

N NEVADA STATE BOARD OF ACCOUNTANCY NEWS LETTER R

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Peer Review and Ethics Now Required Regulations Approved Nov 2005

The Nevada State Board of Accountancy held hearings on November 17, 2004, January 28, 2005, July 15, 2005 and September 16, 2005 regarding proposed amendments to Nevada Administrative Code. Written and Oral testimony was received by the Board from only a few practitioners who expressed their views and participated in the hearing process. The following changes were formally approved by the Legislative Counsel Bureau on November 17, 2005.

Quality (Peer) Review Required

The Board's current Practice Enhancement Program reviews the quality of financial reports, specifically audit, review and compilation reports that are submitted by the practitioner. Under the current program, the individual practitioner is selected on a three year rotation. If the selected practitioner has performed an audit, review or compilation, a copy of each report must be submitted to the Board for a desk review. The selected practitioner can file an exemption from submitting reports if the practitioner does not perform such services, or the firm the practitioner is employed with, has undergone a peer review.

The new program that goes into effect January 1, 2008 **requires a practitioner who performs audit, review, full disclosure compilation or attestation services shall engage in a practice-monitoring program, which is approved by the Board, to ensure that he or she is maintaining the standards of the profession.** Individual practitioners will continue to be selected on a three year cycle. However, rather than submitting the reports for desk review, the practitioner that performs the above services will be required to undergo a peer review and provide to the Board a copy of the practice monitoring findings. The practitioner that does not perform such services will continue to file an exemption form with the Board.

There will be a three year transition period for practitioners to become compliant with the new regulations. The following outlines the transition period:

Practice Enhancement

Selection Cycle

2005
2006
2007

Peer Review Required

2008 Selection Cycle
2009 Selection Cycle
2010 Selection Cycle

The Board office will be sending letters to each licensee notifying them of their selection cycle so that they can prepare to transition into the new requirement.

Ethics Required for License Renewal

A practitioner must obtain four (4) continuing education hours in the area of professional ethics. There is no change to the current continuing education requirement of 80 hours to be obtained over a *rolling* 2-year period. A *rolling* 2-year requirement is calculated as 2005/2006, then 2006/2007, and so forth. An example would be, if you provided 30 hours in 2005, your requirement for 2006 will be 50 hours and the requirement for 2007 will be 30 hours. The 4 hours of professional ethics must be obtained during **each** rolling 2-year period. Basically the practitioner must obtain a four hour ethics course every other year.

Practitioner Self Reporting:

A practitioner will be required to 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.

The Board encourages all licensees to familiarize themselves with the new requirements so that everyone remains in compliance. The specific language concerning the new requirements can be obtained by visiting the Board's website at www.nvaccountancy.com.



Avoid Complaints Utilize Engagement Letters

Most CPAs do not issue engagement letters to clients for bookkeeping, tax services, or routine financial reporting engagements. An engagement letter or letter of agreement between the CPA and client will minimize the client's propensity to bring complaints before the Board based on misunderstandings in the CPA/Client relationship.

The Board has received numerous complaints this past year specifically in the area of client communication. A violation of Failure to Communicate with the Client can be based on a variety of areas such as lack of verbal communication, failure to begin or complete engagement, sending the client to collections for questioning your bill and overall poor client treatment. Many times a resolution can be made by merely communicating *directly* with the client that is upset. When investigating a complaint the first question the Board asks is whether an engagement letter or written agreement has been generated between the CPA and the complainant.

While not mandated, the Board recommends establishing in writing:

- What services the CPA will provide to the client
- The time frame by which those services will be completed
- Estimated costs of such services

Implementation of this practice prior to acceptance of an engagement for professional services will give your clients a better idea of what they can expect from you and at what cost.

While the Board does not regulate the fees CPAs charge their clients for services, we do receive complaints based solely on the client's perception that the services received were not consistent with the amount charged. Or the client will perceive that certain work would be completed based on the amount paid, when in fact that work product may not have been part of the engagement.

Why put yourself in the position of having a complaint filed against you with the Board, when a well written agreement between you and the client can clear up any ambiguities your clients may have regarding the breadth and cost of your services?

Manage Your CPE with CPetracking

The CPA profession is continually growing and with that growth also comes regulation and requirements, specifically CPE requirements. With the fast pace of society, work and family life sometimes it is difficult to stay on top of the small details such as tracking your CPE requirements. In addition, more professionals are licensed in multiple states, therefore making the task of staying on top of your requirements that much more difficult.

The profession needs a CPE compliance tool that is driven by the requirements to accurately report, project and track CPE by jurisdiction. A tool called CPetracking has been developed and designed to take the complexity out of the CPE compliance and monitoring process. It offers built-in flexibility which allows customization for specific needs. The personal edition of CPetracking includes the following elements:

- Comprehensive multi-jurisdictional CPE compliance reporting for both state and national agencies.

- The ability to track and manage CPE records.
- Automated jurisdictional CPE compliance form generation
- Ability to view rules for each jurisdiction
- "What-if" scenarios to determine CPE compliance in additional jurisdictions
- At-a-glance view or detailed view of compliance
- Ability to capture completion certificates and generate reports for agency CPE audit requests.

In addition, the firm edition of CPetracking offers the above points as well as course management and the ability to manage multiple employees' records. The cost to use the personal edition of CPetracking is \$20 per year. The firm edition of CPetracking is specifically priced according to firm needs. The Board supports the CPetracking system and encourages all licensees to consider using this useful tool. For additional information please visit the CPetracking Web site at www.cpetracking.com or e-mail cpetracking@nasba.org or call 1-866-627-2286.

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 RESCINDED – ACTIVE STATUS REINSTATED

Louis Musso, CPA Certificate No. 408, was revoked by the Board in a hearing decision on September 16, 2005 for failure to obtain the required number of continuing education hours for the years 2004 and 2005. Mr. Musso requested the Board to reconsider its decision at a hearing held January 18, 2006. Mr. Musso provided the board documentation as to the continuing education he sought to earn in 2004 and 2005. In addition, Mr. Musso provided evidence of a medical condition which limited his ability to obtain the required continuing education. It was the decision of the Board to reinstate Mr. Musso's CPA Certificate No. 408 along with the following provisions: (1) Payment of attorney's fees in connection with the hearing held October 11, 2005 in the amount of \$800; (2) Provide documentation for the 2005 CPE requirement by July 1, 2006; and (3) Provide a letter from a physician documenting medical treatment over the last two years.

Susan Eisenberg, CPA Certificate No. 1675, was revoked by the Board in a hearing decision on November 18, 2005 for failure to comply with the hearing provisions of January 28, 2005 and September 16, 2005. Ms. Eisenberg requested the Board to reconsider its decision at a hearing held January 18, 2006. Ms. Eisenberg provided the Board with the following items required in the September 16th decision: (1) Copies of engagement letters used in her practice; (2) Copy of CPE course registration in the area of Practice Management; (3) Payment of attorney fee's in the amount of \$800. It was the decision of the Board to reinstate Ms. Eisenberg's CPA Certificate No. 1675 and reinstate the three year probationary terms within the Decision of January 28, 2005. Ms. Eisenberg's conduct is a violation of Nevada Revised Statutes (NRS) 628.390(1)(d) and (j), Nevada Administrative Code (NAC) 628.500 and Rule 201(a) and Rule 501 of the Code of Professional Conduct.

Loren A. Goldtooth, CPA Certificate No. 1802R, was revoked by the Board in a hearing decision on May 20, 2005 for failure to obtain an annual permit, pay the 2005 renewal fee and furnish evidence of compliance with the CPE requirements according to Nevada Administrative Code (NAC) 628.190. Mr. Goldtooth has since provided the Board with the license renewal, fee and evidence of completion of the required continuing education and evidence to indicate reasonable cause for the delay in renewing his annual permit to practice. It was the decision of the Board to reinstate Mr. Goldtooth's CPA Certificate No. 1802R.

REVOCATION

Jethro J. Barlow, CPA Certificate No. 3811R, was revoked by the Board in a hearing decision on March 16, 2005. The decision was based on evidence provided that Mr. Barlow was sanctioned and permanently denied the privilege of practicing before the Securities and Exchange Commission (SEC). In addition, Mr. Barlow surrendered his Utah license in lieu of discipline for failure to disclose the SEC Order. Lastly, the State of Arizona duly revoked Mr. Barlow's Arizona license based on his misrepresentation that the SEC Order barred him from practicing before the SEC until August 2002, when in fact the SEC Order permanently barred him from practice. Mr. Barlow's conduct violated Nevada Revised Statute (NRS) 628.390(1)(d)(h)(j) and Nevada Administrative Code (NAC) 628.500 and the Rules of Professional Conduct.

Revocation – Failure to Renew. Based upon the Decision of the Board on May 20, 2005, CPA Certificates of the following licensees were revoked for failure to obtain a permit to practice for 2005 that includes submission of the license renewal fee and the required continuing education hours for 2004:

| | |
|-------------------------|----------------------|
| Jeffrey Heath | Lawson Peters |
| Thomas Kearin | Harold Snyder |
| Robert Kittredge | David Steffey |

Debra D. Schmitt, CPA Certificate No. 3129, was revoked by the Board in a hearing decision on November 18, 2005. The decision was based on evidence provided that Ms. Schmitt failed to obtain the required number of continuing education hours for the years 2003 and 2004. Ms. Schmitt submitted to the Board on her 2005 license renewal continuing education she had not taken. Ms. Schmitt misrepresented under penalty of perjury to the Board the continuing education hours taken. Ms. Schmitt's conduct violated Nevada Revised Statute (NRS) 628.385, 628.386, 628.390(1)(a)(c)(d), Nevada Administrative Code (NAC) 628.210 and 628.250.

PROBATION

Arthur DeJoya, CPA Certificate No. 3188R, was formally reprimanded under a Board decision that revoked the CPA Certificate, stayed the revocation and placed Mr. DeJoya on one year probation. The Findings of Fact, Conclusions of Law and Decision entered by the Board on November 18, 2005 were based on evidence provided that Mr. DeJoya failed to obtain the required number of continuing education hours for the years 2003 and 2004. Mr. DeJoya submitted to the Board on his 2004 and 2005 license renewals, continuing education he had not taken. Mr. DeJoya misrepresented under penalty of perjury to the Board the continuing education hours taken. Under the provisions of the Board's decision Mr. DeJoya is required to obtain the yearly required continuing education with all backup documentation provided to the Board. Mr. DeJoya must pay a fine of \$2500 and compensate the Board for its attorney's fees and costs of \$800 within 30 days of the decision. Mr. DeJoya's conduct violated Nevada Revised Statute (NRS) 628.385, 628.386, 628.390(1)(a)(c)(d), Nevada Administrative Code (NAC) 628.210 and 628.250.

DISCIPLINARY, cont'd

STIPULATED DECISION

Jack Marcarelli, CPA Certificate No. 1438R, participated in a disciplinary hearing held July 15, 2005 for failure to communicate appropriately with his clients in such a manner as to be discreditable to the profession. Further information was received by the Board at their November 18, 2005 meeting. The Board approved the withdrawal of their previous decision in order to review the matter at another hearing. The Board at their March 24, 2006 meeting approved a Stipulated Agreement with Mr. Marcarelli that includes the following provisions: (1) Mr. Marcarelli must complete two continuing education courses in the area of client communication and relationships; and (2) Mr. Marcarelli's previous payment of \$1000 attorney's fees in connection with the July 15, 2005

hearing shall be retained by the Board. Mr. Marcarelli's conduct was a violation of Nevada Revised Statute 628.390(b)(j), Nevada Administrative Code 628.500, and Rule 501 of the Rules of Professional Conduct.

VOLUNTARY SURRENDER

James Slayton, CPA Certificate No. 3534R, ceased to be licensed as a Certified Public Accountant in the State of Nevada effective January 11, 2006. Mr. Slayton surrendered his Nevada license in lieu of disciplinary action for failure to disclose a Securities and Exchange Commission (SEC) order that sanctioned and permanently denied the privilege of practicing before the SEC.

Russell Charlebois, CPA Certificate No. 595R, ceased to be licensed as a Certified Public Accountant in the State of Nevada effective March 1, 2006. Mr. Charlebois surrendered his Nevada license based on threat of disciplinary action in connection with complaint allegations filed with the Board.

Board Elects 2005-2006 Officers

Election of officers was held by the Nevada State Board of Accountancy at its meeting on May 20, 2005.



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



Kathy L. Zeller, CPA of Las Vegas was elected as Secretary-Treasurer. Ms. Zeller currently holds the position of Vice President of Planning and Analysis at the Las Vegas Hilton and has served as a member of the Board since October 2003.

2006 Calendar of Important Dates

BOARD MEETING SCHEDULE

May 17, 2006
July 21, 2006
September 20, 2006
November 17, 2006

LAS VEGAS First Republic Bank, 8310 W Sahara, Las Vegas NV 89117
RENO First Independent Bank, 5335 Kietzke Lane, 2nd Floor, Reno NV 89511
LAS VEGAS First Republic Bank, 8310 W Sahara, Las Vegas NV 89117
RENO First Independent Bank, 5335 Kietzke Lane, 2nd Floor, Reno NV 89511

NASBA Regional Meeting

May 31 – June 2 **San Francisco CA**

NASBA Annual Meeting

October 29 – November 1 **Atlanta GA**

2006 LICENSE RENEWALS

The 2006 renewal cycle is now completed. The Board office went through a computer software conversion during the renewal cycle, and everything went relatively smoothly with a few minor bumps in the road. Board staff appreciated your patience and understanding during this transition. This year's on-line license renewal was another great success with 18% of licensees renewing their license on-line at www.nvaccountancy.com.

In an effort to obtain a larger number of licensees utilizing the website renewal system next year, the Board will be offering a reduced license fee as incentive to utilize the website renewal system. Additional changes to the renewal process will allow firms to renew multiple people at one time and pay for the total amount at the end of the renewal session.

There are still some individuals that have not renewed their 2006 license. A licensee in a "pending" status may not perform or offer to perform accounting services or utilize the CPA designation. It is important to remember if you have moved, board rules require you to notify the Board office within 30 days. Failure to receive a renewal notice does not constitute an adequate reason for failure to renew in a timely manner.

Pending licensees are posted on the Board's website and will be reported to those inquiring that the licensee is "not in good standing". To err is human and oversights in these matters due to unforeseen personal or professional circumstances occur. Contact the board immediately if you are among those who have allowed your license to lapse and take immediate steps to renew your status to "good standing".

The following individuals have been issued Formal Disciplinary Complaints for failure to obtain an annual permit, pay the 2006 renewal fee and furnish evidence of compliance with the CPE requirements:

| | | |
|----------------------|----------------------|--------------------|
| Barmak Azadi, | Mark A. Bagaason | Susan A. Baughman |
| John D. Chartier | Pierce T. Clifton | Aaron L. Ezgar |
| Anthony J. Foster | Kevin A. Healy | Joseph L. Leauanae |
| Robert R. Martindale | Warren J. Michaels | Robert E. Mohler |
| Nicholas G. Schiller | Kathy A. Senef | Robert L. Sims |
| Carol L. Tabrizi | Mark T. Thomas | Darren E. VanDover |
| Kelly M. Vickers | Courtney E. Wenleder | James T. Young |

CPA Certificates Issued

126 CPA Certificates were issued during the period March 17, 2005 through January 18, 2006. 82 certificates were issued by reciprocity and 44 by examination.

Certificates issued by reciprocity were:

Arendt, Thomas K.
 Arias, Arminia W.
 Beams, Gregory M.
 Berkley, Judith B.
 Birch, Gerald L.
 Boint, Barbara L.
 Boldt, Timothy J.
 Booth, Julie A.
 Boyle, Gail E.
 Brown, Eugene M.
 Brown, Michelle K.
 Cardin, Julie Ann
 Carlsen, Darin S.
 Chase, Peter N.
 Cheung, Peggy P.
 De Leon, Julio
 DeLuca, Michael F.
 Denton, Christy N.
 DeValk, Kathleen L.
 Drexler, Steven
 Eckert, Gregory C.
 Edmunds, Richard M.
 Eick, Gerald W.
 Enger, Robert E.H.
 Eschenburg, Trista M.
 Finger, Edward M.
 Fink, Robert E.
 Fisher, Elisabeth C.
 Flygar, Brent T.
 Foster, Clifford A.
 French, Michael M.
 Goldfarb, Ralph L.
 Green, David L.
 Hamakawa, Glen I.
 Hannuksela, David B.
 Harris, Roberta M.
 Hawkins, David A.
 Helton, Dale A.
 Hewell, Michael Lee
 Hintz, Thomas A.
 Hockensmith, Robert F.

Holzman, Sheldon P.
 Hyatt, Brent M.
 Hyodo, Catherine S.
 Jackson, Richard E.
 Jackson, Aaron D.
 Kelley, William P.
 Koop, Dion P.
 Kosarko, Matthew
 Kucker, Ryan L.
 Lambrecht, Kirstin L.
 Lantz, Rhonda Kay
 Lim, Kwang H.
 Longoria, Nancy Jane
 Makridis, Maureen A.
 Meyer, Arlan D.
 Mikuckis, Algimantas C.
 Miracle, Scott Patrick
 Mosa, Cara L.
 Nelson, Martin L.
 Nicholson, Chesley D.
 Pennington, Emily Jo
 Peterson, Todd A.
 Plant, Jane A.
 Pollack, Andrew G.
 Prato, Alba Ruth
 Roe, Charles D.
 Sabatini, Sarah C.
 Scofield, Guy A.
 Shields, Steven D.
 Smith, Mindy L.
 Stadtmueller, Roger A.
 Stead, Christopher D.
 Stieren, William J.
 Titcher, Elliot R.
 Van Plev, Susan H.
 Villalobos, Laila A.
 Vosloo, Laurens G.
 Webb, Gail P.
 White, David W.
 Yates, Jennifer H.
 Zuniga, Maria E.

Certificates issued by examination were:

Ainge, Ryan C.
 Anderson, Austin E.
 Austin, Rachael Marie
 Barlow, Corey Ivin
 Boggio, Lenard F.
 Carlon, Lisa Matley
 Clobes, Gregory M.
 Collier, Ted Allan
 Crouch, Michael L.
 Finn, Michael Brennen
 Garbutt, Shane P.
 Glennon, James C.
 Herridge, Jennifer L.
 Hopkins, Gabrielle Ruth
 Houldsworth, Briene Sara
 Iglesias, Maria Del Carmen
 Inouye, Fraser Edwards
 Jensen, Katie Marie
 Joshi, Kedar V.
 Kavakova, Svetla S.
 Kingston, Julia Anne
 Koenig, Edwin Scott
 Larsen, Michelle C.
 Litchfield, Michael E.
 Littlefield, Melanie
 Manuel, Nattaly G.
 McCrossan, James Caras
 McEwan, Michael P.
 Merlino III, Ernest A.
 Nagai, Marumi
 Nimmer, Adam Charles
 O'Grady, Heather E.
 Petrova, Irina S.
 Prodanov, Viktor N.
 Pugmire, Jonathan P.
 Ranz, Jeremy S.
 Rose, Sherrie A.
 Schick, David Christopher
 Shitanishi, Garrett
 Silver, Ryan Jay
 Singleton, Quinton R.
 Strasburg, Rebecca Ann
 Tseng, Kuo-chih
 Wichmann, Gregory S.

Computer Based CPA Exam Statistics

Following are the results and statistical breakdown by category from the past testing windows of the computerized CPA examination.

April - May 2005 Examination Window

| | <u>AUD</u> | <u>BEC</u> | <u>FAR</u> | <u>REG</u> |
|------------------------------|------------|------------|------------|------------|
| Total Examinees by Subject | 34 | 23 | 23 | 20 |
| Examinees Passing by Subject | 20 | 10 | 8 | 5 |
| Percent Passing to Total | 59% | 43% | 35% | 25% |

July - August 2005 Examination Window

| | <u>AUD</u> | <u>BEC</u> | <u>FAR</u> | <u>REG</u> |
|------------------------------|------------|------------|------------|------------|
| Total Examinees by Subject | 36 | 55 | 43 | 47 |
| Examinees Passing by Subject | 23 | 29 | 16 | 16 |
| Percent Passing to Total | 64% | 53% | 37% | 34% |

October - November 2005 Examination Window

| | <u>AUD</u> | <u>BEC</u> | <u>FAR</u> | <u>REG</u> |
|------------------------------|------------|------------|------------|------------|
| Total Examinees by Subject | 39 | 45 | 51 | 47 |
| Examinees Passing by Subject | 19 | 16 | 17 | 25 |
| Percent Passing to Total | 49% | 36% | 33% | 53% |

National Average Passing Rates

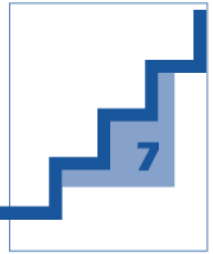
Below are the pass rates for each section of the exam during the 2005 testing windows. Please recognize that you cannot compare the passing rates for the paper based CPA exam and the computerized examination due to differences in format, content, and administrative processes.

| Section | Jan/Feb 2005 | April/May 2005 | July/Aug 2005 | Oct/Nov 2005 | Cumulative Percent pass |
|--------------|--------------|----------------|---------------|--------------|-------------------------|
| AUDIT | 40% | 46% | 45% | 43% | 44% |
| BEC | 43% | 43% | 49% | 42% | 45% |
| FAR | 36% | 44% | 48% | 42% | 44% |
| REG | 35% | 42% | 43% | 40% | 41% |

Top Scoring Candidates from the 2005 Computerized Uniform CPA Exam

The Nevada State Board of Accountancy would like to congratulate the following Nevada exam candidates who achieved the highest scores statewide during the 2005 year. All individuals considered were first time candidates that completed all four sections of the examination within the four windows of testing periods in 2005.

- Ludmila Smith Reno
- Alisha McClellan Las Vegas
- Publio Velasco-Staudy Miami, Florida
- Jennifer Van-Hettinga Las Vegas
- Kathryn Senfield Reno
- Daniel Rondeau Salt Lake City, UT



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

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Viki A. Windfeldt, Executive Director
Leslie C. Walsh, Board Coordinator
Todd J. Russell, Legal Counsel

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Have You Moved?

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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