

N EVADA STATE BOARD OF ACCOUNTANCY NEWSLETTER R

FALL/WINTER 2004

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The Ethics of Outsourcing

On August 9, 2004 an AICPA committee issued an exposure draft regarding outsourced services. The accounting profession along with other businesses have been criticized by members of Congress, the media, and state and federal regulators for not disclosing to their clients, work performed by non-employees located overseas. The accounting profession is, therefore, proposing changes to our ethics rules that give guidance to practitioners on what to disclose to their clients regarding outsourced services.

The Exposure Draft entitled *Omnibus Proposal of Professional Ethics Division Interpretations and Rulings* modifies or adds existing rules to the AICPA Code of Professional Conduct. The result of the changes would be:

- A "third-party service provider" is defined as an entity that the AICPA member "individually or collectively" cannot control. Although much of the media attention has focused on offshore third-party service providers, this definition also applies to service providers located domestically.
- Proposed ethics rulings would apply to the use of third-party service providers in performing **professional** services to clients. Professional services would include "bookkeeping, tax return preparation, consulting and attest services, including the related clerical

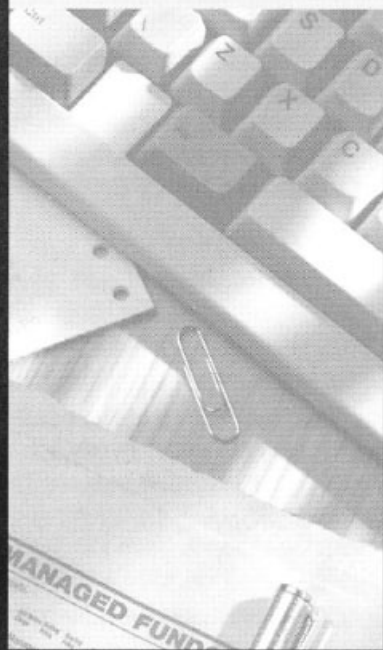
and data entry functions", but would not include services such as record retention.



Kathy Zeller

- The primary issue of the Exposure Draft relates to the release of confidential client information to third party service providers and the expectation from the client that the work will be provided by that practitioner or members of the practitioner's firm. The Exposure Draft is proposing that the practitioner enter into a contractual agreement with the third party service provider to maintain confidentiality of the client's information and that the practitioner disclose the use of a third party service provider to the client.

The issue of outsourcing has been highlighted in the presidential campaign and the public is aware of potential jobs being sent overseas. AICPA members should be knowledgeable of the proposed changes in our Code of Ethics. The above changes would inform users of accounting services when services are outsourced (both domestically and globally) and would require third-party service providers to sign confidentiality agreements relating to client information.



Understanding Your Nevada CPE Requirements

The board office continues to be surprised when a CPA that has been licensed for many years contacts the office requesting an explanation of the continuing professional education (CPE) requirements. It is not surprising how anyone can be confused by the requirements and especially if the CPA is licensed in multiple states. Unfortunately uniformity of the CPE requirements has not made its way across state borders, therefore causing that much more confusion. Hopefully the following information will clarify any confusion with the requirements for CPE.

Nevada requires that you obtain 80 hours of continuing education over a *rolling* two-year period. The term rolling is important in that a period is identified as follows 2002/2003, then 2003/2004, then 2004/2005 and so forth. Each two-year period must always equal 80. Another example: if 30 hours were provided in 2002, the requirement for 2003 will be 50 hours and would continue to roll with 30 hours required in 2004 and 50 hours in 2005. Most licensees try to obtain 40 hours a year.

A 20-hour minimum requirement is due when 60 or more hours are provided in one year. For example if the licensee obtains 82 hours in 2003 the minimum requirement due for 2004 would be 20 hours. This portion of the requirement is often misunderstood with the belief that if you don't obtain your requirement for the year then you can get at least 20 hours without issue. However this is not correct. The 20-hour minimum is only for individuals that obtained an overage in the prior year. The reason for this particular portion of the requirement is so the licensee continues to stay apprised of the issues each year.

All continuing education required must be obtained within the calendar year from January 1st through December 31st. If the CPE is not completed within the appropriate calendar year, a CPE Administrative Complaint will be issued providing the following extensions and penalties:

CPE completed during the period
January 1 – 31, 2005
\$100 penalty

CPE completed during the period
February 1 – March 31, 2005
\$250 penalty

CPE completed during the period
April 1 – June 1, 2005
\$500 penalty

The penalties are compounded for each period that the CPE has not been completed (For example if you are completing your CPE in the period April 1st – June 1st you will owe a total of \$850 in penalties). If the CPE shortage has not been satisfied by the last extension period, no further extensions will be granted and the Board will issue a formal complaint for violation of continuing education requirements.

Nevada has adopted the *Statement on Standards for Continuing Professional Education (CPE) Programs* that is published by NASBA and continues to have relatively broad guidelines in connection with the allowable courses and credit as follows:

General Acceptable Subjects:

Subjects other than those listed below may be acceptable if the licensee can demonstrate that they contribute to their professional competence.

Accounting/Auditing	Management
Taxation	Computer Science
Economics	Communication Arts
Business Law	

Mathematics, statistics, probability and quantitative applications in business.

Functional fields of business, including finance, production, marketing, personnel relations and business management and organization.

Specialized areas of industry, including film, real estate and farming etc.

Administrative practice including engagement letters and personnel.

Credit Claimed:

50 minutes of instruction is equal to one credit of continuing education. Credit for continuing education may be earned in increments of less than one credit after the first credit has been earned for the same subject. **Nevada CPAs may claim QAS hours for CPE.**

Educational Programs Attended:

College Courses - Each semester hour equals 15 CPE hours and each quarter hour equals 10 CPE hours. Non-Credit Courses - Each classroom hour equals one hour toward the requirement.

Speaker, Discussion Leader or Instructor:

Actual preparation time is allowable up to double the presentation time. For example, a total of three hours is allowable for a presentation qualifying for one hour of in-class credit.

Please contact the board office if you have any questions regarding your continuing education requirements.

DISCIPLINARY

Following is a status report on actions taken by the Nevada State Board of Accountancy since the last Newsletter. In accordance with the policy of the board, disciplinary actions that are a matter of public record are reported in the Newsletter for the information of licensees and the general public. Questions regarding these matters should be directed to the board office.

Revocation

Based upon the Decision of the board on May 12, 2004, CPA certificates of three licensees were revoked for failure to obtain a permit to practice for 2004 that includes submission of the license renewal fee and the required continuing education hours for the years 2002 and 2003. Those individuals are:

Pamela Cooper	CPA 3648R
Vahag Kachaturian	CPA 3672R
Evan G. Stevens	CPA 3775R

Shawn A. Morrow, CPA Certificate No. 3409, was revoked by the board in a hearing decision entered September 22, 2004. The decision was based on Mr. Morrow's failure to obtain the required number of continuing education hours for the years 2002 and 2003 within the time frame of the board's administrative CPE complaint procedure and Mr. Morrow's failure to communicate with the Board. Mr. Morrow's conduct violated Nevada Revised Statute (NRS) 628.385, 628.386, Nevada Administrative Code (NAC) 628.210 and 628.250.

Hearing Decision

William T. LeClair, CPA Certificate No 3324R, was formally reprimanded by the board under the Findings of Fact, Conclusions of Law and Decision entered September 22, 2004. The decision was based on Mr. LeClair submitting his 2004 Annual License Renewal that included 2003 continuing education hours that had not been completed. Mr. LeClair's failure to obtain the required number of continuing education hours was identified during the board's random CPE documentation audit. Mr. LeClair is required to pay a penalty of \$750 for the late filing of his continuing education, an additional penalty of \$750 for misrepresenting information on his annual renewal form and compensate the board for its attorneys fees incurred of \$800 and the court reporter fees incurred of \$151.50. Mr. LeClair shall pay a total of \$2,451.50 within 30 days of the decision. Failure to pay the required fees will result in the revocation of his CPA certificate No. 3324R. Mr. LeClair's conduct represents a violation of Nevada Administrative Code (NAC) 628.210 and 628.250, and Nevada Revised Statutes (NRS) 628.385, 628.386, 628.390(1)(a)(c)(d).

Voluntary Surrender

John V. Back, CPA Certificate No. 1785R, ceased to be licensed as a Certified Public Accountant in the State of Nevada effective August 30, 2004. Mr. Back surrendered his Nevada license based on the threat of disciplinary action in connection with disciplinary action taken in Arizona concerning improper conduct.

~ In Memoriam ~ Carol Stratton Parsons

Carol Stratton Parsons, PA passed away peacefully at her home in Reno, Nevada on Sunday, September 26, 2004, after a brief battle with pancreatic cancer. Carol was born December 25, 1917 in Ely, Nevada.

Carol graduated from Reno High School and later the Reno Business College with a major in Accounting. After graduating, Carol worked in the accounting department of the U.S. Treasury, and then transferred to the Internal Revenue Service, where she helped establish the original Social Security program for the State of Nevada.

Carol continued to pursue her interest in accounting that included her desire to become a CPA in Nevada. Carol often recalled a presiding board members quote "there will be a women CPA in Nevada over my dead body". It was based on that very conversation that the Public Accountant (PA) designation was pursued. Carol testified before

the legislature to regulate the PA profession. In 1960 the Public Accountancy Act was enacted by the State Legislature providing for the recognition and registration of public accountants already in practice. Carol was registered as a PA on October 14, 1960.

Carol purchased an accounting firm in 1957 that she ran until 1974 when she sold it to her son Harry Parsons and fellow PA Jack Pangborn. Harry Parsons is currently serving as the Nevada State Board of Accountancy's President and the firm continues to provide accounting services today under the name Pangborn & Co., Ltd. Carol continued to provide her accounting services to various individuals and organizations up until August 2004. The Nevada State Board extends its condolences to the family of such a pioneer in the accounting profession.

CPA Certificates Issued

85 CPA Certificates were issued during the period March 18, 2004 through September 22, 2004. 52 certificates were issued by reciprocity and 33 by examination.

CERTIFICATES ISSUED BY RECIPROCITY WERE:

Allanson, Katherine A., Anderson, Jeffrey S., Bagaason, Mark A., Bailey, James A., Bolton, Tracy I., Boyer, Melodie W., Chandler, Ronald D., Chen, Lisa Yen-Hua, Day, Amy J., Donell, David W., Ebling, Derek R., Elias, Linda K., Evans, Stanley, Fields, Scott D, Frank, Alan R., Garrett, Thomas A., Giovannoni, Diana L., Greaves, Richard D., Hammond, Josephine L, Healy, Kevin A., Hein, Harold D., Horn, Heather L., Judge, Michael F., Kent, Ethan A., Koch, Dean A., Kramer, Jeanette F, Krell, Steven, Kryger, Michael D., LeMond, Rodrick T., Little, William L., Lonbom, K. Alan, Lustig, Kevin B., Melville, Gregory J., Michels, Paul J., Moshirzadeh, Kian, Moulton, John L., Myers, Lynn A., Pickle, Ricky J, Quartieri, Michael A., Schiller, Nicholas G., Schirber, Mary Jane, Secor, Stephen R., Spector, Gregg A., Spindler, Michael S., Stubben, Deborah L., Vear, Christine E., Vickers, Kelly M., Welch, James A., Willhite, Ronald A., Wilson, Gregory K., Zittnan, Daniel S., Zofrea, Peter M.

CERTIFICATES ISSUED BY EXAMINATION WERE:

Allara, Eugene Michael, Andersen, Christy L., Anderson, David J., Baker, Micara L. Beavers, Dawn K., Cox, Jeffery D., Dahl, Richard R., Dossani, Hassan A., Ewell Stephen L., Fleming, L. Wade, Freitas, Kathy Jane, Griffin, Stephen M., Harvey, Sandra J., Jund, Jonnye G. Lato, Rosemary A., Mallea, Gaizka, McKechnie, Hilary Lee, Michelli, Tiffany J., Miles, Samuel B., Miller, Loretta R., Min, Hyejin, Mix, John R., Parodi, Paul D., Selitsch, Shannon A., Shepherd, Nigel A., Talamantez, Kristen D., Teevens, Alice F., Thebeau, Christina M., Trzpis, Amanda T., Wagner, Christopher W., Ware-Taylor, Lori Marie Wyndham, Jonathon R., Zadny, Jill A.

Be on the Look Out for Your 2005 License Renewal

License renewal information will be mailed during the first week of December 2004. The license renewal has a new look from those you have received in the past. The board will also be requesting email addresses so that board information can be sent to you in an effort to save the expense of regular mail. Be sure to review all of the required information so as not to delay the processing of your renewal.

A completed renewal including continuing education information, and fee of \$140 must be received post-marked no later than January 31, 2005. After January 31, 2005 a \$100 late fee will be assessed. Corporations, partnerships, and LLCs must also renew by the January 31st deadline. If you do not receive your renewal information please contact the board office. Remember, it is the licensees obligation to make sure the registration is completed on time.

Something New to Look For

This will be the first year you will have the ability to submit your renewal on-line. You may go to the boards website at www.nvaccountancy.com and follow the on-line renewal instructions. In addition, the board now accepts payment by credit card.

Retiring Board Member

Bruce W. Gamett, CPA was appointed to the board on November 1, 2001 for a three year term that expires on October 31, 2003. Mr. Gamett will not be seeking a second re-appointment for an additional three years so that he may pursue other activities and family time.

Mr. Gamett acted in the capacity as Board President from July 1, 2002 through June 30, 2003. Mr. Gamett previously served six years on the board during the period of 1991 – 1996 during which time he served as the boards Secretary Treasurer and President. Mr. Gamett has been

an integral part of the boards oversight for nine years and during his tenure has provided a valuable historical perspective while applying thoughtful consideration of the current changes of the profession.

The Nevada State Board of Accountancy expresses its appreciation to Mr. Gamett for his active participation and dedicated service during his terms on the board.

Board Elects 2004-2005 Officers

Election of officers was held by the Nevada State Board of Accountancy at its meeting on May 12, 2004 in Las Vegas.

Harry O. Parsons, CPA of Reno was elected as President. Mr. Parsons, Managing and Audit Shareholder for Pangborn & Co., Ltd., has served as a member of the Board since November 2001.



Sharon J. McNair, CPA of Las Vegas was elected as Secretary-Treasurer. Ms. McNair, President and sole stockholder of McNair & Associates, has served as a member of the Board since November 2002.



New Board Member Appointed by Governor Guinn

Patrick M. Thorne, was appointed to serve a three-year term as a member of the Nevada State Board of Accountancy beginning November 1, 2004. Mr. Thorne is a Shareholder of Thorne & Gaydosh, CPAs.

Prior to returning to public accounting, Mr. Thorne has held several senior management positions in gaming companies, including Chief Financial Officer of New York-New York Hotel & Casino, Director of Administration and Corporate Controller of Station Casinos, Inc., Senior Vice President of Hotel Operations and Vice President of Finance of Desert Inn Hotel & Casino; Corporate Controller for Boyd Corporation; and Asst. Con-



troller and Manager of Internal Audit, MGM Grand Hotel now Bally's.

Mr. Thorne received his accounting degree from the University of Nevada Reno and his Masters in Business Administration from UNLV. He is a member of the AICPA and is a past president of the Nevada Society of CPAs and past president of the Las Vegas Chapter of the International Association of Hospitality Accountants.

The Nevada State Board of Accountancy is pleased to welcome Mr. Thorne to the board.

2004 Practice Enhancement Report

Each year one-third of the licensee population is requested to submit reports in accordance with Nevada's Practice Enhancement Program (PEP). The purpose of the program is to assist licensees in improving the quality of financial reporting by evaluating compliance with professional standards. Licensees may self-select the reports to be reviewed and the only requirement is that one of each type (audit, review and compilation) of report issued be submitted. Exempted are participants in the SECPS Peer Review, under the AICPA Division of Firms and those participating in the AICPA Peer Review Program conducted by State CPA Societies.

Breakdown of the level of reports submitted in 2004 with comparable 2003 totals:

	Audit	Review	Compilation	Total	2003
Level I	12	20	73	105	137
Level II	20	5	7	8	26
Level III	0	0	0	0	1

Following are statistics from the 2004 Practice Enhancement Program cycle. Selection statistics for the previous two years are included for comparison:

	2004	2003	2002
Total licensees selected	860	828	804
Issued no reports	573	560	515
Issued reports	91	109	111
Granted exemption	194	158	178
Did not respond	1	1	0
Retired, deceased	1	0	0

The review process was conducted in a manner consistent with prior years, with each report being reviewed. All reports which received a level II assignment were reread just prior to issuance of letters on results, to assure consistency in all reviews.

For more information on Nevada's Practice Enhancement Program (PEP) please refer to Nevada Administrative Code 628.261 through 628.420.

CPE Audit Report - 2002/2003

Nevada Revised Statute 628.386 provides the Nevada State Board of Accountancy with the authority to prescribe regulations for the conduct of the continuing education program. One of the control procedures adopted by the Board is an annual documentation review of continuing education credits claimed by licensees.

To encourage licensee compliance with the continuing education requirements, this year the Board implemented a new policy that increases the amount of licensees randomly selected to participate in the audit of their CPE. The board is now conducting continuing education audits of 20% of the licensee population for CPE claimed on the license renewal forms. **Please be advised that, based on the random selection process, it is possible for a licensee to be selected each year.**

The Nevada State Board of Accountancy appreciates the cooperation received from participating licensees. All licensees are encouraged to maintain the necessary documentation for continuing education that is intended to be used for credit under Regulation (NAC) 628.210 -250.

The following is a report of the audit results:

Total licensees selected for Audit	456
Satisfactory documentation submitted	371
Satisfactory with change (+ or -)	74
CPE Shortage based on lack of evidence to support CPE claimed on renewal	8
Formal Complaint/Disciplinary Action for Misrepresentation of CPE on renewal form	3

2005 Calendar of Important Dates

Board Meeting Schedule

January 28	Las Vegas
March 18	Reno
May 20	Las Vegas
July 15	Reno
September 16	Las Vegas
November 18	Reno

NASBA Executive Director Meeting

March 20 - 23 New Orleans, LA

NASBA Regional Meeting

June 22 - 24 Anchorage, AK

NASBA Annual Meeting

October 30 -
November 2 Tucson, AZ

Computer Based CPA Exam Statistics

Following are the results and statistical breakdown by category from the April/May and July/August 2004 testing windows of the computerized CPA examination. The board is beginning to see an increase in the amount of candidates applying for the examination as more individuals feel comfortable with the new process of registering and format of the CPA examination.

April – May 2004 Examination Window

	AUD	BEC	FAR	REG
Total Examinees by Subject	16	11	13	15
Examinees Passing by Subject	8	5	4	6
Percent Passing to Total	50	45	30	40

July - August 2004 Examination Window

	AUD	BEC	FAR	REG
Total Examinees by Subject	22	25	26	28
Examinees Passing by Subject	8	9	7	11
Percent Passing to Total	36	36	26	39

Successful Examination Candidate Recognition

The board would like to congratulate examination candidate Kim J. Madison for her successful completion of the CPA examination. Ms. Madison registered, scheduled and sat for all four sections of the CPA Examination during the week of August 9, 2004. Ms. Madison received passing scores in each of the sections and is the first candidate to complete all four sections during one testing window under the new computerized examination.

Board Schedules Public Hearings

The Nevada State Board of Accountancy is currently in the process of amending its Regulations and will be holding public hearings on the Amendments to the Regulations at the following locations, at the specified time and date, in order to obtain comments from the accounting profession and general public, and for the purpose of adopting the proposed Amendment to the Regulations:

Written and oral testimony will be accepted at the public hearings. Anyone unable to attend the hearings may submit written testimony to the Board office at 1325 Airmotive Way, Suite 220, Reno, Nevada 89502, at least five (5) days prior to the scheduled public hearings.

A copy of the proposed Amendments to the Regulations is made available for public inspection at the board office or the board's website at www.nvaccountancy.com.

Location	Date	Location	Date
Meadowwood Courtyard 5851 S. Virginia Street Tahoe Room Reno NV 89502	November 17, 2004 Time: 1:00 PM	Las Vegas Chamber of Commerce 3720 Howard Hughes Pkwy Las Vegas NV 89109	January 28, 2005 Time: 1:00 PM

A summary of the proposed Amendments is as follows:

<u>Sections 1-10</u>	Set forth new definitions applicable to the Practice Enhancement Program NAC 628.261 – 628.420.
<u>Section 11</u>	Set forth the requirement that if a practitioner issues financial statement audits, he/she shall engage in a practice monitoring program approved by the Board to ensure that he/she is maintaining the standards of the profession.
<u>Section 12</u>	Provides for exceptions when no report is required to be filed with the Board.
<u>Section 13</u>	Requires that practitioner must report to the Board the following conduct: receipt of an adverse peer review or inspection report, disciplinary actions by SEC, IRS, or any other state or federal agency, certain criminal convictions, and judgments as to claims against practitioner for gross negligence, fraud or misappropriation of funds.
<u>Section 14</u>	Set forth changes to definitions for clarification to NAC 628.010.
<u>Section 15</u>	Amends NAC 628.210 to clarify hourly requirements for continuing education, and new requirement of a professional ethics course of 4 hours every two years.
<u>Section 16</u>	Amends NAC 628.250 to require listing of educational hours on annual renewal form.
<u>Section 17</u>	Amends NAC 628.261 as to its definitions.
<u>Section 18–28</u>	Amends NAC 628.310 – 628.420 of the Practice Enhancement Program.
<u>Section 29</u>	Amends NAC 628.500 to update current Code of Professional Conduct.

The Nevada State Board of Accountancy Newsletter is the official publication of the Nevada State Board of Accountancy.

Members of the Board:

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Sharon J. McNair, CPA, Las Vegas, Sec/Treas
Bonnie M. Houldsworth, CPA, Las Vegas
Charles A. Morrison, CPA, Reno
Raja Mourey, MBA, Las Vegas
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Kathy L. Zeller, CPA, Las Vegas

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NAC 628.100 requires all permit holders to notify the Board within 30 days of a change in mailing address. Please use this form to report any changes to the Board.

Change of Mailing Address:

Name: _____
Address: _____
City: _____, State: _____ Zip Code: _____
Phone #: (____) _____ - _____ Home
CPA/PA CERT. # _____

Mail this form to:

Nevada State Board of Accountancy
1325 Airmotive Way, Suite 220, Reno, Nevada 89502

Change of Employment:

Company: _____
Address: _____
City: _____, State: _____ Zip Code: _____
Phone #: (____) _____ - _____ Business
Date of Change: _____

or Fax to:
775-786-0234

or Email to:
cpa@nvaccountancy.com

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