

N NEVADA STATE BOARD OF ACCOUNTANCY NEWSLETTER R

SPRING 2004

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Taking The Next Step: Peer Review

With the public facing the aftermath of Enron, and the press being less than favorable toward the accounting industry, a lot of doubt has fallen upon our profession as of late. At this crucial point, we, as CPAs, must do all that we can to regain and maintain the public's trust. Integrity, after all, is the very core of the profession. Is further government regulation the answer? Self-regulation, a much preferable alternative, is key to maintaining that trust by ensuring that high standards of professionalism and independence are upheld and that CPA firms maintain an effective system of quality control.

Presently, over 35 states require peer review. However, not all CPA firms that issue financial statements are subject to peer reviews, including those in Nevada. It is in the best interest of the public and the CPA profession that those firms undergo peer review. With the threat to the profession of more regulation and oversight, it is of utmost importance that we demonstrate our adherence to professional standards by participating in an effective practice-monitoring program, such as the AICPA Peer Review Program.

A recent report from the Public Oversight Board's Panel on Audit Effectiveness emphasizes the importance of an effective system of quality control. The reports state that the peer review process is a critical element in "closing the loop" in providing assurance to the public that audit performance measures up to high standards and continues to improve. It also charges individual auditors, as members of a respected profession, with assigning their highest priority to protecting the public interest.

To make peer review even more efficient, updated standards just became effective last year. The AICPA issued revised standards for performing and reporting on peer reviews for CPA firms that do not audit SEC clients. The revisions result in

significant efficiencies in the way peer reviews are conducted and administered, while continuing to improve the quality of financial reporting and protect members of the public who use and rely on those reports. This new, efficient process is less burdensome for many small CPA firms that would otherwise be affected by a mandatory peer review requirement.

The Nevada Board of Accountancy is ready to make positive changes in the form of peer review for Nevada CPA firms. They have recently proposed changes in the regulations to have mandatory peer review for firms that issue audited financial statements. Of course, this proposal would not affect firms that perform only review and compilation services. The current practice enhancement program will continue for those firms that are not issuing audited financial statements and do not undergo a peer review. A peer review program in the state of Nevada would not hinder firms offering limited services, but instead assure compliance with professional standards for firms managing accounting and auditing engagements.

It is time for Nevada to step up to the high standards that other states have set forth. Self-regulation, as opposed to government-inflicted regulation, is the only means in reaching a distrustful public. Putting ourselves through a rigorous system of checks and balances demonstrates that we are more than willing to not only meet standards, but also exceed them. The peer review process is designed to keep us at that level. Getting back to the core means demonstrating our integrity as a whole profession. It's time Nevada took that step.



Bonnie Houldsworth, CPA



OUT WITH THE OLD AND IN WITH THE NEW**The Launch of the Computerized CPA Examination**

The paper and pencil Uniform CPA Examination is now a bit of history with the November 2003 examination being the last of its kind. The CPA Examination has spanned three centuries, starting in the 19th century and progressing through the 21st. Looking back at the exam's history, much has changed since 1896, when the first CPA examination in the nation was given in New York. According to the American Institute of Certified Public Accountants (AICPA), the idea of a national examination first surfaced in 1917. By 1920, 31 jurisdictions were administering a national examination and by 1952, all 53 existing jurisdictions had adopted the use of the Uniform CPA Examination. Interestingly, the examination fee in 1917 was \$25 with a \$10 fee for re-examination.

The examination has now moved toward computerization. Beginning April 2004, the computer-based Uniform CPA Examination will be given at more than 300 testing centers in the United States, a number about three times that of the old paper-and-pencil test. The new exam reflects the enormous growth that has taken place in the accounting profession during the past 20 years. The exam will no longer expect a candidate to memorize the volume of accounting literature but rather tests a higher order of skills.

The Computerized CPA Examination will be offered during the first two months of each calendar quarter. These months of testing are referred to as a "Testing Window". A candidate will not be able to schedule during the third

Following is the testing schedule:

<u>Testing Window</u>	<u>Down Month</u>
April 5 th – May 31 st	June
July 1 st – August 31 st	September
October 1 st – November 30 th	December
January 1 st – February 28 th	March

month of the quarter (Down Months) in order to allow for grade release and system maintenance. The Candidates will be allowed to apply and sit for one or more section(s) of the examination at a time. A candidate may take each exam section only once

within a single window. Once a candidate has passed one part of the exam, they will have 18 months to complete the remaining 3 portions of the exam. All 54 jurisdictions have adopted this policy, so for the first time in the exam's history there is uniformity!

The flexibility of the new exam is of great benefit to both employers and employees. Firms will no longer have a large portion of their professional staff gone at one time. The exam is important not just from a licensing standpoint, but also in terms of quality control for firms.

Candidates won't have time at the testing center to become familiar with the functionality of the exam and are therefore advised to plan ahead by spending time on the tutorial and sample test that is available online at www.cpa-exam.org.

As we say good-bye to the old examination and welcome the new examination, we want to say "thank you" to all of the proctors and individuals who have worked hard over the years to assist the Board in giving the examination. To all who sat in large testing halls, consider yourself to be veterans of a bygone era. To those who will sit for the computer-based exam, you are pioneers who are about to usher in a new ritual on the path to becoming a certified public accountant.

New Board Member Appointed by Governor Guinn

KATHY L. ZELLER, CPA was appointed to serve a three-year term as a member of the Nevada State Board of Accountancy beginning October 31, 2003. She currently holds the position of Assistant Controller-Operations for Caesars Entertainment, Inc.'s corporate offices. For the past year Ms. Zeller has devoted most of her time to implementing procedures and documenting internal controls over financial reporting to meet the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Prior to joining the corporate team at Caesars Entertainment, Ms. Zeller was the Financial Controller at Paris/Bally's,

Controller at the Flamingo Hilton Riverboat Casino in Kansas City, Controller for a riverboat casino in Illinois and Director of Internal Audit at a riverboat casino in Mississippi. Prior to working in the gaming industry, Ms. Zeller worked in public accounting for twelve years with a national accounting firm.

Ms. Zeller received her accounting degree from UNLV and also has a bachelor's degree from the University of Nebraska – Lincoln. She is a member of the AICPA and the Nevada Society of Certified Public Accountants where she is currently president of the Las Vegas local chapter.

The Nevada State Board of Accountancy is pleased to welcome Ms. Zeller to the board.

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.

Continuing Professional Education Violation

Sandra K. Carleton, CPA Certificate No. 1867, participated in a disciplinary hearing held September 17, 2003 for failure to obtain the required number of continuing education hours for 2001 and 2002. Ms. Carleton provided the board with the completed education that was obtained outside the required years. Under the Findings of Fact, Conclusions of Law, and Decision, Ms. Carleton was assessed an administrative fine of \$500. Ms. Carleton's conduct was a violation of Nevada Revised Statute (NRS) 628.385, 628.386, Nevada Administrative Code (NAC) 628.210 and 628.250.

Probation

W. Dale McGhie, CPA Certificate No. 432, was formally reprimanded under a board decision that revoked his CPA Certificate, stayed the revocation and placed Mr. McGhie on five years probation. The Findings of Fact, Conclusions of Law and Decision entered by the board on October 3, 2003 was based on a Cease and Desist Order by the Securities and Exchange Commission which held that during the performance of an audit, Mr. McGhie failed to comply with generally accepted auditing standards (GAAS). Mr. McGhie failed to exercise due professional care in the performance of the audit, properly plan the audit, maintain a healthy degree of skepticism, obtain sufficient competent evidential matters, and issue audit opinions that complied with the reporting standards. Mr. McGhie has been denied the privilege of appearing and practicing before the Securities and Exchange Commission. Under the provisions of the board's decision Mr. McGhie may not issue any audits or reviews for a period of 5 years. After the five-year probationary period, Mr. McGhie may not issue any audits or reviews without a pre-release review by an independent CPA licensed in the State of Nevada, who has been approved by the Board. Mr. McGhie is required to complete 24 hours of continuing education in the area of preparing audits, reviews and compilations. Mr. McGhie must pay a fine of \$1000 and compensate the Board for its attorney's fees and costs of \$1230. Mr. McGhie's conduct is a violation of Nevada Revised Statute (NRS) 628.390(1)(d), and Nevada Administrative Code (NAC) 628.500 Rules of Professional Conduct in respect to Rules 202, 203 and 501.

Reprimand

David A. Crouch, CPA Certificate No. 3040, was formally reprimanded by the board under a Stipulated Findings of Fact, Conclusions of Law, Disciplinary Order and Decision entered on November 13, 2003. The decision was based on Mr. Crouch's failure to have a manager in charge of his CPA firm Crouch & Associates who is a Certified Public Accountant of this state and in good standing. Mr. Crouch is required to pay a penalty of \$500 and compensate the Board for its attorney's fees and costs of \$600. Mr. Crouch's conduct represents a violation of Nevada Revised Statute (NRS) 628.340.

Leon Jaferian, CPA Certificate No. 3301R, was formally reprimanded by the board under a Stipulated Findings of Fact, Conclusions of Law, Disciplinary Order and Decision entered on March 17, 2004. The decision was based on Mr. Jaferian's failure to comply with the Yellow Book (OMB Circular A-133) requirements in respect to financial statements prepared and failure to obtain the required governmental auditing continuing education and Peer Review. Under the provisions of the board's decision Mr. Jaferian may not issue any governmental audits, reviews or compilation reports until he has had a Peer Review and obtained the continuing education required under the Yellow Book standards. Mr. Jaferian may not issue any audits or reviews without a pre-release review by an independent CPA licensed in the State of Nevada, who has been approved by the Board. Mr. Jaferian is required to complete 16 hours of continuing education in the area of preparing audits, reviews and compilations. Mr. Jaferian is required to pay a penalty of \$500 and compensate the Board for its attorney's fees and costs of \$800. Mr. Jaferian's conduct is a violation of Nevada Revised Statute (NRS) 628.390(1)(d)(j) and, Nevada Administrative Code (NAC) 628.500 Rules of Professional Conduct in respect to Rules 201, 202, 203 and 501.

Revocation

Robert A. Schindler, CPA Certificate No. 1344, was revoked by the board in a hearing decision entered October 3, 2003. The decision was based on Mr. Schindler's failure to obtain the required number of continuing education hours for the years 2001 and 2002 within the time frame of the board's administrative CPE complaint procedure and Mr. Schindler's failure to communicate with the Board. Mr. Schindler's conduct violated Nevada Revised Statute (NRS) 628.385, 628.386, Nevada Administrative Code (NAC) 628.210 and 628.250.

Kathleen A. Kelly, CPA Certificate No. 3719, was revoked by the board based on a hearing decision entered October 3, 2003. The decision was based on Ms. Kelly's failure to pay outstanding attorney's fees and costs of \$500 in connection with the hearing held for non-payment of license renewal fees.

Voluntary Surrender

James R. Bonzo, CPA Certificate No. 813, ceased to be licensed as a Certified Public Accountant in the State of Nevada effective January 21, 2004. Mr. Bonzo surrendered his Nevada license based on the threat of disciplinary action.

Fred W. Smith, CPA Certificate No. 1889, was revoked with the revocation stayed under the Findings of Fact, Conclusions of Law and Decision entered on October 3, 2003. The decision was based on Mr. Smith's failure to obtain the required number of continuing education hours for the years 2001 and 2002 within the time frame of the board's administrative CPE complaint procedure. Mr. Smith was assessed a continuing education administrative penalty of \$750, a fine of \$250, and attorney's fees and costs of \$600. In addition Mr. Smith must complete the continuing education requirement and provide the board with backup documentation by December 31, 2003. Mr. Smith has voluntarily surrendered his Nevada license.

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2003 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 2003 with comparable 2002 totals

	Audit	Review	Compilation	Total	2002
Level I	27	30	80	137	139
Level II	11	5	10	26	32
Level III	0	1	0	1	0

Following are statistics from the 2003 Practice Enhancement Program cycle. Selection statistics for the previous two years are included for comparison:

	2003	2002	2001
Total Licensees Selected	828	804	776
Issued no reports	560	515	500
Issued reports	109	111	97
Granted exemption	158	178	172
Did not respond	1	0	5
Retired, deceased	0	0	2

The review process was conducted in a manner consistent with prior years, with each report being reviewed. There continues to be an increase in audit report Levels 2 in this cycle due to some auditors failing to apply the change in SAS AU 58 (amended by SAS 93) requiring identification of the country of origin of auditing standards followed in their audits, and the country of origin of accounting principles applied in the financial statements.

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

CPA Certificates Issued

Sixty-two CPA certificates were issued during the period September 1, 2003 through March 17, 2004. 33 certificates were issued by reciprocity and 29 by examination.

CERTIFICATES ISSUED BY EXAMINATION WERE:

Grant P. Block, Gary C. Boyd II, Stephani Compston, Anna C. Danchik, Christopher M. DiLorenzo, Charisse Ann Dye, Aaron L. Ezgar, Ernie M. Garcia, Monique Gomez, Mikiko Goto-Thornton, Michelle L. Gravenstein, Catherine E. Handelin, Walter W. Heinz, Marlene V. Hutcheson, Ljiljana Kordic, Elisa D. Lasa, Patrick McMullen, Rosalind Medina, Lesley Melvin, Ryan T. Miller, Sean C. Richardson, Jennifer Schmidt, Joseph Shah, Loren A. Vatrano, Randall Walker Jr., Jason P. Watkins, Martin F. Weigel, Nicole Wright, Julie M. Yi

CERTIFICATES ISSUED BY RECIPROACITY WERE:

Marc I. Abrams, D. Duane Anderson, Larry H. Anderson, Douglas Ashworth, Kent Bowman, Scott R. Bulloch, Betty Jo Charles, Paul G. Child, Rumiko Crowhurst, Mary Ann Daniel, Tate Steven Ensign, Larry P. Halverson, Daniel P. Hudgens, David A. Knutte, Molly Landis, Zubin Mistry, Stanley M. Moffitt, Janet Prowse, Leonardo S. Serrano, Michael Shapiro, Jeffrey M. Sheldon, William Starn, Ronald L. Stearns, Martha E. Stephens, James F. Thies, Jacqueline S. Thomson, Brenda V. Trujillo, Nagisa V. Usui, Frederick Wentzel Jr., Rudolph Van Daalen Wetters, Don-Tzei Wen, Gregg Wiens, Richard K. Wilson

Exam News

Following are the results from the November 2003 CPA examination and the statistical breakdown by category.

	<u>AUD</u>	<u>LPR</u>	<u>FARE</u>	<u>ARE</u>
Total Examinees by Subject	145	145	158	148
Examinees Passing by Subject	<u>54</u>	<u>54</u>	<u>43</u>	<u>53</u>
Percent Passing to Total	37.2	37.2	27.2	35.8

	<u>Number</u>	<u>Percentage</u>
Passed in one sitting	20	11%
Completed Examination	21	12%
New Condition	25	14%
Additional Condition	9	5%
Failed	<u>104</u>	<u>58%</u>
Total Sitting	179	100%

Top Scoring Candidates

from the November 2003 Uniform CPA Exam

The Nevada State Board of Accountancy would like to congratulate the following Nevada exam candidates who achieved the highest scores statewide on the November 2003 CPA Exam.

Gregory Wichmann
 James France
 PiuYu Chung
 Kuochih Tseng
 Garrett Shitanishi
 Deanna Bagwell
 Brian Ferrell
 Nattaly Manuel
 Jeffrey Cox
 Svetlana Balasky
 Kedar Joshi
 Maria Iglesias

2004 Calendar of Important Dates

Board Meeting Schedule

January 21	Las Vegas
March 17	Reno
May 12	Las Vegas
July 14	Reno
September 22	Las Vegas
November 17	Reno

NASBA Regional Meeting

June 16 – 18	La Jolla, CA
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NASBA Annual Meeting

October 17 – 20	Chicago, IL
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Retiring Board Member

The Nevada State Board of Accountancy expresses its appreciation to retiring board member Sydney H. Wickliffe for her active participation and dedicated service during her term on the board.

Sydney H. Wickliffe, CPA was appointed to the board on October 31, 1997 and reappointed to a second three year term October 31, 2000.

Ms. Wickliffe acted in the capacity as Board Secretary-Treasurer from July 1, 2000 through June 30, 2001 and Board President from July 1, 2001 through June 30, 2002.



NEVADA STATE BOARD OF ACCOUNTANCY

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

Members of the Board:

Bonnie M. Houldsworth, CPA, Las Vegas, President
Harry O. Parsons, CPA, Reno, Sec/Treas
Bruce W. Gamett, CPA, Las Vegas
Sharon J. McNair, CPA, Las Vegas
Charles A. Morrison, CPA, Reno
Raja Mourey, MBA, Las Vegas
Kathy L. Zeller, CPA, Las Vegas

Administrative Staff:

Viki A. Windfeldt, Executive Director
Leslie C. Walsh, Board Coordinator

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www.nvaccountancy.com

Printing:

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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: _____
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CPA/PA CERT. # _____

Change of Employment:

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

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