

Licensees are reminded to update their contact information to make sure they receive Board correspondence.

BOARD OFFICE CLOSURES

In accordance with the holiday schedule adopted by the State of Montana, the Board office will be closed on the following dates:

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| Monday, Feb. 21 | (Presidents’ Day) |
| Monday, May 30 | (Memorial Day) |
| Monday, July 4 | (Independence Day) |
| Monday, Sep. 5 | (Labor Day) |
| Monday, Oct. 10 | (Columbus Day) |
| Friday, Nov. 11 | (Veterans’ Day) |
| Thursday, Nov. 24 | (Thanksgiving) |
| Monday, Dec. 26 | (Christmas) |

NEW BOARD OFFICE STAFF

As many of you are already aware, Sue Criswell retired at the end of 2009. While Sue took with her over a decade of knowledge in regards to the Board and will be missed by all, the Board's new Program Manager, Amy Maracle, has jumped in feet first and hit the ground running. While there was some turmoil within the office at the beginning due to unexpected illness and staff turnover, things have been looking up in recent months!

Amy is the general Program Manager and oversees the Board office. She is the main staff liaison to the members of the Board, the National Association of State Boards of Accountancy (NASBA), the Montana Society of CPA's (MSCPA) and the American Institute of CPA's (AICPA). She sets up Board meetings, prepares meeting materials, manages the Profession Monitoring Program (PMP) files and answers more in depth questions. Amy can be reached at (406) 841-2389 or amaracle@mt.gov.

Because of the complex nature of the Board and the recent staff turnover, the Board office has received extra help from an additional Program Manager, Shelia Pfeifer. Sheila is in charge of processing and auditing CPE, and answering questions regarding CPE reporting. She is also in charge of processing renewals and answering renewal questions, as well as managing the ListServe for electronic transmission of Board materials. Sheila can be reached at (406) 841-2383 or shpfeifer@mt.gov.

The Board's former Application Specialist, Heather Hardman, has moved on to another job. Taking over that position is Tyler Pebley. Tyler is available to answer general questions as well as those regarding applications and licensure requirements. He can be reached at (406) 841-2038 or tpebley@mt.gov.

Licenses are encouraged to contact the Board office by emailing dlibsdpac@mt.gov, which can be accessed by all of the Board's staff and ensures that an email won't be missed due to illness, vacation, etc.

Board Disciplinary Actions (January 2010 through August 2010)

- Name:** Richard Kohtz CPA 5846
Violations: 37-50-302(1), MCA and ARM 24.201.528(2)(a) - (d)
Disposition: One year probation (Complaint 2010-029-PAC/Docket #CC-10-0118-PAC)
- Name:** Elizabeth Byczek CPA 5895
Violations: 37-1-317, MCA, 37-50-301, MCA, 37-50-302(1), MCA and ARM 24.201.528(2)(a) - (d)
Disposition: One year probation (Complaint 2010-047-PAC/Docket #CC-10-0365-PAC)
- Name:** KC Atkinson CPA 3844 & KC Atkinson Practice Unit 945
Violations: 37-1-316 (18), MCA, ARM 24.201.2410 and 24.201.708
Disposition: Restriction on practice unit from association with preparation of financial statements (Complaints 2010-016-PAC & 2010-017-PAC (Docket No. CC-10-0152-PAC & Docket CC-10-0353-PAC)

Copies of these documents are available upon request.

2011 BOARD MEETING DATES

January 19-20
May 3-4
August 23-24
November 16-17

These dates are subject to change. Please visit the Board's website for up-to-date information on meeting times and location, agendas, and minutes from past meetings.

Have a Comment or Question?

Do you have a comment or question about information in this newsletter? Have a suggestion for an article in a future newsletter? Please send your comments, questions and/or suggestions to dlibsdpac@mt.gov.

Visit us on the web at

www.publicaccountant.mt.gov

The Honorable Brian Schweitzer Governor of Montana

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